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LOCAL ACTION WITH INTERNATIONAL COOPERATION TO IMPROVE AND  
SUSTAIN WATER, SANITATION AND HYGIENE SERVICES

**WASH financing – the missing link:  
initial lessons from Sinapi Aba’s pilot in Ghana**

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*Sinapi Aba Trust WASH programme seeks to enhance livelihood of the poor through the provision of WASH loans to fill the gap of non-existence or limited access to WASH financing to the poor. A market study conducted in 2016 revealed the existence of demand for improved WASH facilities among the poor. But they are faced with the challenge of raising the required upfront payment for WASH investments. It was also found that the poor are already paying 10 to 20 times what the rich pay; therefore they could pay off a loan over time. Hence, Sinapi Aba with technical and financial support from Water.org and Opportunity International-UK developed loan products to provide WASH financial services to the poor. From August 2016 to February 2017 we have disbursed 76 WASH loans at USD197,666. One important lesson learnt is education for behavioural change and affordable loan capital is key to success.*

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**Overview of Sinapi Aba Trust (SAT)**

Sinapi Aba Trust (SAT) is non-governmental organisation established in 1994 as a company limited by guarantee to support the poorest of the economically active poor to improve their lives through microfinance and basic business training. Sinapi Aba is a member of Opportunity International Network (OIN). In 2013, Sinapi Aba Trust gave birth to Sinapi Aba Savings and Loans (SASL) Ltd.

Since its establishment, Sinapi Aba has distinguished itself in the microfinance industry in Ghana serving over 200,000 deposit and credit clients with over US\$20million in portfolio. Sinapi Aba microfinance delivery offers broad spectrum of micro financial services to the poor in such areas as trade, manufacturing, service, education, agriculture, housing and most recently, WASH.

Sinapi Aba currently employs over 500 full time staff, operating in 45 branches across the ten (10) regions in Ghana. The majority of our clients are in the rural and peri-urban communities (65%) and over 85% of the clients are women.

**Sinapi Aba WASH programme**

Sinapi Aba as part of its mission to reach and support the poor to improve their livelihood and wellbeing, found it necessary to also engage itself in a Water, Sanitation and Hygiene (WASH) programme to help offer potable water and improved sanitation to the low income people as well as to help educate and create the awareness for good hygiene and health environment.

Ghana has one of the world’s lowest rates of access to improved sanitation. In the urban centres only 20% of residents have access to improved toilet facilities while in rural areas it is 9% (WHO-UNICEF JMP, 2015). For improved drinking water, although access is improving, still 68% urban dwellers lack access to piped water; for rural 97% don’t have piped water. Bridging these gaps requires innovations in WASH financing. Though there has been many awareness raising programmes undertaken by government and non-governmental (NGOs) in many urban poor areas emphasising the need for improved sanitation to enhance health and wellbeing. The prohibitive costs of toilet facilities and unavailable WASH credit have also contributed to render the education ineffective. The over results is increasing WASH poverty in the Low Income Urban Communities (LIUCs) including the phenomena of “flying toilets,” among other open defecations, leading to WASH-related diseases.

According to WHO-UNICEF JMP 2015, while access to water in Ghana is increasing for people in the urban centres (32% - pipe on premise, though 92% has access to improved water), there has not been a proportional increase in the number of rural people with access to improved water facilities (3% - pipe on premises and 80% has access to improved water). The main factors responsible for this development are population, rapid urbanisation and expansion of the urban communities without commensurate investment in water and sanitation services.

Thus, there is a large supply and demand gap to meet the needs of the population in the water supply and sanitation sector. In addition, there is an urgent need for innovative ideas including financing which is critical to address the supply gaps. The situation opens up the opportunity for government and development partners to cogitate inventive approaches to resolve the prevailing WASH issues in the country. Consequently, the new approach championed by Opportunity International-UK, Water.org-USA and Sinapi Aba Trust-Ghana is financing the WASH value chain through loans for improved water or sanitation facilities.

Sinapi Aba partnered with Opportunity International-UK and Water.org-USA to undertake market research to assess the current WASH and financing demand in Ghana using the Kumasi Metropolis as a case study. The research purpose was to understand the prevailing WASH needs of households and WASH businesses, preferred products and technologies, and how they could be addressed through financial services. It also included information on the willingness and ability of potential clients to pay for WASH facilities, a competitor’s analysis and promotional strategies. The findings enabled Sinapi Aba to make an informed decision on how to meet the WASH needs of its targeted clients with tailor made WASH financial services and loan products.

