



STAKEHOLDERS REPORT – S1 2020



HIGHLIGHTS

Key figures (as of end June 2020)

- **265** water kiosks in operation in 4 countries: Cambodia, Madagascar, Myanmar, Vietnam
- **800,000+** end-consumers, including **300,000** children receiving free safe drinking water at school
- **800** sustainable jobs created in the field

A high operational resilience to the COVID-19 pandemic

Thanks to the dedication of our teams, 1001fontaines has **maintained operational continuity** in the 4 countries, and no water kiosk has had to face a shutdown to date. This decentralized model has proven very resilient to such crisis, with entrepreneurs able to purify, bottle and deliver safe water with precautionary hygienic measures, but overall low required changes in their daily routine.

We remain vigilant about the middle and long-term consequences and are **getting ready for the “new normal”**, with higher leverage of our last-mile distribution network for awareness, and adaptation of our operational and monitoring processes to ensure safety of teams, entrepreneurs and beneficiaries.

A grade of excellence for our Cambodian project: 17/20

In March 2020, we received the external evaluation report of the Cambodian “Camp IV” project, a 4-year deployment phase aiming to achieve country-level impact and financial sustainability on operations. The 2016-2019 project was implemented successfully, and this got translated in the excellence grade of 17/20.

The consulting firm Sevea notably acknowledged that “*the project finds its legitimacy in the needs and expectations of the rural population*”, while our local partner, Teuk Saat, “*successfully managed to achieve all its targets [and] can ensure the conditions to self-support sites, platforms and the sustainability of the whole model.*”

First sites opened in Myanmar

1001fontaines started operating in Myanmar in January 2019, with the launch of a 2-year pilot phase. After several months of building the capacities of the local teams, mobilizing communities and preparing the building, our very first water kiosk in the country opened its doors in November 2019. The second followed in January 2020. Both have received great enthusiasm from the local population, and the sales results over the first months of operation are very promising.

We are proud to have to date **1,200 beneficiaries**, with our water kiosks selling an average of 45 jugs every day.



UPDATES ON THE COVID-19 SITUATION

ENSURING OPERATIONAL CONTINUITY

With the pandemic spreading in our 4 countries of operation, we implemented a two-fold strategy to ensure the best response to the crisis at our level.

1/ Ensuring the safety of our employees, the entrepreneurs, and our consumers

The following measures have been introduced:

- All employees in our 4 countries have been made aware of and trained to preventive measures;
- Our 250 purification plants, which already meet the quality and hygiene standards essential for the supply of drinking water at WHO standards, are subject to enhanced support: quality controls, letters of information, distribution of 12,000 masks and 8,500 soaps, 24/7 hotline...;
- Our water quality laboratories have started producing hydroalcoholic solutions, ensuring the supply of 1,750 bottles;
- The required consumables and spare parts have been ordered in larger quantity and supplied to the kiosks to maintain their stock in case of lockdown or supply chain disruption;
- The procedures for home-delivery and client engagement have been updated to ensure social distancing and hand-washing facilities.

Thanks to these actions, **all our water kiosks have been able to continue delivering safe drinking water** to vulnerable communities, despite partial lockdown in Madagascar and travel restrictions in Myanmar.



New operational methodologies to ensure social distancing





ENSURING OPERATIONAL CONTINUITY

With the pandemic spreading in our 4 countries of operation, we implemented a two-fold strategy to ensure the best response to the crisis at our level.

2/ Leveraging our last-mile distribution network to reach out to remote communities



In Cambodia, we partnered with UNICEF to spread information about the virus, its effects and the precautionary measures to rural communities. Within 2 months, our water entrepreneurs were able to share 10,000 posters and 260,000 leaflets, thus **reaching 500,000+ people**, while the central teams sent push-SMS on hygiene practices to over 60,000 people.

In Madagascar, our teams **designed a water dispensing system limiting hand contacts** and thus the risk of contamination. This system is now being shared with public authorities, schools, and available at our water kiosks.

