



## Scaling Up Rural Sanitation

USAID Sanitation Webinar

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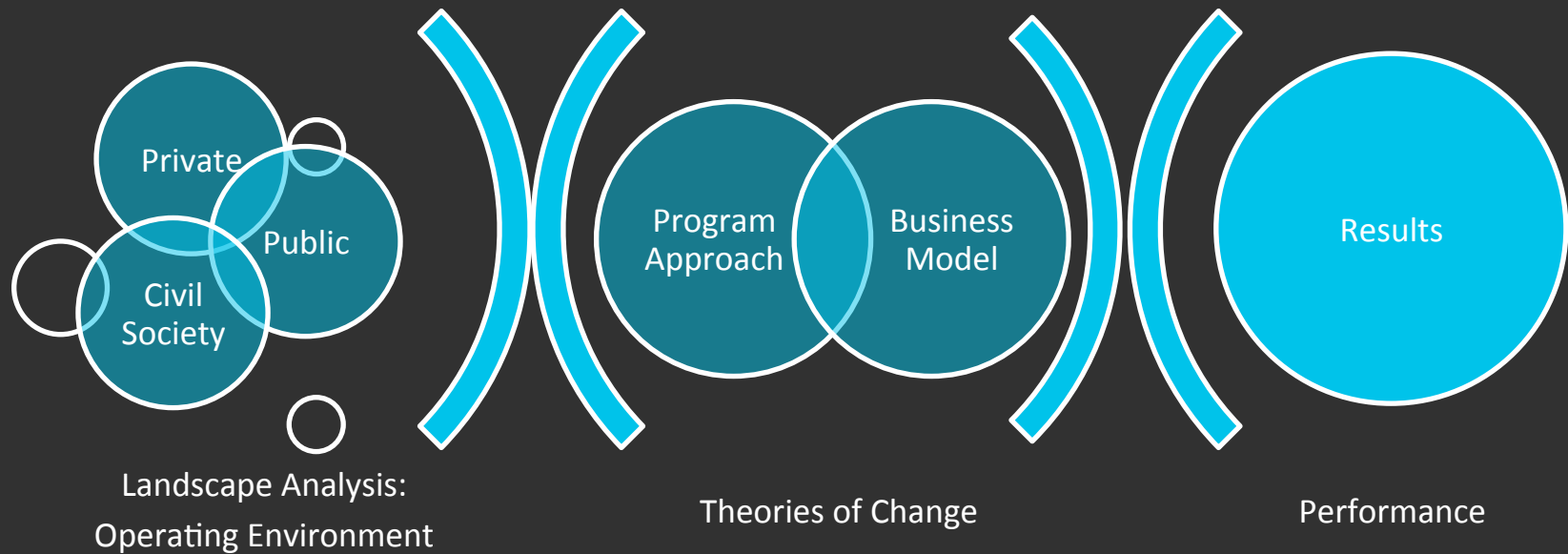
# What are we here to do?

- **Impact**
  - Average, annual net household income increased due to improved WASH services (monetized value of social, economic, and health outcomes)
- **Scale**
  - Number of households to whom we have sold or facilitated the sale of a product or service
- **Cost-Effectiveness**
  - Getting the most bang for buck in terms of impact, scale, and speed
  - Cost of reaching each HH
  - Leverage: 3-year rolling average of cost-benefit (aggregate program cost vs. aggregate increase in income)
  - *Should also be defined to include life-cycle cost*
- **Sustainability**
  - How do we make sure the results last? What *exactly* needs to last? And what doesn't...?

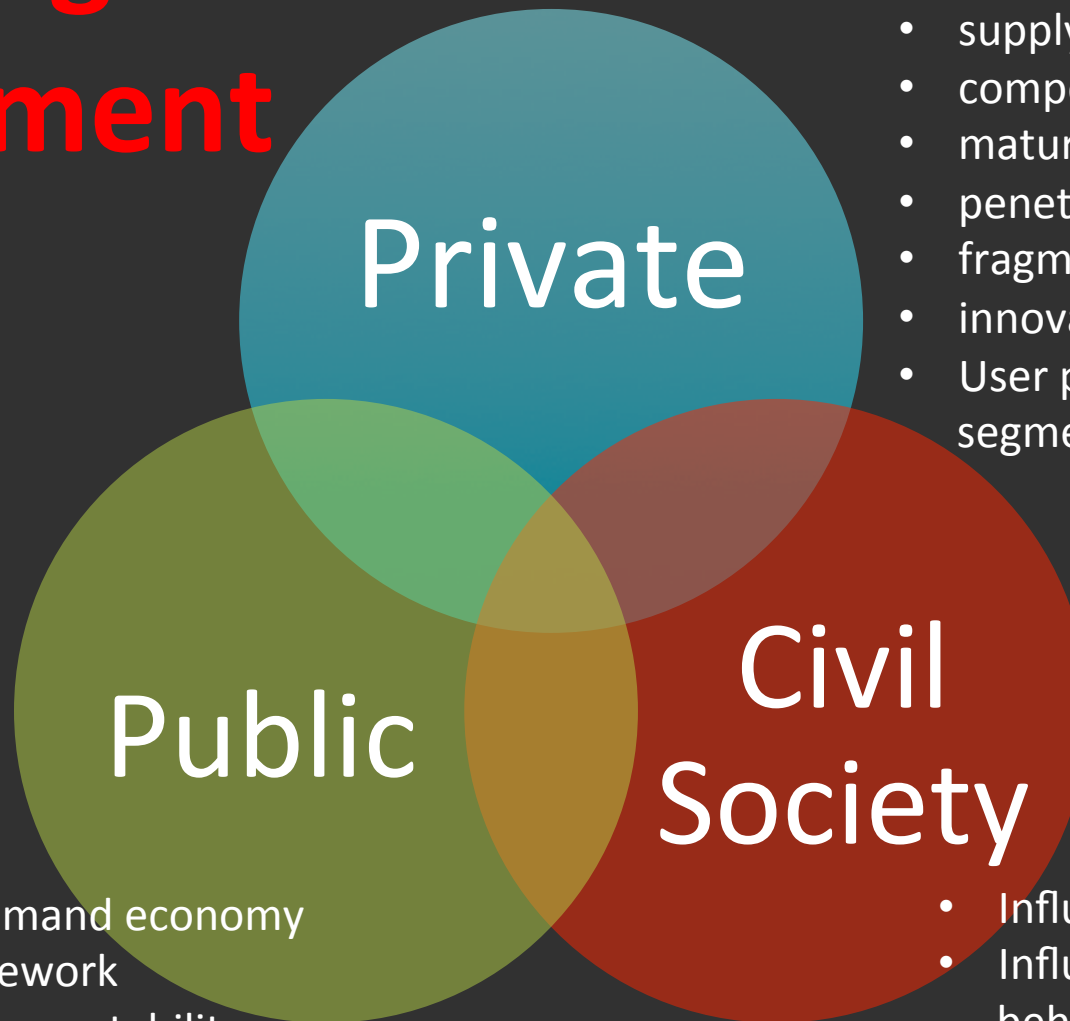
# How do we reach the most number of people, in the fastest, cheapest, most effective way?

