

Reducing uncertainty in corporate water impact: The role of Results-Based Contracting for drinking water supply

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Summary

Uptime has pioneered the use of Results-Based Contracts (RBC) for the provision of drinking water for millions of people living in rural areas. RBCs provide a simple and cost-effective way for corporates to fulfil their commitments to ESG, CSR, SDG6, water stewardship and other categories at scale with transparent outcomes and reduced risk. Recent advances in data management through professional service delivery models provide an efficient mechanism for increasing corporate funding to rural areas where deprivation, exclusion and climate risks converge. We present corporate examples from Africa and Asia to illustrate the design, impacts and wider potential of the RBC model.

The logic of Results-Based Contracts for drinking water

Drinking water services require performance metrics related to quantity, quality, affordability, reliability and proximity towards the goal of ensuring safe and reliable drinking water for everyone. Historically, daily operation and management of rural water services has been the responsibility of communities, schools and clinics. Results have been unsatisfactory as local capacity varies, performance is costly to evaluate, and service interruptions often leave people without drinking water for weeks or months. Targeted support linked to performance standards through Results-Based Contracts can overcome these challenges to greatly improve the sustainability of drinking water services.

The potential for Results-Based Contracts has emerged from three recent trends. First, the emergence of a cohort of professional water service providers in rural locations in Africa, Asia and Latin America.¹ Second, the engagement of some governments to pilot results-based service delivery.² Third, the work of a global intermediary to facilitate a common contracting model supported by a data integrity system. These three trends provide opportunities for corporates and philanthropy to meet a range of ESG, CSR, water stewardship and other social and environmental commitments.

Results-Based Contracts can deliver water outcomes at scale with reduced uncertainty and risk. Under a RBC, a funder pays for drinking water volumes delivered by a professional implementer after results are verified. Benefits can be generated for the funder, the service provider and the water user:

- The funder reduces or eliminates a range of project risks and associated transaction costs. Co-funding can be generated from tariffs paid by water users.
- A local professional service provider can plan with greater financial certainty to improve service quality.
- Water users are guaranteed a higher level of drinking water service.

1 Nilsson, K., Hope, R., McNicholl, D., Nowicki, S., and Charles, K. 2021. [Global prospects to deliver safe drinking water services for 100 million rural people by 2030](#). REACH working paper 12, REACH programme, University of Oxford and RWSN.

2 [Cost estimates for safe drinking water in schools and healthcare centres in Khulna District, Bangladesh](#). Briefing note: January 2023. REACH programme, University of Oxford.

Results-Based Contracting overview

Benefits	<ul style="list-style-type: none">• Ability to fund water outcomes at scale with transparent results, lower cost and reduced risk• Direct benefits to water users from drinking water volumes and service reliability• Indirect benefits for wider outcomes including health, education, gender equality, rural livelihoods and climate resilience
Structure	<ul style="list-style-type: none">• Agreed price per water volume delivered, conditional on service reliability• Disbursements in arrears conditional on verified results• Local service providers are responsible for operational delivery
Requirements	<ul style="list-style-type: none">• Professional drinking water service providers• Demonstrable need for external funding (i.e. a subsidy) to maintain operations for populations that otherwise are not financially viable to serve• Ability to verify drinking water service results including water volume• Prioritisation of sustainability over short-term project activities

The opportunity to ‘purchase’ verified water volumes can help companies reliably fund water outcomes at larger scales with lower cost and greater certainty of results. RBCs address three common constraints present in traditional development projects:

Implementation risk – Typical projects often fund construction with an estimated cost and assumed levels of output and sustainability. Risks emerge from budget overruns, project delays and failure to realise or sustain project outcomes. RBCs reframe projects by paying in arrears for confirmed outcomes in the form of verified delivery of water volume. Implementation risk is borne by the service provider rather than the funder.

Transaction costs – Unique projects each require special consideration to develop and execute workplans. RBCs simplify transactions to an agreed price per unit (e.g. water volume) that can be scaled or compared to alternatives. Requirements to understand and adapt to specific contexts are handled by implementers rather than funders. Implementers, sometimes with support from intermediaries, are the ones to propose what can be delivered, where and how.

Transparent results at scale – The amount of water delivered under an RBC provides a clear and verifiable way to report results. Aggregation across multiple projects is straightforward. Like conventional projects, outcomes from a RBC can also produce stories of impact and consideration of indirect benefits towards wider social, economic and environmental outcomes with drinking water volume as a clear basis for what was achieved.

