

# Matt Damon & Gary White

IN 2006,

MATT DAMON

FOUNDED A CHARITY called H2O Africa to raise awareness about the immensity of human suffering and death for want of clean water and sanitation.

Every two minutes, a child dies from water-related disease. Annually, nearly 1 million people die from water, sanitation and hygiene-related disease. Worldwide, more people have a mobile phone than have a toilet. • But the actor who performs super-human feats on screen realized that he lacked the expertise needed to solve what he has called “the beautiful complexity” of the world’s water-and-sanitation problem. His search for the ideal partner ended when he met Gary White, who from a modest office in Kansas City had earned an international reputation as an authority on water and sanitation. • When the pair first met at the 2008 Clinton Global Initiative, Mr. White was running WaterPartners, a nonprofit he had founded almost 20 years earlier and through which he had pioneered an unconventional but effective model to deliver water and sanitation in low-income countries.

It was an area of human development where organizations from the UN and World Bank to small NGOs had spent billions of dollars over decades, often with disappointing results.

As Mr. Damon told the Review, Mr. White’s insight was that market dynamics for water had to be part of any sustainable solution because “people were already paying for water. And often the poorest people in the world were paying 10 to 15 times what the middle class were paying because they weren’t connected to the existing infrastructure.” • Mr. White’s experience had shown that the tool most people needed to access clean water wasn’t a drill rig or a grant, but rather an affordable loan to pay for water in a way that made sense for their circumstances, and for which they felt real ownership. Seen that way, clean water no longer became a gift to bestow upon people living in poverty, but rather a product they needed help purchasing. That shift in thinking had started water flowing to poor communities across the world. • The pair combined their organizations in 2009, and Water.org was born. Today, using a blend of innovative financing techniques and working with partners across the private and public sectors, Water.org is helping thousands of poor communities and millions of people gain access to clean water and decent sanitation. And it is doing so sustainably, bringing benefits year after year to the communities it reaches, and in ways that every CEO and investor can appreciate: with verifiable numbers and results. • People who matter are taking notice. Messrs. White and Damon, in partnership with other organizations, engaged with officials from The Reserve Bank of India, the country’s central bank, to advocate for policies that have encouraged more affordable water and sanitation loans countrywide, while Water.org has built partnerships with large foundations (including the PepsiCo and IKEA foundations), leading businesses (including Bank of America and Anheuser-Busch InBev), and with organizations like the WHO and World Bank. Charity watchdogs invariably rate Water.org as among the most efficient nonprofits. • The organization’s journey began

The **WATER.ORG** founders argue that the way to bring clean water and sanitation to the poor of the world at scale isn’t by drilling wells or installing toilets. Nor is it through charity alone. The solution, they say, is market-based financing.



ILLUSTRATION: NIGEL BUCHANAN

three decades earlier in a tan-bricked Knights of Columbus banquet hall in Kansas City, Missouri. It was there, in his hometown, that Mr. White held his first fundraising dinner. “I invited about a hundred family and friends to learn about the issue and raise some money. And then we supported a water project in Honduras.”

Mr. White, then in his 20s, received pro-bono help from friends but was his organization’s only full-time employee for about two years. Inspired by the example of Mother Teresa and the Christian Brothers who had taught him in high school, he initially drew no salary, then put himself on the payroll at a starting wage of \$100 per month.

“It really was just brick by brick,” Mr. White says of the foundation’s growth. “This is pre-internet; all fundraising was analog. Nonprofits sent out newsletters and held events. That’s how you raised money as a grassroots organization. Once you got bigger, then you slowly cracked into the foundations and corporate sponsorships. But in the early days, all we had were those fundraising dinners. We were in Columbia, Missouri, for a while, and it was a pretty big leap to get to Kansas City,” Mr. White joked.

Water.org remains headquartered in Kansas City, whose airport offers non-stop international flights only to Mexico, Canada and Iceland. But its programs reach more than 1 million people every quarter across Africa, Asia and Latin America. A partnership between Water.org and Stella Artois saw Mr. Damon star in a 2018 Super Bowl commercial broadcast to an estimated audience of more than 100 million. The organization now employs more than 100 people and has used philanthropy to help create a loan portfolio of more than \$1 billion. It has also launched a standalone organization, WaterEquity, that delivers returns to investors as it brings clean water and sanitation to the poor. It’s a model that taps into sources of funding that traditionally would not or could not go near such investments, deeming them too high-risk and low-return.

You’d expect Mr. White, who boasts more engineering diplomas (three, two of them graduate degrees) than he does tweets (two, including one that reads “test”), to focus on Water.org’s work behind the scenes, and for Mr. Damon, as an international movie star, to show up and discuss that work publicly. But no such division exists. In global development circles, Mr. White is a rock star, and at Water.org Mr. Damon is known for getting his hands dirty. Mr. Damon “is not a spokesman for Water.org,” says Jennifer Tisdell Schorsch, Water.org’s President. “He is a

true co-founder. He’s deeply involved in developing strategy and new ideas.” Mr. Damon also remains the organization’s largest individual donor.

