

Urban Water Catalyst Initiative

Improving Utility Performance –
Mobilizing Domestic Capital



Urban Water
**Catalyst
Initiative**

A unique and innovative offering to accelerate utility performance improvements and results

The Urban Water Catalyst Initiative supports urban water utilities to make the essential transition to repayable domestic financing, enabling them to become climate resilient while leaving no one behind. The Catalyst Initiative offers a unique package of technical and financial assistance to reform-minded utilities to support their transformation into well-performing, financially sustainable service providers.

Water utilities play a critical role in providing essential services to support livelihoods in urban areas, the home of 4.5 billion people globally.¹ These services are capital intensive and large investments are needed, particularly in the context of rapid population growth² and climate change.³ Government funding is not nearly sufficient to meet the Sustainable Development Goals. Banks and financiers who want to support utilities often struggle to price the risk and structure the loan guarantees needed to unlock capital.

The Catalyst Initiative's model builds creditworthiness in stages. Short-term operational finance, typically 1 to 3 years, around 10% of annual revenue which helps utilities

close efficiency gaps, generate excess revenue, and establish a credible track record. That track record then opens the door to longer-term capital finance, on the order of 3x annual revenue over 10 to 15 years, for the larger infrastructure investments needed to expand access and build climate resilience.

A partnership for success

Recognising the crucial role of sustainable finance in sector progress, Germany, in partnership with the Government of the Netherlands and with support from the European Union, launched the Urban Water Catalyst Initiative at the UN Water Conference in New York in March 2023.⁴

The Catalyst Initiative concept

The Catalyst Initiative embraces a whole-of-utility approach to financial transformation, supporting utilities on their turnaround journey in a uniquely structured way. It offers a dedicated mechanism to stimulate performance improvements through a combination of technical assistance, small-scale financial assistance and (commercial) investment finance. Whilst tailored to individual circumstances, The Catalyst Initiative support is only available in the form of the integrated and carefully sequenced package depicted in figure 1.

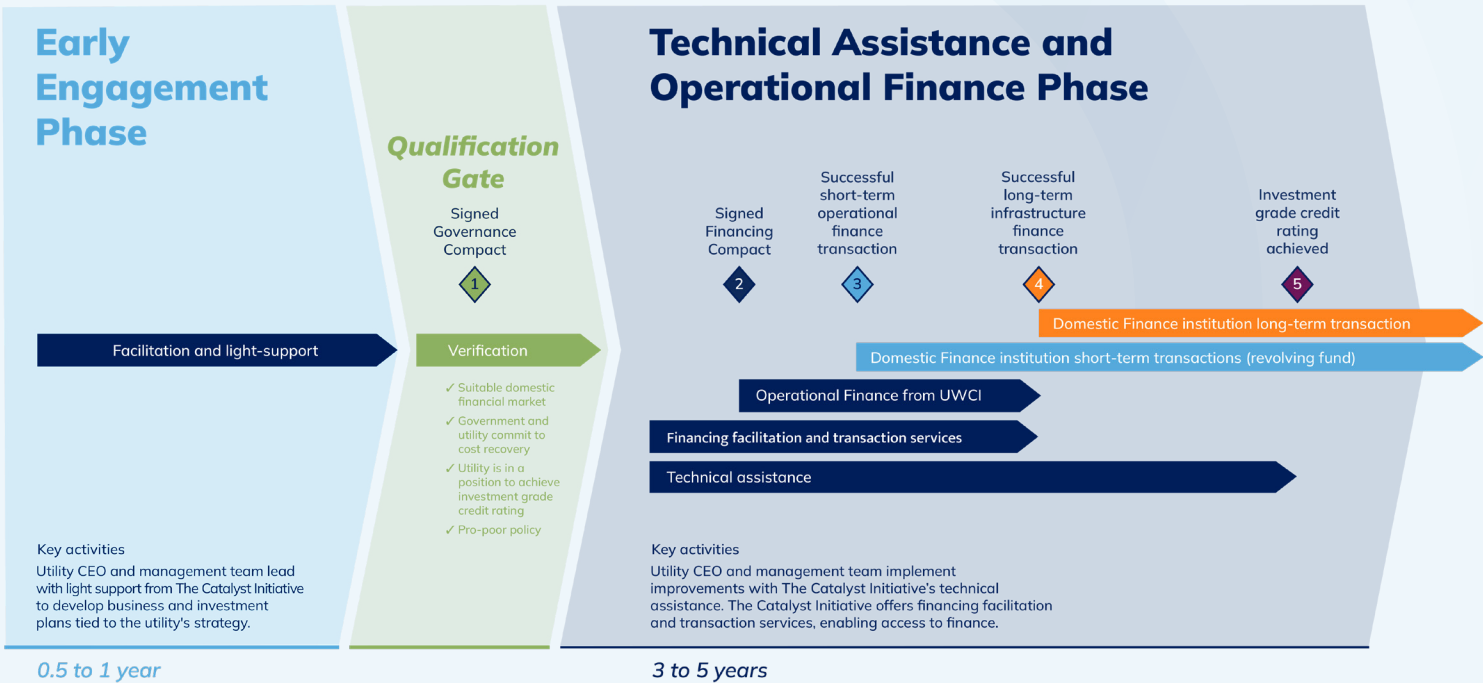


Figure 1: The Catalyst Initiative Concept

1 UNCTAD Handbook of Statistics 2023 (<https://hbs.unctad.org/total-and-urban-population/>).
2 The urban population is projected to increase by over 2 billion over the next three decades and cities will become home to nearly 70% of the global population (<https://hbs.unctad.org/total-and-urban-population/>).
3 Increasing water stress, water scarcity and flood damage will increase the costs of providing sustainable levels of water services.
4 <https://www.urbanwaterci.org/news>