The market study was carried out from February to March, 2016 and covered ten WASH-poor LIUCs in the Kumasi metropolis. Experienced field interviewers and support staff were selected and trained to conduct the interviews. The questionnaires were pre-tested in different communities where the actual data would not be collected. A data analyst with strong statistical background provided input for the right coding framework. Stratified random sampling was use in the selection of the households, WASH businesses and Sinapi Aba clients. The market study adopted qualitative and quantitative approach for data collection. A total of 453 respondents from households and WASH businesses were randomly selected for interviews and focus group discussions (FGDs), and these included a small portion of Sinapi Aba’s existing clients. The table below presents f some of the main findings from the Sinapi Aba WASH market research.

Availability, access and use	Willingness to pay
52% household have no toilets; out of which - 93% use public toilet - 6% use a neighbour's toilet - 1% defecates in the bush.	57% of the respondents were willing to pay for improved toilet facility using a loan facility of which:  70% opted for flush toilet/water closet 14% opted for KVIP 3% went in for Biofil 1% went in for Environ Loo 12% rehabilitation of existing old facilities.
Reasons for no toilet where as follows: 68% indicted the lack of money (finance) 22% indicated lack of space	65% of the respondents were willing to pay for improved water facilities using a loan facility, of which: 63% opted for pipe water connections to the homes. 19% for drilling of bole holes 8% for installation of overhead tanks 3% opted for water storage tanks.
Respondents had little awareness of new technology designs for toilets	

### Sinapi Aba WASH pilot product development

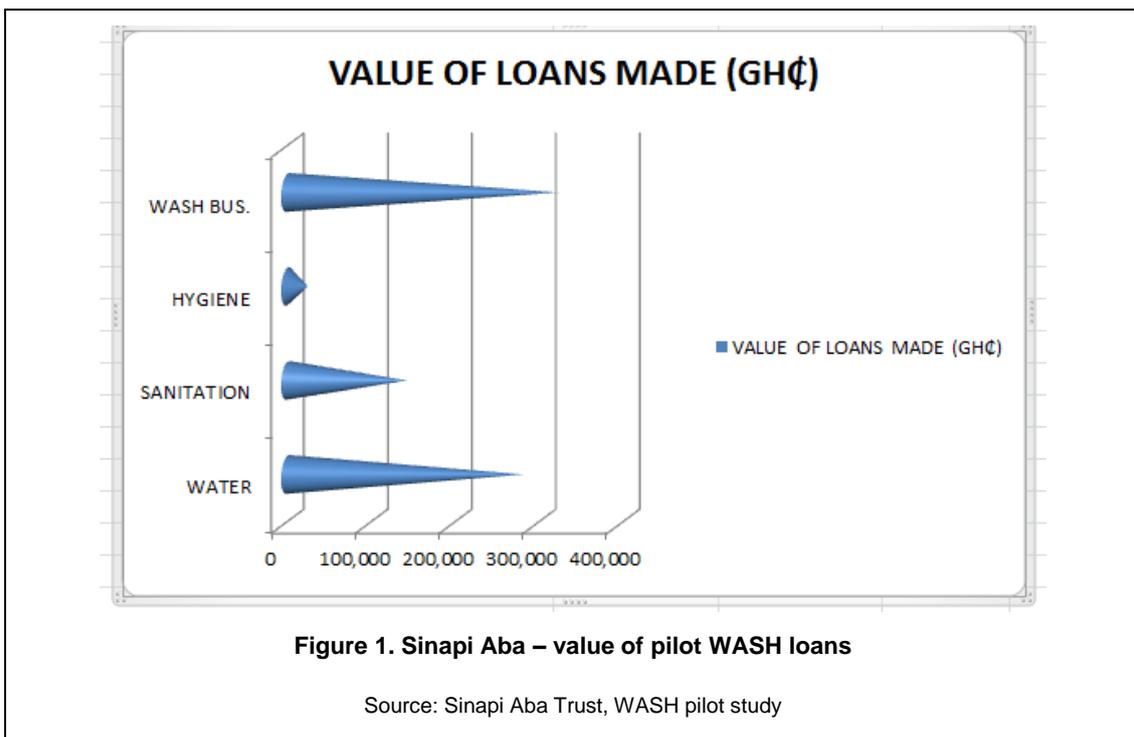
Based on these and other information gathered Sinapi Aba developed a tailored-made WASH financing product for the low income people. Areas considered were:

- Pricing: Offering the WASH loan product at an affordable price is critical for success.
- Loan term: The loan term duration of up to 24months.
- Loan amount: Disbursed the WASH loan amount needed.

