Strengthening the Enabling Environment to Scale up Rural Sanitation in Uganda
Developing a Rural Sanitation Market in Uganda

Harriet Nattabi, Amos Bakeine, Yolande Coombes, and Samuel Mutono

September 2015
Acknowledgements
This report is about developing a rural sanitation market in Uganda. The Water and Sanitation Program (WSP) supported the Ministry of Health and the Ministry of Water and Environment to strengthen the enabling environment for implementing rural sanitation at scale. The technical assistance focused on developing capacity to create demand for improved sanitation and to improve the supply in rural areas. As part of improving the supply, WSP developed a model for the rural sanitation market, based on experiences from Indonesia, Cambodia and Tanzania. The model was piloted in the districts of Amuria, Katakwi, Mityana and Mubende. This model and the lessons from the pilot are presented here for sector stakeholders, especially the Ministry of Health and the Ministry of Water and Environment as well as the local governments. It also gives recommendations on what needs to be improved in order to develop the rural sanitation market at scale.

The authors wish to thank the Government of Uganda, especially the Ministry of Health, the Ministry of Water and Environment and the districts of Amuria, Katakwi, Mubende and Mityana for their time and support during the implementation of the activities described in the report.

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# Acronyms and Abbreviations

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<th>Description</th>
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<tbody>
<tr>
<td>BCC</td>
<td>Behavior Change Communication</td>
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<tr>
<td>BoQ</td>
<td>Bills of Quantity</td>
</tr>
<tr>
<td>CAO</td>
<td>Chief Administrative Officer</td>
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<td>CLTS</td>
<td>Community-Led Total Sanitation</td>
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<td>DEC</td>
<td>District Executive Committee</td>
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<td>DHI</td>
<td>District Health Inspector</td>
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<tr>
<td>DHO</td>
<td>District Health Officer</td>
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<tr>
<td>DLG</td>
<td>District Local Government</td>
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<tr>
<td>DSCG</td>
<td>District Sanitation Conditional Grant</td>
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<td>KDS</td>
<td>Kampala Declaration on Sanitation</td>
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<tr>
<td>KDS+10</td>
<td>10-Year Improved Sanitation and Hygiene Financing Strategy</td>
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<tr>
<td>LC</td>
<td>Local Council</td>
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<tr>
<td>MoH</td>
<td>Ministry of Health</td>
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<tr>
<td>MoES</td>
<td>Ministry of Education and Sports</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>MWE</td>
<td>Ministry of Water and Environment</td>
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<td>NAADS</td>
<td>National Agricultural Advisory services Program</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NSWG</td>
<td>National Sanitation Working Group</td>
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<tr>
<td>ODF</td>
<td>Open Defecation Free</td>
</tr>
<tr>
<td>OPM</td>
<td>Office of the Prime Minister</td>
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<tr>
<td>PHAST</td>
<td>Participatory Hygiene and Sanitation Transformation approach</td>
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<td>SACCO</td>
<td>Savings and Credit Cooperatives</td>
</tr>
<tr>
<td>SAS</td>
<td>Senior Assistant Secretary</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
</tr>
<tr>
<td>UBOS</td>
<td>Uganda Bureau of Statistics</td>
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<tr>
<td>UGX</td>
<td>Uganda Shillings</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollars</td>
</tr>
<tr>
<td>VHT</td>
<td>Village Health Team</td>
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<tr>
<td>VSLA</td>
<td>Village Savings and Loan Association</td>
</tr>
<tr>
<td>WASH</td>
<td>Water, Sanitation and Hygiene</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
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<td>WSP</td>
<td>Water and Sanitation Program</td>
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Executive Summary

Introduction
Access to improved sanitation in rural Uganda is very low, with only 35 percent of the rural communities having access to improved sanitation. Past interventions have placed emphasis on gaining access, but not necessarily on an improved sanitation solution. According to a study carried out by the Water and Sanitation Program (WSP) in 2012, Uganda loses USD177 million annually due to poor sanitation in lost productivity, healthcare and premature deaths.

In 2006, the sector developed a 10-year Financing Strategy for Improved Sanitation and Hygiene as a roadmap to meet the national goals of increasing sanitation coverage to 77 percent by 2015. The strategy is the key implementation document and is based on three pillars i) improving the enabling environment, ii) creating demand and iii) improving supply.

There have been several interventions in the country to improve sanitation, but most have dwelt on creating demand for sanitation, with very little done to improve the supply and quality of facilities. This document addresses the critical piece that has been missing - linking the demand side to a vibrant supply side for sustainable improvement in access to sanitation in rural areas.

Situation Analysis
A successful rural sanitation market requires the right programmatic conditions to promote its development and ensure its sustainability. Below are some of the factors affecting sanitation development in Uganda:

- **Policy, strategy and direction:** Uganda has a strong policy environment, but there are challenges in translating the policy framework into implementation at the community and household level. Although key strategy documents advocate for the involvement of the private sector and the establishment of an appropriate enabling environment to enhance their participation in service delivery, there has been very little progress on this engagement, especially at the community level.

- **Institutional arrangement:** The country has a strong institutional framework for the implementation of sanitation at scale, but it needs to be further strengthened at the district level to support the development of a rural sanitation market.

- **Financing:** Sustainable financing of the sector is a major stumbling block to Uganda’s sanitation sector. Over the last three years, the annual funding for sanitation has been less than 40 percent of what is required. In addition to the low level financing to the sector, the rural communities have many competing needs, with very little disposable income to spend on sanitation. The sector needs to enable households to mobilize resources for improved sanitation, for example through financial institutions.

- **Monitoring:** The sector has a performance measurement framework and carries out sanitation performance benchmarking across districts, but the current performance measurement framework only considers access to sanitation and does not monitor market development. In addition, the current monitoring system has weaknesses and although reporting structures exist both at district and national level, data collection, storage and dissemination need to be strengthened and feedback loops require improvement.

- **Program methodology:** Sanitation interventions in Uganda are guided by the 10-year Financing Strategy for Improved Sanitation and Hygiene based on three pillars: 1) creating demand for improved sanitation 2) improving supply and 3) improving the enabling environment.

- **Implementation capacity:** Uganda does not yet have sufficient capacity to implement rural sanitation at scale. Over the last three years, there has been noticeable increase in the capacity to create demand, especially the implementation of community-led total sanitation (CLTS). However,
there has been little progress on sanitation marketing and on improving the supply chain. In 2014 the Ministry of Health, with the support of partners, developed a comprehensive capacity building strategy to support demand creation for sanitation and the supply of products and services.

- **Availability of products and tools:** Although Uganda has a ready supply of sanitation products, especially concrete slabs, they are not readily available to rural communities. A study carried out in 2012 showed that the rural sanitation market is fragmented and actors in the sanitation supply chain have not invested in building sanitation solutions for rural households because they do not consider this segment of the population to be a viable market for their products and services.

WSP implemented a Technical Assistance (TA) project from Financial Year (FY) 2013 to FY 2015, to support the Government of Uganda (GoU) to strengthen the enabling environment to implement rural sanitation at scale. The TA included strengthening the implementation capacity by developing a capacity building strategy to strengthen the organizational framework and ensure adequate human resources at all levels of government to deliver on the three pillars of the ISH strategy. Under the TA, a behavior change communication (BCC) strategy was developed to encourage rural households to improve their existing sanitation facilities. WSP in partnership with the central government and selected local governments also developed a model to bring structure to the rural sanitation market and improve service delivery to the rural communities. The model was piloted in the four districts of Amuria, Katakwi, Mubende and Mityana.

**Developing a Rural Sanitation Market**

To understand the existing market in the four pilot districts, a market survey was carried in the four districts to establish current consumer practices and preferences, as well as to establish availability of service providers. The main findings from the market were:

- Most households in the four districts (63 percent) use traditional pit latrines with earth floors, but most would like an improved toilet with a permanent superstructure, and are willing to pay a service provider to construct the toilet.

- Most households would prefer to use proceeds from sale of their harvest, instead of borrowing from financial institutions for latrine construction.

- Entrepreneurs think that the rural households are not a viable market for their products.

The findings of the market survey, and the previous market analysis carried out by PATH, were used in the development of the rural sanitation market model. The model aims to improve coordination of the sector players, bringing together consumers, entrepreneurs and financial institutions under the guidance and regulation of the district local government (DLG), which is responsible for service delivery, with technical support under the oversight of the relevant ministries.

Under this model, the DLG is required to:

- Regulate the market through a regulator and regulatory committee
- Create demand for improved sanitation.
- Nurture the market and bring together all market players including the private sector. The DLG should enlighten the private sector about emerging business opportunities to get their buy-in.
- Capacity building of the partner entrepreneurs and equipping them with the knowledge and skills to meet the needs of the communities.
- Creating linkages between entrepreneurs and rural communities.

Setting up the sanitation market under the model involves a number of decisions and activities that include carrying out a series of preliminary activities to get stakeholder buy-in, capacity building for entrepreneurs and masons and generating demand for improved sanitation, which would integrate marketing activities for available services and products.

The pilot phase of the market model run in the districts of Amuria, Katakwi, Mubende and Mityana, identified several challenges in setting up the market:

- CLTS encourages communities to build toilets using available materials and most households construct unimproved latrines and once constructed it is very difficult to get the households
to improve their toilets. It is important to set and agree with the community a minimum standard of a latrine during triggering.

- There is a lack of knowledge in the communities on the dangers of unimproved sanitation and on the availability of affordable products. This issue can be addressed through demand creation activities and wide dissemination of information on available products and services.

- Rural households have little disposable income to purchase improved sanitation products, but they also have a fear of banks, with many shying away from latrine loans which would have helped to fast-track coverage. Households should be encouraged to access loans from their village saving schemes, although they have less favorable terms than banks.

- Although during the market survey most households expressed a desire to construct an improved latrine with a permanent superstructure, during the pilot phase it was noted that most households were not willing to spend large sums of money on sanitation and preferred to purchase the cheap sanplats to improve on their existing facilities. This situation will impact on the interest of the entrepreneurs to participate in the market.

- Regionally-based entrepreneurs incur substantial overheads once they travel to communities from their areas of operation, and sometimes it is not economically viable to serve some communities unless they can get a substantial number of orders from the community. Trained masons in these communities, far from the regional entrepreneur, could be encouraged to form groups and pool resources to meet the community needs.

**Recommendations for Scaling Up**

For Uganda to achieve universal access to improved sanitation in rural areas, it will be necessary to develop a vibrant, diversified sanitation market. The market development in the four pilot districts, although still nascent, provided valuable lessons, which can support replication in other districts and the development of a rural sanitation market at scale. To achieve this goal, it is recommended that the sector addresses the following issues over the next few years:

1. **Finance:** Finance is a major constraint to the development of the market. The incomes of the rural people, most them farmers, is low and seasonal; therefore if they are to access improved sanitation, the sector has to assist them to access alternative financing from financial institutions. Sector partners will have to work closely with financial institutions to carry out financial literacy and for the financial institutions to adjust their operations to accommodate the rural community. Other than addressing household financing, the government needs to increase sector financing and allocation for sanitation to the districts to support market development and all the activities needed to set up the market.

2. **Capacity building:** The sector developed a comprehensive capacity building strategy. Over the next few years this strategy should be financed and implemented to adequately equip local government employees with skills and resources to facilitate the development of the rural sanitation market, especially to bridge the gap between the demand generation which is currently being implemented, and the improvement of the supply side. The sector should also establish a sustainable system for capacity building, especially through the training institutions.

