



## East Africa Practitioners Workshop on Pro Poor Urban Sanitation and Hygiene LAICO Umubano Hotel, Kigali, Rwanda, March 29th-31st 2011

### Case Study: Paper

#### **Leveraging impact at scale through innovative financing for slum sanitation: PPPs, microcredit schemes and local entrepreneurship concept for slum sanitation in Uganda**

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### 1.0 The Slum Sanitation Challenge

The urbanization rate in Uganda is approximately 15%. Over 45% of the urban population of about 2.5 million lives in slums. In the slums, the urban poor live in health threatening informal dwellings characterized by uncertain land tenure, inferior infrastructure, low incomes, and lack of recognition by the local governments. The rapid growth and informal status of these highly populated areas have resulted in low levels of basic services as such communities tend to be ignored by municipal authorities, who find themselves overwhelmed by the informal sector's sheer numbers and needs, which far outstrip the capacity of the local planners and government. A common denominator in the Ugandan slums is the challenge of poor sanitation and low toilet coverage (30- 50%).

While local authorities, donors and NGOs have tried to improve the sanitation situation through construction of highly subsidised public toilets in some areas, most have been closed down due to lack of ownership and collective responsibility with many people still practicing open defecation and the infamous "flying toilets" in the night. Therefore, the environmental conditions in these areas have remained appalling with occasional sanitation and hygiene related disease outbreaks especially cholera and diarrhoea. In effect the under-five child mortality rate is as high as 128 out of 1000 live births (UNICEF Child Info, 2009). Also, the rate of school dropout is high which are partly attributed to a lack of adequate sanitation facilities especially for adolescent girls. While individuals living in slums would be willing to improve their sanitation and hygiene situation, their meagre income prevents them from investing in improved toilets.

## 2.0 Intervention

To contribute to the improvement of this situation, the German Technical Cooperation (now GIZ) and the Ministry of Water and Environment in partnership with Kampala City Council (KCC) and two local NGOs developed a home-led sanitation investment financing concept aimed at improving toilet coverage in the slums while the owner investment in public pay-and-use toilets and school toilets was allowed for demonstration, information, education and communication purposes to ensure a multiplier effect. Key to the concept was ensuring sustainability through stimulating demand, maximising responsibility and ownership by stakeholders and utilising subsidies as a facilitative kick-start for scaling-up. Since the process of toilet acquisition was demand driven, the issue of land acquisition for the facilities did not arise as each prospective toilet owners had to provide a land space on which a toilet was to be constructed.

At the macro level GIZ and the local Ministry entered into a public-private partnership with Crestanks and Poly Fibre, two local private companies producing modular plastic toilets to offer a range sanitation and hygiene products within the income means and meeting needs of the urban poor in two selected slums in Kampala City. This partnership was aimed at making it possible to produce and distribute range sanitation products (e.g. basic squat and pedestal VIPs, UDDT toilet slabs, complete panel/ modular toilets, pit liners, septic tanks, domestic water tanks and hand washing units). The key design parameters that were considered by the two manufactures included, space economy, re-usability and re-locatability of the toilet components like slabs and structure hence the name “mobile toilets/mobilelets” to meet the slum dweller life styles.

At the community level, sanitation marketing campaign coupled hygienic awareness creation with bye-law enforcement and appropriate financing that included micro credit schemes by the local institutions of FINCA (Foundation for International Community Assistance) Uganda and Centenary Bank. Another financing method used was the easy product acquisition arrangements through instalment purchasing where individuals would be allowed to own a toilet once they made the initial part payment on the hardware material by the two private partners and then entered into a commitment agreement to pay up the outstanding amount within a period of 3-6 months. In such an acquisition arrangement, an initial facilitative quantity of materials for two complete toilets and ten toilet slabs were provided to the target market as seed by GIZ so as to ensure availability of funds for a steady supply chain managed by the two partner NGOs. The instalment purchase method was popular with landlords and schools as new toilet owners would find it easy to make payments through convenient mobile phone banking/deposits (MTN mobile money and Uganda telecom m-sente) following receipt of payment from tenants and school fees respectively.

In both the micro credit and instalment purchase financing mechanisms, partners forged alliances with NGO's, financial institutions, public authorities and the beneficiary community so as to complement their different interests. The sanitation marketing campaign/sanimark that was facilitated by GIZ focused on landlords and women entrepreneurs, banking on their good appreciation of hygiene and their ability to cooperate in self-guaranteeing credit groups. Schools, religious and cultural institutions were included in the marketing campaign so as to act as multipliers and agents for awareness raising.

