



BUSINESS DEVELOPMENT SERVICES FOR SANITATION ENTERPRISES IN CAMBODIA

JULY 2017



ENTERPRISE IN
WASH

ENTERPRISE IN WASH

“Enterprise in WASH” is a joint research project led by the Institute for Sustainable Futures (ISF-UTS) at the University of Technology Sydney, which investigates the role of private and social enterprises in the delivery of water, sanitation and hygiene (WASH) services for the poor. For other Enterprise in WASH publications, see www.enterpriseinwash.info

ABOUT THE AUTHORS

The Institute for Sustainable Futures (ISF) was established by the University of Technology Sydney to work with industry, government and the community to develop sustainable futures through research and consultancy. Our mission is to create change toward sustainable futures that protect and enhance the environment, human well-being and social equity.

ACKNOWLEDGEMENTS

We would like to thank the many people and organisations that contributed to and supported this research. This includes Mr Pom, of Ministry of Rural Development (MRD) and Phyrum Kov and Virak Chan of the World Bank, as well as the following organisations, WaterSHED, iDE, SNV, UNICEF, East Meets West, Plan, and the Cambodia Water Supply Association. The sanitation entrepreneurs that provided their time and ideas are also gratefully acknowledged, and we hope that this report will support them and other entrepreneurs in the future.

This research was funded by Department of Foreign Affairs and Trade.

Institute for Sustainable Futures

University of Technology, Sydney
PO Box 123
Broadway, NSW, 2007
www.isf.edu.au

© UTS July 2017

CITATION

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



Table of Contents

EXECUTIVE SUMMARY	1
1. INTRODUCTION.....	6
2. METHODOLOGY	7
3. BUSINESS DEVELOPMENT SERVICES IN CAMBODIA:SITUATION ANALYSIS 8	
3.1 Characteristics of sanitation enterprises in Cambodia.....	9
3.2 The support service providers.....	11
3.2.1 <i>Geographic distribution of BDS provision.....</i>	<i>13</i>
3.3 The funding sources.....	14
3.4 Support functions	14
3.4.1 <i>Access to market / demand creation</i>	<i>15</i>
3.4.2 <i>Capacity building / training.....</i>	<i>17</i>
3.4.3 <i>Product / service development and innovation.....</i>	<i>17</i>
3.4.4 <i>Business counselling / mentoring</i>	<i>18</i>
3.4.5 <i>Networking / partnerships.....</i>	<i>18</i>
3.4.6 <i>Access to finance / credit.....</i>	<i>18</i>
3.4.7 <i>Quality assurance</i>	<i>19</i>
3.4.8 <i>Advocacy and government lobbying.....</i>	<i>19</i>
3.5 Reflections on the sustainability of BDS in Cambodia.....	20
4 DESIGNING BDS FOR SANITATION ENTERPRISES AT SCALE	23
4.1 Understanding the spectrum options for BDS delivery.....	23
4.1.1 <i>Mode of delivery.....</i>	<i>23</i>
4.1.2 <i>Mode of coordination.....</i>	<i>25</i>
4.2 Considering the inclusiveness of BDS delivery	27
4.3 Understanding the spectrum of BDS providers and funding sources	30
5 WAY FORWARD.....	33
5.1 Considering the principles by which BDS should be provided.....	33
5.2 Importance of and Opportunities for collaboration	34
REFERENCES	36
ANNEX 1: CHARACTERISTICS OF SANITATION ENTERPRISES.....	38
ANNEX 2: NUMBER OF SANITATION ENTERPRISES SUPPORTED BY NGOS	41

EXECUTIVE SUMMARY

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

Developing a sanitation market for the remaining rural population and reaching full sanitation coverage by 2025, as envisioned in current policy, requires thinking at scale. Thinking at scale is necessary to accelerate and sustain access efficiently, that is, at a reduced cost per person. It can also promote synergies and leveraging of opportunities, avoid duplication and unnecessary competition, and support economies of scale.

To date, varying approaches to sanitation marketing and enterprise support have been implemented by development agencies, each of which have its merits as well as lessons learnt and limitations. This situation presents a timely opportunity sector to step back from these specific experiences to view the sector as a whole, and draw on these experiences to collaboratively consider business development services (BDS) to sanitation enterprises at scale.

This research aimed to support government and development partners to discuss and consider opportunities for a collaborative approach to design BDS at scale. The research built on existing studies and knowledge within the sector and followed a participatory and qualitative approach. Research activities and methods were conducted between December 2016 and May 2017. These included:

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

What are the elements of business development services?

