Harnessing Market Power for Rural Sanitation

Rural Poor as customers and not beneficiaries

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Based on learning gained from:

Support to Small-scale Private Sector Development and Marketing for Sanitation Project

Market based approaches: some characteristics

- Ability to perpetuate market development
  - Masons continue to promote their services after the project phased out

- Responsiveness for the customer of sanitation services
  - Differeed payments & PSS warranty
  - Market transaction (when, how, from whom to buy)

- Conduciveness to local innovation
  - Walls can wait
  - Proliferation of cement ring makers

- Conduciveness to operational efficiencies and accountability from SP
  - Full K Cost-recovery
  - The market price auto-regulation (competitiveness)
Rural sanitation in Vietnam: A reflection of the global sanitation stalemate

- Access to sanitation lags behind access to water supply

![Graph showing access to water supply and sanitation in rural Vietnam during 1993 and 2002.](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Supply</th>
<th>Sanitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>1.6</td>
<td>18.1</td>
</tr>
<tr>
<td>Year 1998</td>
<td>3.4</td>
<td>29.1</td>
</tr>
<tr>
<td>2002</td>
<td>11.5</td>
<td>39.6</td>
</tr>
</tbody>
</table>

% Households with access to WSS
Rural sanitation in Vietnam: A reflection of the global sanitation stalemate

- Access to sanitation in rural areas remains a privilege of the richest groups

![Bar chart: Access to sanitation by socioeconomic groups (quintile)]

- Year 2002
  - Richest: 69.6%
  - Near richest: 28.4%
  - Middle: 10.7%
  - Near poorest: 5%
  - Poorest: 2%
Validating the new paradigm

IDE Project aimed at testing:

1. Whether rural families will invest in latrines when a range of low-cost models are available from local private sector suppliers

2. The extent to which targeted promotional campaigns can influence consumers’ decisions regarding sanitation investments.
Validating the new paradigm

<table>
<thead>
<tr>
<th>Communities</th>
<th>Households</th>
<th>Poor households as % of total population</th>
<th>% of households owning a safe latrine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimental group</td>
<td>53,886</td>
<td>19.1</td>
<td>16.0</td>
</tr>
<tr>
<td>Control group</td>
<td>5,440</td>
<td>19.7</td>
<td>18.3</td>
</tr>
</tbody>
</table>

2 Coastal provinces in rural Vietnam, with similar conditions:

- Socioeconomic
- Environmental

Project duration: 2.5 years
A process to unleash market forces

1. Perform situational assessments
2. Perform market assessments
3. Formulate marketable solutions
4. Build local supply network for low-cost sanitation
5. Develop an advertising and promotion campaign
6. Link supply and demand
7. Implement promotion activities
8. Broadcast communication campaign

“Mr. Latrine” representing “Hygiene, Civilization, and Health”

Slogan: “Be an exemplary person in a cultured village”
Segmentation & targeting

**Access-based**
- No latrines (60)
  - Un-hygienic latrine (24)
  - Hygienic latrine (16)

**Socio-economic**
- Households under government assistance – poor (19)

**Behavioral – based on practice and vulnerability**
- Primary care givers (43)
  - Children - under 16 y/o (43)

**Core target group**
- Channel exposure
- Message content
- Development of sanitary options
- Partnerships & alliances
- Performance assessments
Market assessments: some considerations

- The way latrines are acquired
  - Commercial vs. non-commercial
  - Roles of the household members

- The time when latrines are acquired
  - Seasonality of demand
  - Family events related factors
Market assessments: some considerations

- **Innovation gaps**
  - Which technologies are sustainable, desired, available, affordable

- **What prevents the market to work for the underserved**
  - Demand and supply constraining factors

- **What opportunities exist to further develop the market**
  - leveraging on:
    - early adopters
    - Peer pressure
    - community mobilization
**Lessons learnt from implementation**

**Biased cost perception of sanitation**

- Soviet legacy of over-design
- Lack of local references (16)