3. **Product:** Although the sector is promoting concrete slabs and sanplats, the lack of more affordable, accessible products that meet the household needs (durable, easy to clean and sealable) is still a major constraint in the market. The sector should explore the possibility of other technologies such as plastic technology which may address some of the challenges of concrete products.

4. **Monitoring:** For Uganda is to develop a robust rural sanitation market, the sector needs to develop a comprehensive monitoring system for market development, addressing both demand and the supply, so as to identify and address any challenges and issues of inequity.
5. **Sustainability and scale**: For sustainable development of the sanitation market, there is need for continued engagement of the private sector. This will only be achieved if the market is profitable and at scale. At the current level of financing for sanitation and implementation, it is difficult to achieve scale, therefore over the next few years the sector should work on mainstreaming sanitation, especially the creation of demand, into nationwide programs such as the new World Bank nutrition project and the government implemented National Agricultural Advisory Services (NAADS) program, to leverage their reach and resources.
I. Introduction and Overview

Access to improved sanitation in rural Uganda is very low. Most interventions, for example community-led total sanitation (CLTS), have concentrated on encouraging people to have access to a toilet, but not necessarily on improved sanitation, which is where the health benefits are triggered. According to the Joint Monitoring Program of UNICEF/WHO, only 35 percent of the rural population has access to improved sanitation, while 10 percent practice open defecation. The rest use either unimproved sanitation or shared facilities. (UNICEF/WHO, 2013).

A study carried out by the Water and Sanitation Program (WSP) of the World Bank in 2012 showed that Uganda loses USD177 million annually in lost productivity, healthcare and premature deaths due to poor sanitation. The cost of poor sanitation falls disproportionately on the poor households more than the rich, as it is a bigger proportion of their income than it is of that of the rich, and they are more likely not to have improved sanitation as shown in the diagram below. (Coombes & al., 2012)

Over the years there have been several initiatives to improve the sanitation coverage in Uganda. The figure below shows key developments in the sector over the last 18 years, starting with the signing of the Kampala Declaration on Sanitation (KDS) in 1997 by all district chairpersons to improve sanitation in their areas. The KDS was a comprehensive strategy and advocated for the promotion of the private sector participation in the sanitation sector to improve access to products and services, but no funds were allocated for its implementation, and therefore there was little noticeable progress in sanitation coverage after 1997. In an effort to improve sanitation coverage and to clarify institutional mandates, a Memorandum of Understanding (MoU) was signed in 2001, between the Ministry of Water, the Ministry of Health and the Ministry of Education and Sports. In 2004 the National Sanitation Working Group (NSWG) was set up to operationalize the MoU. In 2006, nearly 10 years after the KDS was signed, a new document KDS+10; or the 10-year Financing Strategy for Improved Sanitation and Hygiene (ISH) was developed. The strategy is based
on three pillars: i) improving the enabling environment ii) creating demand and iii) improving supply. Unlike the KDS, the ISH was costed and also identified potential sources of funding for its implementation. This strategy has now become the key implementation document for the sector. This document aims to improve the implementation of the third pillar of the strategy, including improvement of the enabling environment, which will support the improvement of the supply of products and services.

### FIGURE 1-2: KEY DEVELOPMENTS IN THE SANITATION SECTOR IN UGANDA.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Actions</th>
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</table>
| 1997   | Kampala Declaration on Sanitation                                     | • Exemplary leadership  
• Full community mobilisation  
• District & S/C focus  
• Coordination and multi-sectoral approach  
• Fora at districts  
• Central role of women  
• Private sector development and service delivery  
• Capacity building at district level  
• Policies and guidance |
| 2001   | MoU on Sanitation                                                    | • MWLE - planning investments in sewerage services, public facilities in towns and rural growth centres  
• MoH - household hygiene and sanitation  
• MoES - school latrine construction and hygiene education |
| 2004   | NSWG Set up                                                          | • Coordinate and liaise with sanitation stakeholders and operationalise the MoU.  
• Clear budget mechanisms for sanitation at all levels  
• Test models |
| 2005   | Environmental Health Policy                                         | • A national sanitation and hygiene promotion strategy  
• District water and sanitation coordination committees  
• A dedicated national sanitation team under the MoH  
• No subsidies towards the hardware cost of household latrines |
| 2006   | ISH Strategy                                                         | • Demand generation for sanitation and hygiene  
• Supply of sanitation  
• An enabling framework |
| 2010   | Sanitation budget line                                              | • Dedicated budget line for sanitation set up  
• 2011- Budget line financed |
II. Situation Analysis

For a sustainable rural sanitation market, it is necessary to have the right programmatic conditions to promote its development and ensure its sustainability. The following section reviews the existing enabling environment and how it affects the development of the rural sanitation market, including the promotion of demand and supply of improved sanitation.

2.1 The Policy, Strategy and Direction

Although Uganda has a relatively strong policy environment it does not adequately support the development of the sanitation market, especially the participation of the private sector. Currently, there is very little incentive for the private sector to participate in the rural sanitation market. Sanitation is included in key policy and strategy documents, including the National Development Plan (NDP), but emphasis is on creating demand, with little mention of the supply of services and products. Despite the fact that the 10-year Financing Strategy for Improved Sanitation and Hygiene (ISH) includes the improvement of supply and the participation of the private sector, there are no details on how this is to be achieved.

2.2 The Institutional arrangement

The country has a clear institutional framework for implementation of sanitation at scale, but capacity needs to be strengthened at the district level to support the development of the market, especially the supply side. The memorandum of understanding (MoU) on sanitation signed in 2001 between the three ministries with responsibility for sanitation (Water, Health and Education) details the role of each ministry. Under the MoU, the Ministry of Education is responsible for school sanitation and hygiene education in schools, the Ministry of Water for sewerage and public facilities in urban centers and small towns, while the Ministry of Health (MoH) is responsible for household hygiene and sanitation, and therefore the development of the household sanitation market, including demand generation and supply. A review of the MoU in 2009 by the World Bank underlined several limitations in this arrangement, the major one being that although the MoU clarified institutional roles, it did not provide sufficient incentive for the key stakeholders to improve sanitation and hygiene (Pillai & al., 2009). Currently sanitation is not prioritized under the MoH and districts receive little support from the ministry, which hampers development of new initiatives and rollout of successful pilots. Districts will need considerable support in developing a sustainable sanitation market, which may not be available from the MoH.

At district level, rural sanitation is supported by a team of environmental health workers at different local government levels, under the leadership of a district health officer. These provide support to different sectors to implement sanitation and hygiene and are responsible for both creating demand for improved sanitation, as well as supporting the improvement of the supply chain. District water and sanitation coordination committees were established to bring together different stakeholders, but although they are reported to meet quite regularly, the coordination between stakeholders at district level is still lacking. This has resulted in a variety of approaches being pursued in communities, some of which (loosely targeted subsidies, for example) are detrimental to the development of a sustainable sanitation market.

2.3 Financing

Sustainable financing of the sector is a major stumbling block in the rollout of a scalable sanitation and hygiene program. The 10-year strategy identified the required financing to implement sanitation at scale, including sources of funding for both demand generation and improvement of supply. Although there is a dedicated budget line for sanitation, the current funding is not adequate to achieve the national targets. Outside of the Uganda Sanitation Fund Project,¹ over the last three years, the budget line has received only 40 percent of the required annual funding estimated under the strategy. Districts outside the Uganda Sanitation Fund Project area receive UGX21 million (USD 7,500) a year

¹ The Uganda Sanitation Fund was established by a $5 million grant from the Global Sanitation Fund (administered by WSSCC).
to spend on sanitation, both for creating demand and for improving the supply of products and services. In practical terms, this level of funding is used for observing the Sanitation Week, and creating demand for sanitation and promotion of hand-washing with soap in a few communities, without addressing the supply side. It should be noted that although the MoH is responsible for household sanitation (as per the MoU), only the water sector has allocated funds to the budget line. The importance of increased financing to the districts is shown by the results of the district performance benchmarking over the last two years when 15 out of the 20 best performing districts received support from the Uganda Sanitation Fund Project of at least UGX150 million (USD 54,000) annually. These districts have also made progress in encouraging people to improve their existing facilities.

If Uganda is to accelerate access to sanitation, there will be need to look for alternative sources of funding and implementation, for example through mainstreaming sanitation in national poverty alleviation programs like the new Northern Uganda Social Action Fund, a World Bank-funded project. In addition to making use of national programs, resources from the private sector can also be leveraged at the household level. In terms of household income, the 2013 Uganda National Household Survey (UNHS) shows that the average household monthly income in rural areas is UGX325,000. An improved latrine with a permanent superstructure costs an estimated UGX700,000 (215 percent of the monthly income of a rural household). Under the Environmental Health Policy, the government does not subsidize household sanitation, but a review of the household expenditure from the Uganda Household Survey of 2011 shows that rural households have very little disposable income, as they spend most of their income (64 percent) on health, education and food. Apart from having little disposable income, most of the rural people are farmers with seasonal income, which affects their financial flows. Therefore if they are to be assisted to access improved sanitation, it is important to assist the rural households to have access to financial institutions (micro-financing, savings and loan). Some households are too poor to pay for their own improved sanitation. The sector may need to review the possibility of having smart subsidies targeting the very poor so that they too can access improved sanitation.

### 2.4 Monitoring and Evaluation

The sector has a performance measurement framework for water and sanitation. Of the 10 “golden” indicators, three are for sanitation and hygiene, including school sanitation, access to hand-washing facilities and access to sanitation. The sector also carries out sanitation district performance benchmarking based on eight indicators on input, process and outcomes. Unfortunately under the existing system, information is only tracked on the creation of demand and no monitoring of the supply chain or the key elements of the enabling environment is carried out. Therefore, since districts are held accountable for demand creation, they pay more attention to the generation of demand without addressing the supply or the enabling environment, to the detriment of the market development. As part of its M&E approach, the sector needs to develop indicators for the sanitation market which are currently not addressed, such as the supply chain.

In addition to developing new indicators for the market, the existing monitoring system needs to be improved. Although on a systems level, reporting structures exist through MIS both at district and national level, data collection, storage and dissemination need to be strengthened and feedback loops need to be improved (Henrietta Bullinger; Ronnie Rwamwanja, 2013). Equally as important is using a harmonized definition of improved sanitation by all data collection agencies, including the Uganda Bureau of Statistics (UBOS) and the MoH. The difference in definition has caused a difference in access figures reported in the country, including in different documents generated by UBOS itself. For example, under the household surveys carried by UBOS there is no distinction made between improved and unimproved latrines, while the Demographic

**UGX325,000**

Average household monthly income in rural areas, according to 2013 Uganda National Household Survey (UNHS).

**UGX700,000**

Estimated cost of an improved latrine with a permanent superstructure.
Household Survey, also carried out by UBOS, and separates the improved from the unimproved facilities. In 2013 the sector developed a revised definition of improved sanitation but although it was shared with UBOS, it is yet to be reflected in the UBOS data collection tools.