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

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

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

Typical BDS functions include:

- Access to market/demand creation
- Capacity building/training (formal or informal e.g. peer-to-peer learning)
- Counseling
- Access to information
- Cost reduction or access to key resources
- Access to finance/ credit
- Advocacy/ political lobbying
- Networking/ partnerships
- Quality assurance
- Product/ service development and innovation

Business support for sanitation enterprises in Cambodia: situation analysis

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

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

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

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

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

Funding for business support: The current context of BDS provision to sanitation enterprises is heavily dependent on donor funding, with WASH NGOs acting as the main BDS providers,

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

Designing business support for sanitation enterprises at scale

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

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

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

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

What would a needs-driven approach to BDS entail?

Within a needs-driven approach, NGOs should generally avoid acting as business support providers. Instead, they should focus on acting as the back-up service providers and disappear as the market develops and more permanent commercial, local non-state and/or government actors take over support functions. A step towards this approach includes identifying who these actors may be, as well as looking for possible synergies with non-sanitation organisations and potential cross-sector collaboration.

The needs-driven approach also encourages the use of principle of 'client pays', although this may not always be feasible and alternative sources of funding may be required to fund BDS. Regardless, to the extent possible, donor funding should be prioritised to leverage government

investment in BDS, as funding from government actors are likely to be longer-term than international donor support for projects. In addition, there may be potential to leverage funding from beyond the WASH sector, for instance through agencies responsible for private sector development.

Choices would need to be made between more centralised or more decentralised coordination of BDS delivery, each with its advantages and disadvantages, taking into account that certain BDS functions may be best coordinated at particular levels (e.g. provincial, or district) depending on the function. Equally, to ensure inclusive sanitation services, including access to services by vulnerable or disadvantaged groups, it is important to consider who has access to the economic opportunity to provide BDS, as well as how BDS can best be designed to promote socially inclusive services.

Way forward

Principles to inform provision of BDS

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

<i>Principle 1:</i> Encourage the principle of ‘client pays’ where possible (such that sanitation enterprises contribute to the costs of BDS)
<i>Principle 2:</i> Create a market for BDS rather than a dependency on external development agencies
<i>Principle 3:</i> Avoid crowding out the market for paid services provided by commercial or other civil society actors and also consider opportunities for government actors to act as BDS providers
<i>Principle 4:</i> Ensure accountability systems are in place to ensure BDS services meet BDS needs
<i>Principle 5:</i> Ensure BDS are accessible to those enterprises who genuinely cannot afford to pay for them (whilst avoiding crowding the market)
<i>Principle 6:</i> Design BDS that promote and support sanitation enterprises to be socially inclusive
<i>Principle 7:</i> Use donor funding to leverage government or other investment in BDS
<i>Principle 8:</i> Seek opportunities for alignment between BDS and government mandates, including those beyond the WASH sector
<i>Principle 9:</i> Look for synergies with both WASH and non-WASH organisations and potential intra-sectoral and cross-sectoral collaboration for BDS

Importance of and opportunities for collaboration

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

- Joint work by NGOs in thinking through how they could each shift to become back-up service providers instead of service providers
- Joint assessment of the needs of sanitation enterprises (this could draw on NGOs' data on the sanitation enterprises they support)
- Joint identification and assessment of breadth potential commercial actors and government agencies to provide business support to sanitation enterprises
- Leadership on this area by one NGO or other development partner to focus their attention at sector level business development and support services, building on this report, and explicitly facilitate engagements of other actors in a coordinated fashion
- Share information on innovations, approaches and/or lessons learned related business development support to sanitations
- Collective advocacy and lobbying efforts in leveraging funding from non-WASH government agencies with mandates for private sector development, including joint analysis of the motivations of government agencies with mandates for private sector development that can be tapped in to leverage such funds;
- Development of guiding principles of BDS to sanitation enterprises in the Cambodian context.

1. INTRODUCTION

Despite significant progress made in increasing sanitation uptake in Cambodia, 60% of the country's rural population still practices open defecation (OD) (WHO/UNICEF JMP 2015). National development plans set the goal of reaching universal coverage by 2025 (MRD 2011). The critical role of sanitation enterprises in achieving this goal is well recognised by government and national policies, and strengthening these service providers in rural areas forms an integral part of the National Action Plan (MRD 2016).