**Response:**
- Standardized a range of options (demonstrations)
- Promoted on-the-spot information exchange
- Promoted competitiveness

**Perception gap (respondents w/out latrines)**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Initial perception (% respondents estimating cost)</th>
<th>Monitoring records (% latrines under that cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$71 or less</td>
<td>-</td>
<td>91</td>
</tr>
<tr>
<td>US$65 or less</td>
<td>&lt; 10</td>
<td>37</td>
</tr>
</tbody>
</table>
Lessons learnt from implementation

The market called for new sanitation masonry skills

(respondents w/out latrines)

How would you build your latrine?

- Pre intervention
  - Double vault
  - Local mason
  - Local Shop nearby
  - Do it yourself

Reported preference
Lessons learnt from implementation

The market called for new sanitation masonry skills

Response:
- Engineered affordability through technical partnerships
- Trained 541 service providers
Lessons learnt from implementation

Investment in sanitation was not a priority

<table>
<thead>
<tr>
<th>Cost</th>
<th>Households without latrines</th>
<th>Households with unhygienic latrines</th>
<th>Households with proper latrines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion of respondents w/ cash constraint as a reason for not having a latrine</td>
<td>91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portion of respondents owning a TV or a karaoke set</td>
<td>58</td>
<td>88</td>
<td>90</td>
</tr>
</tbody>
</table>

Response:
- Conveyed a concept that contained proven drivers of demand
- Motivating benefits: prestige, convenience & children development
- Value reframing of latrines when compared to competing assets
- Mechanism to exert peer pressure were placed
Lessons learnt from implementation

**Few incentives for service providers to enter & develop the market**
- Sanitation masonry is a seasonal activity & a secondary source of income
- Low product differentiation was not conducive to local innovation

**Response:**
- Stimulated demand for sanitation on behalf of service providers
- Covered investment for adapting appropriate technology to the local needs

- Village masons lacked of credibility before prospect customers
- The community relied on the commune health professional as the technical authority for latrine design
- Endorsed masonry skills through the local health network
Awakening the market: The results
Increased access to improved sanitation

In the experimental group of communities:
- Latrine construction has grown fourfold

Latrines constructed in the project areas

- Yearly average 2000-2003: 1,496
- Total 2000-2003: 5,985
- 2004: 6,251

# of latrines built
Increased access to improved sanitation

In the experimental group of communities:
- Rate of household ownership of a hygienic latrine has doubled

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<th>Year</th>
<th>Experimental Group</th>
<th>Control Group</th>
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<tbody>
<tr>
<td>2002</td>
<td>16</td>
<td>18.3</td>
</tr>
<tr>
<td>2003</td>
<td>21.1</td>
<td>21.4</td>
</tr>
<tr>
<td>2004</td>
<td>32.7</td>
<td>25.8</td>
</tr>
</tbody>
</table>

% of households with access to sanitation
The market reached the rural poor

<table>
<thead>
<tr>
<th>% of poor households in the total population (Dec 02)</th>
<th>% of poor households among all latrine buyers (Sep 03 – Dec 04)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.1</td>
<td>10.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population category</th>
<th>Household annual income (US$)</th>
<th>Average household investment in sanitation (US$)</th>
<th>Investment as % of annual household spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>All latrine buyers</td>
<td>592</td>
<td>66</td>
<td>11.1</td>
</tr>
<tr>
<td>Poor latrine buyers</td>
<td>362</td>
<td>55</td>
<td>15.2</td>
</tr>
</tbody>
</table>
A cost effective approach

The market value of capital investment leveraged by 2004

![Bar chart showing project investment in relation to the household investment leveraged.]

- Project investment: 194,000 for marketing/promotion, 142,000 for labor, 336,000 for program support, and 122,000 for construction material.
- Market value of total latrines built: 386,000.

Ratio 1:1.5 for marketing/promotion and labor.
Ratio 1:3.6 for program support and construction material.
Thank You !