



BUSINESS SUPPORT SERVICES FOR SANITATION ENTERPRISES IN CAMBODIA



SUMMARY OF RESEARCH REPORT 8

BUSINESS DEVELOPMENT SERVICES FOR SANITATION ENTERPRISES IN CAMBODIA



JULY 2017

How might sanitation enterprise support be provided at scale? This summary report presents findings of research on the current status and possible models and principles for providing business development services sector-wide in Cambodia.

Despite significant progress in increasing sanitation uptake in Cambodia, 60% of the country's rural population still practices open defecation. Both the Government of Cambodia and a range of development agencies are working to address the issue. Development organisations are present in many provinces (15 of 25), and major achievements have been made in expanding access to sanitation in recent years, including through sanitation marketing approaches through small-scale enterprises.

Developing a sanitation market for the remaining rural population and reaching full sanitation coverage by 2025, as envisioned in current policy, requires thinking at scale. Thinking at scale can support efficiencies, promote synergies, avoid duplication and unnecessary competition.

This research aimed to support government and development partners to discuss and consider opportunities for a collaborative approach to design BDS at scale, building from the different approaches currently implemented by development agencies.

The research drew on global literature, existing studies of the Cambodian sanitation sector and followed a participatory and qualitative approach. Research activities and methods were conducted between December 2016 and May 2017.

These included:

- Desktop review of global literature on BDS mechanisms
- Interviews with key sanitation sector stakeholders (8 interviews)
- In-country facilitated stakeholder workshop (14 participants)
- Interviews with sanitation entrepreneurs (7 enterprises)

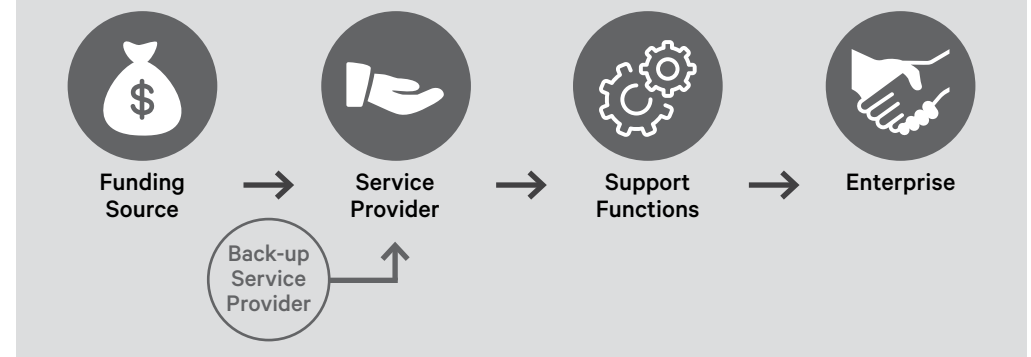
What are the elements of a system of business development services?

This research considered five key elements of a system of BDS:

1. The sanitation enterprises themselves (the clients of BDS);
2. The businesses support functions (both tangible and intangible supports that help entrepreneurs increase, directly or indirectly, their productivity)
3. The BDS providers (individuals or organisations that deliver BDS to the clients);
4. The back-up BDS providers (service providers that train or provide any other service to BDS providers);
5. The funding source(s) for the BDS

In a given context, business development services can take many different forms and different models can co-exist.

FIGURE 1: DIMENSIONS OF BUSINESS SUPPORT SERVICE PROVISION



BDS FOR SANITATION ENTERPRISES IN CAMBODIA: SITUATION ANALYSIS

Characteristics of sanitation enterprises:

In Cambodia there are two main types of businesses operating as sanitation enterprises: (i) Local producers of prefabricated concrete products; and (ii) Construction material shops, who may also have some capacity for production of latrines. The range of products and services offered varies, with some enterprises offering both latrine products as well as delivery and installation services, and others offering just latrine products. For many enterprises, latrines represent a significant share of their revenues, particularly in the high season. The use of commission based sale agents is a common marketing approach.

Main BDS providers to sanitation enterprises:

Non-governmental organisations (NGOs) are currently the predominant BDS providers directly to sanitation enterprises. In some situations NGOs act as back up BDS providers to another actor (e.g. local government or another NGO or a larger private enterprise) for certain support functions (for instance either for demand creation, or for capacity building and training).

Local government also acts as a direct service provider in some cases, although this has been predominantly for access to market/demand creation support functions. Other actors such as micro-finance institutions (MFIs) have also been involved in the provision of access to finance to

households, thus helping to increase sanitation uptake.