2.5 The Program Methodology
As stated above, all sanitation interventions in Uganda are guided by the 10-year Improved Sanitation and Hygiene Financing Strategy based on three pillars: 1) creating demand for improved sanitation, 2) improving supply and 3) improving the enabling environment. All three pillars are necessary for market development to take place. A vibrant market requires sustained demand for services and products as well as a well-developed supply and the enabling environment to support both. The strategy identified two approaches to create demand: i) enforcement and ii) promotion and social marketing. Many districts have carried out enforcement of the Public Health Act, which requires every household to have a toilet, and with the support of the police even made arrests for non-compliance. It has been noted that the facilities constructed from coercion are usually temporary and of poor quality and are little more than fixed open defecation points. Several methodologies have been used to promote sanitation and hygiene in the past, including the Participatory Hygiene and Sanitation Transformation approach (PHAST), but since 2009 the sector has adopted the community-led total sanitation (CLTS), home improvement campaigns and sanitation marketing; although sanitation marketing has not been implemented at scale due to limited capacity. The ongoing CLTS and home improvement campaigns encourage households to build toilets, but not necessarily improve their facilities and many households have constructed unimproved facilities that do not provide health benefits. Under sanitation marketing, the sector is encouraging households to improve their existing facilities.

To improve supply, the strategy recommends improving the private sector supply chain and developing pro-poor technology. The work on the private sector supply chain has not been developed to scale; instead, rather small scale projects and pilots have been carried out only in a few districts by different development partners. Some of the lessons from these were used in the development of the model for creating a rural sanitation market presented in Chapter 3.

The Appropriate Technology Centre in the Ministry of Water and Environment (MWE) has carried out action research on different latrine designs, some of which could benefit the poor but these have yet to be widely disseminated in the rural areas.

2.6 Implementation Capacity
Although Uganda does not yet have sufficient capacity to implement rural sanitation at scale, there has been noticeable progress over the last three years especially in terms of CLTS implementation. In 2015, the Ministry of Health (MoH), with support from partners, developed a capacity building strategy based on the findings of a capacity mapping exercise. The strategy aims to strengthen the organizational framework for effective implementation of sanitation and hygiene; including revising the staffing norms in the local governments and strengthening coordination at all levels. The strategy also addresses how to adequately build the capacity of the human resources at all levels of government to support both the demand and supply of improved sanitation. This includes ensuring that environmental health workers in the districts have the resources, mostly transport, for them to implement sanitation and hygiene programs, and that new approaches can be mainstreamed into the curricula of public training institutions. The strategy also aims at enhancing the enabling environment to sustainably deliver rural improved sanitation and hygiene, including revising key documents such as the sanitation MoU and the guidelines for the sanitation budget line, and mobilizing resources.

While employees at the national level have the technical capacity to support districts to implement the creation of demand for improved sanitation and improvement of the supply chain, they are few in number and cannot adequately support all the 111 rural districts. For large-scale market development, there is need to enhance the existing capacity at national level, through support by partners and donors.

2.7 Availability of Products and Tools
Uganda has a ready supply of sanitation products, especially concrete slabs, but these are not readily available to rural communities due to a variety of factors. A diagnosis of the rural supply chains for household sanitation, focusing on the commonly found or most preferred technologies for improved sanitation in Uganda, was carried out in 2012.
The diagnosis identified several issues:

a) **The market is disaggregated.** The market for household sanitation is undefined and undeveloped. There is a lack of coordination along the sanitation supply chain and entities are acting in isolation; from manufacturers to distributors, sales, installation and services, the players do not seem to be in communication.

b) **Lack of interest.** Actors in the sanitation supply chain have not invested in building sanitation solutions for rural households because they do not consider this segment of the population to be a viable market for their products and services.

c) **Affordability.** There are relatively high costs involved in latrine construction, and households seem unable to break those costs into reasonable and manageable outlays of money. An improved single stance latrine with a permanent superstructure costs an estimated UGX 700,000 of which on average 20 percent is spent on pit excavation, 10 percent on the slab and the rest on the superstructure. Therefore if households could prioritize the substructure including the slab, and construct a semi-permanent superstructure, the cost of the latrine would reduce considerably. Households also encounter constraints in the prices they must pay for labor and supplies, and seem to have disinterest in or lack of awareness of consumer loans (PATH, 2012).

Apart from the concrete products, there are plastic products on the market, but these are quite expensive; a concrete sanplat costs UGX25,000 to 35,000 compared to a small plastic slab of the same size which on average costs UGX60,000. Partners have recently introduced new plastic technologies which meet the attributes of an improved toilet desired by the rural communities (durable, sealable and easy to clean), but these are not yet widely distributed because manufacturers and partners are still working on developing the distribution chain for the products. The plastic technology includes slabs developed and tested by WSP and IFC in Kenya and are currently available at Namanve at the Crest Tanks and SilAfrica factories. Water for People has also introduced Sato pans, which may soon be produced by Crest Tanks as well.

WSP implemented a Technical Assistance (TA) project from 2013 to 2015, to support the Government of Uganda (GoU) to strengthen the enabling environment to implement rural sanitation at scale. A brief summary of the activities carried out under the project and key outputs are presented in the following section.

### 2.8 WSP’s Technical Assistance Project (P131961)

The objective of the TA project was to support the Government of Uganda (GoU) to improve programmatic conditions (the enabling environment) for scale-up and sustainability of rural sanitation and hygiene for poor people, support the GoU to develop tools and models for demand creation using behavior change communication and CLTS and improve the rural sanitation market with an appropriate business model. With the improved environment and appropriate tools and guidelines, the Government should be well positioned to implement CLTS and sanitation marketing at scale, leading to increased use of improved sanitation services and hygiene practices by poor people in rural areas.

In partnership with the MoH and MWE, and with several other partners WSP worked on the following:

- **Situation review and action planning of the enabling environment:** To identify key interventions needed to support the implementation of rural sanitation at scale, WSP carried out a review of the enabling environment. The review addressed the policy environment, institutional arrangements, program methodology, implementation capacity, availability of products and tools, financing, cost-effectiveness and monitoring and evaluation.

- **Strengthening monitoring and evaluation:** As a member of the sub-committee on monitoring, WSP carried out an audit of the existing monitoring system to identify key challenges and solutions to address them. The findings of the audit were used by a consortium of partners, led by IRC International Water and Sanitation Centre, to prepare a proposal for funding for improvement of the performance measurement framework and the use of information and communication technology.
The proposed measurement framework is to include indicators on market development, which is not monitored under the current framework.

- **Rural sanitation behavior change program**: The ‘Kayonjo’ campaign was developed to encourage rural households to improve their existing latrines and to stop open defecation. The campaign uses different channels of communication - mass media, video, posters, teaching aids and drama. The campaign was run in the four pilot districts of Mityana, Mubende, Amuria and Katakwi to complement CLTS implementation and market development. It has been translated into 14 local languages to cover the whole country.

- **Capacity building strategy**: WSP carried out a capacity mapping exercise for the rural sanitation sector in Uganda, to identify capacity gaps impeding the implementation of CLTS and sanitation marketing, including market development in Uganda. A capacity building strategy was then developed based on the findings of the mapping exercise. The strategy addresses capacity building for both demand generation and improvement of the supply chain.

- **Development of the rural sanitation market**: Although Uganda has made considerable progress to create demand for improved sanitation, very little has been done to improve supply. WSP developed a market model to improve the supply chain for rural sanitation, and run a pilot in four districts of Amuria, Katakwi, Mubende and Mityana.

The next chapter addresses how to establish a functional market to serve the rural poor households so that they have access to affordable products and services that meet their needs, based on lessons from the pilot phase.
III. Developing a Rural Sanitation Market

As part of the technical assistance provided to the Government of Uganda, WSP, together with government partners at the central and district levels, has developed a model to strengthen the rural sanitation market, based on the findings of the review of the rural sanitation market carried out in 2012 and lessons from other countries. The model was tested in the four districts of Mityana, Mubende, Amuria and Katakwi.

Currently there are two major sources of funding for sanitation: the Uganda Sanitation Fund (USF) Project and the District Sanitation Conditional Grant (DSCG). The USF supported districts receive an average of UGX 150,000,000 (USD 55,000) annually, while the districts receiving the DSCG receive UGX 21,000,000 (USD 7,500) annually. To develop a model that can be replicated, pilot districts were selected from those supported under the USF Project and from those supported under the DSCG. Amuria and Katakwi, which were the weakest districts under the USF Project, according to the performance benchmarking, were selected for the pilot, while Mityana and Mubende, which were average performing districts, were selected from those receiving the DWSCG.

The key lessons from the pilot were used to modify the model and process for establishing the market.

3.1 Market Survey in the Pilot Districts

A market survey was carried out in the four districts, to supplement the findings of the market analysis carried out by PATH in 2012. The survey was carried out to establish the current sanitation practices of rural households, the type of sanitation facilities desired by rural households, availability of entrepreneurs with the competences necessary to build such facilities, and the availability of financial institutions to support both the households and the entrepreneurs. Below is a summary of the findings:

- According to the survey, a significant majority (63 percent) of rural households are using the traditional pit latrine with an earth floor, but most of these households (75 percent) would prefer to upgrade to an improved latrine with a permanent superstructure for which they would be prepared to engage a builder for a fee of between UGX300,000 and UGX1,000,000, financed from proceeds of sales of their farm produce as and when harvested and sold. About half of the entrepreneurs surveyed attached a price of UGX500,000 to UGX900,000 to the construction of a two-stance improved latrine with a permanent superstructure. However, a closer analysis revealed that the price attached by some entrepreneurs to various latrine products and services is based on lack of knowledge and experience, and could be reduced drastically if entrepreneurs were equipped with the skills necessary to improve their productivity. The gap between the entrepreneur and the rural household with regard to price is not too wide and could be bridged, especially if entrepreneurs could be equipped with relevant knowledge and skills.

- The survey also observed that, while they may have the will, there is a tendency among the rural community to feel that a latrine is not a place to spend much money on, if any. Accordingly, it may require a significant effort to translate their stated desire into tangible results of improved latrines built and delivered.

- While one of the major challenges cited by most households was the lack of service providers, it was also found that half of the households surveyed were not aware of the presence in their local area (village or parish) of a good service provider to whom they could go to have an improved latrine built for their homesteads despite several masons having been trained before the survey.

- Similar to the findings of the earlier study, due to the prejudices they hold about rural households' viability as a market for their products and services, entrepreneur's confidence in this market is very low. Building and maintaining the confidence of entrepreneurs may require a significant effort and understanding on the part of the district local government.
3.2 Lessons from Other Countries
Several countries have worked on developing a rural sanitation market and serve as valuable points of reference. The lessons from these countries informed the development of the market model for Uganda.

Cambodia: Cambodia started developing the sanitation market in 2006 by carrying out a market survey that showed a high latent demand and a fragmented supply chain for products and services, just as is the case in Uganda. In order to facilitate the market, partners developed a latrine package, ‘the easy latrine’, which could be produced and sold locally, which they marketed in pilot districts. To address the fragmentation in the market, the pilot targeted existing producers of pre-fabricated products to serve as “a one-stop shop” manufacturing the products and coordinating the sales and distribution of the product package. One of the challenges faced in the pilot phase was the difficulty to convince the entrepreneurs that rural sanitation was a worthy enterprise; most of them were not willing to invest in slow moving products like latrines, and did not believe in the “high volume, low profit margin” business model.

A key lesson from the pilot is that it is not enough to focus on the private sector, but it is necessary to include demand creation approaches, offering financing options to households to address their financial constraints and to effectively engage local government champions. The pilot also concluded that to improve market penetration, the entrepreneurs should offer a wider product and service mix to increase choice for the households. (Danielle Pedi, 2012).