The project trained masons from the local community to assemble toilets which facilitated cheap and self marketed labour benefiting from employment and supporting income generation. Some residents within and beyond the two slums have continued to engaged these project trained masons to build/assemble their own toilets from alternative materials of their choice. Also community

members, trained as house to house marketing foot soldiers, have continued to work on commission basis as individual agents for toilet construction within Kampala City and the outskirts albeit on a small scale.

The new local sanitation entrepreneurs providing improved toilet services in congested areas have come up and acquired toilets and so far some have fully recovered their investment from revenues of 100-200 Uganda shillings (0.04 to 0.08 US\$) per visit as compared to 300 Uganda shillings (0.1 US\$) before. The local entrepreneurs have continued to expand their business on their own by serving a variety of hygiene needs like showers and laundry services. One such a provider that invested 1000 US\$ in a toilet block comprised of three toilet stances and one shower room reports an average of 200 visitors per day that translates in Euros 350 monthly income after offsetting the monthly operational cost of 130 US\$. This successful business man has so far acquired an additional piece for land for construction of additional toilets in an adjacent congested settlement. He is currently in negotiation with local roadside florists to supply them urine from his toilets for fertiliser on commercial terms.

### **3.0 Results so far**

The two private partners in the public-private partnership (PPP) indicate that during the recently concluded 2-year pilot project the purchases of toilets and hygiene hardware reached 40.000 US\$, compared to none prior to the implementation of the concept. The manufacturers have continued to market products on their own by engaging with local shop keepers as agents. Some grocery and household item shop keepers are stocking easy to store toilet slabs on behalf of manufacturers and any item sold attracts an agreed brokerage income for the shop owner after repaying the supplier.

Within the two years 75 complete toilet blocks were constructed, 45 toilet blocks rehabilitated and 49 household water storage tanks installed translating in toilet coverage increase of 13% and 16% (up to 20 users/stance) respectively in the residential confines of the two slums. Public toilets constructed by the entrepreneurs and up to 40 toilet stances constructed in 8 public schools within the two slums with a total population of 2000 students were not part of the coverage calculation according to the JMP guidelines.

Scaling-up of the concept is on track with lessons drawn from the pilot incorporated in the new 10-year Improved Sanitation and Hygiene (ISH) Strategy by the Ministry of Water and Environment for the small towns in Uganda.

Furthermore, one of the hardware manufacturers, Crestanks has signed Memorandums of Understanding (MoUs) on a joint marketing drive with the umbrella organisation 16 private water operators in 80 towns. The same company has recently rolled out to the market in Rwanda using the knowledge gained in the PPP.

The innovative financing success has captured the eye of researchers through the SPLASH Research call on sanitation services that is aimed at contributing to the understanding and implementation at scale of sustainable sanitation service chains in low-income urban areas in Sub-Saharan Africa. They have requested us to become partners in the 2 slums so that they can document the impacts of the facilitative financing mechanisms for urban poor sanitation provision.

The water and sewerage utility provider, National Water and Sewerage Corporation (NWSC), has developed a pro-poor toilet emptying service based on the customised cesspool emptiers, Ugavacs,

to operate in these slums and other congested informal settlements in the Kampala City outskirts to ensure sustainable use of the home led dry toilets.

#### **4.0 Lessons Learned**

So far the lessons learnt are that individual sanitation investment can only be facilitated by appropriate funding that is tailored to the beneficiary's pattern of income and expenditure. Various financing options including discounts on cash payment, loans and saving scheme arrangements together with instalment purchase so as to cover a bigger spectrum of the customer needs are critical for success. Innovation through entrepreneurial thinking allows for formal and/or informal financing mechanisms that facilitate the private sector to quickly identify business opportunities that come out of the need to provide sanitation.

Key to attaining impact is establishing the willingness to pay by the beneficiaries and developing a strong awareness campaigns and sanitation marketing that would result in stimulation of individual household demand for sanitation. What drives the urban dwellers to engage in sanitation improvement has to have attributes of making money, help to keep a good life style and instil emotions like pride and status. Up-scalable home-led sanitation concepts have to maximise commitment and responsibility by owners and reduce donor dependency. Donors support should be limited to promotion, communication and guaranteeing risk mitigation measures for the private sector players at start-up as well as sequencing a good exit arrangement informed by a practical and concrete monitoring and evaluation system. If these lessons are customised to local urban slum conditions in the region and are consistently applied with flexibility, then the results realised will form a good basis to influence government policy on basic sanitation promotion in the urban informal settlements/slums.