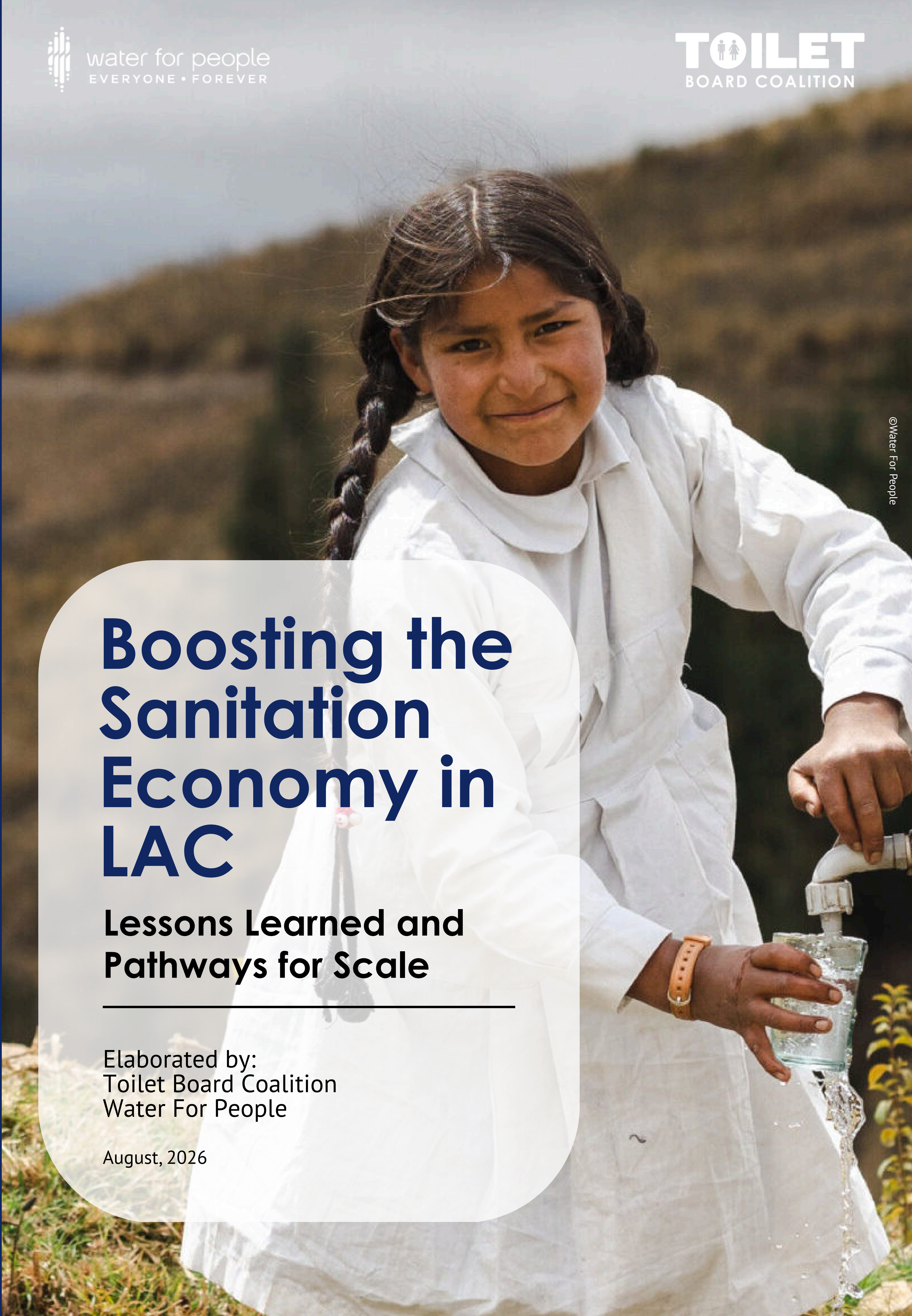

Boosting the Sanitation Economy in LAC

Lessons Learned and Pathways for Scale

Elaborated by:
Toilet Board Coalition
Water For People

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Acknowledgements

We are grateful to our funders, partners, participating entrepreneurs, and ecosystem collaborators who contributed their time, knowledge, and experience throughout the program.

This report shares key insights from a three-year program to support sanitation entrepreneurs across Latin America. In 2023, the Toilet Board Coalition (TBC) Accelerator expanded to Latin America, co-financed by the Inter-American Development Bank (IDB) and IDB Lab through the Source of Innovation alliance, and implemented in collaboration with Water For People (WFP). This partnership combines TBC's global expertise in SME acceleration with WFP's deep regional presence and systems-strengthening approach.