WSP, with several partners in Cambodia, ran a pilot initiative on sanitation financing to address the challenge of low-income households’ accessing improved sanitation. After 13 months, the pilot showed that there is demand for improved sanitation even in poor households IDF credit is available. The pilot program also showed that a socially-oriented sanitation loan program is financially viable and sustainable when provided the right support and if loans are managed carefully (Water and Sanitation Program, 2014).
Indonesia: With support from partners, Indonesia developed a “one-stop shop” business model. It offers a range of products and price options. Under the business model, the private sector and the government collaborate in business development at scale. The local governments stimulate community demand through CLTS and behavior change communication. The local governments also stimulate business development and value chain by promoting and supporting entrepreneurs through training, accreditation, coordination and also carry out monitoring and quality assurance. The local private sector delivers products and services. Indonesia has seen success with this model and is now implementing it at scale. The committed entrepreneurs formed an association, APPSANI. Under APPSANI, since 2012, more than 25,000 toilets have been constructed and more than 600 potential members have been trained, with 32 percent going on to establish businesses. The association has facilitated access to loans for enterprise start-up and growth. (Kamasan & Smets)

Tanzania: WSP supported the Government of Tanzania to implement a rural sanitation behavior change program in selected districts as well as sanitation marketing. Under the pilot phase in 10 districts, the project trained masons to construct sanplats, but the trained masons did not establish businesses. Later the project worked with established hardware store owners who employed masons to cast and sell sanplats to the rural households. Although this model was more successful, the hardware stores faced the challenge of acquiring the molds for casting the slabs, which were then availed by the districts.

On the basis of the market study’s findings and lessons from other countries, WSP in Uganda worked with the ministries of Health and Water and Environment to develop a model for the rural sanitation market to support the development of a sustainable supply chain for improved latrine products and services. The following section presents the structure that was developed and piloted.

3.3 Structure of the Rural Sanitation Market

The rural households’ sanitation market consists of the district local government (DLG), entrepreneurs and rural households as the direct actors. The rural households are the primary consumers of sanitation products and services supplied by the market while entrepreneurs are the principal producers and suppliers of the said products and services. The DLG is the promoter of the market, and is responsible, for among other things, developing an environment under which the market can take root and thrive on a sustainable basis (Fig 3.1).
3.3.1 Roles of the District Local Government (DLG)
Under decentralization, the districts are responsible for service delivery including sanitation. Therefore they are responsible for developing a sustainable rural sanitation market. In implementing the rural sanitation market model, the DLG has the following roles:

1. Regulating the market as detailed in section 3.2.2.
2. Demand creation activities to stop open defecation and promote the use of improved latrines. Under the pilot, the districts implemented CLTS to get communities to stop open defecation and run a behavior change communication (BCC) campaign to encourage them to improve their latrines.
3. Enforcement of the Public Health Act.
4. Nurturing the market and bringing all market players together by setting up a stakeholders’ platform, identifying potential partners from the private sector and enlightening them about the emerging business opportunities to get their buy-in. In the pilot phase, several workshops were organized to share the market opportunities and to review how different stakeholders can collaborate for mutual benefit.
5. Identifying and certifying partner entrepreneurs and equipping them with the knowledge and skills necessary to enable them produce latrine products consistent with minimum standards. It is important to note that no interested entrepreneur should be closed out of the market, but since it is not possible for the DLG to support all of them at once, the DLG will have to select a few credible firms to partner with and champion in the market. It is necessary to certify these partner entrepreneurs, as it gives them an entry point into the community and they will be considered trustworthy. These select entrepreneurs will have to be supported for a time until the market is more established. Mubende district gave recognition letters to the entrepreneurs, which they used while marketing their services to the community and all the four pilot DLGs supported the certified firms to market their services.
6. Creating linkages between entrepreneurs and rural communities.
7. Monitoring and supervising all players and activities taking place in the market.

3.3.2 Profile of the Regulator and Role in the Market
(a) The case for regulation
In light of the central role that the market is expected to play in raising and maintaining sanitation coverage at the highest possible standard, the development and stability of the market is a matter of public interest. For the market to operate, there must be willing buyers and willing sellers who are satisfied with the benefits and services rendered by the market. The buyer needs to be satisfied that he/she is getting value for money, and the seller needs to be satisfied that he/she is getting a better return than he/she could have got elsewhere. Consequently, it is necessary to regulate the market. The regulator is required to resolve disputes, and to respond to any other issues that may arise with the potential to undermine market stability.

While it is recognized that the free market is the best vehicle for satisfying the desires and aspirations of the various participants in any market, the resolution of issues (such as quality standards) cannot be left to market forces, otherwise the issues may remain unresolved for long thereby increasing the risk of market failure. Although Uganda is a liberalized economy that does not encourage government control in the private sector, the rural sanitation sector is a unique case where a market needs to be developed to increase effectiveness and efficiency to help maximize sanitation coverage. Moving from the current scenario of an undefined and undeveloped market, to a fully functional and vibrant market will involve a transition and a process of change.

Consequently, it is necessary to bring on to the scene a neutral party to play the role of regulator for the market. The regulator may not have to direct the change, but at the very least, should provide clarity of rules for engagement and expected product standards as well as be able to respond to any other issues that may arise with the potential to undermine market stability. During the pilot phase these responsibilities included the construction of quality and timely response to household requests for services, but more serious issues may arise in the future.

Accordingly, in keeping with best practice, and to ensure that market stability is achieved and maintained on a sustainable basis, a regulatory function was included in the
structure; a facilitating body which serves the public interest by guiding the growth and operation of the market in a way that ensures effective protection of consumers’ interests without compromising the interests of other actors. Under the pilot, the regulatory function and the regulator were created by a motion of the district council. The district council approved the terms of reference of the regulatory committee and the responsibilities of the regulator. It is recommended that any district that replicates this model should do the same.

(b) Structure of the regulatory function

The regulatory function consists of various officers and structures from within the District Local Government playing different roles all aimed at building and maintaining a strong, sound and sustainable rural households’ sanitation market. A diagrammatic representation of the structure is presented in Figure 3.2 below.

The District Chief Administrative Officer (CAO), as the accounting officer of the district, will operate as the regulator for the Market, responsible to the District Executive Committee (DEC) for the sound, efficient and sustainable operations of the market.

The regulator is supported at the district level by a regulatory committee which attends to issues that require a collective rather than individual decision and action. These include approving entrepreneurs to be certified by the DLG and setting minimum sanitation standards for the district, as well as field monitoring.

At the sub-county level, the Senior Assistant Secretary (SAS) is the officer responsible for the regulatory function in the sanitation market reporting to the district regulator (the CAO). In this role, the SAS is supported by a sub-county regulatory committee and the parish chiefs under him.
The following are the key responsibilities for which the regulator is accountable:

- Maintaining a register of recognized and trained entrepreneurs and other service providers operating in the market.
- Developing and maintaining a forum for informally resolving disputes between participants in the market as and when they arise. The regulator, working with the regulatory committee, should develop a mechanism for identifying repeat offenders of below-standard solutions or services to maintain the confidence of all players, especially that of consumers. Although this was not done in the pilot phase, there is need for the regulator to provide oversight of the dealings between the entrepreneurs and the consumers, as the entrepreneurs are introduced to the communities by the DLG, which also assists them to market their services.
- Determining and disseminating to firms, other service providers as well as other participants in the market, the minimum standards acceptable in the market for sanitation products and services;
- Monitoring and compiling reports about the performance of the market, and the various entities participating in the market on a regular basis.
- Setting up a forum for all stakeholders to review and discuss the performance of the market, constraints and challenges, and possible solutions.

Under the pilot, most of the activities were carried out by the Assistant District Health Officer or the District Health Inspector, with the CAO performing the oversight role.

3.3.3 The Role and Attributes of the Entrepreneur

The entrepreneur is any person interested and able to invest the resources required in the business of producing and delivering sanitation solutions demanded by rural households. At the start of the program, several masons were trained but most of them did not establish sanitation businesses as they lacked capital, and so the program sought out established entrepreneurs, including building contractors, firms making pre-cast concrete products, hardware merchants and cement dealers. A total of 30 entrepreneurs showed interest to participate in the rural sanitation market and had their employees trained in the construction of improved facilities, but after six months of implementation, only 10 were still active, the rest having dropped out due to various reasons. Based on the experiences from the pilot, outlined below are the attributes of an ideal entrepreneur for the sanitation market:

- Possesses business acumen, is able to appreciate the potential of the rural sanitation market and is willing to take the risk to invest in the market and to do what it takes to grow the business such as marketing, working with the district to grow the demand for products, and being flexible. Most of the entrepreneurs who dropped out did so because the business did not grow as rapidly as they expected, and most were not willing to invest in growing their market. They were further discouraged when households preferred to purchase sanplats to improve their existing latrines than commissioning new complete toilets which are more expensive.
- Possesses reasonable experience in the construction of improved latrines, preferably in the rural area. Although under the pilot several entrepreneurs were trained, there may not be enough budget to take this to scale, so entrepreneurs with the essential skills would be preferable.
- Reasonably experienced in making precast cement slabs as well as sanplats.
- Have the capability to manage several construction sites concurrently, especially in areas where the availability of entrepreneurs is very limited.

Where the entrepreneurs may be difficult to find, trained masons operating as partnerships or as individuals may be the easiest substitute. In Mityana district, some trained masons who did not have resources individually operated collectively and were able to mobilize the resources necessary to acquire equipment to enable them handle construction of improved latrines to the satisfaction of rural households as well as the district local government.

In other cases, trained masons stepped in and filled the vacuum created by the lack of entrepreneurs by offering guidance to households who bought a cement slab or a sanplat, which the mason then fitted to the pit and proceeded to build the superstructure.
Where they are available in communities, trained masons can be very effective, resources being available, as they have a deeper reach than the average entrepreneur, who may find it too expensive to go deep in the countryside to construct a single latrine for a household. It was noted during the pilot phase that entrepreneurs preferred to receive several orders for facilities in one community and did not respond to where there was only one or two orders. On the other hand, a mason can go deep into the countryside and may not be put off by an order to construct a solitary latrine, as it may be the most he can handle at a time.

3.3.4 The Role of Financial Service Providers
As already noted, most of the rural households are small-scale farmers whose cash flow is dependent on the harvest seasons. Under the model, financial institutions (FIs) play the dual role of financing rural households who need to pay entrepreneurs with whom they contract to build their improved latrines, as well as providing working capital finance to entrepreneurs who may find themselves short of capital as a result of increased volume of orders arising from the enhanced activity in the sanitation market.

There are some financial institutions willing to participate in the sanitation market, but under the pilot the level of borrowing for sanitation was very low. The institutions willing to lend for household sanitation include Opportunity Bank Ltd, Centenary Bank, Post Bank Uganda Ltd and FINCA. Although most of these institutions do not have loan products specifically designed for sanitation, they have a home improvement loan which can be used for the construction of an improved latrine. Post Bank Uganda Ltd is one of the few banks that currently offer a WASH loan for the construction of water and sanitation facilities.

The main features of the loan products on offer from these financial institutions include:

(i) **Lending products**: Some of the financial service providers offer only the individual loan product, while others offer both the individual as well as the group loan product.

(ii) **Loan size**: While the minimum loan amount for some financial institutions is UGX 50,000, others lend up to UGX100,000. From experience, these amounts are adequate to cover the minimum loan that a rural household would be seeking to borrow to finance the purchase and installation of a sanplat or slab.

