



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

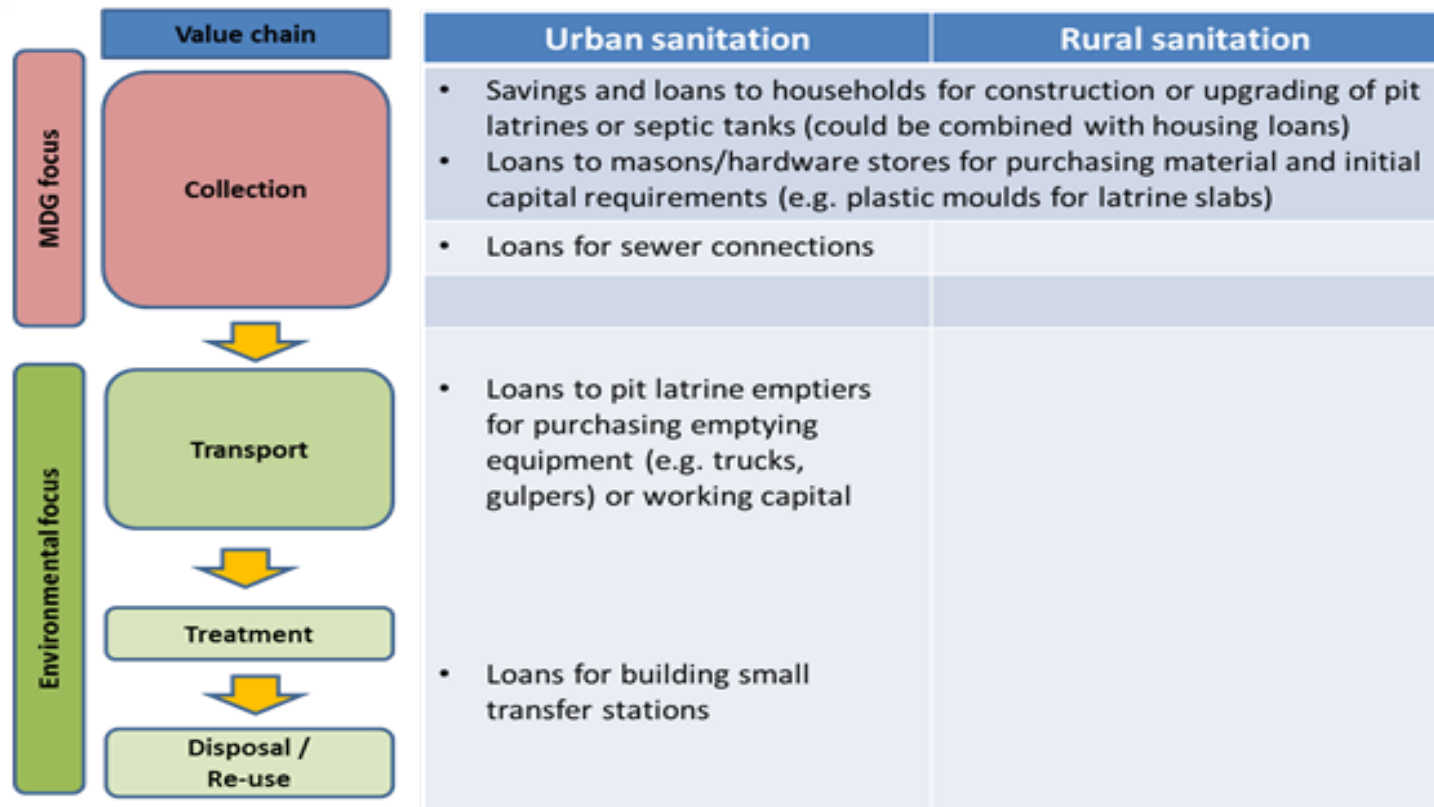


Key findings

- **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.tremolet.com/focus-area/266> (sanitation financing)