The program worked with small and medium-sized enterprises to improve access to safe, sustainable sanitation in underserved communities. This report is designed for a broad audience, including policymakers, private sector actors, development organizations, and the general public. It highlights what worked, what didn't, and what needs to happen next to unlock the potential of sanitation businesses as part of the solution.

This report is a compilation of insights, observations, and lessons learned from the implementation of the Toilet Board Coalition Accelerator in Latin America between 2023 and 2025. The findings are based on program data, engagement with participating small and medium enterprises (SMEs), and interactions with ecosystem stakeholders across the region. As such, the perspectives presented reflect the experience of this specific program and its participants. They are not intended to represent the sanitation sector across all of Latin America, nor to serve as a comprehensive or exhaustive analysis of the market.

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TOILET
BOARD COALITION

The Toilet Board Coalition (TBC) is a global nonprofit founded in 2015 to accelerate business solutions to the sanitation crisis. The TBC facilitates vital partnerships between small and medium-sized enterprises (SMEs), corporates, NGOs, investors and governments who share a commitment to achieve access to sanitation and hygiene for all by 2030 (SDG 6). Through its sector-leading Accelerator, the TBC provides business model coaching, corporate mentorship and access to investment to Sanitation Economy entrepreneurs serving low-income markets. To date, the Coalition has graduated 111 SMEs, impacting more than 13 million people daily and unlocking USD 49 million in finance.

water for people
EVERYONE • FOREVER

Water For People (WFP) is an international nonprofit dedicated to ensuring sustainable access to safe water and sanitation services for all. Operating in Latin America, Africa, and Asia, WFP implements the Everyone Forever approach, which focuses on building systems that last—through strong partnerships with communities, businesses and governments. In Latin America, WFP works in Bolivia, Peru, Honduras and Guatemala, promoting high-quality services that are inclusive, resilient, and locally owned.

The Accelerator

How SMEs were supported

The project established a framework to support sanitation entrepreneurs in scaling their businesses through a tailored Accelerator and connections with corporations, stakeholders, and public sector initiatives.

SME Profiles
Across three cohorts (2023–2025), the Accelerator graduated 13 SMEs from Guatemala, Honduras, Peru and Colombia (referred toas "focus countries" in the report), operating across the Sanitation Economy marketplaces. This included eight SMEs in the Circular Marketplace, three SMEs in the Toilet Marketplace, one SME operating across both marketplaces, and one SME in the Smart Marketplace. The business models included dry toilets, the generation of ecological and innocuous products, septic tanks cleaning, fertilizers, diagnostic robots, among others. Learn more about the Sanitation Economy here.

Curriculum
The Accelerator delivered a 12-month curriculum structured around three progressive phases, each reinforcing the previous one and aligned with the growth trajectory of sanitation SMEs:

- Unit Economics: SMEs conducted detailed margin diagnostics, pricing strategy exercises, and scenario-based financial planning. This phase focused on strengthening profitability, improving cost structures, and ensuring that growth pathways were financially viable in climate- and resource-constrained contexts.
- Pathway to Scale: Enterprises developed three-to-five-year financial projections, operational growth plans, and governance improvements. This phase supported SMEs in transitioning from pilot or local operations toward scalable models that can engage municipalities, corporates, and regional markets.
- Investment Readiness: SMEs were equipped with investor-ready pitch decks, valuation frameworks, and negotiation strategies. These were tested through live Investor Forums, enabling real-world engagement with investors rather than theoretical preparation alone.

Throughout the program, entrepreneurs received weekly coaching from the Accelerator team and were matched with a corporate mentor from the Toilet Board Coalition network. Corporate mentors from Kimberly-Clark provided targeted expertise in product design, marketing, human resources and more.

The program has earned global and regional accolades:

- **2024: PMI's Most Influential Projects of 2024**
- **2024: Financial Times & Statista – Europe's Leading Startup Hubs**

Ecosystem Integration and Market Access
Beyond technical capacity-building, the Accelerator played a catalytic role in embedding SMEs within the broader sanitation and investment ecosystem.

This was achieved through:

- Investor Forums, regional networking events, and direct connections, providing visibility and direct exposure to capital providers and strategic partners.
- Curated introductions to municipalities, corporates, and CSR programs, enabling access to distribution channels and institutional buyers that were often out of reach for early-stage enterprises.