Geographic distribution of BDS provision:

The geographic distribution of BDS provision to sanitation enterprises varies across the country, and there are many provinces and districts without access to BDS provision to sanitation enterprises.

BDS functions provided: These have been predominantly focused on access to market/demand creation, training and capacity building, and product development, counselling/mentoring, networks and partnerships, access to key resources. Major gaps were identified in the provision of access to finance/credit, quality assurance, and advocacy and government lobbying support functions/services.

Funding for BDS: The current context of BDS provision to sanitation enterprises is heavily dependent on donor funding, with WASH NGOs acting as the main BDS providers, and only rare cases where enterprises themselves contribute to the costs. This means that business services tend to be provided within the timeframe of these NGOs' programs or projects, which does not encourage or ensure a focus on long-term sustainability of BDS services beyond reaching universal coverage of improved sanitation, particularly if this is the main goal driving their programs, and also does not position the sector to provide such BDS support across the country as a whole.

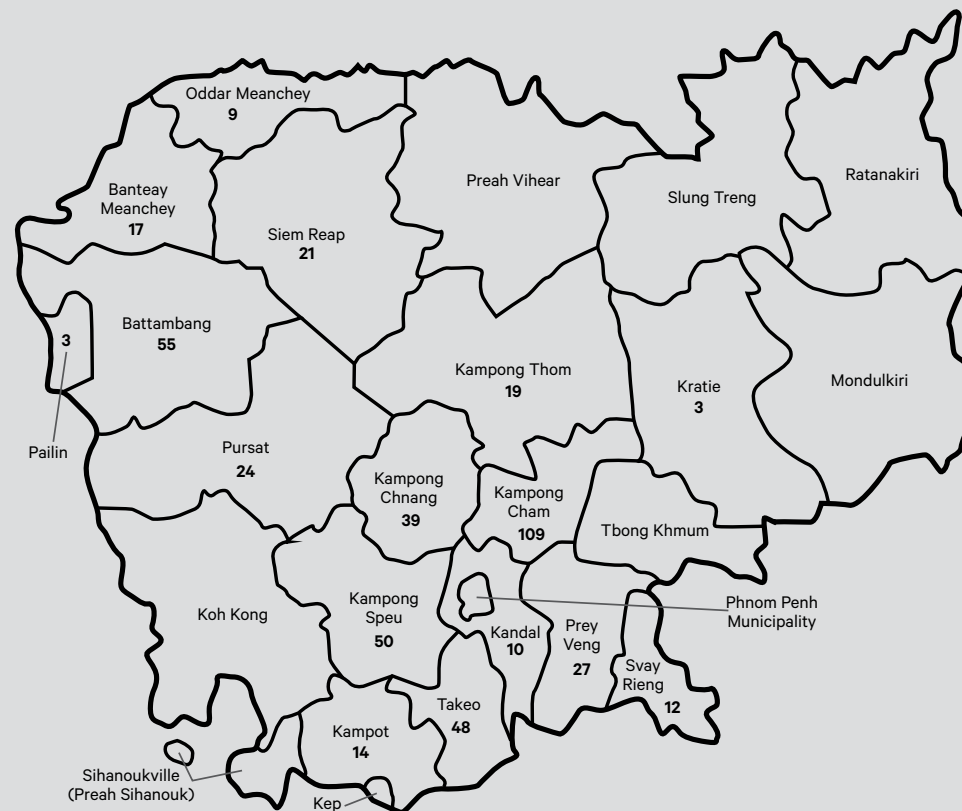


FIGURE 2: REPORTED NUMBER OF SANITATION ENTERPRISES SUPPORTED BY NGOS PER PROVINCE

Designing BDS for sanitation enterprises at scale

Which mode of delivery is likely to suit the Cambodian context?

There are two common modes of delivery, each with associated characteristics and concerns, and a third option that combines aspects of these:

- Supply-driven model:** BDS providers are typically dependent on donor funding and thus are responsible to donor organisations and not to the client. As a result, services are not likely to meet the real needs of the clients and tend to be expensive and unsustainable in the long-term.
- Demand or market-driven model:** Based on the principle of client pays, the funding organisations act as facilitators (back-up service providers), supporting and building the capacity of the service providers, and generating demand for services amongst the target clients.
- Needs-driven model:** A system where market-driven and supply-driven models co-exist, whilst promoting accountability and sustainability, often applicable where markets are weak. Donor and government funding resources are used to ensure services to those who cannot pay, without crowding out the market for paid services provided by commercial actors, by applying the principle of 'client pays' where possible

The current context of BDS to sanitation enterprises in Cambodia generally follows the supply-driven model, and to reach scale and cover the diversity of geographic rural contexts is likely not possible using the demand or market-driven model. Hence the multi-pronged approach of the needs-driven model may be the most realistic starting point, and is proposed by this report.

