

THE POWER OF PATIENT CAPITAL: RISE TEAMS UP WITH INSITOR TO ENCOURAGE SUSTAINABLE EXPANSION FOR SOCIAL ENTERPRISE KHMER WATER SUPPLY HOLDINGS

Founded in 2013, Khmer Water Supply Holdings (KWSH) is a social enterprise on a mission to increase safe water access by delivering piped water to remote areas in Cambodia, where four million people still do not have reliable sources of clean water in their homes.



KWSH's goal is to fill a pressing need for safe water in Cambodia, in turn cutting down on disease and other health concerns caused by drinking and bathing in contaminated water. The company is also invested in the additional benefits that come with access to safe water, which is linked to greater economic productivity, more extensive education, and increased family savings.

fund management company Insitor Partners, KWSH established a partnership with the Regional Investment Support Entrepreneurs (RISE) project, implemented by Swisscontact Cambodia and funded by USAID.

The RISE Platform, which includes a Technical Assistance (TA) Facility that was created to support businesses that generate positive social and environmental impact, was able to provide KWSH with much-needed assistance, highlighting the importance of patient capital in supporting the growth of social enterprises.



A KWSH beneficiary at Tram Khnar. Three years ago, she relied on truck deliveries of water from unknown origins. But now through KWSH she has access to clean piped water, which is cheaper, safer, and more reliable and convenient. Photo credit: Leap Philanthropy.

To date, KWSH's portfolio includes three micro water utilities that cover license areas of 21,000 households. The company intends to pursue considerable expansion soon, bringing clean water to more households within its geographic licensing area and investing in additional utility stations.

The social enterprise, however, recently encountered a challenge that proved a barrier to its growth, and which required significant funding and expertise to address. Assisted by venture capital

The Challenge

To succeed in any industry, nascent companies must innovate continually, maintain efficiency, and operate with an eye on growth. As a company scales, however, it is increasingly important to update processes that allow it to monitor its own expansion, improve upon customer acquisition, and make informed decisions about its future activities.

Social enterprise KWSH encountered a challenge in scaling when its growth began to outpace the technology it had in place to monitor its expanding data points. On the company's aging computer system, it was becoming increasingly difficult to monitor each utility's performance or efficacy of the company's marketing and sales strategies. Without the ability to collect and analyze a multitude of pertinent data points, KWSH could not improve upon its projections regarding household water consumption or general utility performance.

Insitor Partners assisted KWSH in identifying its challenges and presenting possible solutions to address these challenges. "As a hands-on investor, Insitor Partners worked closely with KWSH over

the past year to identify and problem-solve for obstacles that may hinder scaling,” said Nicholas Lazos, Partner & Chief Investment Officer at Insitor Partners. “The need for a more advanced CRM system emerged as crucial for KWSH to achieve its long-term objectives and grow in a sustainable manner.”

Though the company realized its need to install a Customer Relationship Management (CRM) system and Enterprise Resource Planning (ERP) system, it did not have the capital to allocate to the project, as its resources were earmarked for use in building water treatment plants, laying pipelines, and acquiring additional utility stations. Nor did KWSH have the expertise necessary to identify a viable software vendor who could create these new systems and tailor them to meet the company's specific needs.

The Response

Committed to providing hands-on strategic support, Insitor Partners, a shareholder in KWSH since its establishment, recognized KWSH's challenge and introduced the company to RISE, whose TA financing solutions proved ideal to meet the challenges KWSH was facing.

The RISE model is a flexible one, reliant not on a complex screening process but on a set of basic criteria that include the investor company's viability for social impact -- criteria which KWSH's social mission ensured it met. RISE engaged in a formal partnership with KWSH in March and provided the company with an affordable financing solution for the TA the company required, covering the costs of hiring a consultant to design the new system, training the team on how to use the new solutions, and refining and improving the system as it is implemented.

The parameters of RISE's post-investment TA product, a discounted repayable grant, are especially attractive: RISE provides a 25% discount on the cost of the TA, requires a 5% down payment, does not charge interest, and requires a small tranche payment one year after TA delivery before charging a larger tranche payment in the following year.

“RISE has offered KWSH a repayable grant to fund the tech project so that they don't have to divert resources from pipeline expansion projects at this

critical juncture,” said Lazos. *“RISE's repayable grant is a great innovation in the TA delivery space.”*

In addition to providing the funding, RISE also assisted KWSH in the recruiting and vetting of TA service providers. Insitor consultants enumerated the necessary and preferred technical specifications and features of KWSH's new TA system, and RISE then used this information to draft a ToR and contact local and regional consultancies well-suited to provide these requirements. RISE vetted three different vendors' proposals, then KWSH and Insitor scored each proposal in order to make the final choice.

Though a vendor has been identified, RISE's involvement in the project is continual. RISE representatives will check-in periodically to ensure all parties remain content with the partnership, will manage payments to the consultancy as required, and will collect a set of KPIs on KWSH for the next two years to identify how the company is growing and how it has benefited from the newly installed solutions.

“RISE was designed to support social impact companies in the region. We are excited to help a company like KWSH to identify local and regional CRM experts,” said Sokhuy Lay, RISE TA Facility Manager. *“We at RISE see the potential for a CRM system to provide robust business intelligence and guide strategic decision making for the company. We believe this will assist KWSH to grow more rapidly, which is good for the company and also good for rural Cambodians who need better access to clean piped drinking water.”*

Benefits of the new CRM System

The new Customer Management (CRM) and Enterprise Resource Planning (ERP) system, when designed and developed for KWSH by the recently identified vendor, is expected to meet several major objectives, including:

- 🌐 Transforming the means by which customer data is currently filed, storing all documents on a CRM cloud solution;
- 🌐 Streamlining digital work order within the cloud; and
- 🌐 Altering inventory management to ensure the system is easily updated and maintained.

These TA solutions will provide visibility across the entire KWSH portfolio and assist management in making informed decisions as the company expands.



The Future

Infrastructure companies like KWSH require considerable upfront investment in order to build and install the assets that allow them to operate. The company's financial and social returns rely on a high rate of asset utilization, which means that KWSH's financial objectives are -- first and foremost -- to invest in its physical utilities over all else. Therefore, RISE's patient financing of new technical solutions for the company has proven so beneficial: it allows KWSH to maintain its focus on its social mission, investing in physical assets without being hindered by an aging technical system.

By the end of 2019, KWSH intends to begin operations at two more micro water utility stations, in turn acquiring the licenses to serve an additional 16,000 households and bringing the total number of homes it is licensed to serve to 37,000. It will also be expanding its service to more households within its current licenses, with the goal of expanding distribution capacity to cover 90% of the households within its licensed territory and adding a minimum of 10,000 to 20,000 new households to its portfolio annually.

As the company engages in a fresh round of fundraising this year, the promise of its soon-to-be-installed CRM system -- made possible through the RISE program -- contributes to KWSH's increasing attractiveness to potential investors. KWSH's mission of providing clean water to underserved communities is one that has been shown, over time, to spur economic growth and improve educational outcomes in the communities it impacts. Thanks to the patient capital the company has attracted thus far, it will be able to extend access to clean water to thousands of households.



Pouk Station Manager supports pipeline welding training at Chhlong Station. Successful scaling the KWSH infrastructure will require significant human and financial resources in order to extend safe piped water to a greater number of rural consumers.

**FOR FURTHER INFORMATION, PLEASE CONTACT
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