This ecosystem-focused approach reduces isolation, accelerates partnership formation, and positions SMEs as credible actors within national and regional sanitation markets.

These achievements translated into tangible results across business performance, partnerships, social outcomes, and environmental impact, as showcased on the following pages.

Business Performance Overview

To track changes in business performance over time, the program collects a set of core indicators from both graduating and alumni SMEs on an annual basis. To ensure confidentiality, the names of participating businesses are kept anonymous.

Table 1 presents the annual revenues reported by SMEs across the last three cohorts.

Across the 11 SMEs with measurable data, the programme was associated with strong and consistent revenue growth. All participating enterprises increased their revenue between programme entry and exit, resulting in a 100% positive growth rate. Most SMEs (91%) achieved revenue increases of at least 25%, while nearly two-thirds (64%) recorded growth of 70% or more. Notably, four enterprises more than doubled their revenue during the programme period.

It is important to recognize that not all of the growth experienced by SMEs following the program can be directly attributed to the Accelerator itself, as external factors such as market conditions, internal business decisions, and broader economic trends also play a role. However, the Accelerator's objective is to equip SMEs with the tools, networks, and strategic support needed to scale, thereby strengthening their ability to achieve and sustain growth over time.

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Table 1

Business Performance KPIS

Cohort Year	SME	2023 Revenue	2024 Revenue	2025 Revenue
2023	SME A	23,500	40,000	N/A
2023	SME B	64,500	114,500	N/A
2023	SME C	21,000	60,000	N/A
2024	SME D	N/A	448,000	N/A
2024	SME E	N/A	25,000	N/A
2024	SME F	N/A	218,000	317,333
2024	SME G	N/A	199,000	553,333
2024	SME H	N/A	14,700	18,400
2025	SME I	N/A	10,000	42,667
2025	SME J	N/A	150,000	266,667
2025	SME K	N/A	250,000	466,667
2025	SME L	N/A	15,000	16,000
2025	SME M	N/A	60,000	124,000

Strategic Partnerships

Through curated introductions, Investor Forums, and ecosystem events, SMEs improved their access to institutional buyers, corporate partners, municipalities, and cross-border markets. To track this progress, we monitor the number of public and private partnerships each SME establishes, ranging from municipalities and utilities to corporates and distributors.

SMEs established collaborations with 6 public sector initiatives. In addition, one SME secured a national distribution agreement with a multinational company within our network.

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Business Model Diversification & Entry into Higher Value Markets

Several SMEs restructured or diversified their business models, enabling entry into higher-margin segments, improved resilience and stronger commercial opportunities. For example, one SME moved from rural dry toilets toward mobile sanitation services for large events, opening negotiations with two major concert organizers while continuing to serve rural communities (21,432 daily users). Another transitioned from a family business into an SME generating US $200,000 annually, expanding its rainwater harvesting solutions and professionalizing its operations.

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Environmental & Social Impact

The SMEs we support deliver tangible contributions to climate resilience and community well-being. One enterprise reduced 11.9 tons of CO_2 and treated 35 m^3 of wastewater in 2025, while promoting green infrastructure through self-sustaining gardens that enhance urban resilience. Another treated approximately 136,000 m^3 of wastewater and 45,240 tons of fecal sludge, improving sanitation for thousands of people and reducing environmental contamination risks.

These examples illustrate how sanitation entrepreneurship intersects with multiple sectors—including climate mitigation, water management, public health, and nature-based solutions—demonstrating its broader systemic relevance.


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Ecosystem Building & Networking

Building a strong and connected ecosystem around sanitation SMEs is a core pillar of the Accelerator's strategy. Through targeted events, strategic participation in global forums, and regionally relevant communications, the Accelerator strengthened its role as a trusted convener within the sanitation and climate ecosystem.

What We Organized

The Accelerator annually organized events designed to connect sanitation entrepreneurs with decision-makers, investors, and key ecosystem stakeholders. These convenings combined in-person and online formats to maximize reach and engagement.

Online Events

Over 13 online events brought together 641 attendees, creating consistent spaces for learning, peer exchange, and ecosystem insights. We began with LATAM Roundtables—quarterly sessions attended by corporates, NGOs, SMEs, and technical experts—before evolving the format into two complementary pillars: Lift-off events and Graduation Ceremonies.

This online cadence ensured broad regional reach, continuity of engagement and high visibility for sanitation entrepreneurship.