- **Sanitation:** How do you get the most number of people to consistently use a hygienic latrine in a fast, cost-effective way?
- **FSM:** How do you ensure people have access to and consistently use affordable fecal sludge management services?

# How do we get there?



# Operating Environment

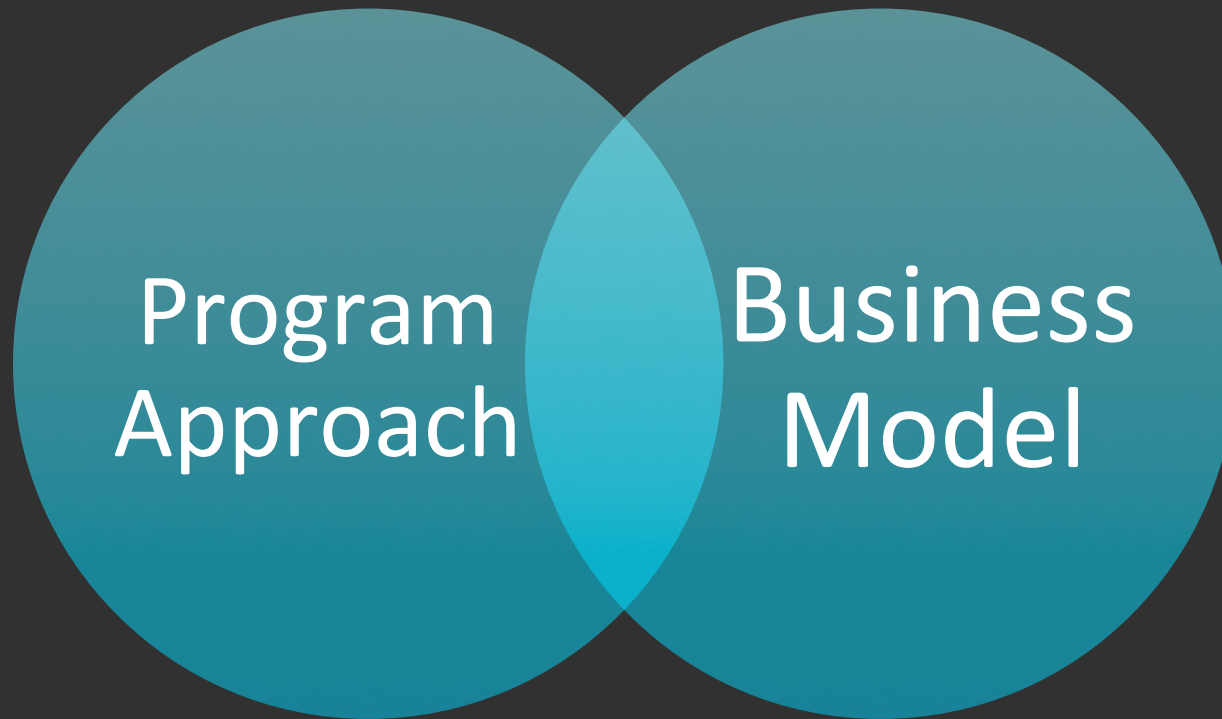


What is the state of:

- supply/demand
- competitiveness
- maturity
- penetration
- fragmentation
- innovation
- User profile and market segments

- laissez faire vs. command economy
- existing policy framework
- transparency and accountability
- quality and reach of existing services
- local vs. national capacity
- availability of resources