As part of their sanitation-marketing approaches, different development agencies have been exploring a range of ways to provide business support services to sanitation enterprises in their projects and programs. Present in a large number of provinces in Cambodia (15 of the 25), these organisations' programs cover 90% of rural areas and have significantly expanded access to sanitation. Through these combined efforts since 2009, about 7% of the rural population gained access to sanitation (Dalberg 2015).

These have been significant contributions to expand access to sanitation. However, developing a sanitation market for the remaining rural population and reaching full coverage by 2025, requires facilitating the participation of private enterprises in the sanitation market and supporting their capacity at scale.

Thinking at scale is necessary if access to sanitation is to be accelerated and sustained in the long-term efficiently, that is, at a reduced cost per person. It promotes synergies and leveraging of opportunities, avoids duplication and unnecessary competition, and economies of scale.

Over recent years, different development agencies have used varying approaches to sanitation marketing and supporting sanitation enterprises, each of which have its merits as well as lessons learnt and limitations. This situation presents a timely opportunity for the sanitation sector in Cambodia to step back from these specific experiences to view the sector as a whole, and draw on these experiences to collaboratively consider business development services (BDS) to sanitation enterprises at scale.

This research aimed to support government and development partners to discuss and consider opportunities for a collaborative approach to design business support services to sanitation enterprises at scale. Drawing on global literature on business development and support services beyond the WASH sector, we discuss possible models for providing business development and support services to sanitation enterprises in the context of Cambodia. Further, we consider principles by which such support should be provided to ensure it facilitates and promotes equitable, sustainable outcomes amongst sanitation enterprises and entrepreneurs.

2. METHODOLOGY

The research built on existing studies and knowledge within the sector and followed a participatory and qualitative approach. Research activities and methods were conducted between December 2016 and March 2017. These included:

1. Desktop review
2. Interviews with key sanitation sector stakeholders
3. In-country stakeholder workshop
4. Interviews with sanitation entrepreneurs

The **desktop review** included global literature on BDS mechanisms within and beyond the WASH sector, as well as Cambodia-specific. The global literature has been documented in a separate research output available here [www.enterpriseinwash.info]. A comparative review of studies conducted in Cambodia was also conducted (see Annex 1).

Interviews with key sanitation sector stakeholders were conducted with the aim of informing the of the design in-country stakeholder workshop, and clarifying gaps of information before and after the workshop. A total of eight people representing different organisations (six development agencies and the MRD) were interviewed.

The **in-country stakeholder workshop** was a one-day event held on the 27th February 2017 in Phnom Penh, attended by 14 people representing nine organisations including: Ministry of Rural Development (MRD), East Meets West, iDE, SNV, Plan, UNICEF, WaterSHED, the World Bank, and the Cambodia Water Supply Association. Through participatory facilitated activities, participants discussed the following questions:

- Why support sanitation enterprises?
- What do business development services for sanitation enterprises look like in Cambodia?
- Which business support functions for sanitation enterprises are most important in the context of Cambodia in the short-term (1-3 years) and in the long-term (4 or more years)?
- How do some of the principles documented in literature on agriculture business development and support services apply to supporting sanitation enterprises in Cambodia? (Principles considered included: Financial sustainability of the support service providers; Level of inclusiveness of the services; Accountability of support service providers to clients/enterprises; Capacity needs of the support service providers)
- Is a sector coordinated and collaborative approach to supporting sanitation entrepreneurs needed in Cambodia?

A workshop report was produced as a separate research output and shared with the workshop participants.

After the workshop, **semi-structured interviews with seven sanitation entrepreneurs** were conducted. These were aimed at validating some of the discussions and insights that emerged from the workshop and stakeholder interviews.

3. BUSINESS DEVELOPMENT SERVICES FOR SANITATION ENTERPRISES IN CAMBODIA: SITUATION ANALYSIS

There are five basic elements that can be used to describe a system of BDS¹ (Wongtschowski et al 2013) (see Figure 1):

1. The enterprises (the clients of the services);
2. The businesses support functions (these can include the provision of tangible items such as equipment or money but also non-tangible, software items that help entrepreneurs increase, directly or indirectly, their productivity; see Table 1);
3. The BDS providers (individuals or organizations that deliver the business services to the clients);
4. The back-up BDS providers (service providers that train, coach or provide any other service to other service providers; also referred to as business development service facilitators);
5. The funding source(s) (individuals or organizations that pay for the services).