In-Person Events

We delivered three in-person events with 74+ attendees, designed to deepen relationships, broker partnerships, and elevate market access for SMEs:

- Corporate Recruitment Dinner (2023): A focused convening of private-sector partners exploring collaboration with sanitation businesses, catalyzing early pipeline conversations.
- WASH Leaders Forum (two editions, 2024 & 2025, Lima): A flagship, multi-stakeholder forum convening corporates, NGOs, public sector representatives, investors, and development partners. Interactive formats, including Shark-Tank-style pitch sessions, enabled entrepreneurs to present solutions and engage directly with decision makers.

Total reach

Across all online and in-person convenings, the Accelerator engaged at least 715 participants, positioning sanitation SMEs at the center of regional conversations on innovation, climate resilience, and inclusive growth.

Event Participation

Beyond hosting our own events, we actively participated in more than a dozen high-level WASH, climate and development forums in Peru and across Latin America. This consistent presence ensured that sanitation entrepreneurship was strongly represented in regional policy, investment, and sustainability conversations.

Between 2023 and 2025, we engaged in a series of events and forums across Latin America, advancing SDG 6 and climate action, including Expo Agua Perú, Perú Sostenible, Foro Agua y Saneamiento al 2030, Encuentro +B, Funds4Impact Summit, CLIIQ and others.

Communications Efforts

Recognizing the importance of cultural and linguistic relevance, the Accelerator strengthened its regional communications strategy through Spanish-language platforms and locally tailored content. This included a translated website, a dedicated Spanish Facebook page, a WhatsApp group for Spanish-speaking participants, and curated content in Spanish on our LinkedIn page.

Corporate Outreach and Strategic Partnerships

Over the three years, we engaged with more than 60 corporations across Latin America, offering a variety of engagement opportunities.

In parallel, the program strengthened country-level ecosystem partnerships, collaborating with organizations including IREX, Startuplinks, SuSanA, ATTA, Impaqto Capital and Ecosanae that enhance contextual relevance, unlock local networks, and support SME growth.

Main Challenges & Lessons Learned

This section synthesizes the key challenges encountered during Accelerator implementation and the practical lessons derived from addressing them. For each challenge, the analysis outlines the root cause, lessons learned.

Challenge 1: Limited Entrepreneurial Base

In the WASH sector across the program's focus countries, entrepreneurial development is still in an early-stage. While initial outreach generated strong interest, the limited number of sanitation-focused SMEs constrained the long-term scalability of the Accelerator pipeline.

Root Causes	• The sanitation market remains largely community- and NGO-driven, with few commercially oriented SMEs. • Many potential candidates operate informally or outside traditional startup ecosystems, making them hard to identify.
Context	• The share of eligible applicants dropped, reflecting market saturation and the small absolute size of the sanitation SME universe in the focus countries. • Similar decline patterns appear in other TBC regions with longer maturity, suggesting a natural tapering effect when operating in countries such as Guatemala, Honduras, and Peru, whose sanitation sectors are significantly smaller than in India or East Africa.
What We Learned	• Support from Water For People and strategic partners such as SuSana expanded reach, resulting in more applicants for the Accelerator. • A Spanish first program (Spanish materials, coaching, events) was essential, as several SMEs did not speak English. This increased trust, reduced friction in due diligence, and improved the quality of applications and engagement. Also, combining in-person events to a 100% virtual program was important to develop credibility.

Challenge 2: Small Deal Sizes

The SMEs that attended our program operate on a small scale, resulting in deal sizes that fall below the minimum thresholds of traditional impact investors and limit commercial investment interest.

Root Causes	• Revenue levels of sanitation SMEs are below investor expectations for commercially viable deal sizes. • Sanitation markets in focus countries remain fragmented and small, reducing perceived upside. • Traditional impact investors apply return and scale criteria misaligned with early-stage WASH enterprises in Latin America.
Context	• Most Accelerator's alumni reported annual revenues under USD 200,000, with only a few surpassing USD 250,000, which is far below investor thresholds. • Impact investors in Latin America reported average first tickets of USD 2.2M in 2023 (ANDE, 2023), which is an order of magnitude higher than sanitation SMEs' capital absorption capacity.
What We Learned	• Unit economics exercises helped SMEs with right-size ambition and align expectations. • Investment readiness supports improved financial clarity and pitch quality.

Challenge 3: Structural Constraints

In the focus countries, sanitation SMEs face deep, structural regulatory barriers that prevent them from scaling, formalizing, and entering public service delivery systems. While regional advances in circular economy policies and high-level commitments signal momentum, country-level regulatory frameworks, institutional fragmentation, and procurement systems remain misaligned with SME capabilities, limiting their ability to move from pilot-stage solutions to scalable enterprises.