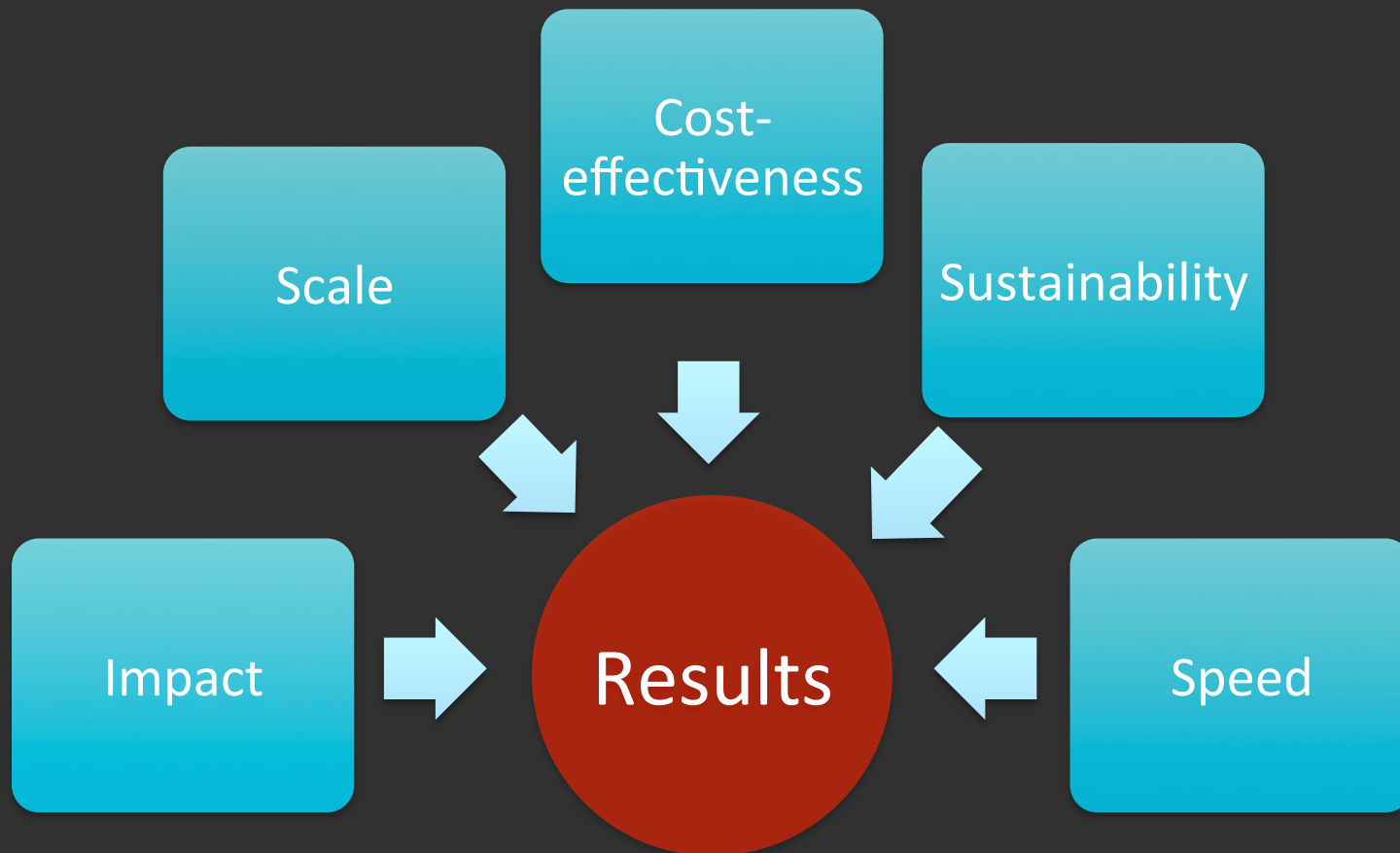
- Influence on the state?
- Influence on user behavior?
- Pipeline of funds?
- Level of coordination?
- Direct service delivery vs. facilitation?



Market Facilitation vs.  
Market Participation?

Value proposition; 4Ps

**Theories of Change:  
We believe if we do this, we can  
achieve the intended results.**



**Performance: How did we do against the metrics we set for ourselves?**

*Other metrics could include: Inclusivity, Innovation*

# HOW TO ENGAGE THE PRIVATE SECTOR



# Principles of Attracting Sanitation Businesses

A clear understanding of the risk environment businesses face is critical. Incentivize businesses to join by helping to de-risk their engagement, but some skin in the game is very important for sustained engagement.

# Tactics to Attract Businesses

- Letting first-mover businesses borrow molds from program to be paid over time
- Renting molds to businesses, to be paid at a 30% discount later on
- Linking businesses with local MFIs to access capital at a (sometimes) subsidized interest rates
- Collaborate with government to certify trained businesses to improve business credibility
- Challenge Fund: Co-investment by business and program (using cash) for agreed upon activities (ex. marketing)
- Move towards having businesses investing in training, coaching, and materials. Ex. Move away from paying their per diems for attending trainings

# Principles of Engaging Sanitation Businesses

- Work with existing businesses to minimize risk and maximize efficiency
- In general, work with more than one business to avoid monopoly, to incentivize competition, and to signal to the market that sanitation is a viable business
- You can create the optimal setting for a business to succeed, but you cannot do the work for them. Continued in-kind support depends on business performance against agreed upon metrics

## Other value-added tactics for business engagement

- Recognition of business performance through certificates and prizes (ex. construction materials such as tile cutter, hand pump, electric motor for top performers)
- Value chain facilitation: Providing access to manufacturers and distributors
- Focus on building trust and foundational partnerships that are not limited by “projects”
- Potentially exploring joint-ventures with large businesses to share risk

# Principles of Engaging Businesses

- Foster trust, mutual respect, and a deep understanding of the incentives and barriers for the businesses to enter/expand into sanitation as a business
- Speak and act like a business; know the ROI, the CBA, the market size, the profit margins etc.
- Understand the nature of the business first (we do a robust study of the company, what is their structure, what are their incentives, values etc.)
- Remain flexible. A strong understanding that the business' timeline isn't our timeline, and that they have different objectives
- For corporates, don't assume that a CSR campaign is a strong enough incentive to participate in the market



# Engaging Sales Agents

(b/c marketing isn't just about supply...)

## Swarm Method

- Evidence shows sales performance most directly linked to # of sales agents
- To address high turnover, we've created a sales academy to ensure there are always sales agents selling
- Small stipend to reduce risk; commission still paid by the business
- Flexible hours to attract women
- Lower capacity, but higher volume

## High quality sales agents

- Selling higher value products requires more sophisticated selling skills
- Requires greater engagement with the program
- Evolving toward becoming program staff

# **Business, NGO, Gov't: Taking a pragmatic approach**

The customer doesn't care who provides the service, just whoever can do it most efficiently and effectively. Depending on the context, there could be an optimal configuration of how and when the three sectors come together.