Though Water.org and other organizations are seeing progress—“Over about the last 20 years, more than 2 billion people have gained access to water for the first time,” says Mr. White—the need remains desperate. One out of nine people worldwide lacks access to safe water. One of three lacks access to sanitation as basic as an outhouse.

On a trip to Central America decades ago, Mr. White recalled visiting a village that lacked clean water and being struck by “how many above-ground graves there were, and how small most of them were.” Sadly, those small graves are still erected today: Water-related disease continues to kill more children than AIDS, measles and malaria combined.

Beyond the human tragedy, this water crisis also carries a steep economic price tag. The World Health Organization estimates a lack of basic water and sanitation results in a loss of \$260 billion in global productivity each year. This loss accrues in daily sacrifices borne disproportionately by women: Every day, women and children spend 200 million hours finding and collecting water for drinking, cooking and washing, while women and girls spend even more time—266 million hours—each day searching for somewhere to urinate or defecate. This is time not spent with their families, time not spent learning (and on average, each additional year of primary education increases a woman’s earning power by 15–25 percent), time not spent at a job—time which a simple toilet and/or faucet could reclaim.

The acerbic author and journalist H.L. Mencken wrote that “There is always a well-known solution to every human problem—neat, plausible, and wrong.” The neat, plausible solution for the water and sanitation crisis would seem to be to raise as much money as possible and then use it to drill wells and install toilets. But such a well-intentioned approach is often unsustainable. After wells are drilled, more money is needed to maintain them, beginning the seemingly endless cycle of raise-spend, raise-spend. It also smacks of paternalism for outsiders to build what they believe the poor need.

Such an approach can also prove lethal. If wells aren’t maintained, the water they yield can become contaminated and toxic; toilets that cease working can become a source of disease rather than a tool for better hygiene. One 2009 report by the International Institute for Environment and Development cited \$360 million that had been wasted on water projects in rural Africa and 50,000 “water supply points”



School children enjoy clean running water from a faucet (top), while a simple outhouse and toilet provide basic sanitation—and dignity. Water.org helps people and communities secure financing to build such facilities in 13 countries across Latin America, Africa and Asia, reaching more than 1 million people every quarter.

PHOTOGRAPHS: COURTESY OF WATER.ORG

## MATT DAMON on life, water and President BILL CLINTON

**The stories you’ve told about your work are so dramatic, so life-changing and inspiring. Is it ever difficult to switch gears, stop thinking about water and focus on your other responsibilities?**

If I’m on a movie I’m working 15 hours a day, but if I’m not I’m with my family or I’m doing this, and it makes for a full and fun life.

The problem’s not going to go away if we all don’t get in there and mix it up a little bit. More kids are dying from this than from AIDS, measles and malaria combined.

It’s the most serious problem out there, and we need to approach it just as seriously.

**The issue is complex, as is Water.org’s micro-finance driven approach. How do you convey the nuances of both in a landscape when attention spans are shrinking and the interest in soundbites is increasing?**

It is our first hurdle because people in the West find it hard to relate. It is not like cancer or AIDS, where most people know someone who is affected. This is where our partners come in.

Our collaboration with Stella Artois provided us access to some of the top professionals in marketing and messaging. Where we struggle to explain the complexity of the issue and our model, their team can go right to the core message that will resonate

with their customers. The same holds true of our partnership with Bank of America. They showed us how to package a blended finance deal that is attractive to investors; create tranches to spread risk and then they showed us how to speak to the interests of potential investors.

**What’s the best piece of advice you’ve received from a fellow philanthropist or social investor?**

The best advice I ever received on this came from President William Jefferson Clinton. He said, “just keep running those numbers up.” And that is what we do. Run the impact numbers up while pushing the costs down.

across the continent that were no longer accessible.

Frustration over flawed projects and disappointing results helps explain why water-related investments and grants are falling far short of what’s needed. To reach the UN’s goal of providing clean water and sanitation globally by 2030, the World Bank estimates that annual investments and grants would need to jump more than 10-fold, or almost \$90 billion.

Meanwhile, rising temperatures raise the danger of catastrophic drought as expanding populations exacerbate water scarcity. Expecting budget-constrained governments to close the gap seems more hopeful than strategic; making philanthropic dollars stretch further is important but not sufficient. So the spotlight turns toward the private sector, with its unique incentives, its vast resources and its global reach.

This will trigger some understandable skepticism. If past money failed to solve the problem, why would future money fare better? The answer is that more money alone will not; but money handled with the discipline of the market can and will—and is.

“Addressing water and sanitation is, in many respects, about addressing a financing gap,” says Mr. White. “People living in poverty are willing to meet us halfway—if they can get access to affordable financing, they can basically become their own solution.”

“Imagine a slum in India,” says Mr. Damon. “The municipality in India is pumping water right underneath their feet and they’re just not connected to it. It’s going to the hotel down the street.” By no means localized to India, the challenge isn’t bringing clean water to people, it’s helping them buy access to it.