(iii) **Interest rates**: Annual interest rates charged by different banks vary from 18 percent to 22 percent on reducing balance.

(iv) **Loan term**: The maximum repayment period allowed by most of the institutions is three years, which is adequate for the needs of targeted rural households.

(v) **Collateral requirements**: Main collateral types required include group guarantees (for group loans), personal guarantees from reputable persons such as local council (LC) chairmen and teachers, chattels including livestock, and land title (or Bibanja) agreements.

(vi) **Repayment installments**: It is the practice of financial service providers to align repayment installments to borrower’s cash flows. Accordingly, repayments of rural households are structured to coincide with the times when they harvest their farm produce. They are given a grace period to allow them time to harvest and be able to sell their produce.

(vii) **Other requirements**: Some financial service providers require rural households to provide bills of quantities (BoQs) for the proposed latrine construction project.

Apart from these financial institutions, rural households can access loans from savings and credit cooperatives (SACCOs) and village savings and loan associations (VSLAs), which are readily available in the rural areas.

3.3.5 The Role of Central Government
The central government, through the MoH and the MWE, sets policy and standards for sanitation, and also provides technical assistance and oversight to the DLGs. Accordingly, though indirect, the role of the central government in the rural households’ sanitation market is critical, and includes the following interventions in the market:

- Through the ministries of Health and Water and Environment, the central government supports the districts to carry out technical training of entrepreneurs and masons responsible for the production and delivery of sanitation products and services;

- Through the ministries of Health and Water and Environment, the central government builds the
capacity of the local governments to carry out demand creation and community sensitization, in particular the CLTS initiative that helps accelerate demand creation among rural households.

- The central government is also responsible for raising resources to increased funding to the districts for implementation of the activities.
- The MoH is responsible for developing a monitoring system for the market and should develop a benchmarking mechanism to gauge the performance of DLGs in promoting improved sanitation.
- The central government is also responsible for setting standards for improved sanitation technologies and should explore low-cost, durable technologies through the Appropriate Technology Centre under MWE.
- The Uganda National Bureau of Standards (UNBS) is responsible for enforcing standards and will be responsible for quality control of the plastic products. The quality of the concrete products is controlled by the DLG through the regulator.

3.4 Results from the Pilot

At the start of the pilot program, there was no organized market for rural sanitation in the four districts. The model was well received by all stakeholders, although many of the entrepreneurs later dropped out. After the pilot, the four districts have a framework around which to organize the market facilitated by the DLGs. The framework offers an opportunity to integrate improvement of supply with the demand generation which has been ongoing for some time. For sustainable development of their markets, the four DLGs will have to continue to play a role to facilitate the relationship between the private sector and the consumers, supporting the private sector to reach the consumers through demand generation and marketing until the market is well established and can grow organically.

It took time to convince the district workers that they need to intervene in the market and that they should actively promote the private sector, despite the fact that the private sector is driven by profits. This was not entirely successful in all the four districts, and there were several missed chances when the districts did not plan together with the entrepreneurs to give them a chance to market their services during community triggering or follow-up activities. The demand generation activities going on in all the districts using either CLTS or home improvement campaigns provide an opportunity, which if exploited, can contribute to a faster growth of the market for improved sanitation.

To implement the different activities for setting up the market, it will be necessary to revise the district guidelines for the USF project as well as the guidelines for the District Sanitation Conditional Grant. The two USF districts, Katakwi and Amuria, found it difficult to implement new activities using the project funds due to the stringent guidelines.

One of the main activities in the pilot program was to convince the entrepreneurs that rural sanitation can be a profitable business if they are willing to get lower profit margins but serve many more people. Although some entrepreneurs were able to appreciate this, and were willing to make an investment to grow their business, some entrepreneurs considered their involvement as a social contribution. They were not willing to make any investment in marketing, as they thought that they were assisting the DLG, which should be obligated to market their services. Further, some entrepreneurs did not always respond to service requests from communities, which the district workers found frustrating.

Three of the most active masons in Mityana district are members of a drama group that has been promoting different development issues, including better farming methods and use of antenatal services. The group has been widely used by different partners. The masons use every opportunity they get at different gatherings to talk about sanitation and to market their services. This is a good example of mainstreaming sanitation in other district programs.

Deo Mbatenda is a smalltime contractor in Mubende district whose main source of income is working on small contracts for the DLG, constructing school toilets and drainage. Under the sanitation market pilot, Deo has diversified his customer base and has established a concrete casting yard. He is now selling slabs and sanplats to rural households.
Although the pilot program tried to address the challenge of household financing, this was not very successful and much more financial education is needed to change the attitudes of the communities towards FIs. Banks also need to do more to accommodate rural consumers, including the preconditions before community members can be eligible to access a bank loan. For example having an account with the bank, which they are required to open at the bank offices sometimes located far from the community; and the paper work required to be submitted and evaluated before a loan is approved. Many rural households complained that it is quite expensive to get a bank loan due to the transport costs and the fees they have to pay to the bank before they secure the loan. Centenary Bank in Mityana has tried to be more accommodating by going out to the communities thereby reducing on the transport costs.

The table below shows the changes in access to improved sanitation reported by the districts following implementation of an integrated program of demand generation using CLTS, BCC and the rural sanitation market model.

The actual implementation of the market model started in June 2014, after training of the entrepreneurs, although the CLTS and BCC activities started much earlier in August 2013. After six months of the implementation of the market model, three entrepreneurs had sold 257 slabs, while three entrepreneurs had constructed 33 complete pit latrines.

### Gender

In Uganda, the burden of poor sanitation falls disproportionately on women who are responsible for maintenance of sanitation in the home and taking care of the sick. The implementation of the demand generation activities targeted both men and women, with the intention of getting open defecation free communities. The demand generation activities included encouraging female-headed households to improve their existing latrines and to access financing from participating financial institutions. A few of the women in Mityana district borrowed money to construct improved toilets, but they preferred to borrow from their village saving schemes and not from the banks.

Although it was the intention to target female entrepreneurs during the pilot phase, only two female-owned enterprises were found in the pilot area and there were no female masons. Therefore only two female entrepreneurs participated in the pilot. One of the entrepreneurs constructed three latrines before dropping out of the program, while the second entrepreneur is still active and had sold 90 slabs by December 2014.

### 3.5 Implementation Costs

Under the TA, costs were incurred for the different studies carried out, for the development of the behavior change communication (BCC), for the demand generation using CLTS and BCC, and for the implementation of the market model. The table below presents the costs for the implementation of the demand generation activities using CLTS and BCC, and for implementation of the model, to serve as a guide for replication in other districts.

<table>
<thead>
<tr>
<th>District</th>
<th>Access to improved sanitation at baseline (September 2013)*</th>
<th>Access to improved sanitation (December 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katakwi*</td>
<td>9 %</td>
<td>35%</td>
</tr>
<tr>
<td>Amuria*</td>
<td>3%</td>
<td>NA**</td>
</tr>
<tr>
<td>Mityana</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Mubende</td>
<td>25%</td>
<td>43%</td>
</tr>
</tbody>
</table>

* Uganda Sanitation Fund supported district

* Field Survey Data

** Amuria district has not yet collected the data.
TABLE 3.2: PILOT IMPLEMENTATION COSTS IN FOUR DISTRICTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Implementation Costs (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand Generation</strong></td>
<td></td>
</tr>
<tr>
<td>1. CLTS triggering and follow-up in 160 villages*</td>
<td>60,000,000</td>
</tr>
<tr>
<td>2. BCC Activities</td>
<td></td>
</tr>
<tr>
<td>a. Mass Media for 5 months on two local radio stations and three regional stations*</td>
<td>140,000,000</td>
</tr>
<tr>
<td>b. Drama (16 shows)</td>
<td>12,266,000</td>
</tr>
<tr>
<td><strong>Market Development</strong></td>
<td></td>
</tr>
<tr>
<td>1. Stakeholder meetings at district and sub-county levels</td>
<td>89,700,000</td>
</tr>
<tr>
<td>2. Training of masons (120) and entrepreneurs (30)</td>
<td>133,000,000</td>
</tr>
</tbody>
</table>

* WSP only supported CLTS triggering and follow up activities in Mityana and Mubende districts.

The production of materials, e.g. posters, should be done at national level for economies of scale.

The implementation of demand generation and market activities in the four pilot districts cost an estimated UGX 434,966,000 (USD 164,000).

3.6 Guideline for Setting up the Rural Sanitation Market under the Model

Setting up the sanitation market under the model involves a number of decisions and activities that include carrying out a series of preliminary actions to get stakeholder buy-in, capacity building for entrepreneurs and masons and generating demand for improved sanitation, which would integrate marketing activities for available services and products.

The diagram below provides an overview of the implementation of the program.

3.6.1 Preliminary Activities

To minimize barriers and increase the chances of success, the district has to carry out preparatory activities, including buy-in meetings with key technical and political officials to pave the way for a smooth beginning to the market.
It is important for key district officials to have a clear understanding of the whole sanitation program, including its objectives, activities, targets and timelines. To begin with, the district will need to consider assigning the Assistant District Health Officer (environmental health) or the District Health Inspector (DHI) or any other relevant officer to coordinate all the activities to set up the market. The coordinator will be responsible for monitoring all planned activities to ensure that all activities are performed on a timely basis, and to follow up with all partners, especially the private sector to ensure that they remain engaged.

3.6.2 Carrying out a Market Survey
It is important to carry out a rapid market analysis in the district to establish the existing sanitation practices, the types of facilities, the sanitation needs of the communities and the availability of competent entrepreneurs. The findings may not differ greatly from those from other areas, or the findings of the market analysis carried out in 2012 by PATH, but different regions in Uganda have different characteristics that may need to be addressed in the market, such as areas with collapsing soils, which need different technological options.

3.6.3 Organizing a District Stakeholder’s Workshop
One of the first activities in setting up the market under the model is organizing a district stakeholders’ workshop. The purpose of the workshop is to formally introduce the model to district leaders, including community leaders. The workshop also brings together political as well as technical leaders in the district, and potential partners from the private sector, especially those in the construction and financial sectors, including bank managers and managers of other financial institutions, building contractors, masons, cement dealers and other hardware merchants.

Discussions in similar workshops held in the four pilot districts were enhanced by having the different stakeholders together, bringing their experiences working with the rural communities. The fact that most district workers are conversant with sanitation challenges in the communities is a major opportunity and so is the experience of the FIs in dealing with rural communities. Also because they are always looking for new opportunities, they are quite enthusiastic to participate, although their systems are quite stringent and need to be relaxed to accommodate a larger rural audience than they do right now. Many regional entrepreneurs have little dealings with the rural people and a lot has to be done of the market potential in rural sanitation, which may not be accomplished at this meeting. They need a separate meeting to take a closer look at the business opportunities.

In addition to introducing the market, the workshop encourages participants to discuss every aspect of the model, including the roles that different actors are expected to play in the market to ensure that stakeholders fully understand the roles that they are expected to play in the market.

Although this workshop may be sufficient, experience from the pilot has shown that it is beneficial to have a follow up meeting for the district executive committee (DEC) for them to better understand the model, so that they can explain it to the district council. A similar workshop should be held at the sub-county level for the sub-county leadership.

