How access to loans for households and businesses stimulate access and use of water and sanitation

ACCELERATING WASH THROUGH AN INTEGRATED FINANCIAL APPROACH!

BAGERHAT AND SHATKHIRA URBAN SANITATION & WASTE PROGRAMME, BANGLADESH
**Introduction**

This paper is one of three case studies that look at how the Diamond Business Approach used in the WASH programme 2011-2015 has resulted in functioning sanitation systems in cities. Each case study looks at another country and at one element in the sanitation system. This case study shows how options for household loans for the realisation of toilets can lead to improved access to sanitation in the coastal towns Satkhira and Bagerhat in Bangladesh. The second case study looks at the successes in the Rwenzori Region in Uganda where business for pit latrine emptying has significantly improved. The third case study deals with the improvement of waste management in Nakuru, Kenya.

**Introducing Bagerhat and Satkhira in 2011**

Bagerhat and Satkhira, located in the Khulna Division, in the South West of Bangladesh, are two coastal districts which are prone to disaster. Flooding from both rivers and the sea occur yearly, storms and cyclones pose constant risks and intrusion of salt and arsenic pollution stretch the already over-burdened systems which should provide safe drinking water and hygienic sanitation services. The cities in the districts with the same name are fast growing because of continuous rural-urban migration.

Despite the successful facilitation of toilets by the government, the floods, continuing internal migration and unhygienic practices still result in various WASH related diseases. The population was spending large portions of their earnings on medical expenses and the government’s capacity to deal with these challenges had become less and less efficient due to growing bureaucratic complexity.

When the WASH programme started in Bangladesh, ‘Hope of the Poorest’, a member of the Bangladesh WASH Alliance, decided to intervene in this area. The main objective was to minimize the medical expenses of the population by facilitating working and functional water sources and proper sanitation. They worked hard on this between 2011 and 2015.

**What happened?**

The water and sanitation coverage has increased in the two districts, and more importantly the quality of the water has improved as there are less water points contaminated by arsenic. In many cases households themselves have been able to (partly) finance the needed water and toilet constructions. The end evaluation showed that the slum dwellers of these two municipal areas are happy to have access to safe water and good sanitation systems.

The table below shows some detailed numbers of people and households that gained access to improved water and sanitation facilities as a result of the programme and its manner of financing:
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<table>
<thead>
<tr>
<th>Activities</th>
<th>Number of people that benefited</th>
<th>Total benefited people</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Partially subsidized by project</td>
<td>Fully financed by households/institutions themselves</td>
</tr>
<tr>
<td>Water</td>
<td>5,671 (1,174 hh) (40% own contribution)</td>
<td>912 (183 hh)</td>
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<tr>
<td></td>
<td>6,783 (1,357 hh) 746 institutions 543 communities, 68 other</td>
<td></td>
</tr>
<tr>
<td>Sanitation</td>
<td>7,399 (1,480 hh)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>61,025 (12,205 hh)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>68,424 (13,685 hh) 7,527 institutions 5,474 communities, 704 other</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,480 subsidized (40% own contribution)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,393 self-financed 812 with loan</td>
<td></td>
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</tbody>
</table>

1 Note: the division between the cities of Shatkira and Bagarath is more or less 50:50.

Additionally, entrepreneurs working in water and sanitation were able to get loans to improve their businesses. To make this happen the programme offered business development training to the enterprises, teaching them to write proper business plans. At the same time, they facilitated access to banks. This resulted in 36 loans by the end of the programme.

The Diamond Business Model

The Diamond Business approach encourages and supports building local partnerships and cooperation with local authorities for scalable and sustainable provision of services for all.

The core stakeholders in the WASTE Diamond Business Model are the private sector and its potential clients (households, landlords, municipalities, etc.) and organisations that ought to provide an enabling business environment (financial institutions and local authorities). Other organisations, such as (local) NGOs, Universities and/or consultants, have supportive roles in the programmes. These parties only provide support services to the core stakeholders who form the corners of the diamond as shown in figure 1

A programme using the Diamond Business approach organises a (preferably local) support structure around the core-stakeholders which ensures unbroken possibility to enhance the capacity of the core-stakeholders when required. Organisations like local NGOs and consultants have facilitating and supportive roles.

How has this been accomplished?
These results are achieved by the BWA (Bangladesh Wash Alliance) by applying the Business Diamond Model as advised in the overall WASH programme. HP, one of the alliance partners, made sure their activities would lead to:

- Increased WASH budget allocation by supporting responsible budgeting for sanitation expenditures
- Improvement of sanitation businesses regarding technological as well as business related issues
- Involvement of the financing institutes for households and entrepreneurs

No waterpoints or toilets were constructed as responsibility for the realisation of these infrastructures either stayed with the government or increasingly came within reach of the households themselves.