What would a needs-driven approach to BDS entail?

Within a needs-driven approach, NGOs would generally avoid acting as BDS providers. Instead they would focus on acting as the back-up service providers and disappear as the market develops and more permanent commercial, local non-state and/or government actors take over support functions. A step towards this approach includes identifying who these actors may be, as well as

looking for possible synergies with non-sanitation organisations and potential cross-sector collaboration.

The needs-driven approach also encourages the use of the principle of 'client pays', although this may not always be feasible and alternative sources of funding may be required to fund BDS. Regardless, to the extent possible, donor funding should be prioritised to leverage government investment in BDS, as funding from government actors are likely to be longer-term than international donor support for projects. In addition, there may be potential to leverage funding from beyond the WASH sector, for instance through agencies responsible for private sector development.

Choices would need to be made between more centralised or more decentralised coordination of BDS delivery, each with its advantages and disadvantages, taking into account that certain BDS functions may be best coordinated at

particular levels (e.g. provincial, or district) depending on the function. Equally, to ensure inclusive sanitation services, including access to services by vulnerable or disadvantaged groups, it is important to consider who has access to the economic opportunity to provide BDS, as well as how BDS can best be designed to promote socially inclusive services.

Typical BDS Functions



Access to market/
demand
creation



Capacity
building/
training*



Counseling



Access to
information



Cost reduction
or access to
key resources



Access to
finance/
credit



Advocacy/
political
lobbying



Networking/
partnerships



Quality
assurance



Product/
service
development
and innovation

*Formal or informal e.g. peer-to-peer learning

Way forward

Principles to inform provision of BDS

The following nine principles can help set a new direction for how government, NGOs and other development partners consider a sector-wide approach to sanitation entrepreneurship.

Principle 1

Encourage the principle of 'client pays' where possible (such that sanitation enterprises contribute to the costs of BDS)

Principle 2

Create a market for BDS rather than a dependency on external development agencies

Principle 3

Avoid crowding out the market for paid services provided by commercial or other civil society actors and also consider opportunities for government actors to act as BDS providers

Principle 4

Ensure accountability systems are in place to ensure BDS services meet BDS needs

Principle 5

Ensure BDS are accessible to those enterprises who genuinely cannot afford to pay for them (whilst avoiding crowding the market)

Principle 6

Design BDS that promote and support sanitation enterprises to be socially inclusive

Principle 7

Use donor funding to leverage government or other investment in BDS

Principle 8

Seek opportunities for alignment between BDS and government mandates, including those beyond the WASH sector

Principle 9

Look for synergies with both WASH and non-WASH organisations and potential intra-sectoral and cross-sectoral collaboration for BDS

Importance of and opportunities for collaboration

For the approach here proposed to be effective, a coherent donor support policy and strengthened mechanisms for communication and coordination between back-up service providers and service providers is required. Drawing on discussions from the workshop and further ideas developed on the basis of this report, proposed areas for areas for collaboration include:

- Joint work by NGOs in thinking through how they could shift to become back-up service providers instead of service providers
- Joint assessment of the needs of sanitation enterprises (this could draw on NGOs' data on the sanitation enterprises they support)
- Joint identification and assessment of breadth potential commercial actors and government agencies to provide BDS to sanitation enterprises
- Leadership in this area by one NGO or other development partner to focus their attention at sector level BDS, building on this report, and explicitly facilitate engagements of other actors in a coordinated fashion
- Share information on innovations, approaches and/or lessons learned related BDS to sanitations

- Collective advocacy and lobbying efforts in leveraging funding from non-WASH government agencies with mandates for private sector development, including joint analysis of the motivations of government agencies with mandates for private sector development that can be tapped in to leverage such funds;
- Development of guiding principles of BDS to sanitation enterprises in the Cambodian context.

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This summary draws on the following report:
Murta, J. and Willetts, J. (2017) Business development services for sanitation enterprises in Cambodia, Enterprise in WASH – Research Report 8, Institute for Sustainable Futures, University of Technology Sydney
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