3.6.4 Appointment of the Regulatory Committee
Under the market model, the market regulator is the district’s chief administrative officer (CAO) supported by a regulatory committee. Members of the committee are appointed by the CAO, but the following officers are recommended for inclusion in the team:

- Deputy CAO
- District Engineer/District Water Officer
- Assistant District Health Officer (environmental health)/DHI
- District Education Officer
- District Commercial Officer
- District Community Development Officer

At the sub-county level, the senior assistant secretary (SAS or sub-county chief) plays the role of market regulator supported by a sub-county regulatory committee. Members to the committee are appointed by the SAS and the following officers are recommended for inclusion in the team:

- Health inspector
- Sub-county health assistant
- Representative parish chief
- Sub-county community development officer
A copy of the Terms of Reference (ToR) for the regulatory committee is included in Appendix 1. Under the ToR, the regulatory committee at the district level is required to meet twice a year, while that at the sub-county level is expected to meet quarterly.

Although the regulatory committees were appointed during the pilot phase, most of them did not hold meetings, and only a few members of the committee - the deputy CAOs, the district health officers, the district health Inspectors and the commercial officers - were active. Therefore the selection of members should target employees who are enthusiastic about sanitation.

### 3.6.5 Organizing an Orientation Workshop for Regulatory Committees

By their nature, regulatory committees share with the regulator the oversight function over the various components of the market. Because of the importance of the role that they are expected to play, members of regulatory committees should be equipped with the knowledge that they need to play this role effectively. Some of the decisions that they are expected to take include:

- **(a)** Approving the minimum standards that potential entrepreneurs must satisfy in order to be appointed to participate in district programs, and to be promoted by the DLG.
- **(b)** Review performance reports for participating entrepreneurs on a regular basis and where applicable recommend appropriate action to be taken by the regulator.
- **(c)** Attend to any other matters as may from time to time be determined by the regulator.

### 3.6.6 Orientation Workshop for Entrepreneurs

The stakeholders’ workshop paves the way for other core activities in the model, one of which is identifying and equipping entrepreneurs. As indicated in the structure of the market, the entrepreneur has a central role to play in the market as the lynchpin in the sanitation market supply chain. However, the pilot showed that many entrepreneurs come on board with diverse expectations. The workshop seeks to bring them to a correct understanding of the rural sanitation market, especially the profile of the rural households they are expected to serve, and the different types of sanitation facilities that are consistent with acceptable standards. By the end of the workshop, entrepreneurs should be able to appreciate that although rural households do not have a lot of disposable income, they can make up a big market able to generate considerable profits for them if margins are kept within reasonable levels and big numbers of households in need of sanitation products and services are served.

In preparing for the workshop, district authorities need to have a clear understanding of the state of sanitation in the district, the potential size of the market, the key needs of the community and the profile of the community to be served (sources of income, income levels and types of latrines used).

This workshop also gives the entrepreneurs and the financial institutions an opportunity to discuss with the district authorities how they can operate together in an integrated manner to mutually support each other to achieve individual objectives.

### 3.6.7 Capacity Building Programs for Health Workers

Health workers play a significant role in the drive to increase sanitation coverage and are the best placed to popularize the use of improved sanitation facilities in the district. It is therefore necessary to prepare them for the enhanced role that they are expected to play in the market. Some of the core activities that they undertake include planning and implementation of community sensitization campaigns (CLTS or home improvement campaigns), which seek to raise the awareness of the community and to create and enhance the demand for improved latrine products and services among rural households.

Accordingly, one of the most important preparatory activities for the market is the equipping of health workers with the skills that they need to be effective in planning and implementing community sensitization campaigns.

Health workers to be covered include district level as well as sub-district and sub-county level workers. In addition, village health teams (VHTs) have to be equipped with the skills they need to mobilize villagers to attend community sensitization meetings, and to undertake necessary follow-
up actions to ensure that households are doing the things that they committed themselves to do with regard to sanitation improvement in their homes.

### 3.6.8 Technical Training for Entrepreneurs

In addition to the orientation workshop, interested entrepreneurs or their employees have to undergo technical training in construction and costing of various types of improved latrines that are affordable to rural households.

The other critical preparatory activity is the training of masons, who play a vital role in the market as frontline service providers in the construction of improved latrines. The absence of trained masons in communities is a contributing factor to poorly constructed toilets as well as to the exaggerated cost of building improved latrines arising from the use of quantities of building materials that are much higher than necessary. Training of masons helps to ensure that improved latrines are built using the right designs and the right building materials in the right quantities. The presence of a reasonable number of trained masons creates flexibility in the market, as masons who are able can enter construction contracts with households directly, while those who do not have that capacity will work for building contractors to deliver quality improved latrines conforming to the standards acceptable in the industry.

### 3.6.9 Triggering of Communities, Behavior Change Promotion and Organizing Community Sensitization Campaigns

The most important activity in the rural households’ sanitation market is probably the community sensitization campaigns for the creation of demand for improved sanitations. Community campaigns serve the dual role of awakening the rural households to the need and urgency of having a sanitation facility as well as creating demand for improved latrines in the community. Community sensitization can be carried out using the community-led total sanitation (CLTS) approach. It is also important to carry out behavior change promotion, to reinforce the message from CLTS. BCC will encourage households to improve their existing latrines and also sustain the use of improved sanitation. Adequate resources should be allocated to the implementation of CLTS and behavior change promotion.

Once communities have been triggered, follow-up visits provide a cost-effective meeting point between entrepreneurs and other service providers seeking to render latrine construction services on one hand and household heads looking for capable contractors to build improved latrines for their families. In addition, for households that may need a loan facility to finance the construction of an improved latrine, the follow-up meetings are an appropriate platform to share available financial products in the market.

By their nature, rural households tend to be scattered; even in the more densely populated areas it takes considerable effort to meet them on house-to-house basis. Consequently, as experience has shown, it can be very expensive to extend services to them unless they are organized and are met together, in one location. Therefore, to achieve maximum impact, community follow-up meetings must be carefully organized and good community mobilization carried out to ensure that as much as possible all households in the community-targeted are represented by the head of the household and that entrepreneurs interested in participating in the market are invited to attend for them to market the products and services they seek to provide to the community. In addition, financial Institutions should also use the same platform to share information on their products, either through their employees or by equipping district workers with knowledge which they can pass on to the communities.

When conducting follow-up meetings in the community, it is important to ensure that participating household heads that develop interest to build or upgrade their toilets facilities are assisted to obtain contact details of entrepreneurs and other service providers nearest to them as well as financial institutions of their choice. It is also important that health assistants and responsible VHTs create a record of such household heads for purposes of making effective follow-up.
3.7 Potential Challenges in Setting up the Market and Recommendations on How to Address Them

During the implementation of the sanitation market model in the four pilot districts of Mityana, Mubende, Katakwi and Amuria, there were several challenges for the different stakeholders to play their roles in the market. Based on experience from the pilot program, the potential challenges in setting up the market have been identified, and recommendations have been made on how to deal with them.

3.7.1 District Local Government

The success of the model depends on the regulator and the appointed market coordinator playing their role to interest potential partners, and supporting them to access the consumers. The pilot in the four districts showed that if the coordinator lacked the support of the regulator, it was very hard to carry out all the activities and to keep all partners engaged, as well as to hold the coordinator accountable. Since district chief administrative officers are very busy, the role of the regulator could be taken up by the deputy CAO.

Districts are having a hard time popularizing improved latrines and the use of cement slabs and sanplats because CLTS messages emphasize the use of local materials in latrine construction. Once communities have been triggered and encouraged to build toilets using locally available materials, it is very difficult to get them to improve their facilities because local materials (non-permanent materials) are less expensive than permanent materials. Consequently, the message conveyed by CLTS is a welcome relief, especially to those in the community who reject the idea of spending ‘much money’ on the construction of an improved latrine. Therefore, it is important, that from the triggering process, communities are encouraged to set minimum standards for building improved latrines that can offer them the health benefits of improved sanitation.

3.7.2 Rural Households

There is widespread lack of awareness in the community regarding the dangers of sub-standard or the dangers of open defecation, and of the availability of affordable latrine solutions. This can largely be solved through the demand generation process, and wide dissemination of information on available products and services.
For a long time rural communities have been used to building latrines using local materials freely available in their neighborhood and labor provided freely by local village people, or at most paid for in kind. Moving the community from this mindset, to where a household has to pay as much as the equivalent of a season’s harvest to a contractor to build an improved latrine may require a considerable effort. The effort must be well-planned, systematic and adequately facilitated to ensure that every village in a targeted area is reached. Communities should be encouraged to adopt designs which they can afford, paying attention to improving the substructure (pit and slab) and using locally available materials for the superstructure in order to minimize construction costs.

It is important to note that although during surveys households may show a preference for improved sanitation with permanent superstructures, very few are willing to construct new facilities, and the majority actually purchasing sanplats to improve existing latrines. This should be clearly communicated to the entrepreneurs; and more attention should be paid to the promotion of improving the substructure, including the floor, than promoting whole units of toilets.

The widespread use of subsidies and free facilities in the past is affecting the uptake of improved latrines, and may be a barrier to improving coverage if it is not addressed in time. Although the government policy is not to subsidize household sanitation, the presence of free slabs and or sanplats in some communities, from NGOs, reinforces the free things mentality and fuels speculation that government will soon come to distribute these inputs free of charge. As a result, instead of engaging with service providers to build improved latrines, villagers end up delaying the decision indefinitely.

Information available from national surveys indicates that the rural poor spend most of their income on necessities, and have little disposable income which they are reluctant to spend on a latrine. Due to the excessive publicity given to court bailiffs engaged in attaching and auctioning properties of loan defaulters, there is a misconception among rural households that borrowing money from the bank will lead to seizure of their assets. This has created a fear of banks among the rural folk that is making them shy away from latrine loans, which would have helped to fast-track coverage. They have more trust in their village saving schemes, and they should be encouraged to get loans from them instead of the banks, although banks actually have better lending terms. The interest rates for the saving schemes are as high as 30 to 40 percent compared to the interest rates of the banks at 18 to 22 percent.

3.7.3 Entrepreneurs

Although entrepreneurs are engaged in business unlike masons, most of them are not used to marketing their services. As a result, many of the entrepreneurs in the sanitation market in the pilot districts sat back and waited for the DLG to market them and their services, expecting households to line up for their services at their premises before they got to work.

“I have the capacity to operate eight construction sites concurrently but am not doing any right now because there is no demand for my services”

Mathias A., NF Enterprises, Katakwi

The districts have very limited resources, and cannot take on the role of marketing entrepreneurs, who should be able to invest in marketing their services and take advantage of all available opportunities to do so, including participating in community follow-up meetings, or using village health teams as their sales agents.

Many entrepreneurs such as James quoted in the box below believe that villagers don’t have money to pay for their services, and in some cases, this belief is making many lose hope in this segment of the population as a viable market for their services.

“Many villagers don’t have money to pay for our services and are only hoping to get some after the harvest of their maize”

James, Obalang, Amuria
This is further exacerbated by the fact that the rural communities have very little cash flow outside the harvest seasons. Therefore, demand generation and marketing of services need to be properly planned to coincide with the time communities plan for the income from their harvest, or payment methods need to be flexible and communities supported to solve their cash flow problems through payment of facilities in produce, part payments or use of financial products.

Regionally-based entrepreneurs incur substantial overheads once they travel to communities from their areas of operation. These overheads can be offset if they can get substantial orders from one community. This is not always the case, which makes it economically unviable to serve some of the communities. Trained masons in communities could be encouraged to form groups and pool resources to meet community needs. Sub-county workers could maintain a list of orders which they can pass on to entrepreneurs once they get to an acceptable number.