### The table below gives an overview of the number of entrepreneurs and the disbursed loans.

<table>
<thead>
<tr>
<th>Name of Areas</th>
<th>Sanitation Entrepreneurs (SE)</th>
<th>SE Loan Disbursement (During Jan-Dec 2015)</th>
<th>No. of Toilet Sold (Set)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trained by 2015</td>
<td>Trained by 2014</td>
<td>Total</td>
</tr>
<tr>
<td>Satkhira</td>
<td>15</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Bagerhat</td>
<td>15</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>19</strong></td>
<td><strong>49</strong></td>
</tr>
</tbody>
</table>

**Note:** the division between the cities of Shatkira and Bagarath is more or less 50:50.
In order to increase the chances for building a system that sustains itself, the Diamond Business Approach is based on the following principles:

a. responsible core-stakeholders have to assume their roles right from the start,

b. needed resources (funds, people, etc.) ought to be mobilized locally including funds for operation, maintenance and capital investments to nurture sustainability,

c. no income groups are exempted from support though there is always a focus on the poorest income groups,

d. the interventions always involve all system components from generation to reuse and all steps in between (in the value chain),

e. the private sector is believed to be the catalyst for upscaling service provision that make sustainable business sense for the local investors.

f. Investing more in making systems work for sustainable services provision rather than investing in hardware.

In Bagerhat and Shatkhira Hope for the Poorest (HP) has acted as facilitator of the whole process, but in this case also played a role in the diamond itself. This is because Hope for the Poorest (HP) is a Non-Governmental-Organisation which emerged as social corporate from the large commercial Micro-financing organisation ASA, who is involved in this project as financing institute.

The following table explains how the principal objectives were initiated and how the stakeholders each acquired their role in these cities:
### Stakeholder Activities undertaken by the supporting organisations

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Activities undertaken by the supporting organisations</th>
</tr>
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<tbody>
<tr>
<td><strong>Positioning of entrepreneurs.</strong>&lt;br&gt;HP started with identifying and training of local entrepreneurs, 19 in 2014 and another 30 in 2015. The local entrepreneurs all work from a sanitation exhibition shop, where different toilet options are displayed and materials can be bought. Customers have the choice, either they only buy the materials and construct themselves, or the customers can ask the entrepreneur to construct the toilet. In this way 12,205 latrine sets have been sold to households and 812 constructed by the entrepreneur. The entrepreneurs are trained to work together and meet during network events. Here they share experiences with new technologies and products and services, exchange ideas on marketing and client handling and meet with other relevant actors in the sector.</td>
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<tr>
<td><strong>Connecting the intervention to a large financing organisation</strong>&lt;br&gt;As so-called forerunner of ASA Microfinancing, HP started initiating WASH activities in Shatkira and Bhagarat. They made loans available to households wanting to build their own toilets and businesses working in sanitation services and production, that were looking for means to expand and improve their businesses.</td>
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<tr>
<td><strong>Clear roles and responsibilities</strong>&lt;br&gt;The cities Shatkira and Bhagarat participated in the forming of a multi-stakeholder platform. They received support from the project to increase the budget allocation for specifically slum dwellers and to commit to provide more land for waste management. The role of the local government was to reinforce the by-laws and to financially support the poorest in the areas.</td>
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<tr>
<td><strong>Connecting the supply with the demand</strong>&lt;br&gt;The programme focused its awareness raising on CBO’s and Community leaders who were stimulated to meet with the local entrepreneurs and to learn about their products and services. In these special ‘demand-creation sessions’ the local leaders became the frontrunners of the private sector and simulated the demand for sanitation services by contacting the households. At the same time the local entrepreneurs tried to market their products to a wider public through different communication channels. Sanitation shops were located at strategic places or main roads throughout Shatkira and Bagarath and became very visible for by-passers.</td>
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</table>
During the demand creation sessions, the financing of the WASH facilities was an important issue. HP subsidized all water related facilities through the project funds: 40% own contribution and 60% subsidy by the program. In sanitation three income levels are distinguished:

- The households who have enough income to invest in a toilet,
- The households who need a loan to finance the toilet facilities and are eligible for a loan
- The households who need a loan to invest in a toilet facility but who are not eligible for a loan.

**Results, lessons learnt and recommendations**

The programme has proved to be successful in Bangladesh and the Bangladesh WASH Alliance hopes to be able to continue to use this approach and realise acceleration of WASH in more regions in a follow-up of the programme.

As the BWA stated: ‘the main focus of our work will be on empowering community based WASH committees. When they are aware of WASH related health factors and their rights to WASH, they will be willing to invest in their own health and well-being and empowered to voice their needs to the government.’

**Drivers for acceleration:**

- Well-functioning cooperation with the private sector that offers a variety of WASH services and setting up of distribution channels to reach out to new areas
- Local demand and citizens who are willing to pay for WASH services
- Effective multi-stakeholder techniques for lobbying the government and a mobilised community
- Diversified funding base to attract more finance from different resources
- Increased efficiency by using standard proven approaches and products, and innovations geared towards lowering costs

**Explanation Acceleration**

Defined in physics, acceleration is the rate of change of velocity of an object. An object’s acceleration is the net result of any and all forces acting on the object, as described by Newton’s Second Law. Translated to the WASH achievements acceleration can be depicted as in the following diagram.

In the beginning of a programme using the Diamond Business Approach the access to the sanitation facilities will not rise much, some pilot projects might happen, but in the meantime systems are set in place, businesses learn how to improve their work, governments start planning more effectively and the households start wanting to have a proper working sanitation service, toilets or solid waste management services. When the systems are in place the access can start growing and it will be growing by its own, even when the project ends.