“Gary took the concepts pioneered by Muhammad Yunus [a Nobel laureate for his work in micro-finance] and applied them to the water sector,” says Mr. Damon. “At the time this was a bit of a thought leap for people because it wasn’t an income-generating loan; it was an income-enhancing loan. Somebody who was working a job, who was living in this slum and not connected to the infrastructure, they would take time away from their job to go queue up and get water at an appointed time. So Gary said, ‘Well, if we could buy them that time back and connect them directly, I bet they could pay this loan off.’”

Water.org helps provide those loans through two main avenues: First, what it calls “catalytic philanthropy,” and second, through what it calls “blended financing.”

Its catalytic philanthropy runs through its WaterCredit program, which doesn’t directly loan to people, but rather helps local institutions do so (the average loan ends up being about \$360) by provid-

ing those institutions with subsidies that range from about \$75,000 to \$200,000 a year. These subsidies cover things like market research, hygiene education and loan product development, and one of the conditions attached to them is that the institutions monitor and report their loans, which Water.org then verifies.

To date, Water.org has used \$29 million in grants to help build a loan portfolio of roughly \$1.7 billion—in other words, every dollar Water.org has granted has catalyzed \$57 in loans toward water and sanitation. And since 99 percent of those loans are repaid, this capital is recycled, funding other loans—loans that measurably improve their recipients’ lives, most of whom (88 percent) are women. In India, slightly more than half (53 percent) of WaterCredit borrowers were earning at least \$47 per month before taking out a loan; 97 percent had reached that level after paying the loan back.

Mr. White, perhaps no longer content with the “brick by brick” pace which defined the organization’s early days, told the Review he has a strategy in place for Water.org to mobilize an additional \$3.8 billion and reach a total of 60 million people by 2020—all that is lacking are the funds to do so.

“It strikes me how much like working for Howard Schultz it is to work for Gary White,” says the organization’s President, Ms. Schorsch, who was a senior executive at Starbucks for more than eight years. “What I mean is Gary is highly impatient to deliver scale and impact. He is constantly looking over the horizon for what’s next: How we can innovate, how we can accelerate what we’re doing now to build a still greater and more powerful solution to the crisis.”

There is plenty of demand for Mr. White’s impatience. The Bill & Melinda Gates Foundation estimates a \$12 billion market for water microfinance; Deloitte estimates the market for toilets in rural India alone to be as large as \$14 billion. The idea to open these underserved markets to return-seeking investors began with a discussion between Messrs. White and Damon in the back seat of a Jeep in India. That conversation eventually crystallized into the now standalone organization WaterEquity.

Whereas Water.org and its WaterCredit solution are philanthropic, WaterEquity raises funds that offer returns. Unique about these funds is their blending of philanthropic capital with institutional investor funding. Since only a portion of the fund’s investors are seeking returns, those returns can be higher than they otherwise would be, making them more attractive. This may sound like philanthropic capital simply lining the pockets of the already well-

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endowed, but it allows WaterEquity to approach some of the world’s largest asset managers, which can legally invest only in opportunities that provide certain returns. And it has the potential to attract investors who have long considered low-income markets not worth the risk—all in the name of improving the lives of people living on less than \$5 a day.

In disbursing that money, WaterEquity follows a similar approach to its philanthropic cousin. “We’re basically leveraging Water.org’s extensive partnership network to find financial institutions globally,” says Tom Light, a former investment banker at UBS who is WaterEquity’s Managing Director. “These banks take our \$3 million investment, let’s say, and they chop it up into \$280 loans, and they loan it out to thousands of people to build either water connections or toilets for the first time.”

Mr. Light says about 90 percent of WaterEquity’s funds are directed toward these local financial institutions, with the remainder invested in small- and medium-sized businesses like local utilities or equipment manufacturers. But again, their role is financing, not building or operating. “Why would you create a business if the ecosystem already had it?” says Mr. Light.

In April 2019, WaterEquity closed a \$50 million fund—nearly double the total amount WaterCredit has granted since its inception—and is in the process of developing a larger fund, suggesting it could bring greater amounts of capital to bear on the issue than mere philanthropy could.

“People shouldn’t think differently of us because we’re a non-profit investment manager,” says Mr. Light. “We are institutional quality. We do exactly the same thing that I did with my prior firms. Our credit policies, our due diligence process, our regulatory affairs department—everything is exactly the same.”

Cynics of its approach and of impact investing more broadly may be troubled by the idea of providing basic necessities to the poor only on the condition of a financial return. Mr. White responds that what matters is what’s best for the poor. “If we can move large amounts of capital towards those living in poverty in a way that actually makes them better off and isn’t usurious, then we’re going to pursue that,” he says. “It’s not philanthropy or nothing.

“Do you curse the darkness or do you light a candle? Do you say, ‘You banks should give water to everybody for free?’ Or do you say, ‘OK, here’s a way you can make a modest return?’ Or to a high-net-worth individual, ‘Here’s a way that it can be win-win?’ I’m much more about lighting candles than cursing the darkness.” ♦

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