Rural Latrine with semi-permanent structure and hand washing tippy tap.
Districts have done a good job across the country in sensitizing communities on the need of a latrine. This is evident from the high number of rural people (90 percent), who have access to latrines. Unfortunately, many of these latrines are not improved and are little more than fixed open defecation points. The Government of Uganda therefore would like to encourage the rural people to climb the sanitation ladder and improve their facilities. This objective will not be achieved without a robust market for rural sanitation and improved programmatic conditions. The following recommendations, based on the lessons from the pilot program, are made to support the development of a sustainable rural sanitation market at scale:

1. **Finance**: Finance is a major constraint to the development of the market. The income of the rural people, most of whom are farmers, is low and seasonal, therefore if they are to access improved sanitation, the sector has to assist them to access alternative financing from financial institutions. The rural sanitation market cannot be developed without a well-established system of credit to the households and working capital financing for the sanitation entrepreneurs. This will require sector partners to work closely with financial institutions to carry out financial literacy and for the financial institutions to adjust their operations to accommodate the rural community and the entrepreneurs.

Since communities seem to prefer borrowing from village saving schemes than from banks, the village saving schemes should be encouraged to participate in the sanitation market to offer financial services to the communities, where they exist.

In addition to addressing household financing, the government needs to increase the sector financing and allocation for sanitation to the districts to support the market development and all the activities needed to set up the market.

2. **Capacity Building**: There is a critical need to carry out comprehensive capacity building. The sector has identified capacity gaps for demand generation and improving the supply, and prepared a capacity building strategy to address the gaps including strengthening the enabling environment. Over the next few years this should be financed and implemented to adequately equip local government workers with skills and resources to facilitate the development of the rural sanitation market, especially to bridge the gap between the demand generation which is currently being implemented, and the improvement of the supply side. The sector should also establish a sustainable system for capacity building, especially through the training institutions.

For sustainable development of rural sanitation, it is necessary to ensure that the Ministry of Health, especially the environmental health division (EHD), has adequate capacity to support the local governments and to provide oversight to the sector. Several recommendations were made under the capacity building strategy, including elevating the environmental health division to a department and increasing the number of employees. The strategy also recommends training for the EHD workers to equip them with the technical capacity to support demand generation and market development in the country.

3. **Product**: The sector is promoting concrete slabs and sanplats, and the experiences from the pilot are for concrete products, but the lack of more affordable, accessible products that meet the household needs (durable, easy to clean and sealable) is still a major constraint in the market. The sector should explore the possibility of other technologies, such as plastic technology, which do not have some of the shortcomings of the concrete products. They are easy to move, so the transport
costs incurred by households will not be as high as for those of concrete products; they are easy to fix and unlike concrete products, existing plastics such as water containers, have a well-established supply chain convenient to rural households.

4. **Monitoring:** For Uganda to develop a robust rural sanitation market, the sector needs to develop a comprehensive monitoring system for market development, addressing both the demand and the supply aspects, so as to identify and address any challenges and issues of inequity.

5. **Sustainability and scale:** For sustainable development of the sanitation market, there is a need for continued engagement of the private sector. This will only be achieved if the market is profitable and at scale. At the current level of financing for sanitation and implementation, it is difficult to achieve scale, therefore over the next few years the sector should work on mainstreaming sanitation, especially the creation of demand, into nationwide programs, for example the new World Bank nutrition project and the government-implemented National Agricultural Advisory Services (NAADS) Program, to leverage their reach and resources.

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*Figure Household that Benefitted from Post Bank Sanitation Loan with Latrine near completion. (Photograph courtesy of Post Bank Uganda Ltd).*
### Annex 1: List of Products Developed Under this Technical Assistance

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<tr>
<th>Title</th>
<th>Type</th>
<th>Date</th>
</tr>
</thead>
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<tr>
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<td>Report</td>
<td>August 2013</td>
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<tr>
<td>Rural Households Sanitation Survey (Pilot Districts)</td>
<td>Report</td>
<td>September 2013</td>
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<td>Capacity Mapping for Rural Sanitation in Uganda</td>
<td>Report</td>
<td>August 2014</td>
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<tr>
<td>Capacity Building Strategy</td>
<td>Strategy</td>
<td>(Final Draft)</td>
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<tr>
<td>Sanitation Learning Questions and Charter</td>
<td></td>
<td>September 2013</td>
</tr>
<tr>
<td>Qualitative Research Findings for the Plastics Field Testing in Uganda</td>
<td>Report</td>
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<tr>
<td>District Monitoring Form for CLTS Monitoring</td>
<td>Excel Data Collection Form</td>
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<tr>
<td>District Monitoring Form for CLTS Facilitators’ Training</td>
<td>Excel Data Collection Form</td>
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<tr>
<td>CLTS Training Report for School of Hygiene Tutors</td>
<td>Report</td>
<td>March 2013</td>
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<tr>
<td>Mid-term Evaluation on Hand Washing with Soap Campaign</td>
<td>Analytical Report</td>
<td>August 2012</td>
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Annex 2: Terms of Reference for Regulatory Committees

1. Introduction
The level of safe sanitation coverage in Uganda is still low, with the national latrine coverage standing at 71 percent as of June 2013 (Sector Performance Report 2013). In terms of improved sanitation, coverage is much lower, it is estimated that only 35 percent of the rural population has access to improved sanitation. Consequently, the need to improve access to improved sanitation in the country is more urgent than ever before, especially as it remains one of the biggest development challenges faced by the country right from the national to the district level as well as the sub-county and parish levels. One of the key obstacles to improving rural households’ sanitation in Uganda has been the absence of a well-structured sanitation market, which would have eased the acquisition of affordable improved sanitation facilities by rural households.

In a bid to address the situation, the Ministry of Health, commissioned a study in 2012, to carry out a market analysis of rural sanitation in some districts of Uganda. The study found a series of constraints in the household sanitation supply chain that were undermining the development of an enabling, efficient and sustainable market environment.

Among other things, the study observed that the household sanitation market in Uganda was “undefined, undeveloped, lacking coordination along the sanitation supply chain; with entities acting in isolation, and having no formal communication with each other”. Right from manufacturers to distributors, sales, installation and services, the players did not seem to be in communication. The study also observed that actors in the sanitation supply chain had not invested in building sanitation solutions for rural households because they did not consider this segment of the population to be a viable market for their products and services.

The study underscored the significant opportunity to leverage the current basic latrine coverage to grow business opportunities for household sanitation provision and improvement. Many households in Uganda do not necessarily lack awareness about the need for a latrine, but do need better latrine products and services delivered through more efficient and cost-effective means. The study therefore, recommended a shift from broad, generalized approaches to focusing on more catalytic activities to stimulate market development, alignment, and linkages to build stronger household sanitation delivery mechanisms.

Consequently, a process has been started to develop a rural household sanitation market, in such a way as to ensure that the market is clearly defined, communication easily flows between different players, and that constraints faced by rural households are routinely addressed in a manner that can be sustained.

In keeping with best practice, and to ensure that stability is achieved and maintained in the rural households sanitation market, on a sustainable basis, the district council has provided for the position of a regulator, who will serve the public interest by guiding the growth and operation of the market to ensure effective regulation and protection of customers’ interests without compromising the interests of other participants through among other things:

- The factors that shape the market trends (the influence on market development by the involvement of the local government, taxes, the effect of high or low demand and supply) and taking action to ensure proper development of the market to serve the rural poor.
- Identifying and resolving on a timely basis, the problems in the market as they arise.
- Ensuring that all participants including the entrepreneurs, suppliers and the communities comply with laid down laws, rules and regulations.

To maximize the effectiveness of the regulatory function, provision has also been made for the creation of regulatory committees, both at the district level and at the sub-county level, for the purpose of complementing the efforts of the regulator.
It is against this background that these ToR have been created to guide the operations of regulatory committees and the conduct of the members of the committees as they play their role in this regulatory function.

2. Structure of the sanitation market and the roles of the main players in the market

Structure of the market
The market consists of three main players - the rural household as the customer, the entrepreneur as the service provider (including suppliers of inputs and intermediate service providers) and the district leadership (including the district level as well as the lower level local government leadership) as illustrated in Figure 1 below.

Roles of the main players in the market
(a) Regulator
The main role of the regulator in the rural households’ sanitation market shall be to develop and maintain a conducive environment for the market and to ensure that the market is safe, sound and orderly.

The regulator will provide for the promotion of ethical business conduct, prohibitions against fraudulent and manipulative conduct, and the establishment of high standards for suppliers of inputs and labor. The regulator will also provide for the vigorous enforcement of government laws, market rules and regulations. This will, among other things require putting in place the following systems:

- A system for guiding the development of fair, honest, and orderly market practices, providing for responsibility and accountability of entrepreneurs as well as other service providers and communities.
- An effective system for monitoring compliance with government laws as well as market rules and regulations.
- A sound mechanism for enforcing laws, rules and regulations.

(b) The entrepreneur
The main role of the entrepreneur in the rural households’ sanitation market is to produce and deliver to the household, quality products and services demanded by the household, on a timely basis.
(c) The rural household
The main role of the household in the rural households’ sanitation market is to consume the sanitation products and services supplied by the market, and pay on a timely basis for the value received.

3. The regulatory function
3.1. Structure
The regulatory function consists of various officers and structures playing different roles all aimed at building a strong, sound and sustainable rural households’ sanitation market as indicated in the organogram (Figure 2) below.

The regulatory function is headed by the regulator (the district chief administrative officer (CAO)) reporting to the district executive committee (DEC).

At the sub-county level, the senior assistant secretary (SAS) is the officer responsible for the regulatory function in the sanitation market reporting to the district regulator (the CAO). In this role the SAS is supported by the sub-county regulatory committee and the parish chiefs under him.

3.2. Duties and responsibilities of the regulator
Some of the key responsibilities for which the regulator is expected to be accountable are:
• Identifying and nominating qualified persons to constitute the regulatory committee for approval by the district executive committee.
• Maintaining a register of certified entrepreneurs and other service providers operating in the market.
• On a regular basis, review reports about the performance of firms operating in the market as well as reports about their compliance with the market’s rules and regulations.
• Initiate and execute investigations of possible violations of the markets standards, rules and regulations, and determine possible remedial action or actions to be taken against perpetrators.
• Develop and maintain a forum for informally resolving disputes between participants in the market as and when they arise.
• Determine and disseminate to firms, other service providers as well as other participants in the market, the minimum standards acceptable in the market for sanitation products and services.

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**FIGURE 2: THE STRUCTURE OF THE REGULATORY FUNCTION**

DIstrict Executive Council

Regulator (CAO)

Regulatory Committee (District)

Parish Chief

Regulator (SAS)

Regulatory Committee (Subcounty)
• Identify and determine appropriate action to take in mitigation against potential as well as real threats and imperfections observed in the market's operations.
• On a regular basis, monitor and compile reports about the performance of the market, and the various entities participating in the market and in particular:
  ■ The conduct of firms operating in the market and other service providers with regard to adherence to laid down standards, rules and regulations.
  ■ The extent to which the sanitation market contributes to sanitation coverage within the areas under the jurisdiction of the market.
  ■ Trends in consumer tastes and demand for sanitation products and services provided by the sanitation market.
  ■ The extent to which the sanitation market is addressing challenges and constraints in the sanitation supply chain.
  ■ The frequency of reported violations of market ethics by participants in the market.
  ■ Innovations and investments in new technologies.
  ■ Movements in prices and fees charged on the sanitation market for sanitation products and services.
  ■ Access and utilization of financial services by participants in the market.
  ■ Any other developments that can affect the operations of the market positively and negatively.

