Scaling sanitation does not work,.....unless

Matchmaking : think global, act local

Problem analysis (1)

- Enough proven business concepts and viable businesses that provide access to sanitation for the BoP, yet not enough access to capital to grow
- 'Sleeping demand': the billion $ market opportunity is not fully realized
- Failing supply chains: fragmentation, capability and distribution challenges, weak firms spell no innovations

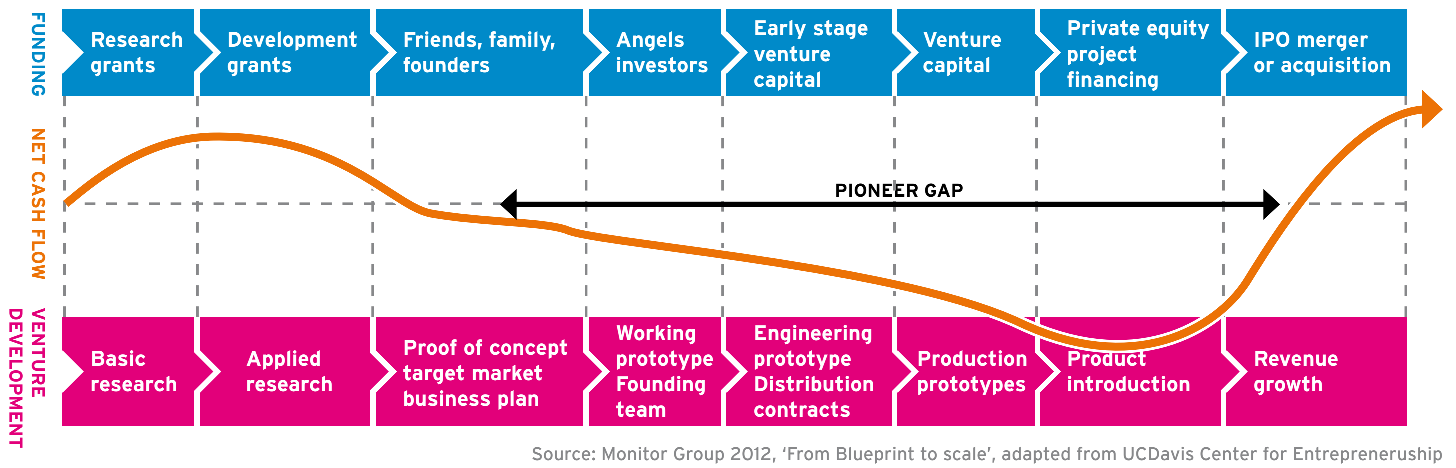
Problem analysis (2)

- Pre-condition: local players should be in situ for demand and supply side enhancement, now often splintered, operating individually, each looking for support/funding/own niche e.g. health workers, CLTS, .. with little to no incentive for marketing sanitation
- Pre-condition: Unsupportive ecosystem (policy, regulations, etc) and barriers in scaling business models for re-use of products throughout the value chain

Problem analysis (3)

how to bridge the funding gap for current small players, new players, and innovators

Investment Cycle



Source: Monitor Group 2012, 'From Blueprint to scale', adapted from UCDavis Center for Entrepreneruship

Bringing together the service and input value in one chain

- Sanitation as service chain: From user via facility through dislodging and transport towards discharge
- Sanitation as value chain: From treatment (composting, digesting, recycling, nutrient recovery, biogas production, feed for protein production by larvae cultivation) towards agriculture, energy, (cattle) feed and recycled waterresource

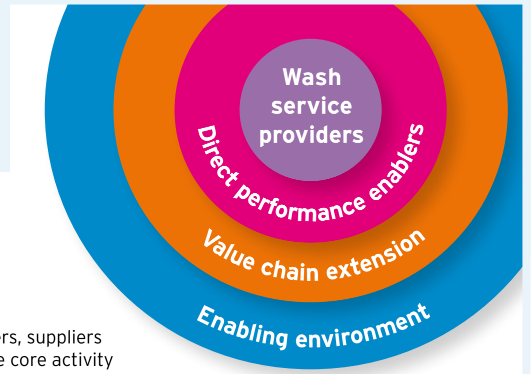
Shaping the landscape (2)

Core sanitation activities embedded in supporting activities (inner-outer circles) with diversification opportunities

WASH services through Private sector empowerment

The entrepreneurial scene

- Core activity: service provider
- Support activities: artisans, skills, manufacturers, suppliers
- Value creation: additional services linked to the core activity (linking activities with health, agriculture, energy, climate, livelihood)
- Enabling environment: finance, ICT, communication, administration