Root Causes	• Sanitation services in many low-income Latin American countries remain community-based or publicly delivered, with limited space for private SME participation. • Municipal procurement processes can present complexity and lengthy timelines, which may create challenges for early-stage enterprises competing alongside established incumbents. • Regulatory frameworks and enforcement mechanisms are still developing, presenting challenges for attracting consistent private investment and innovation. • Regulatory uncertainty in sanitation and wastewater management remains a challenge for unlocking greater private investment and innovation.
Context	• According to a study conducted among global investors, regulatory gaps are the top challenge identified by 50% Latin American countries in transitioning to a circular water economy (ANDE, 2023). • These constraints increase compliance costs before SMEs can even bid on sanitation contracts or enter municipal procurement systems.
What We Learned	• SMEs offering circular products (e.g., waste-to-resource, menstrual health) accessed markets more easily. • Regulatory engagement created pockets of opportunity. • PPP case studies proved effective in raising awareness and showcasing success stories. Read an example of a story here. • Contracting models for SMEs in sanitation are largely undeveloped. • Municipal procurement processes present timelines and accessibility challenges that can make it difficult for early-stage enterprises to participate effectively. • Municipal contracting remains hard to reach for early-stage SMEs; regulatory bottlenecks persist.

Challenge 4: Limited Market Opportunity in Small & Medium Countries

Sanitation SMEs operating in the focus countries face constrained commercial headroom, even when unmet demand is significant. Market size, purchasing power, informality, and dispersion severely limit the ability of early-stage sanitation businesses to monetize solutions at scale. In these contexts, demand exists but is structurally difficult to aggregate, making the sanitation economy commercially shallow and challenging to invest in.

Root Causes	• Fragmented, low density markets with modest purchasing power in many low and middle income countries. • Demand for sanitation products and services is real but scattered, generating small revenue pools. • Limited cross-border trade readiness, high logistical costs, and minimal regional integration for early-stage enterprises. • Difficulties in raising capital to support expansion when market size is perceived as insufficient.
Context	• Across LATAM, SMEs represent 99.5% of firms but only ~20–25% of GDP, reflecting structurally low productivity and dispersed demand that limit their ability to scale, particularly in small economies. (OECD/CAF/SELA, 2024). • Informality is high, reducing the number of formal clients SMEs can serve. In 2023, informal employment reached 47.3% regionally, and in Peru it rises to ~86.5%, shrinking the monetizable customer base and limiting contract enforcement. (Atlantic Council, 2022). • High barriers to entry make it difficult for SMEs to strategically gain market share in markets almost monopolized by government agencies.
What We Learned	• SMEs adapted business models to niche segments such as rural and peri-urban areas, circular economy solutions, and menstrual health products. • Regional exposure created opportunities to explore adjacent markets. • Rapid scale or cross-border expansion proved challenging. • Several SMEs struggled to define realistic growth pathways within small markets.

Challenge 5: Investor Perception & Climate Narrative

Sanitation enterprises in focus countries continue to face weak investor appetite, largely because sanitation is still perceived as a utility-type, low margin, slow growth sector. Compared with areas such as agriculture, climate tech, or broader environmental services, sanitation SMEs are viewed as too early-stage, too small, and operating in market constrained environments, limiting their ability to compete for catalytic or climate aligned capital. At the same time, the climate value of sanitation, particularly its contributions to adaptation and resilience, and in some models', mitigation remains undermeasured and under communicated, reinforcing investor skepticism.

Root Causes	• Impact investors see sanitation as capital intensive, slow to scale, and offer modest return profiles relative to other climate linked sectors. • SMEs in Latin America are often micro-sized and therefore perceived as lacking the operational maturity to absorb investment. • High regional informality (47.3% in 2023) and small domestic markets reduce investor confidence in predictable revenue and formal demand.
Context	• Impact investors in Latin America tend to prioritize sectors with clearer growth pathways and stronger revenue signals. The top three consistently cited sectors are food and agriculture (67%), education (54%), and health (49%) (ANDE, 2023). • By contrast, Water, Sanitation and Hygiene (WASH) is a low visibility sector, with only ~5% of investors listing it as a priority (ANDE 2023). • The impact investment landscape in Peru mainly focuses on microfinance, fintech, agriculture and climate change, same as in Guatemala. In Honduras, it mainly focuses on microfinance, agriculture, renewable energy and climate change. • During the Toilet Board Coalition's outreach to agriculture, water and climate investors, a response rate of 15% was observed, with actual interest in sanitation SMEs at below 5%.
What We Learned	• Investor Forums and visibility events increased awareness and helped position sanitation as an investable impact sector. • Corporate mentors strengthened SME credibility, sharpened messaging, and improved pitch quality. • Climate benefits, particularly from circular and resource-recovery models are emerging but still lack consistent measurement. • Despite progress, shifts in investor perception were slow; skepticism around scalability, margins, and comparable climate indicators persisted. • Only a handful of SMEs progressed to the due diligence stage, and local early-stage investors with sanitation expertise remain scarce. • SME pitches frequently under-articulated climate outcomes, reducing competitiveness in climate-aligned investment rounds.