4. Regulatory committees
4.1. Appointment of members of regulatory committees
Members of the regulatory committee shall be appointed by the regulator, with the express approval of the district executive committee. When fully constituted, the committee shall be comprised of members that are not less than five, but not more than seven. It is recommended to have the following members on the committee:
• Assistant CAO
• District engineer/district water officer
• Assistant district health officer (environmental health)
• District education officer
• District commercial officer

At the sub-county level, the following membership is recommended:
• SAS
• Health inspector/health assistant
• Representative parish chief

4.2. Role of regulatory committees
The main purpose of putting in place regulatory committees in the regulatory function is to support the regulator, by attending to sensitive matters and decisions that are best handled by a corporate decision-making process.

4.3. Term of membership
Membership to the regulatory committee will run for a period of three years. The committee will be dissolved at the completion of their term, and the appointing authority will appoint a new team.

4.4. Duties and responsibilities of regulatory committees
The main duties of the regulatory committee are:
(a) Approving the minimum standards that applicants must satisfy to be enrolled as partner entrepreneurs for purposes of the rural households’ sanitation market.
(b) Approving entrepreneurs recommended to operate as the district’s partner entrepreneurs (DPEs). Partner entrepreneurs enjoy the special privilege of being included in the district’s community mobilization activities including radio programs and all activities of the Tofuuka Mbozi campaign.
(c) Review appraisal reports about the performance of entrepreneurs operating in the market and where necessary recommend appropriate action against any entrepreneur whose performance may be found to be below standard.
(d) Attend dispute resolution proceedings as and when arranged.
(e) Attend to any other matters as may from time to time be determined by the regulator.
(f) Carry out periodic field monitoring of the market.
5. Meetings of regulatory committees

5.1. Frequency of meetings

The sub-county level regulatory committee shall meet at least once every three months or as required, depending on the volume and urgency of the business to be transacted as agreed by the members. The district regulatory committee shall meet twice a year, or as required.

6. Other provisions

6.1. Disclosure of monetary interest

Members appointed to the regulatory committee should declare any situation that has the potential to be a conflict of interest or could interfere with them carrying out their functions with integrity. In this regard, no member shall be expected to vote on any transaction in which he or she has an interest.

A member may cease to be a member if he or she is found to be directly or indirectly interested in any transaction and fails to declare the nature of his or her interest.
Annex 3: Brief Guide for Setting up the Market

Setting up a rural sanitation market in a district

District Brief

Introduction
Establishing a sanitation market in a district, will involve carrying out a series of preliminary activities including a district stakeholders’ workshop. This pamphlet seeks to give a condensed version of the key activities to be undertaken. Setting up the market can be divided into three phases: (a) the preparatory phase (b) the implementation phase (c) the consolidation phase.

1. Phase I: Preparatory phase

1.1. Preliminary activities and the district stakeholders’ workshop: To maximize chances for a smooth and successful start and operation of the market in a district, it is necessary to hold briefing meetings with key leaders in the district so as to obtain their support for the initiative and their support for the workshop.

As part of the preparations for the workshop, identify the key stakeholders to be invited, including political and civil society leaders, district heads of department, entrepreneurs and willing financial institutions and extend invitations to them accordingly.

In preparing the main presentation for the workshop, ensure that the content is able to motivate stakeholders to support the establishment of the market and ensure that the workshop comes up with a resolution committing the district to implement the proposed model and that a team is nominated to work with the CAO’s office to prepare a motion upon which the council will base its decision to pass the resolution.

1.2. Passing the district council resolution: Immediately after the conclusion of the workshop, commence arrangements to draft and table a motion before the district council proposing the establishment of a formal sanitation market in the district.

In addition to establishing the market, the resolution should provide for the appointment of the CAO as regulator for the market, reporting to the DEC. The resolution should also provide for the appointment of regulatory committees by the regulator, at the district and the sub-county levels.

1.3. Appointing and inducting members of regulatory committees for the market: Immediately after the council resolution is out, ensure that regulatory committees are appointed and arrange for their induction meeting. During the meeting, lead the members through a review of the ToR and ensure that they understand their roles. During the same meeting, have the committee discuss and develop a work plan that will guide their efforts in their work.

1.4. Identifying and mobilizing willing financial institutions for the market: Immediately after the stakeholders’ workshop, draw a list of the major financial institutions operating in the district and draw a program to visit them individually starting with those institutions that were represented at the workshop. For each financial institution, discuss the business opportunity that the model presents for the institution, and the task ahead for the DLG, and the role that FIs are expected to play in the model.

1.5. Preparing health workers: In addition to the council resolution, efforts should be made to prepare health workers to carry out community mobilization. In this regard, environmental health workers should be skilled in triggering communities using CLTS and should be equipped to support the implementation of the ‘Tofuuka Mbozi’ behavior change communication.

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3 Annex 2: The Role that Financial Institutions are expected to play in the Model – A brief
2. Phase II: Implementation phase

2.1. Implementing ‘Tofuuka Mbozi’ behavior change communication campaign: To support the demand generation for improved sanitation, the district should implement the “Tofuuka Mbozi” BCC, according to the guidelines, starting with phases 1 and 2.

2.2. Triggering communities for ODF: Working with Environmental Health (EH) Workers, VHTs and natural leaders, carry out triggering of target audiences to encourage them to become open defecation free (ODF). It is important that enough follow-up is carried out of the triggered communities. At the first follow-up meeting, extend invitations to entrepreneurs to attend the meetings and give them a chance to talk to the communities, to market their products and services. At the same meeting, communities should be given information about available financial products for those who cannot afford an improved toilet. The financial information can be shared by a representative of the financial institution, who can be invited to attend the meeting or it can be shared by the environmental health workers if they are given the relevant information by the financial institution prior to the meeting. If the financial information is to be shared by environmental health workers, ensure that they have all the relevant information. The financial institution can have a session with the environmental health workers to share the information.

2.3. Identifying, inducting and equipping entrepreneurs and masons for the market: Immediately after the stakeholders’ workshop, identify entrepreneurs who may have the interest to participate in the construction of rural sanitation facilities and have them attend an induction program. The objective of the induction meeting is to better explain the market model and the profile of the rural community in the district. It is important for entrepreneurs to understand that while rural people may not have much money and hence their need for affordable prices, their collective demand constitutes a big potential market, and can be very profitable if well served. After the induction, select a few of the most promising and invite them to attend a technical training that involves practical training in building acceptable designs of improved latrines. In addition to training entrepreneurs, arrange training for masons coming from across the district and instruct them in the procedures involved in the construction of the various designs of improved latrines.

2.4. Following up triggered communities: Develop and implement a program for the follow up of triggered communities. Using health assistants and VHTs and natural leaders, publicize the program among the targeted communities. Mobilize partner entrepreneurs and willing financial institutions so that they may prepare themselves for the program.

2.5. Linking entrepreneurs and FIs to the communities: As soon as the technical training of entrepreneurs and briefing meetings with willing financial institutions are completed, brief them about the program to link them to triggered communities. Have them agree which one will cover which community. Determine which of the willing financial institutions will cover which community and advise them accordingly. The linkage program will run alongside the follow-up program for triggered communities.

3. Phase III: Consolidation phase

3.1. Implementing ‘Tofuuka Mbozi’ campaign and triggering communities for ODF: Continue the ‘Tofuuka Mbozi’ campaign and the process of triggering communities for ODF which commenced in the earlier phase.

3.2. Stakeholder workshops to review progress made: The last major activity in the cycle, is the review workshop. After the first six months, organize a stakeholders’ workshop to review the progress realized by various actors in the market. Note the challenges experienced as well as initiatives undertaken in mitigation and the recommend best way forward.
Setting up a rural sanitation market in a district

The role of a financial institution in the model

1. **Background:** In its endeavor to improve sanitation coverage on a sustainable basis, the district is implementing the Rural Households’ Sanitation Market Model under which financial institutions have a critical role to play. The model seeks to move rural households from unhygienic sanitation practices to the use of improved toilets that are cleanable, sealable and durable.

While it has been possible for rural households to build a traditional latrine using freely available local materials and locally available labor without having to pay cash for the service, the situation is different for improved toilets that have cement or a sanplat as a core component, which have to be paid for in cash.

Since they may not always readily have the cash required, households seeking to improve their existing latrines or as those seeking to build an improved latrine from scratch may need the support of financial institutions to embark on the project immediately.

This brief seeks to inform willing financial institutions (FIs) about the business opportunity that comes with this development, and gives a brief profile of the targeted rural households, including their sources of income as well as the type of loan products needed and the kind of support the district can give the financial institution to minimize transaction costs.

2. **Brief profile of the rural households targeted:** The typical household seeking finance to build an improved latrine is domiciled in the countryside and in many cases the remote rural setting.

The household head, who will be the borrower, is mostly economically active, earning on average more than UGX1,000,000 annually from subsistence farming, most of which is spent on food items, healthcare and education, leaving a small balance that is not sufficient to cover capital expenditure such as latrine construction.

3. **Main features of the ideal loan product required:** As their main source of income is subsistence farming, rural households’ cash flows are seasonal, coming in at the harvest time after the sale of their produce. This means that the ideal loan product will have to allow for a repayment installment that is not weekly or monthly, but is either half yearly or yearly.

In addition, since the amounts saved from subsistence farming are relatively small, the ideal loan product will have to allow for a loan term that exceeds 12 months, ranging from two to three years. Since most rural households may not own the kind of commercial property that is acceptable collateral for a loan from FIs under normal circumstances, the ideal loan product will accept a group guarantee and or a kibanja purchase agreement that are within the means of a rural household to arrange.

4. **Support from the community:** Due to the small amounts involved, it may not be cost effective for an FI to deploy a loan officer to travel a long distance to appraise a solitary loan applicant. In mitigation, a FI may utilize the services of environmental health workers or VHTs (village health teams) residing within the community, to follow up households in need of a loan, and assist them complete loan application forms, and deliver them to the FI once the minimum number acceptable is realized. This way, transaction costs for the FI can be reduced to the minimum possible.

5. **Getting started:** The most appropriate entry point for the FI is participation in a community sensitization meeting, which the district will organize as a follow up meeting to communities that have been triggered to sensitize them about the dangers of unhygienic sanitation practices, seeking to move them to the use of improved toilet facilities.

At these fora, questions normally arise regarding lack of access to finance, making it a perfect setting for introducing a financial institution and its products and services.

Once the introduction is made, the FI can address the community and arrange a separate meeting with HAs (health assistants) and VHTs during which they
can be trained to represent the FI in the community by explaining the sanitation loan and how it can be accessed, and the applicable terms and conditions that loan applicants are expected to satisfy to access the desired loans.

Alternatively, the FI may choose to deploy a loan officer to the community who will explain the loan products, applicable terms and conditions, and the application process. If the community demonstrates interest in taking up sanitation loans, the loan officer may leave behind loan application forms with the VHTs, who will be instructed as to how households should be assisted to complete and submit the loan forms to the FI for processing.


Henrietta Bullinger; Ronnie Rwamwanja. (2013). Enabling Environment Baseline Assessment for Sustainable Rural Sanitation and Hygiene at Scale in Uganda. Study Commissioned by WSP.