# CASE STUDIES

# Active Government

## Vietnam

- Situation: Government no longer has resources to provide subsidy, and thus has embraced market approaches to reach last 30%
- iDE's role is to train government on market facilitation on how to engage businesses and sales agents
- Challenges: Government is not used to thinking like a business and not incentivized based on performance
- Opportunities: Scale and sectoral coordination
- iDE recommendation: Walk hand in hand first before handing over

## Ethiopia

- Situation: Large country, 70% without improved sanitation
- iDE's role is to demonstrate viability of market-based approach (vs. CLTS history)
- Challenges: Socialist tendencies in tension with business principles, ex. competition
- Opportunities: Scale and multi-sectoral coordination
- iDE recommendation: Prove early wins and walk hand in hand first before handing over

# Market Facilitation Role

## Bangladesh

- Situation: High coverage rate but mostly unhygienic
- Opportunity: Mature market with lead firms interested in joining sanitation markets
- Challenge: Facilitating last-mile distribution
- iDE helps de-risk market entry and provides in-kind support through BOP expertise

## Nepal

- Situation: Ambitious SDG goal with committed government
- Opportunity: Market-based approach promoted as policy
- Challenge: Lack of understanding of markets, ex. controlling where businesses can sell and using ODF as success
- iDE role: Demonstrate markets can increase coverage quickly and drive towards ODF



# Market Participation

## Cambodia

- Situation: 50% coverage with almost all improved sanitation; Government goal of ODF by 2025
- Opportunity: iDE projected to contribute to 50% of government's goal
- Challenge: Growing market maturity and harder to reach markets
- iDE testing smart subsidies, new products, financing to reach the remaining market

## Ghana & Burkina

- Situation: Northern region with <30% coverage
- Opportunity: Government interested in market approach as other approaches have not worked
- Challenge: Huge subsidy history distorts market
- Need to strongly differentiate product as value-added
- Recommended product is high value and requires dedicated sales force and business management

# Results: Transparency and Accountability Needed for Scale

To reach scale, we need to rigorously track our performance against ourselves and against the rest of the sector.

# Impact

## SANITATION IMPACT

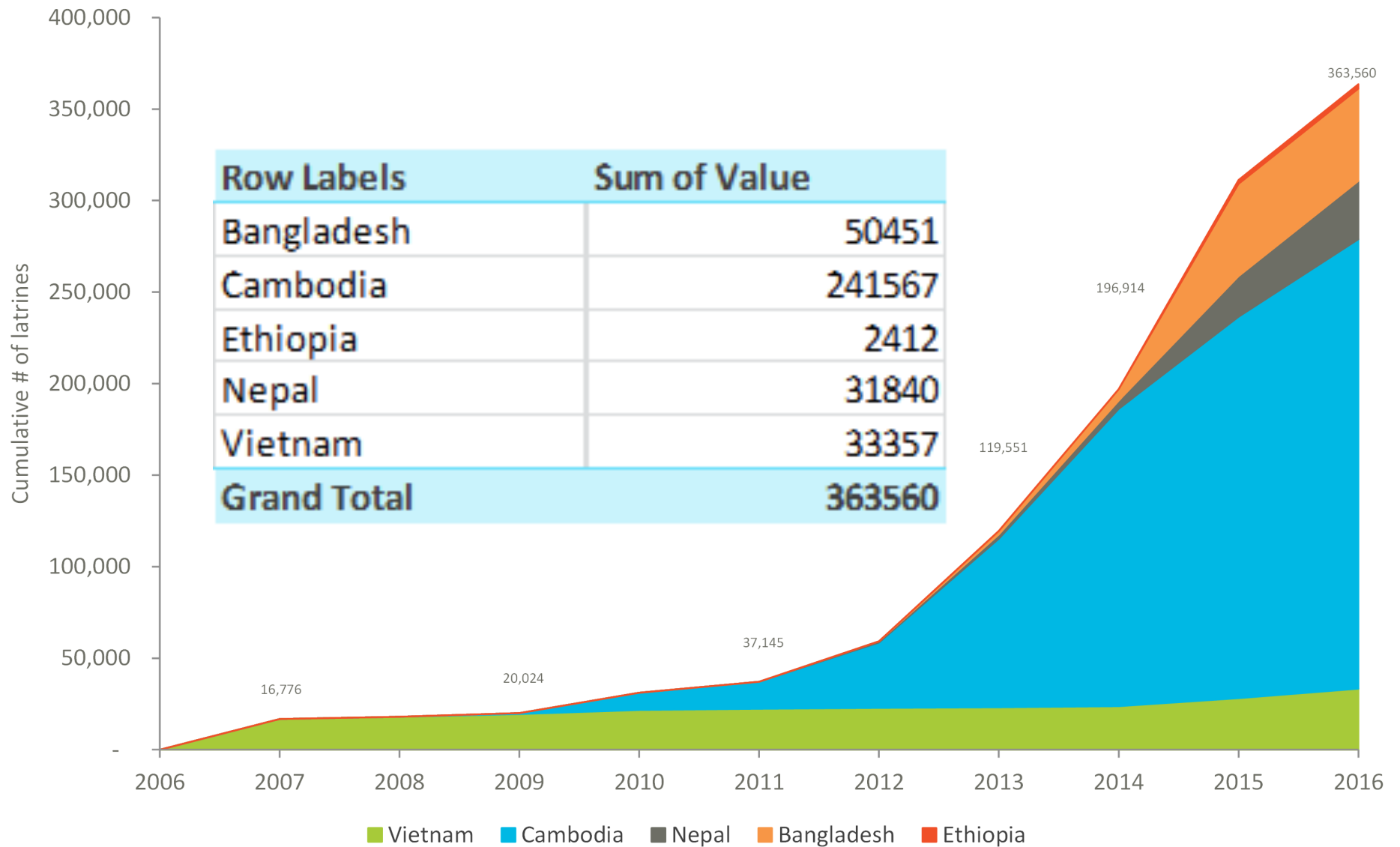
COUNTRY	SCALE				ANNUAL IMPACT (\$PPP)	BENEFIT:COST
	2013	2014	2015			
ALL iDE - SAN	73,285	102,612	86,282		\$88	12.6
AFRICA	0	0	2,150		\$85	2.2
Ethiopia	0	0	2,150		\$85	2.2
ASIA	73,285	102,612	84,132		\$88	13.2
Bangladesh	16,556	29,486	34,363		\$72	10.2
Cambodia	56,404	70,355	31,113		\$95	16.9
Nepal	0	2,171	16,643		\$100	7.5
Vietnam	325	600	2,013		\$95	2.8