Recommendations

The recommended steps to strengthen the ecosystem are outlined below.

Expand Financial Support Mechanisms

Provide targeted catalytic finance to bridge early-stage gaps that currently limit SME momentum. This may include small capital injections, matched grants, and structured co-financing windows in partnership with DFIs or corporate members. These mechanisms would accelerate the implementation of growth plans and strengthen SME readiness for commercial investment.

Strengthen Investor Education & Sector Positioning

Develop a dedicated investor education strategy that positions sanitation as a climate-resilient, gender-equitable, circular economy sector. Beyond Investor Forums, host thematic briefings exclusively for investors, create sector primers, and build case-based evidence to shift longstanding perceptions of sanitation as low-return and slow-growth.

Advance a Regional Growth Strategy (Dual-Track Model)

Expand intentionally to markets with higher population density, stronger enabling environments, and larger commercial opportunities. At the same time, strengthen support ecosystems in markets such as Peru, Guatemala, and Honduras through blended-finance structures, public–private partnerships, and targeted technical assistance.

Strengthen Incubator–Accelerator Linkages

Develop more intentional and structured connections between incubators and accelerators within the social entrepreneurship and B-Corp ecosystem. In ecosystems that are still consolidating, strengthening the transition from incubation to acceleration would: reduce pipeline fragmentation, build a stronger pipeline of sanitation entrepreneurs, and improve the quality and preparedness of ventures entering acceleration programs.

Promote Cross-Sector Collaboration Across Basic Services

Encourage partnerships with adjacent basic-service industries that apply market-based or market-systems approaches, including decentralized energy solutions (e.g. solar panels), household water filters, improved cookstoves, and other impact-driven innovations serving BoP populations.

These sectors operate in similar geographies and consumer segments. Cross-sector collaboration can unlock: additional resources, greater critical mass, shared innovation, and stronger consumer engagement in rural and peri-urban areas.

Diversify Market Segments While Staying Sanitation-Centric

Encourage SMEs to expand into adjacent but sanitation-relevant markets—such as: water treatment, circular resource recovery, nature-based solutions, and climate-smart technologies. This strengthens resilience, improves revenue potential, and aligns SMEs with investor priorities in climate, agriculture, and the circular economy.

Strengthen Climate and Impact Measurement

Support SMEs in adopting light-touch climate and social impact metrics. This improves credibility with public buyers, corporates, and climate investors, and positions SMEs within global climate finance narratives.

Conclusion

This project reaffirmed the depth and diversity of innovation already present among the SMEs engaged. The entrepreneurs we worked with are actively driving change, with sanitation SMEs delivering affordable, scalable solutions across the entire Sanitation Economy value chain.

This program demonstrates that targeted acceleration, ecosystem convening, and corporate engagement can strengthen entrepreneurial capacity and unlock viable business models, even in challenging markets. However, some of the identified challenges point to structural constraints that cannot be resolved through enterprise acceleration alone. In this context, adopting a solutions-as-utilities approach provides a more viable pathway to address these barriers. Rather than relying solely on stand-alone commercial models, this approach positions solutions as part of essential service delivery systems, supported by stronger public sector integration, aggregated demand, and blended financing mechanisms.

By aligning ventures with utility-like models, where revenue streams are more predictable and linked to service provision at scale, this approach helps mitigate market risks, strengthens incentives for enterprise entry, and creates more sustainable conditions for growth.

With deliberate portfolio design, stronger investment narratives, and coordinated public–private collaboration, sanitation SMEs can transition from marginal actors to credible service providers and investment opportunities.

In conclusion, additional capital and ecosystem support could play an important role in enabling further scale and impact. This is not only essential to achieving SDG 6, but also to building resilient, inclusive, and climate-smart systems across the region.

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