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Advancing the Blue Revolution: Building Strategic Value Networks for Water

The scale of the challenge posed by climate change, diminishing food security, and inadequate access to clean drinking water and sanitation is increasingly apparent. Underlying much of the current debate on these topics is a single but critical element—water. Not for nothing is water referred to as “blue gold.” Water’s immense value lies not only in its social and health benefits but also in its economic and political dimensions. The Middle East and Africa, in particular, are vulnerable to water scarcity and challenged by poor sanitation. Booming populations and urban economic growth in these regions are placing increased stress on people’s health and livelihoods, and compromising overall water quality and quantity. Escalating competition for financing and water allocation between residential, agricultural, industrial, and energy needs has the potential to exacerbate social, economic, and political instability.

USAID’S INNOVATIVE PROGRAM

Resolving these complex problems requires new strategic approaches. The Advancing the Blue Revolution Initiative (ABRI)—funded by the U.S. Agency for International Development (USAID) and implemented by DAI—seeks to change the culture and governance of

ABRI Objectives

- Improve access to clean drinking water and sanitation
 - Increase water management and water use efficiency
 - Encourage transboundary water cooperation
 - Strengthen policies, people, and institutions
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water in the Middle East and Africa. ABRI will foster this transformation by building awareness of the water crisis and by promoting activities that facilitate multistakeholder networks and dialogue, mobilize new financial and nonfinancial resources to ensure the sustainability of progressive initiatives in the water sector, and build the capacity of regional associations responsible for improving drinking water and sanitation, promoting water use efficiency, and managing transboundary waters.

By looking beyond the traditional “water value chain,” ABRI is engaging new actors who bring to the water debate fresh perspectives and additional resources, and inviting them to co-develop solutions scalable across a country or region. Simultaneously, ABRI is establishing a network of regional and national actors with built-in incentives for collaboration extending beyond the term of donor funding.

STRATEGIC VALUE NETWORKS

Convened by DAI, these “strategic value networks” consist of regional and national associations of private sector industries, water partnerships, research institutes, academia, and nongovernmental organizations (NGOs). Key to our approach is targeting actors that have complementary assets and a stake in a common problem, but have traditionally not worked together (nor necessarily with a development agency).

Regional strategic value networks offer relatively fast and broad information dissemination and are able to adapt and scale successful pilot projects efficiently across a region, resulting in more impact for a given development investment. They also establish links among regional and national players that can be sustained once donor aid is withdrawn.

Multisector Water Partnerships

Global Water Partnership
Global Water Challenge
European Water Partnership
Netherlands Water Partnership
Swedish Water House
Danish Water Forum
French Water Partnership
Japan Water Forum
Northern Water Network

Water Operator Partnerships

Arab Countries Water Utility Association
African Water Association
WaterLinks
Eastern/Southern Water Association
International Water Association

Private Sector Water Task Forces

UN Global Compact – CEO Water Mandate
World Business Council for Sustainable Development
World Economic Forum
Businesses for Social Responsibility

Private Sector/NGO/Academia Networks

Water Footprint Working Group
Alliance for Water Stewardship

NEW STRESSES REQUIRE NEW FORUMS

Multistakeholder forums are not new, but the complexity of the water and sanitation crisis requires new perspectives, novel approaches, and a commitment to involve industries not traditionally considered part of the water sector, such as microfinance, microinsurance, and technology, as well as industries that are often key contributors to a country’s gross domestic product (the construction, finance, energy, and tourism sectors, for example). This approach requires looking beyond the linear utility-customer relationship to include all value chain actors, including input suppliers, artisans, small entrepreneurs, marketing associations, new financing mechanisms, and technology providers in data capture, storage, collection, delivery, and marketing.

The market has responded to the need for innovation in this space. Over the past five years, a plethora of water partnerships has emerged, cutting across sectors—private enterprise, NGOs, research institutes, governments, and foundations—to explore new ways of collaboration in addressing national, regional, and global water issues. ABRI is reaching out to these organizations to strengthen regional value networks to build scalable and replicable solutions.

SECTOR TRENDS

There is a nascent but quickly growing private sector interest in the economic value of water to internal business operations, as well as its impact on supply chains. Driven by a few corporate leaders and multisector business associations, a complementary initiative is beginning to define the needs of the business community and the tools available to deal with water issues. The recently established Water Footprint Working Group and Alliance for Water Stewardship (which focus in part on establishing common processes, definitions, and corporate water standards) are examples of private sector and NGO collaborative initiatives that reflect water’s increasing economic importance—taking an active role that goes far beyond the traditional “corporate social responsibility” model for community engagement.

Other institutions increasingly engaged in the water market are financial and insurance giants such as JP Morgan, Citibank, and ReSwiss. Their research departments are investigating the economic impact of water

and calculating the business and investment risk to which companies are exposed by virtue of water dependency. Similarly, the microinsurance sector is beginning to recognize the economic link between its health, personal, or agribusiness insurance products and its customers' need for clean drinking water, effective sanitation, and agricultural irrigation. ABRI is exploring how to incorporate these various nontraditional water stakeholders into its regional activities and strategic value networks.