Example of awareness leaflet provided by UNICEF

Overall, the water kiosks have proven being excellent vectors and relays to disseminate prevention fast and ensure steady supply of healthy water, showing a high operational resilience to the crisis.

ANTICIPATING THE NEW NORMAL

Though we have been able to sustain the operations in the past months, this crisis has revealed opportunities to adapt our model and better leverage it for the vulnerable communities.

1

The first and most obvious point is that we will need to place a **stronger focus on awareness raising**, where we were acting more on “social marketing” to make our product valued and attractive.

We believe it is part of our mission to further highlight the **importance of WASH for health in the post COVID-19 context**, to ensure the good hygiene practices are implemented locally. This would **enhance the future resilience of communities to such pandemics**.

2

Still looking at expanding our impact for the end-consumers, we see a scope to diversify the products we deliver to the rural populations. Though we performed it for free during the COVID-19 pandemic, we saw the capacity of our entrepreneurs to distribute soaps to their clients, without any specific operational difficulties.

This encourages us to explore the relevant options to **widen the portfolio of products, keeping the objective of improving health and hygiene**.

3

The restrictions on travel and physical meetings have also stressed the need to **further leverage digital in our operation and monitoring processes**. We should be able to provide continual support to our entrepreneurs without an on-site presence.

This could include remote monitoring of the water production and quality thanks to connected sensors, mobile apps for sales and expenses' recording at entrepreneurs' level, digital training courses for continuous coaching, ...





COUNTRY-BASED REPORTS



CAMBODIA

Cambodia is the flagship program of 1001fontaines, where we started working in 2005. Our ambition is to achieve a country-level impact and to have our local partner organization, Teuk Saat, become a self-sustained social business.

Achievements

To date, we have **245 active kiosks** in the country, across 19 provinces out of 25. With a catchment area of 2.5 million people, we cover **25% of the country's rural population**, and serve 760,000+ consumers on a daily basis. This massive presence is getting further expanded, with 30 to 40 new water kiosks to be opened every year up to 2024.

These efforts have brought Teuk Saat to being in capacity to **breakeven in 2020** on its franchise operations at country level, thus ensuring the durability of the support to the 245 entrepreneurs.



10 new water kiosks opened during the COVID-19 pandemic

Learnings

With the external evaluation of our last project phase early 2020, we got the confirmation of the quality of operational implementation, with the grade of excellence of 17/20. The report also highlighted some key elements to take into consideration in the coming years.

The first one is the need to **strengthen our license-to-operate** with the public authorities, in order to position Teuk Saat as the prime partner of the government for access to safe drinking water in rural areas. This would open opportunities for deeper partnerships, involving institutional funding and official integration in the government's strategy.

The second key learning from the external evaluation is the huge opportunity that lies in **supporting the monitoring of water quality**, for both piped supply and bottled water. A study conducted jointly by Teuk Saat and WaterAid highlighted the major problem of quality on the market, with compliance rates for bacteriological contamination lying below 30% for the tested piped suppliers, slightly above 60% for the tested bottled water providers, while Teuk Saat was reaching 96% of compliance. This shows the legitimacy of Teuk Saat on the question of water quality, and gives us the opportunity to leverage our network of regional laboratories to help better monitor the quality on the market and enforce the relevant standards.



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Perspectives

We will continue deploying water kiosks across Cambodia, with the first-of-its-kind ambition to cover 100% of the rural communes having 10,000+ inhabitants. This means growing from 245 to 420 water kiosks by 2024.

By end 2020, we expect to have **260 active water kiosks**, and **one additional regional platform located in Siem Reap** (North).

From an innovation standpoint, we are currently designing a project to **optimize the water kiosk**, called the “5G project”. It will encompass the automation of laborious tasks of the water production, the further integration of digital to increase operational efficiency, reflections on a modular design enabling the coverage of larger communes, and on improving the plastic value chain by adopting a circular economy approach for our jugs and entering the recycling market.

