



A  
*refreshing*  
*approach*

▶ Children in Rwanda make the long journey home from a water well. Jibu brings safe, affordable drinking water closer to the people who need it

In East Africa, an American social enterprise is harnessing the talents of local people to provide a reliable supply of safe and affordable drinking water. **Jon Shepard** talks to its co-founder, **Randy Welsch**

**I**t was late on Friday morning in Kigali when Randy Welsch answered the telephone. He spoke a few words before succumbing to a tickly cough and pausing to take a sip of water. Twenty years earlier, Rwanda was not a safe place for a social entrepreneur from America. The country was still coming to terms with the 1994 genocide. While much has changed since then, the challenge of providing drinking water remains. It is one that many underestimate. Somewhere in the world, a child dies every minute from the effects of drinking dirty water. And half of the people in hospitals around the world are there because of water-borne diseases. But it is a challenge that Randy is taking on. Now that his throat was cleared, Randy could tell *Citizen Today* about his social enterprise, Jibu.

Jibu trains and finances African entrepreneurs to provide safe drinking water. They help to solve a water crisis in East Africa that has endured despite effort from governments and the private sector. So, how does a social enterprise produce results? And what can governments around the world do to help them?

Randy has been an entrepreneur for most of his career. Until 2010, he ran a business in the space satellite sector. He also sat on the boards of nonprofit organizations. After a stint with World Vision, an international humanitarian organization, and inspired by his son, Galen, who worked in the Peace Corps on drinking water projects in Morocco, Randy established Jibu with Galen in 2012.

Despite billions of dollars invested in piped water schemes and borehole access, the vast majority of urban East Africa still lacks reliable access to safe water – a consequence of half of donor-funded water schemes failing within two to three years. Galen and Randy knew there had to be a better way.

## Owning the issue

Viewing the problem as one of a lack of local ownership, they founded Jibu as a social enterprise that equips African entrepreneurs to launch local franchises. The franchises supply clean water to their communities. The water is not free, but the charge is small. The franchisees make a profit and communities get access to clean water that is affordable. At present, Jibu franchisees operate in Rwanda, Uganda, Kenya and Congo.

What does a Jibu franchise look like? High visibility street-front shops are located within 500 meters of a water source. They draw from this source – and never drill – then advanced solar powered filtration equipment cleans the water. The shops sell the water, within a two kilometer radius of the water source, at a much lower price than commercially bottled water – and at a fraction of the environmental cost of other purification methods.

Outside of South Africa, franchising is virtually unheard of in the continent. But it is an arrangement that is working: “It allows us to harness the entrepreneurial drive in these local communities,” says Randy. The franchise sets boundaries and enables entrepreneurs to channel their energies effectively. Licenses are revocable, and Jibu provides oversight, as well as training and marketing support. The arrangement offers freedom, but structure; not dependence nor independence, but interdependence. “It enables us to catch lightning in a bottle,” says Randy.

## Profit and purpose

Randy rejects the idea that nobody – not even local people – should make a profit from providing drinking water in underserved African cities. Profit is a means to an end, not an end in itself. For the model to work, Jibu franchises have to make a profit so they can attract and retain the great local entrepreneurs that run them. “The franchisee’s profit may be small, but it makes the business more sustainable than it would have been if it was reliant on either public or private donations,” says Randy.

Government projects often concentrate on rural areas, leaving cities underserved. In some cities, 90% of the people don’t have reliable access to safe water. Jibu franchises are based in urban areas because they provide a large market. “Our model produces enough water at a price low enough for people to afford,” says Randy. Jibu generally pegs the price of its water to the amount it would cost to buy charcoal or wood to boil the water.

The benefit of Jibu's social enterprise is not limited to the provision of affordable water. The franchise system fosters entrepreneurship and creates jobs for local people, especially young people and women. Each franchise creates 4-10 jobs. In Rwanda, half the franchisees are women. Such progress offers women the opportunity to take control of their lives and support their families. The profits made also mean that workers' incomes are more secure than they would be if the project was dependent solely on donor aid. "By putting local entrepreneurs at the heart of the system, we're creating a virtuous cycle of job and wealth creation," says Randy.

How does Jibu strike the right balance between impact and profit? Jibu is incorporated in the US as a Limited Liability Low-Profit Corporation, or L3C. This is a new form of limited liability company in the US.

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L3Cs such as Jibu pay tax on profits. But profits cannot take precedence over Jibu's charitable mission. "We are not technically limited in the profit we can make," says Randy. "But under US law, profit must stay aligned with, and subordinate to, our charitable impact. In our case, profit and charitable impact are so aligned that, in reality, our profit is not limited. Bigger impact can mean proportionally larger profit."

L3Cs can receive support from private foundations, government and traditional investment capital, but not tax-deductible charitable contributions. "The big idea," says Randy, "is to make charitable impact more sustainable by allowing for low profits that can sustain the business without reliance on perpetual donations."

## Regulatory recognition

Jibu's goal of providing safe, clean, affordable drinking water is shared by governments in East Africa. But taxes and regulations often pose challenges that slow Jibu's progress. For example, one country in which it operates levies a 60% excise tax on Jibu's water. This is because the tax authority classes Jibu's product as mineral water, which is regarded as a luxury. Jibu's product is not mineral water, and its motive is not to make large profits. But the L3C company structure – and its primary objective to produce community impact – is not widely experienced or understood. As such, in this case, Jibu and its customers are subjected to a tax that does not reflect the true purpose and value of the product.

Jibu is also subject to regulations that are designed to manage large factories and centrally-produced water, not a network of small suppliers who operate under the

same brand, and to the same standards. For example, all franchisees use the same labels. But each franchisee has to undergo separate label testing, which is costly and time-consuming. The franchise model clearly has drawbacks as well as advantages. But, where franchises are demonstrably effective, government should seek to design regulations that encourage them.

There is demand from entrepreneurs and governments in more than 30 countries across Africa, Central America and Southeast Asia for Jibu's services. Jibu's priorities are to perfect the franchise model and then expand steadily into some new areas. Countries with authorities that demonstrate an understanding of Jibu's mission, and whose regulations take Jibu's hybrid impact-over-profit status into account, will prove more attractive to Randy.

Jibu has big ambitions. For example, it aims to serve a million customers by 2020 and cut the incidence of water-borne disease by a quarter in the communities it serves. But, it can't solve the water crisis on its own. If everyone in East Africa, and indeed the wider developing world, is to have access

to affordable safe water, then others need to pick up the baton. "We will help by sharing our approach," says Randy. "We want to inspire others."

Jibu also wants to help governments pave the way for others. What is Randy's message to governments across the developing world? "Be a leader, not a follower. Social enterprise is the future when it comes to solving seemingly intractable problems. Don't be shortsighted by trying to gather large amounts of tax revenue from profitable social enterprises. Instead, help these enterprises to invest and create jobs for the long term. This will help to solve social problems and provide sustainable sources of tax revenue."

Jibu alone cannot ensure that everyone in the developing world has access to safe, affordable water. But by fusing social impact with profit, and placing the solution to the problem in local hands, it provides a model that can succeed where others have failed. 

EY's Enterprise Growth Services (EGS) helps organizations like Jibu to operate more efficiently, grow sustainably and change lives and livelihoods in some of the world's most deprived communities. EGS is a heavily subsidized, nonprofit extension of EY's core business. It has helped Jibu to develop the financial and operational infrastructure it needs to scale quickly through robust, replicable franchises, and to navigate the difficult issues that arise when doing business in new countries. "The partnership with EY has been a gamechanger for us," says Randy.

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