CONNECTING THE FINANCING DOTS

One of the biggest challenges facing the water and sanitation sector is the need for innovative financing for entrepreneurial product innovation, household access to finance, and infrastructure repair and development. A growing number of stakeholders are evaluating the potential role for microcredit, social venture capital, and revolving funds to mobilize domestic financial resources. DAI has helped develop some of these new mechanisms, such as a revolving water fund in the Philippines and a microfinance master agreement model between utilities and microfinance institutions (MFIs) for the USAID Environmental Services Program in Indonesia.

While successful, these mechanisms are for the most part confined to their respective projects, and examples of such mechanisms achieving scale remain few and far between. ABRI roundtables on microfinance for water and sanitation—held in the United States and the Middle East—are working to publicize these successes and make them part of the dialogue for regional networks.

With regard to infrastructure finance, ABRI managed USAID's co-sponsorship of the "Financing Water for Growth in Africa" meeting, held in Dakar, Senegal, in November 2008. Organized by the Infrastructure Consortium for Africa, the African Development Bank, and the Public Private Infrastructure Advisory Facility, the meeting brought together some 150 high-level representatives of finance institutions and African water operators to review developments in financing and private sector engagements, and to identify practical steps for action. Mobilization of private domestic capital to fund utility expansion programs—possibly using USAID's Development Credit Authority—emerged as a realistic possibility.

BUILDING ALLIANCES ACROSS ABRI

While strategic alliances generally target a single program or activity, ABRI seeks to build and leverage strategic alliances among formerly unrelated stakeholders and across various regional activities, including its work with water user associations (WUAs) in Jordan, Egypt, and Morocco; roundtables on microfinance, information technology (IT), and the environment; and with the Arab Countries Water Utility Association (ACWUA) and African Water Association (AfWA).

In the Middle East, for example, ABRI is helping ACWUA to strengthen its organization, technical working groups, and regional linkages to the private sector and NGOs, and connecting ACWUA members to regional associations. In doing so, ABRI is seeking to connect ACWUA members to regional associations that can offer new perspectives on resolving water issues for the poor—associations such as SANABEL (a microfinance network) and RAED (for environment and climate change issues).

ABRI is also reaching out to international business and professional associations such as the American Chamber of Commerce, the International Water Association, and the World Business Council for Sustainable Development to bring in new resources and develop conferences that support ACWUA's organizational, membership, and technical working group needs. In the process, the program will forge a strategic value network to sustain multistakeholder dialogue into the future.



WUA workshop participants, Amman, Jordan, December 2008.

In Sub-Saharan Africa, ABRI is exploring various networks to connect with utility associations and enhance the reach and impact of water and sanitation services to the poor. By connecting MFIs, women's groups, technology solutions, business associations, and training organizations, ABRI is striving to build strategic value networks for the African Water Association and for USAID missions to leverage.

To increase awareness of water challenges and opportunities in the Middle East North Africa (MENA) private sector, ABRI is collaborating with the Jordan and MENA American Chambers of Commerce to design the water panel for the Energy, Water and Environment (AJEX) conference to be held in Amman, Jordan, in May 2009. MENA businesses are intrigued by market opportunities in water and energy, and how the private sector can reduce its water footprint (consumption).

One sector to highlight is IT, which is looking to deepen its engagement with the water sector given the great potential for data management and other tools to improve the efficiency and financial return of water resource management. FABRI seeks to engage multinationals such as Oracle, Cisco, and Microsoft, and technology product and service providers from the Middle East in roundtable discussions on IT for water.

ABRI is also facilitating multistakeholder dialogues for WUAs in Jordan, Egypt, and Morocco. For the first time, export associations, agricultural research institutions, financing institutions, community NGOs, input suppliers, and ministries of agriculture and water/irrigation are meeting with WUAs and their member farmers to discuss new ways for each stakeholder group to engage with and support the WUAs in better managing their scarce water resources while also providing new market linkages to increase the farmers' economic value and the associations' political clout.

TO LEARN MORE

If your organization is interested in learning more about these activities and how to join ABRI's strategic value networks, please contact Kristina Kohler at kristina_kohler@dai.com.

Kristina Kohler has 20 years of experience in product and market strategy development, business model analysis, partnership development, and strategic marketing in both the private and nonprofit sectors. Her experience spans water, technology, financial services, consumer goods, retail mail order, product security, and nonprofit management. She holds an M.B.A. from the University of North Carolina, a certificate in pro-poor value chain and enterprise development from the Microenterprise & Development Institute at the University of Southern New Hampshire, and a B.A. in international relations from Dartmouth College.



Sociologist **Nemat Guenena** has 25 years of experience in social and economic research, providing support to international donors, private sector organizations, and governments in Egypt and the Middle East. Her experience encompasses enterprise development, microfinance, water and waste water, gender, child labor, health, cultural heritage, and tourism. Since 1991, she has held the positions of Director for Socio-Economic Research, Vice President for Policy & Governance, and Senior Technical Advisor at Environmental Quality International.



Jeremy Hagger has 30 years of experience working in infrastructure finance and development in Eastern, Western, and Southern Africa, and has specialized in the water and sanitation sector for the past decade. For 25 of those years, he was a Foreign Service Officer with USAID.



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