Source: Aqua for All, 2014

Extended Integrated Waste Operator

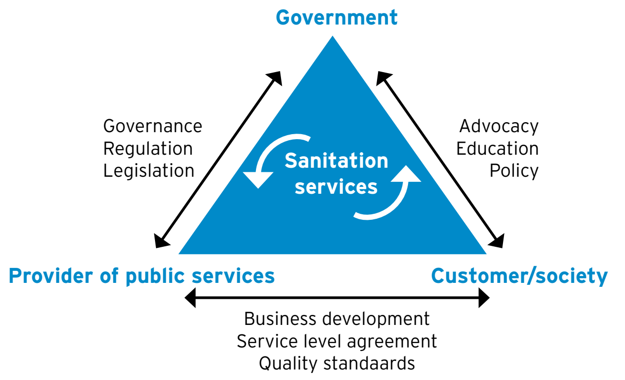
Source: Aqua for All, BoPInc, WASTE et al, 2012: 'Scaling the Access to Sanitation for the BoP'

BoP INNOVATION CENTER

From triangle to diamond

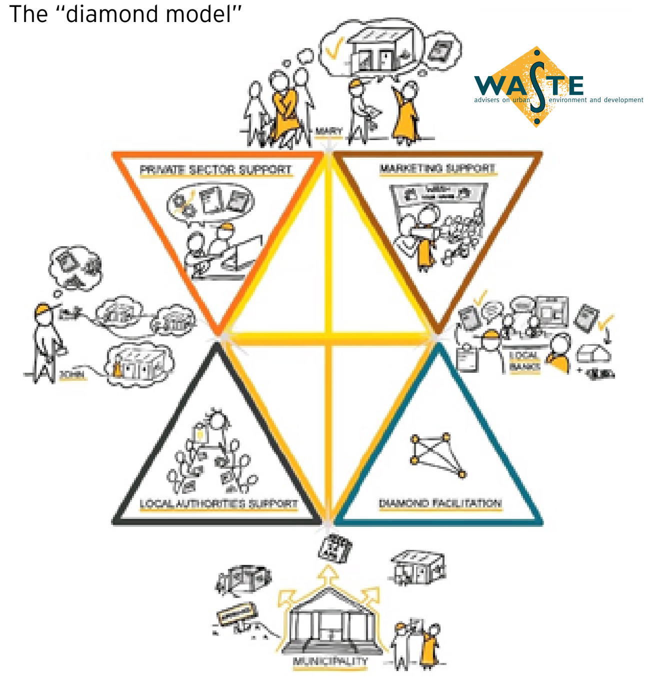
- From three to four stakeholders
- Support in legislation/regulation, capacity building, advocacy, awareness raising, marketing, quality enhancement, access to funding needs coordination and overarching views

Roles for actors in the public goods service delivery



Source: Aqua for All, 2014

The "diamond model"



Source: WASTE, Gouda, Netherlands 'WASTE's approach to enabling self-sustaining urban sanitation systems

Access to funding: empower facilitators for the sanitation chain

Support the Matchmaking between potential businesses and potential financiers supported by a multifold world of enablers, supporters, incubators, aggregators, facilitators, advisors and "award organizers". (challenges, awards, calls)

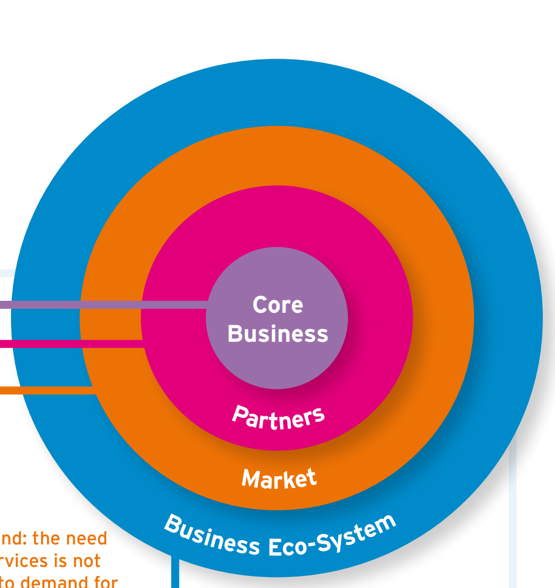
To address the opportunities and gaps in the sanitation chain multiple types of enablers are needed

