Sanitation markets

The role of microfinance to support access to sanitation

Sophie Trémolet, DFID, 19th November
Why focus on microfinance?

• Demand from practitioners
  • How can access to sanitation be increased?
  • Typical sanitation support programme focuses on software support but with no or limited support for access to finance

• Gap in research: SHARE research consortium “Sanitation markets pathfinder”
  • Examines why sanitation markets work or fail alongside value chain
  • RCT finding in Indonesia: “access to credit” is key limiting factor
SHARE research activities

• **Call A: Initial mapping**
  • Is there demand and supply of sanitation microfinance services
  • Who are key players in the sector?
  • What do we currently know?

• **Call B: Case study research**
  • India: evaluate existing experiences
  • Tanzania: experience review and evaluation of market potential

• **Tanzania research fund**
  • Action research with selected institutions
Key findings

• **Limited development** overall but difficult to track due to lack of data

• **Growing market in India**
  - 146,000 sanitation loans identified enabling 730,000 people to build toilets
  - Very high repayment rates (98%)
  - Most successful if developed by existing MFIs
  - Some NGOs successful at developing microfinance branch (Gramalaya / Guardian) with support from water.org or Dutch funding (FINISH project)
Market potential (e.g. in Tanzania)

- But MFIs / commercial banks not familiar with sanitation markets so not willing to take the risk
Research into use

• Donors have a key role to play
  • Incorporate microfinance as part of broader sanitation programmes
  • Channel support to MFIs (or NGOs)
    • Market evaluation, product and system development
    • Initial capital for revolving funds, potentially combined with subsidies to reduce initial borrowing costs

• Interest for donors
  • Improved targeting of limited subsidies
  • Higher leveraging of their investment
For more information

See:

• [http://www.shareresearch.org/Page/Detail/markets](http://www.shareresearch.org/Page/Detail/markets)

• [http://www.tremolet.com/focus-area/266](http://www.tremolet.com/focus-area/266) (sanitation financing)