## CLEAN WATER IMPACT

COUNTRY	SCALE				ANNUAL IMPACT (\$PPP)	BENEFIT:COST
	2013	2014	2015			
ASIA	65,748	48,012	47,131		\$202	36.3
Cambodia	65,748	48,012	47,131		\$202	36.3

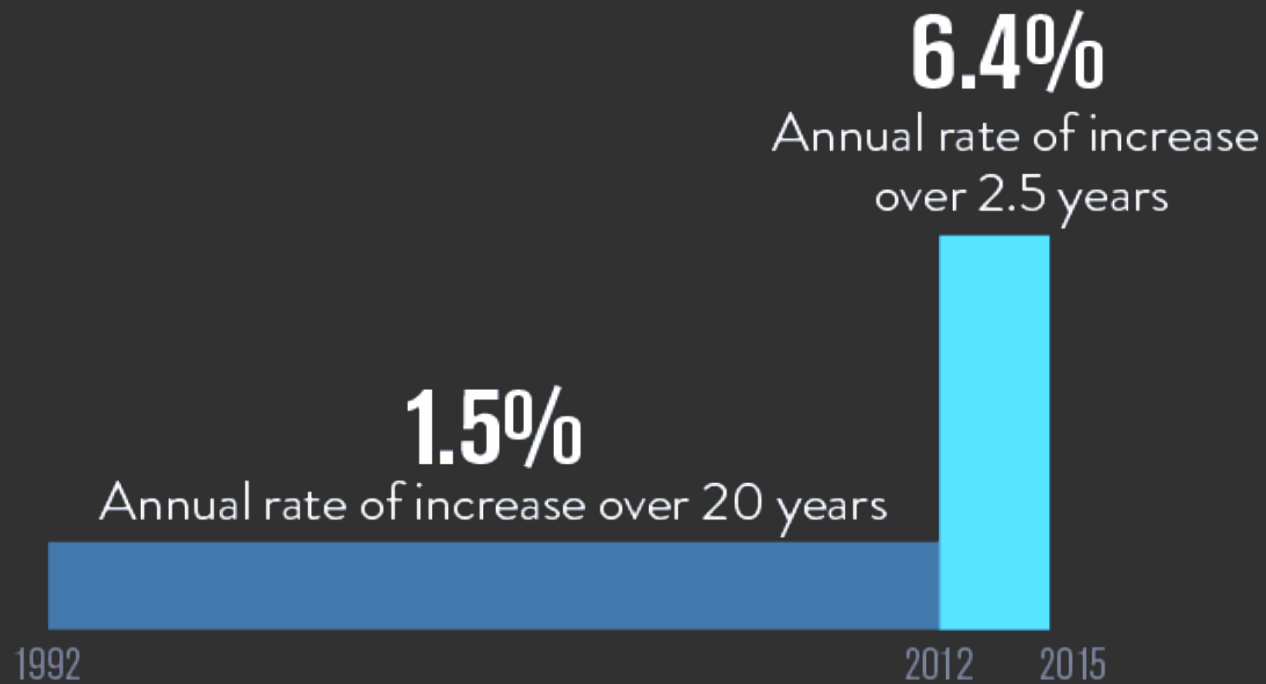
# Scale

Cumulative # of Latrines Sold Over Time



# Speed

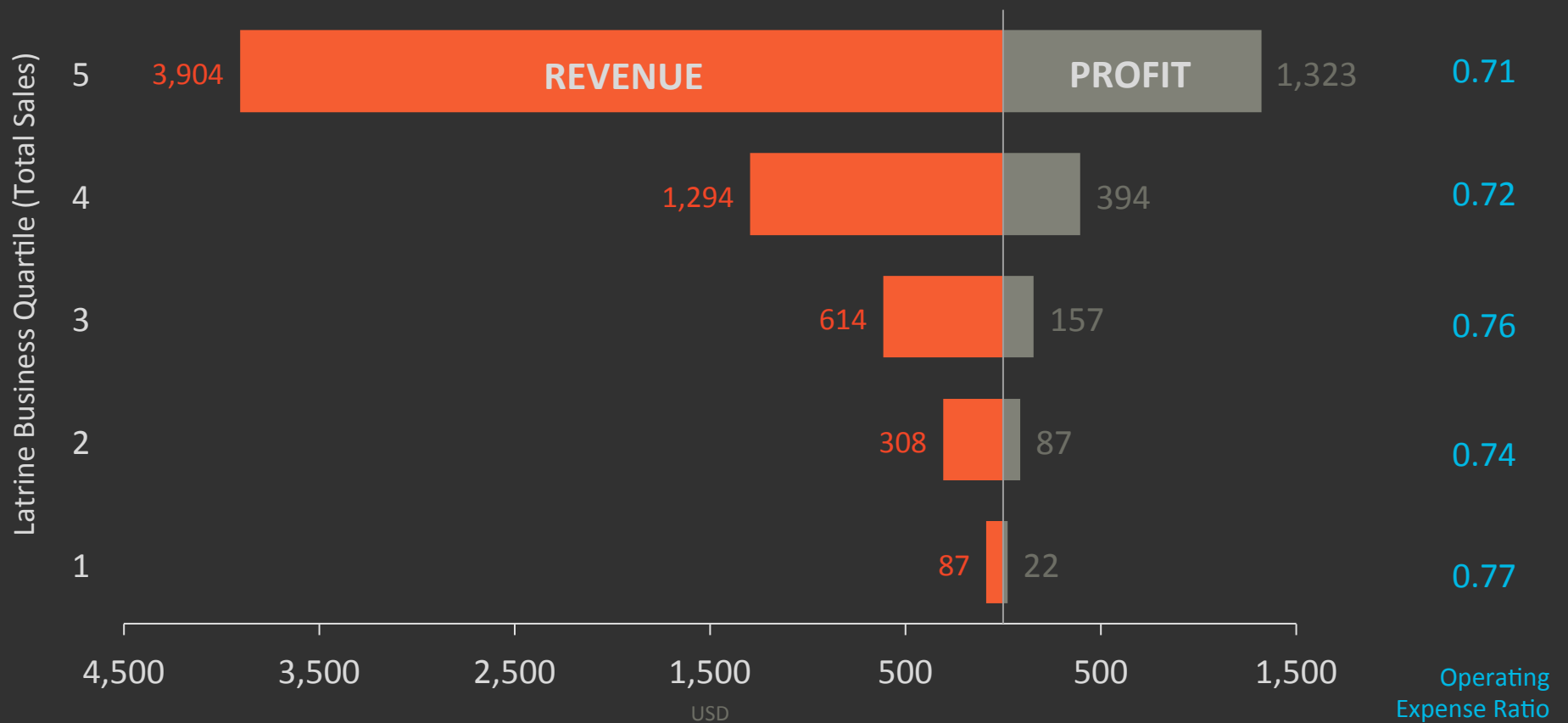
## *Annual Rate of Change in Latrine Coverage*