	PLATFORM	FACILITATOR	AGGREGATOR	MINI NETWORKS
	Household	Communal toilets	Emptying	Innovative sewerage
KEY FINDING	• Cost of aspirational products are high • Cheap or free products are undesirable • Limited penetration in most countries • Dependent on local construction & skills • Lack of innovative 'demand' creation and financing	• Usage determines sustainability • Total cost of operation needs to come down, benchmarking public toilets is difficult note operational costs are substantial as well • Service and cost sharing trade offs: distance, queuing, price • Opportunity for supplementary revenue	• Private Sector Business that can be sustainable if under public license and designed for scale • integrating manual emptying can have positive impact • Orchestration reduces illegal disposal	• Cases vary and depend on strong community engagement. Suitable for communities with strong social cohesion.
OPPORTUNITY	• Industry building programs : PLATFORM • Sector standardisation, specialisation • Impact investment • New Value Propositions	• Licenses to assign sanitation zones to FACILITATORS • 'Off-the-shelf implementation' • Standardized proven models & technology at low TCO	• Development of integrated emptying businesses AGGREGATORS	• Large-scale development of MINI NETWORKS in clusters, seem viable though need planning for viability.
KEY OBSTACLES	• Land and property rights and availability • Fragmented construction chain • Household financing	• Governance & regulation • Lack of innovative financing • Zoning regulations • Density of population / potental of visitors and attractiveness of certain areas	• Illegal disposal • Lack of governance & enforcement of regulatioan • Unfair competition • Fragmented providers • Financing for scale	• Regulatory framework • Partnering with sewerage companies & authorities • Financing framework • Innovation

Source: Aqua for All, BoPInc WASTE et al, 2012: 'Scaling the Access to Sanitation for the BoP'

Scale is the solution, not the problem

- Demand creation requires creating a critical mass of customers which triggers suppliers and service providers to invest
- Local coordination and umbrella support will decrease overhead costs, will create shared services, will provide efficiency and effectiveness
- Investing in a portfolio of opportunities (basket funding, mix funding, value chain integrated value chain funding) can spread investment risk.



Business Model
- Businesses tend to introduce technology rather than a value proposition
- Models tend to be weak in truly understanding customer demand, value propositions, revenue models and understanding of key required strategic capabilities, resources and partnerships

Human Resources
- Lack of leadership/managerial skills in general
- Lack of qualified human resources, also due to un-availability in market

Co-creation
- Both the knowledge and working experience the company possesses to work with the BoP and the knowledge and skills possessed by the BoP that would allow them to participate in the inclusive business model

Internal buy-in
- Attracting large companies to invest in sanitation requires internal buy-in and adopting and willingness to engage in what is perceived as more risky and non-core business innovation

Financing
- Lack of financing and/or donor dependency

Operating environment
- Challenge to build key partnerships to acquire the required capabilities and resources
- Lack of quality and quantity of competitive service and inputs suppliers
- Weak channels to customers for informing, selling, distribution, maintenance and support
- The poor operational environment in which the BoP and companies do business that includes physical infrastructure and the dispersal of the target population

Financing
- Lack of financing for partners in the value chain

Market
- "Sleeping" demand: the need for sanitation services is not yet translated into demand for sanitation services
- Lack of customer awareness of products/services and actual benefits. A mismatch on perceived benefits
- Lack of incentives or mechanisms to realize market uptake of basic services that are perceived to be a Human Right
- Lack of trust through absence or lack of standards, quality assurance and market mechanisms to include customers in this process
- Lack of community buy-in to propositions or the company offering the products/services

Market information
- Lack of industry, market and customer insight information
- Lack of deep engagement and inclusion of customers in developing products/services

Regulatory & policy environment
- Lack of inclusive public policies addressing bottlenecks and creating an enabling environment for the inclusive business investments
- The constraining regulations set into place by the national and local government
- Unstable policies
- Unpredictable interventions
- "Value" of licenses and contracts

Immature industry, sector
- Absence or weak position of PS associations
- Absence or weak knowledge, research and development environment

Source: Adapted from Monitor Deloitte, 2014: 'Beyond the Pioneer'

Scaling sanitation does not work, unless...

Existing local player capacity and business are boosted by creating local support facilities who provide **local support facilities** who provide support on the crucial items (like positioning the roles for stakeholders, facilitate access to funding, support in marketing ,in demand creation for services and re-use products, in quality enhancement and capacity building)

Create **funding support from international supporting agencies** for these local support facilitators.

Create blended **hybrid finance arrangements** for bridging the pioneer gap by matching different sorts of finances in an **output based funding** proposition

Drive demand from a scale level, to augment the multiple players at their business levels. **Fund overarching levels of Demand Drivers** to turn Poop Culture to Pop Culture, via multiple exposures. Facilitate the local entrepreneurs.

Making a match between...

- Local players on the demand creation side
- Local players on the supply side of services and products
- Players in the value chain (up-and downstream)
- Stakeholders on governmental level, service providers and consumers
- International support agencies with complementary competences (like the matchmaking event estafetta-group: Water and Sanitation Program - World Bank with philantropy (BMGF ao) with knowledge institutes (WASTE, BoPInc, IRC and others) , venture capitalists and networkers (brokers like Auqa for All, WTO and others)

Matchmaking physical and virtual

- Make use of existing matchmaking opportunities where international supporting entities meet (Stockholm, London, New York, Singapore)
- Make use of local matchmaking events from chambers of commerce, industrial hubs, aggregators
- Set up a virtual (internet based) marketplace where entrepreneurs, enablers and financiers present themselves and profile their need/offer

Aqua for all

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wsp water and sanitation program

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