Additionality is created through RBCs by extending waterpoint services and ensuring reliability for users that otherwise risk losing drinking water access. Global estimates indicate that one in four rural waterpoints is not functioning at any one time.³ Rural water infrastructure often fails in the first five years, and many sites are abandoned. In Kenya, it is estimated that rural water users spend more paying for water from alternative supplies, when a waterpoint fails, than the capital cost of infrastructure over a ten-year period.⁴ Ensuring the sustainability of drinking water services thus generates economic and social returns for women, girls and all water users.

Results-Based Contracts as a familiar corporate instrument

The structure of the RBC aligns well with the course of normal business in the corporate world. It can integrate neatly with typical procurement, financial, legal, public relations and project management requirements.

- **Procurement** – Drinking water RBCs provide a standardised basis for comparing the cost of water volume delivered, although wider socio-economic outcomes beyond volume need consideration.
- **Financial** – Contracts for agreed quantities of goods and services are standard in corporate payment systems. Invoices from RBCs can be processed against purchase orders for amounts delivered at agreed prices.
- **Legal** – RBCs can be written as straightforward contracts for water volumes with disbursement in arrears based on performance. This limits liabilities and reduces contractual complications.
- **Public relations** – RBCs based on remote data collection and aggregation deliver transparent results that are easily communicated. Stories of additional benefits to drinking water users can provide a human narrative to the meaning within quantitative results.
- **Project management** – Less oversight is required than for a typical project since disbursements are linked to water service outcomes instead of construction milestones. Execution risk is borne by implementers and only final results require verification.

Robust data integrity makes Results-Based Contracting possible

A critical component of Results-Based Contracting is data integrity. Corporate risk is high in this domain as the potential for unverified infrastructure, unreliable data, and inconsistent reporting amplify harm to both intended users and to funders facing reputational risk and fiscal responsibility to shareholders and customers.

3 Foster et al. 2019. [Functionality of handpump water supplies: a review of data from sub-Saharan Africa and the Asia-Pacific region](#). *International Journal of Water Resources Development*, 36 (5): 855–869.

4 Foster et al. 2022. [Investing in professionalized maintenance to increase social and economic returns from drinking water infrastructure in rural Kenya](#). Policy Brief, Sustainable WASH Systems Learning Program and REACH Programme.

Uptime Global has developed and executed a systematic approach to address these challenges. The approach aims to provide a cost-effective and transparent response to reducing information asymmetries. The process is defined by a) screening, b) validation, and c) verification (Table 1).

● **Table 1: The Uptime Global data integrity process**

Process		What and why	Where?	When?
Screen	Pre-contract evaluation	Context evaluated to confirm applicability of Results-Based Contract and approve data systems	Virtual and on-the-ground	Pre-contract
	Historical record	Two years of historical data compiled in standardised format to assess data quality and model results-based payments	Virtual	Pre-contract
Validate	Data submission	Data submitted in standardised format and screened for errors	Virtual	Quarterly
	Validation metrics	Data submissions compared to historical records and outliers identified	Virtual	Quarterly
Verify	Data audit	Underlying data requested from a representative sample of waterpoints, anomalies investigated, and actions or sanctions recommended	Virtual	Annually
	Site visits	Spot-checks conducted to confirm reported waterpoint locations, breakdowns, volumes, and revenues	On-the-ground	Annually

Third party verifiers such as Uptime Global can help companies structure and manage their water stewardship portfolio using a multi-stage data integrity process. Flexible, cost-effective and robust verification systems like this one provide a basis to expand the use of RBCs to meet corporate commitments across a range of desired geographies.

Results-Based Contracts for drinking water in practice

The Uptime Catalyst Facility (UCF),⁵ was created in 2020 to pilot the Results-Based Contracting model. It initially focused on Africa, involving 7 countries and 1.5 million people, and five professional drinking water service providers who supported co-development of the model. From 2020-2022 rural water users paid approximately one-third of drinking water operational service costs while results-based disbursements from the UCF totalled less than USD 1 per person per year. In 2023, the UCF expanded contracts to 13 service providers in Africa, Asia and Latin America. Today, Uptime has active Results-Based Contracts in 16 countries for drinking water infrastructure that functions over 96% of the time. In 2024, the UCF will disburse a projected USD 3 million through RBCs linked to reliable drinking water services for c. 5 million people who pay a share of service operating costs.