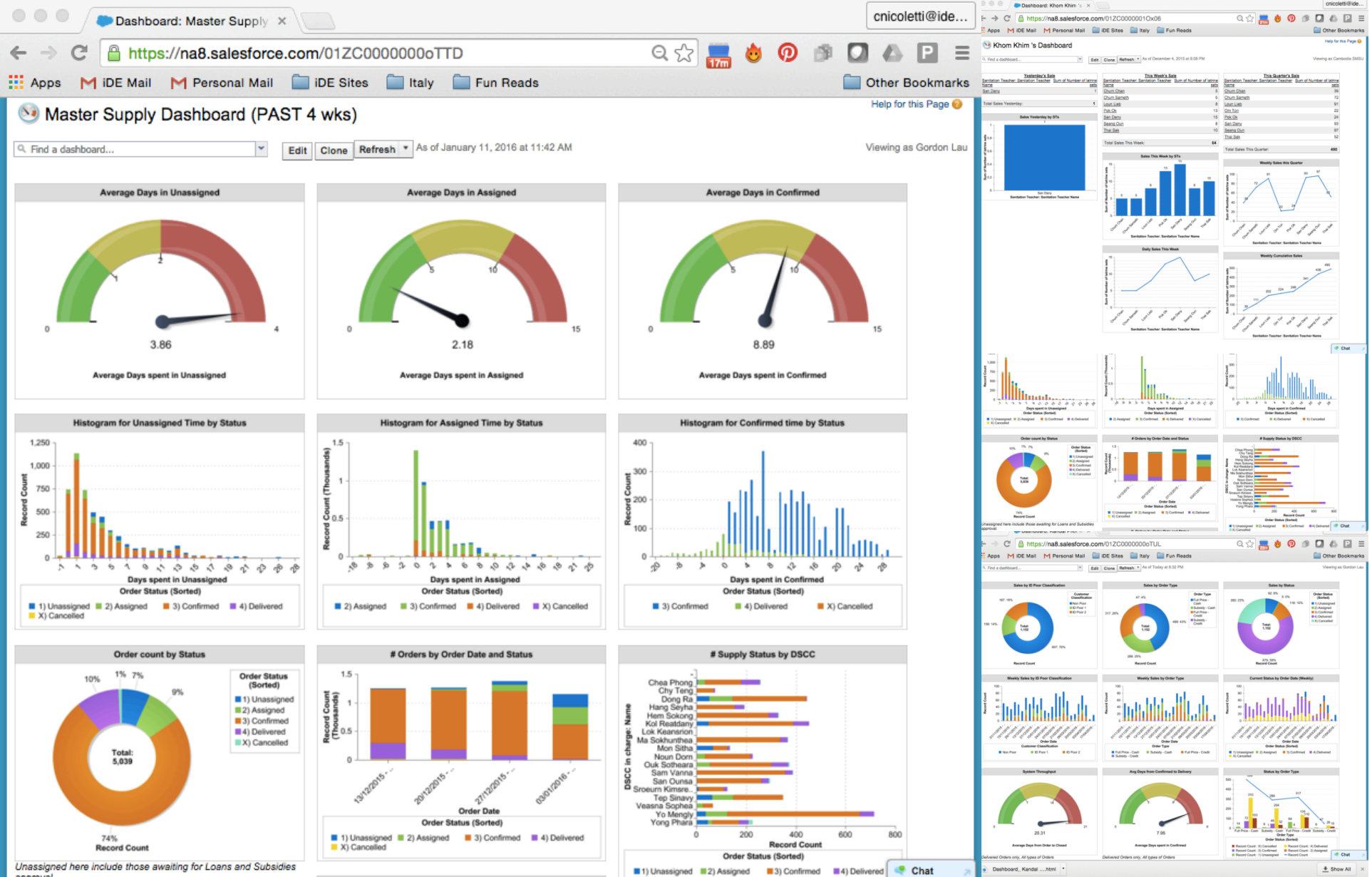


# Sustainability

- Working with >100 suppliers, 90% of active businesses have reached breakeven

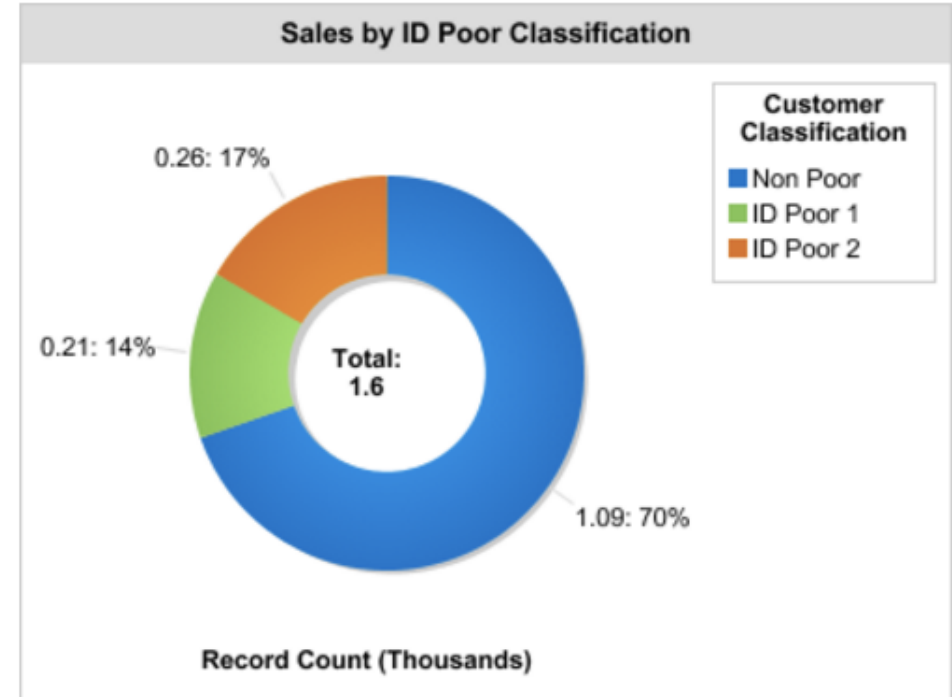
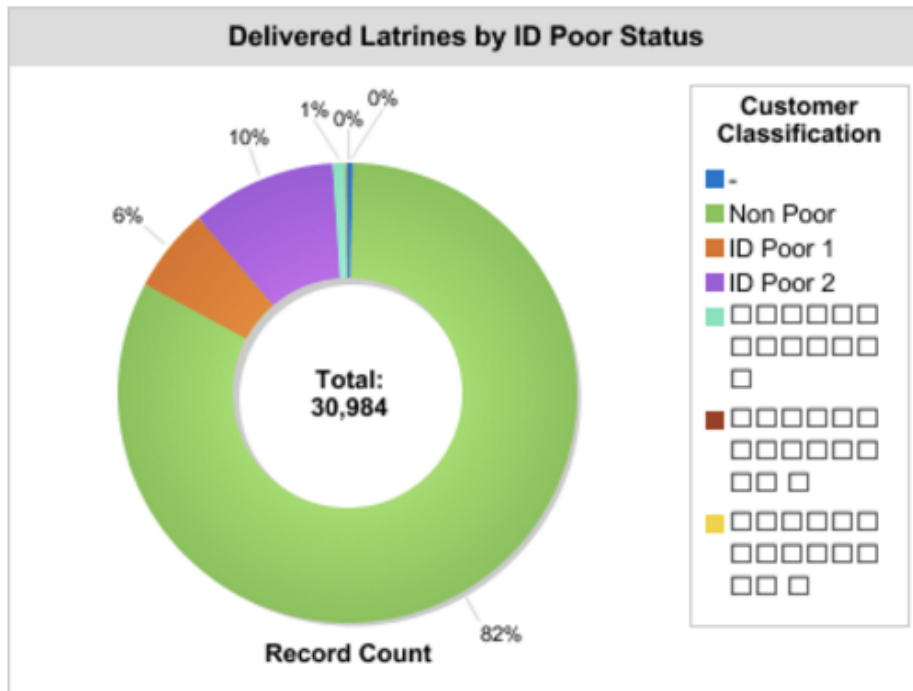