This project is essential for Teuk Saat to achieve its operational objectives, and to ensure our model remains relevant in the evolving context of rural Cambodia.



COVID-19 prevention by the entrepreneurs

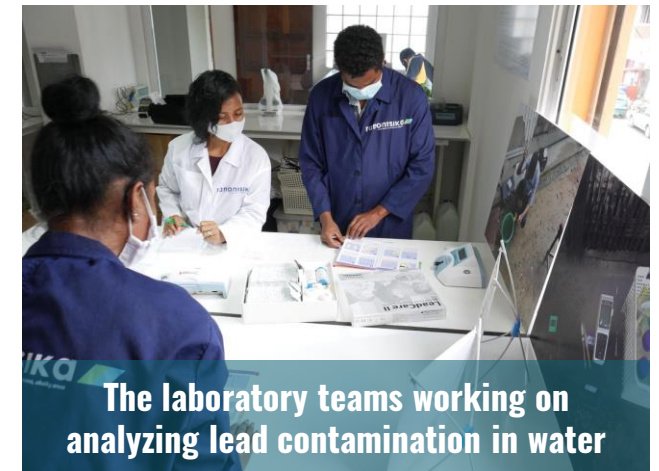


Madagascar is the country where we first started replicating our approach, with our partner Ranontsika. Since 2008, we have demonstrated the model's capacity to fit in an extreme poverty context. The ongoing project phase aims at reaching financial sustainability at regional level and preparing the expansion.

Achievements

In order to reach financial sustainability at regional level, our teams designed an innovative project to provide safe drinking water in the urban areas of Tamatave, the main city of the East Coast. A **large water production facility** was set up in 2019 in the outskirts of the city, acting as a Hub for **several selling spokes installed in different locations of Tamatave**. These spokes have been progressively launched in the past months, and despite a soft opening strategy and the outburst of the COVID-19 pandemic early 2020, **their sales performance has shortly reached satisfying levels**. This places us on track to achieve our financial objectives by 2022.

Another recent achievement is the strengthening of the local teams, with the structuration of a **robust Operations department**, able to follow the existing 17 kiosks and provide support to the entrepreneurs. The recruitment of a Marketing & Operations Manager in May 2020 to supervise this department has been a decisive step, with an onboarding facilitated by experienced staff from our other country projects.





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Learnings

With the beginning of the urban project, and the sales of services by our laboratory, our local partner organization Ranontsika entered into activities more commercial and competitive than the provision of safe drinking water at an affordable price in remote rural areas. This led us to **reorganize the local entity**, and actually divide it in two: Ranontsika, the NGO supervising the rural water kiosks and implementing charity activities such as the Water in School program, and COLAB, a for-profit subsidiary created early 2020 to manage the commercial activities of the urban project and the laboratory. COLAB is entirely owned by 1001fontaines, thus guaranteeing that the profits will be used to further deploy the NGO projects.

This new legal structure is inspiring for our other country projects, and especially for Cambodia, where the franchise activities will breakeven in 2020. It paves the way to a clearer separation between the project deployment and the franchise, which we will investigate in the coming months.

Perspectives

The ongoing project phase, called Phase 3, will go on for the next 2 years, with more capacity-building and innovation efforts to come.

The teams will **upgrade the marketing strategy**, in order to increase customer loyalty and to grow the sales of all the existing kiosks. This will notably include training for the sales teams and the entrepreneurs, seasonal promotions, and schemes for client recruitment.

To strengthen the economic viability, innovative pilots are also to be implemented, such as **designing an efficient collaboration between piped supply providers and Ranontsika** at village level, to mutualize technical maintenance and performance monitoring.

Once these pilots and capacity-building projects bring the required learnings, the **national scaling strategy** will be finetuned to identify the next location for a platform, and the relevant features to replicate (urban Hub & Spokes approach, combining kiosk and piped supply...).



MYANMAR

1001fontaines started working in Myanmar in February 2019, with the ambition to replicate the Cambodian model and to bring the project to scale much faster than what we have been able to do in Cambodia, by capitalizing on our 15-year experience.

