

Financing Sanitation: Promoting Sanitation as a Business for Improved and Affordable Services

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Introduction

Rwanda faces significant challenges in the management of both liquid and solid waste. Waste generation is increasing, and a sizeable portion of it is disposed of on improperly located and operated dumpsites. From dumping fecal sludge in the open to channeling wastewater into valleys and swamps, these practices have adverse impacts on people's health and the environment. In addition, deep pit latrines can negatively affect groundwater, particularly in urban contexts.

The country is struggling to enforce regulations on proper waste management and to coordinate and promote existing efforts to recycle and dispose of waste properly. Public and private sanitation, including storm water and waste management, also require heavy investments. These investments improve living conditions and have high economic value but provide limited financial return.

As part of the Everyone Forever model, Water For People encourages sanitation businesses to provide appropriate and affordable products and services to populations, many of whom have limited purchasing power. In Rwanda, Water For People facilitates sanitation marketing approaches through the development of sanitation technologies and building the capacity of local entrepreneurs, as well as working with local authorities, private sector organizations, and communities to create awareness, strong supply chains, and demand for sanitation services.

Over the past three years, Water For People has identified and supported several sanitation initiatives and businesses, including pit emptying services, latrine construction technologies, and improving toilets with Safe Toilet (SaTo) Pans. A SaTo Pan is a simple, plastic, pour-flush pan that provides an air-tight seal, maintaining odor free latrines and preventing flies and insects from getting out of the pit to help to prevent the spread of disease.

Water For People has also supported the creation of the Association of Sludge Emptiers in Rwanda (ASSERWA) to help professionalize the sector and create a forum to strengthen it. ASSERWA helps these entrepreneurs gain visibility with all stakeholders in the sanitation sector, especially those in the Government who have sanitation in their portfolio, including the Ministry of Infrastructure, Ministry of Local Affairs, Ministry of Health, Rwanda Environment Management Authority (REMA), and Rwanda Utilities Regulatory Authority (RURA). This makes it easier to reduce the regulatory barriers, such as requirements related to owning an emptying tanker truck, obtaining an operating license, introducing of new and fit for purpose technologies that improve affordability and access to emptying services.

Water For People has also invested in linking households and sanitation entrepreneurs to financial institutions to finance small scale sanitation initiatives and access credit for purchasing sanitation solutions.

Establishing a Sanitation Guarantee Fund

Water For People in Rwanda has established a \$100,000 guarantee fund to support sanitation entrepreneurs to access financing by covering most of the collateral they need to acquire loans

in commercial banks in Rwanda. The first round of guarantee funding supported one company to acquire a loan: GAPM, a pit emptying business that manages the Decentralized Fecal Sludge Treatment (DEFEST) plant in Gicumbi District, which was able to acquire its own pit emptying truck. The acquisition of the truck enabled GAPM to cut down on operational costs, increase profits, and improve its services.

Water For People in Rwanda engaged discussions with different financial institutions and Guarantee Trust (GT) Bank expressed interest in setting up a sanitation portfolio. They agreed to offer loans to sanitation entrepreneurs with an 80% cover from the Water For People Guarantee Fund, instead of the 110-125% collateral cover usually required. GAPM was the first company that applied for the loan and fulfilled all of the bank's requirements. An initial \$34,000 was disbursed from the guarantee fund and domiciliated in GT Bank to serve as collateral while also earning Water For People a 2% per annum interest.

The guarantee fund operates as a revolving fund that will benefit other sanitation entrepreneurs in the coming years.

Performance of GAPM Loan

GAPM purchased the tanker truck which it uses to provide fecal sludge emptying in Gicumbi and other districts. The company's business has since improved, with a steady increase in the number of clients. GAPM is now also working with the Rwanda Demobilization and Reintegration Commission to provide emptying services in Nyarushishi and Mutobo camps, as well as the Byumba, Ruhengeri, and Butaro Hospitals.

Despite the increase in business, GAPM has had difficulty servicing the loan. They are dealing with a cashflow issue due to clients not paying on time, and have cumulative arrears of over 5 million Rwandan Francs as of July 15, 2020. Water For People has since worked with the Gicumbi District leadership and Byumba Sector, with which the company has a contract for solid waste management, to channel all payments through GT Bank. This should help GAPM get current on the loan repayment.

Lessons Learned

Sanitation business companies in Rwanda are mostly start-up enterprises, with limited or no collateral. Usually, banks are not very open to offering loans to start-ups which are considered, in the eyes of the banks, as carrying high risks.

To address these shortcomings, ensure continued support for the entrepreneurs and businesses, and promote sustainability of these sanitation services, the following must be addressed:

- Build capacity in financial management for the businesses to improve transparency and accountability and help financial institutions better understand the sanitation sector.
- Implement a strict follow-up regimen for loan management to ensure sanitation businesses meet all requirements before loan disbursement.
- Offer shorter tenure of the loans to reduce the exposure to both Water For People and financial institutions.
- Work with private operators that are members in good staid of a cooperative or an association of companies working in sanitation.

Conclusion

Although sanitation businesses in Rwanda are facing challenges, such as the restrictive licensing rules by RURA, the creation of ASSERWA should allow them to advocate for its members with the Government authorities responsible for access to safe sanitation and water services.

Water For People will continue to advocate for the sanitation business to achieve long-term sustainability through capacity-building to develop professionalism in managing their finances, which, in turn, should lower their risk profile and make them more attractive to financial institutions.