# Real-Time Data-Driven Management



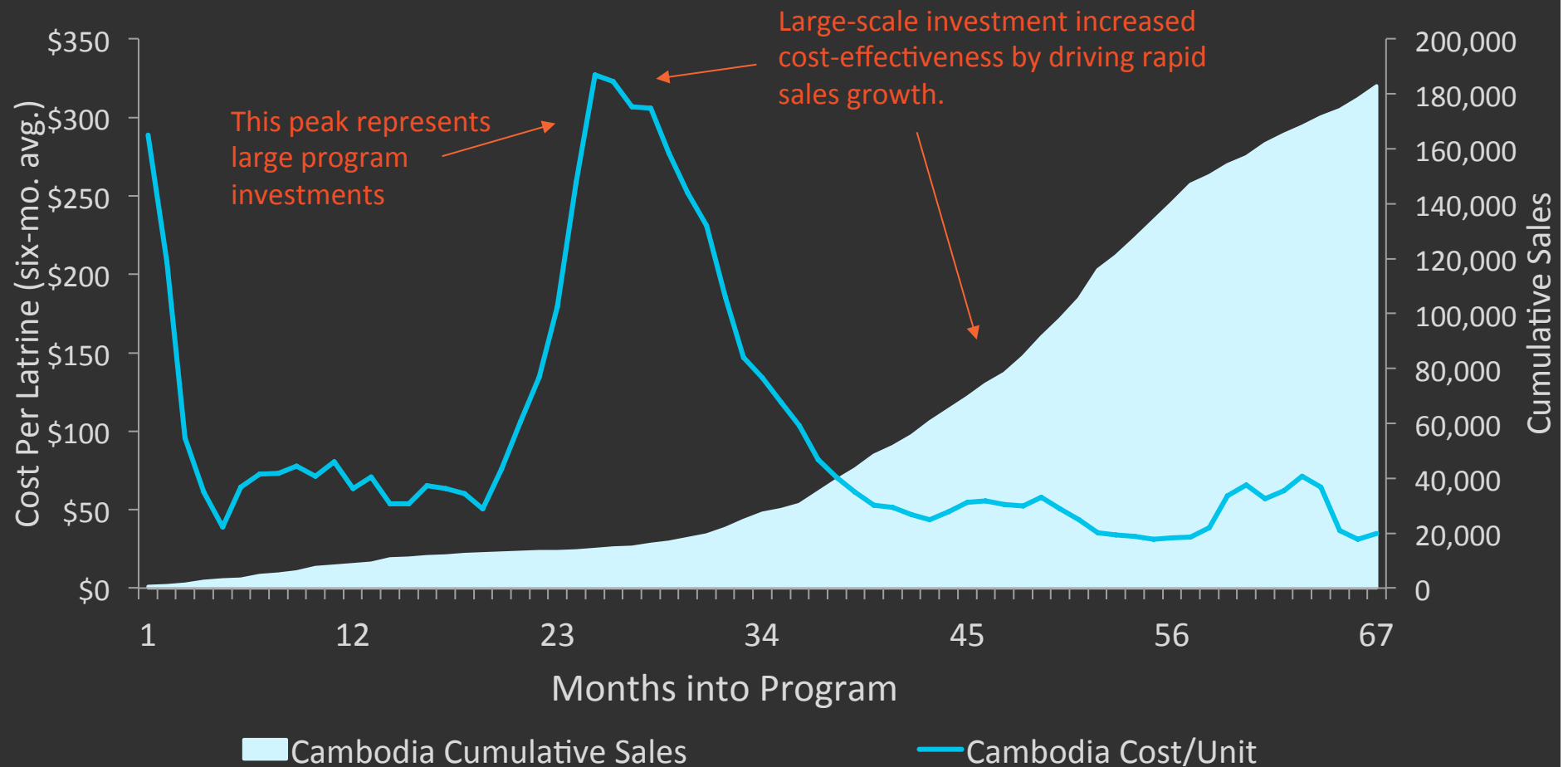
# Evidence-Based Decision Making

## RCT: Smart Subsidy evaluation



# Cost-effectiveness

- Donor leverage ratio of \$16.9
- Exponential sales growth, decreasing unit cost



# Cost vs. Speed: A Trade-Off

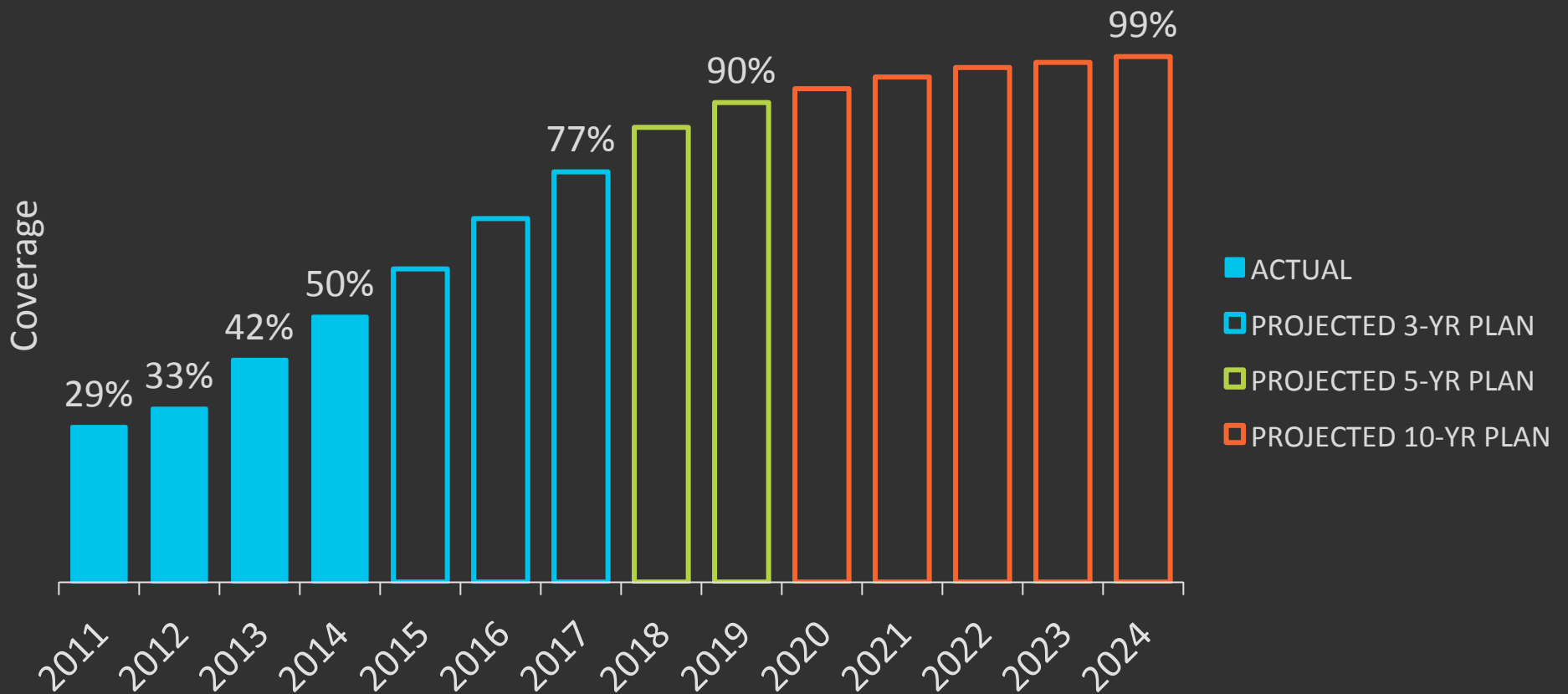
Benchmarking Against Other Market-Based NGOs

Organization	Published Sales Figures	Cost per latrine
iDE	228,000	\$35
WaterSHED	100,000	\$20
East Meets West	63,000	\$50 <i>(Subsidy + output-based aid)</i>



# Getting the Job Done

## Overall Latrine Coverage



### ASSUMPTIONS

MONTHLY SALES 2014	5,500
ANNUAL SALES GROWTH POST-2014	10%
LEVERAGING CORRECTION FACTOR	35%

# For More Information

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