- Securities and collaterals: Alternative collateral approach is adopted.
- Packaging: The presentation of the WASH product must be attractive; hence the presentation of the facility is nicely and uniquely done using flyers, etc.
- Loan processes: Making WASH loan processing simple through the use of WASH manual.
- Staff: Expertise and knowledge of staff is crucial to the success of WASH. Hence, the right people are selected and well trained to offer the WASH product.

### Sinapi Aba WASH financing pilot – successes and challenges

Sinapi Aba’s WASH pilot was launched in late July 2016, working closely with Opportunity International - UK and Water.Org – USA as support partners as well as Water and Sanitation for the Urban Poor (WSUP) and other WASH facility manufactures and suppliers as field partners. The pilot has experienced successes, though it is not without challenges. The WASH loan pilot was successfully launched in five (5) branches in LIUCs in Kumasi, and it appeals to the target market with current loans of 76 made valued at USD197,666 in six months. The household WASH loans have improved WASH conditions of families, while WASH loans to WASH businesses have help to provide improved water and toilet to people in the local communities. Besides, the low income WASH business entrepreneurs have been able to sustain and grow their business as well as having their income generated enhanced. Again, the 76 loans made through our WASH programme have effected positively 10,000 beneficiaries (poor people including children) who now have access to improve water and sanitation.



The WASH loan product has the staff buy-in and they are enthusiastic about the product as they received trainings to understand WASH and its purpose. Also, the clients’ trainings opened up clients’ understanding on the product and they also tell other clients about the product.

Currently, repayment of the WASH loans is 100% with no loan repayment default.

The success rate of the programme is attributed to:

- The simple loan application processes
- The training given to the loan officers
- The good business relationship built between loan officers and the clients which extends from their field experience working with low income groups
- Working with active low income entrepreneurs
- Proper due diligence with loan application

- Good loan utilization practices
- Collaborating with manufacturers/suppliers for WASH facilities and the provision of after sales service.

Despite the successes, Sinapi Aba's WASH programme experienced some challenges such as: clients living in compound houses have collateral challenges, the existence of multiple landlords in low income communities gives challenge to ownership of the houses, the proposed disbursements amount per the prototype were lower than the actual disbursement request on the field, among others. While Water.org and Opportunity International - UK, provided the initial technical and financial support for the market research, product development, staff training and some loan capital, one of the chief challenges for Sinapi Aba was securing affordable loan capital to fund the WASH loans in demand and for a full-fledge roll out after the pilot. Therefore, Sinapi Aba has limited its promotion and marketing to avoid the demand exceeding the loan capital we have available.

Other challenge is that sanitation lending is indirectly consumption lending and lending especially to the low income groups requires finances that are relatively affordable and flexible to be able to fit into the financial needs of the target group to attain success.

Sinapi Aba's pilot goal is to disburse 200 loans by June, 2017 and the plan for a three year roll-out after the pilot has a goal of at least 3,000 loans serving over 45,000 poor people as the water supply services turn to serve many more people.

### **Sinapi Aba WASH financing pilot – lessons learnt**

Some very interesting lessons are being learnt as we pilot test, as follows:

- Request for water loans are higher than sanitation loans hence the need for more education of households on the importance of sanitation and the options available; the higher the cost of toilets also likely deters households. The compound housing situation in Kumasi also makes sanitation lending more complex.
- Pilot also pulled back promotion of water loans to give more impetus to toilet loans thereby reducing momentum in total loan numbers.
- How to balance high cost of the toilets with cheaper credit is crucial; lower cost of toilets with cheaper credit is the best option in the long run to increase sanitation uptake.
- Designing, developing and implementing WASH product calls for full commitment of the entire organisation (Board, management and staff).
- Staff training is critical for buy-in and for the success of the programme.
- Sinapi Aba's partnership with OIUK, Water.Org, USA and other organisations helped to leverage on our strength and complement each other.

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