Achievements

The pilot phase has so far brought very promising results. The first two water kiosks were launched respectively in November 2019 and January 2020, and encountered a great enthusiasm from the local communities.

Water station committees, composed of elected members of the villages, were set up for each kiosk, and trained to promote the project in the communities and support the entrepreneurs in sustaining their activity. Another illustration of the communities' involvement in the project is their active participation in the definition of the water brand. After consulting them through focus groups, the "**Daw Ahnya**" brand was designed and successfully launched. Meaning "Our Dry Zone", it highlights the importance given by the local communities to their region.



Daw Ahnya, the local brand designed with the communities

99%

Of our consumers satisfied with the water quality

Quality is the first reason to purchase Daw Ahnya

Learnings

In order to adapt our model more rapidly to the local context, 1001fontaines opted for a **partnership strategy**, to join forces with a like-minded organization already having the license to operate, and the understanding of Myanmar communities.

Network Activities Group (NAG) was identified in 2018 as the most relevant partner. This local NGO is highly recognized in the country, working with local government authorities on community mobilization, and developing rural livelihoods across Myanmar.

Working with NAG has brought significant added value to our Myanmar project. NAG obtained a Memorandum of Understanding with the Department of Rural Development at national level, and supported the obtention of regional agreements with additional public departments.

NAG also facilitated the site selection process by leveraging their presence in rural areas, thus fostering local trust in the project. They have also fed the project team with their understanding of the Myanmar rural culture, for instance drawing their attention to the importance of communities' involvement.

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Perspectives

Building upon the results of the ongoing pilot phase, 1001fontaines and NAG wish to **scale up this approach in the Dry Zone**, and intend to engage in a 3-year phase starting in January 2021.

It will aim at expanding our presence by **establishing 25 new water kiosks** and setting up the **first regional platform in Magway**. This regional office will provide franchise services to the existing sites, including coaching to grow the water sales, technical maintenance, water quality analyses thanks to our own laboratory, and supply of consumables.

In addition to growing our impact in the field, this deployment phase will aim at **transferring the capabilities** from other 1001fontaines projects to the Myanmar teams, to ensure a fast and sound future expansion in the country.

By the end of this Phase 2, we expect to have **75,000 beneficiaries**, a platform on its way to financial autonomy, and a clear plan for large-scale expansion in the country.





VIETNAM

Entering Vietnam end 2018 was the opportunity for 1001fontaines to adapt our model to a more mature economy. We set the ambitious target to reimburse the capital expenditures. The strong difference in the local context compared to our 3 other projects has required to finetune the model before scaling it up.

Achievements

Our initial market study in 2018 concluded that bottled water, was already the standard for drinking needs, but the fierce competition encourages water producers to compromise on quality to lower the price, resulting in poor people not having an affordable solution for safe water. This led 1001fontaines to work with existing entrepreneurs to upgrade their capacities.

To date, 2 entrepreneurs are part of the franchise, and have benefitted from a **strong increase in their daily sales** (+70% and +230%). It corresponds to volumes 2 to 3 times higher than in our other countries of operation, demonstrating the high sales potential in Vietnam. The **water quality has also significantly improved** with compliance rates above 90%, compared to 5% for the competition.



An entrepreneur engaging with local retailers to promote O-we

Learnings

Despite the very positive business results for the entrepreneurs who joined the franchise, the main conclusion of this pilot phase is the **difficulty to maintain a long-term relationship with the franchisees**, after the initial support to increase their sales.

Besides, we have also struggled to ensure the quality of the product itself, i.e. the jugs, which happened to get deteriorated quickly due to insufficient care from the entrepreneurs during the production process.

From an economic standpoint, the kiosks' P&L analysis has revealed that **pricing was much more significant than volumes** to increase entrepreneurs' revenues. However, this factor is much less in our control, as the entrepreneurs are in charge of sales and distribution, and the intense competition on the market leads them to maintain a lower pricing than our guidelines.