- Quarterly results from UCF Results-Based Contracts available at www.uptimewater.com/global-dashboard

Funding for UCF Results-Based Contracts is provided by a mixture of philanthropic and corporate funding (see Box 1). Funds are received by the UCF, which then administers standardised Results-Based Contracts with rural water service operators. Operators are paid in arrears in proportion to the scale, reliability, volume and user payments generated from their drinking water services. Data collation and verification services are managed by Uptime Global, a non-profit company affiliate. Aggregate results are presented quarterly on a public dashboard.

⁵ UK charity 1192062.

● Box 1: Corporate funding for Results-Based Contracts

Apple entered into an agreement with the Uptime Catalyst Facility in early 2023 to “generate a volumetric water benefit annually, equivalent to [Apple’s] direct operations freshwater withdrawal in India.”⁶ Apple’s contract with the UCF is part of the company’s commitment to replenish corporate freshwater withdrawals in high stress locations. The structure of the corporate transaction is simple. Apple pays the UCF quarterly, in arrears, for a portion of the confirmed amount of water consumed from drinking water kiosks in India. The water provided by the kiosks provides volumetric water benefits in accordance with Appendix A-3 of the World Resource Institute’s Volumetric Water Benefit Accounting Guidelines.⁷

The Coca-Cola Foundation also began a partnership with the Uptime Catalyst Facility in 2023 to fund Results-Based Contracts in Africa and Asia. The Foundation has a history of early investments in water projects that emphasise impact accountability. It has significantly funded the early investments in nature-based solution projects that influenced much of the current standards for volumetric accounting guidelines related to watershed replenishment. The Foundation believes that the sustainable impact of rural drinking water projects is best assessed through long-term performance, rather than merely initial infrastructure completion. The UCF will provide The Coca-Cola Foundation with quantified metrics for water volume, infrastructure reliability, estimated population served and the operating subsidy needed to sustain these drinking water services.

Three factors make the RBC model replicable for wider corporate participation. The first is a vetted portfolio of professional water services with a global footprint. Uptime Global conducts a rigorous screening assessment of each candidate service provider, followed by a routine process of data validation, verification and site visits to confirm performance results. Corporates can select the countries or regions most relevant to their operations or supply chains, or provide support across the Uptime portfolio. Second, verified results are linked to standardised Results-Based Contracts that determine disbursements to contracted operators. The process allows identification and payment for rural water services at scale in numerous countries. Finally, results and funding flows are aggregated through an intermediary: the Uptime Catalyst Facility.

These factors allow corporates to transact with a single entity, the UCF, to ‘purchase’ attribution for drinking water results at flexible scales, geographies, and time periods with reduced transaction costs and greater certainty of outcomes.

6 [Apple 2023 Environmental Progress Report](#) (p. 51).

7 Reig, P., W. Larson, S. Vionnet, and J.B. Bayart. 2019. [Volumetric Water Benefit Accounting \(VWBA\): A method for implementing and valuing water stewardship activities](#). Working Paper. Washington, DC: World Resources Institute.

Summary

Approximately 1.3 billion rural people lack safely managed drinking water. Inequalities for rural people exist in all geographies with known gendered issues compounded by climate, cultural, public health, economic and political challenges. Without a new way of thinking and responding to rural drinking water sustainability, we will repeat the investment mistakes of the past and undermine the economic and social aspirations of individuals and communities living in ever-more precarious times.

Corporates and philanthropy can catalyse change and act with agility to accelerate the transition to more sustainable outcomes. Results-Based Contracts for water provide a scalable approach and are applicable to both new and existing rural water infrastructure. In many cases, water users can co-fund through tariff payments. Global data from Uptime estimate the required operating subsidy to ensure reliable drinking water is less than USD1 per person per year.

Progress to optimise subsidies will be informed by evaluating global partners to understand best practice, local context and benchmarking. Data integrity and contract compliance can be provided by an intermediary, such as Uptime Global. Results can leverage global benefits reported in a common reporting dashboard. Local stories of change are facilitated by contracted partners. Through Results-Based Contracts, corporate funds can catalyse important change at scale for drinking water services with reduced risk and verifiable results.

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Uptime Global

Uptime develops Results-Based Contracts to sustain and scale resilient rural water services globally.

www.uptimewater.org