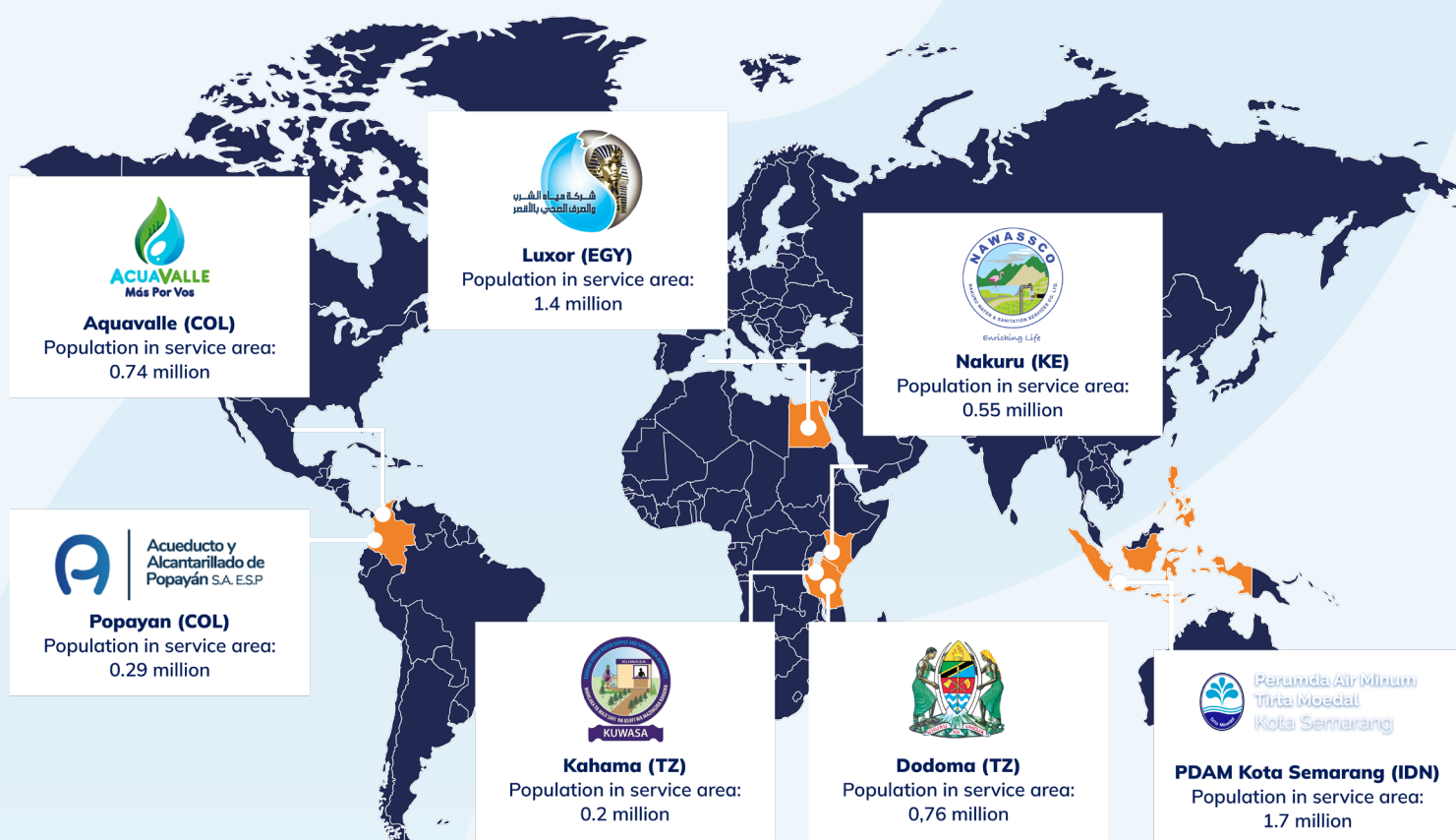


Figure 2: Selected Utilities

The Catalyst Initiative works with utilities in low- and middle-income countries that are committed to achieving significant improvements in their operational and financial performance. Becoming creditworthy will open the doors to additional sources of investment.

At the heart of The Catalyst Initiative sits its Turnaround Facility, which provides tailored support to participating utilities through integrated technical assistance and operational finance offerings. The Catalyst Initiative supports utilities in mobilizing short- and long-term finance for investment, particularly from domestic financing institutions.

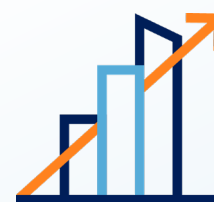
Due to low water tariffs and poor utility performance, many utilities cannot recover the costs of operations and maintenance, let alone achieve full cost recovery. This limits their ability to expand coverage and improve service quality, deepening inequities for underserved populations, particularly women, children and other vulnerable groups. **Utilities are consequently trapped in an unsustainable dependency on subsidies and official development assistance: a vicious cycle The Catalyst Initiative is designed to break.**

Status

Following the incorporation and launch of The Catalyst Initiative as a Foundation in 2025, full implementation of the Early Engagement Phase in seven water utilities commenced in early 2026.

Currently, The Catalyst Initiative selects additional utilities to enter the programme. It is expected that in early 2027 first utilities will move to the Business improvement. The Catalyst Initiative will continue to make contributions to international key events in the water sector together with its partners. This includes the UN Water Conference 2026.

Accelerating utilities' operational improvements is necessary and the most promising strategy to reach those left behind and build climate resilience. The Catalyst Initiative supports its partner utilities on a pathway to financial independence.



Join us

Scaling for greater impact is a firm priority. We invite donors and like-minded financing institutions to explore with the Urban Water Catalyst Initiative how utility creditworthiness and domestic finance can be more effectively mobilized together.

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