After 18 months of testing this franchising approach, we thus reached the conclusion that we need to shift the model in order to **ensure a higher control on the production and sales on the long run**.

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Perspectives

To address the identified challenges, we have come up with a new model to test in the coming months. We will **set up a large production facility**, owned by 1001fontaines, which will ensure the product quality over time and a full control of the selling price. The distribution strategy will rely on **franchised resellers**, with a network to develop progressively around the facility. This Hub & Spokes approach is similar to the Madagascar urban project, with much higher volumes due to the density in Vietnam. We expect such facility to produce and sell more than 1,000 jugs a day.

With this new model, we also want to review our local partnership strategy. Higher volumes and better control of production and quality open the doors to **large B2B collaborations**, such as with factories requiring safe drinking water for their workers. We will investigate the potential and the relevance of such alliances.

The results of this experimentation are expected for end 2021, with **one production facility set up end 2020**, and 5 distribution spokes progressively integrated in the network in the next year.



DISCUSSION | THE WELLNESS TECHNOLOGY OPPORTUNITY

DAY ONE EVENT



ADVOCACY

Developing our network of partners will require 1001fontaines to strengthen our advocacy activities, by better promoting our model and its potential to our financial targets, through publications and participations to international events.

Upcoming events

1001fontaines will promote 3 key messages during the second semester:

1

Universal access to water requires complementary solutions

We today lay so far behind universal access to water that no solution can claim being able to address all the needs. The way forward is thus to bet on complementarity, and the water kiosk has a role to play in this strategy. Along with the Stone Family Foundation, we will publish a paper making the case for complementarity.



DISCOVER OUR FIRST NOTE ON
THIS TOPIC

2

Decentralized approaches have a high resilience to climate change

In 2020, a study conducted by the consulting firm Dalberg and supported by Danone Communities, analyzed the resilience to climate change of Safe Water Enterprises. During the World Water Week, the results were presented, including a case study on how 1001fontaines has been tackling increasing droughts.



WATCH THE SESSION HELD
DURING THE WORLD WATER WEEK

3

Blended finance is a key lever to fund social businesses' growth

1001fontaines took part in a Webinar on "Blended finance for Water & Climate", organized by the French Water Partnership. Julien Ancele, our CEO, shared the growth journey of our organization and the innovative blended finance mechanism that we designed to scale up our model in Cambodia.



SEE THE CASE STUDY BY
1001FONTAINES AND SAFI SANA

Thanks to our partners to stand with us during this very particular semester

CAMBODIA

CARTIER PHILANTHROPY
FONDATION LORD MICHELHAM OF HELLINGLY
FONDATION PHILANTHROPIQUE PRIVÉE
SUISSE
GEORG FISCHER FOUNDATION
KUSANONE
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AGENCE FRANCAISE DE DEVELOPPEMENT
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FLEURANCE NATURE
FONDATION STAVROS NIARCHOS
FONDS SUEZ ENVIRONNEMENT
LABORATOIRES SERVIER
NUXE
SODIMATE
SONEVA - WHOLE WORLD WATER FUND
SOPRA STERIA

VIETNAM

COLAM IMPACT
DANONE COMMUNITIES

MYANMAR

FONDATION ALBERT AMON
FONDATION CA INDOSUEZ
IF INTERNATIONAL FOUNDATION

WATER IN SCHOOL

AIR LIQUIDE
ANTIN INFRASTRUCTURE PARTNERS
ARKEMA
BAUME ET MERCIER
CAILLIAU DEDOUT & ASSOCIÉS
COJEAN
FONDATION MICHELE BERSSET

COMMON CENTS
DANONE GROUPE
DIEHL METERING
DNCA FINANCE
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EY
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FONDATION 154
FONDATION ANAIKA TXALUPA
FONDATION ANBER
FONDATION CECILE BARBIER DE LA SERRE
FONDATION COLLEGE CHAMPITTET
FONDATION DE BIENFAISANCE DU GROUPE
PICTET
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ACCENTURE





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