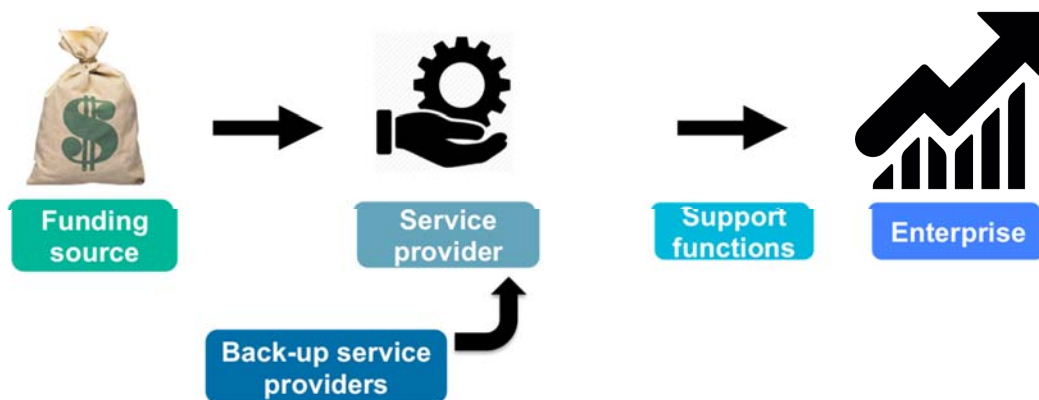


Figure 1: Dimensions of business support service provision

In a given context, business support services can take many different forms and different models can co-exist. There are also different types of BDS functions. These can be grouped into at least ten different categories (see Table 1). Funding for each or a sub-set of these can come from different types of actors (government, donor agencies, NGOs, private sector, or businesses themselves). Likewise, different types of actors can provide BDS.

In the following sections we discuss the dimensions of BDS and the different categories of support functions in the context of Cambodia.

¹ These are also referred to by different names such as business development service or business advisory services

Table 1: Categories of BDS functions (adapted from Wongtschowski et al 2013; Piza 2016; Dalberg 2015; Griffin et al 2015; Cho and Honorati 2014)

Support functions	Examples
Access to market/demand creation	Marketing services; coordination of demand and supply; linking enterprises with sales agents;
Capacity building or training (formal or informal e.g. peer-to-peer learning)	Technical training; training on business management, marketing, financial literacy, etc; learning exchange between entrepreneurs
Counseling²	Advisory services, mentoring, consulting, and psychosocial support
Access to information	Information about the demand, costs, suppliers, production methods and technologies, best practices, innovations, training and learning opportunities, etc
Cost reduction or access to key resources	NGOs offering moulds; offering facilities and technology for entrepreneurs to use; access to information at a reduced cost
Access to finance or credit	Offering grants, seed/incubation funding, loan guarantees (to businesses lacking collateral or credit history), linking to CSR funds
Advocacy or political lobbying	Promoting government legislation and support to bolster industry activity, such as business permit regulations; advocacy for government to improve capital markets and attract new investment resources to the region/industry; improved collaboration between government/industry officials and business owners
Networking and partnerships	Identifying opportunities for partnerships between the sanitation enterprises and other stakeholders; linking enterprises working on the same sector/industry and/or across sectors/industries; building a sense of collective action and improving the social ties of the entrepreneurs; creating a stronger sense of credibility when interacting with governments, banks, aid organizations, and other institution
Quality assurance	Setting standard, certification, holding members up to industry standards and practices, formalising informal workers
Product or service development and innovation	Technology development; Improving designs compared with existing products and services within a certain context (e.g. low-cost designs that use local materials; lightweight toilet pans that are easy to transport; and designs suitable for flood-prone areas); process innovations such as innovative pricing structures and mechanisms

3.1 Characteristics of sanitation enterprises in Cambodia

Although there has not been a systematic survey of sanitation enterprises across the whole country, separate surveys of latrine businesses have been conducted as part of studies undertaken by different organisations. Combined these studies (Dalberg 2015; Griffin et al 2015;

² “Unlike training that is usually structured with pre-specified curriculum and timetable with the in-class and on the job training setting, counseling is often more flexible and customized to beneficiaries’ needs. It is usually provided in addition to training or financing services rather than a stand-alone intervention” (Cho and Honorati 2014, p. 113)

SNV 2016), as well as the 7 interviews with sanitation enterprises undertaken as part of this study, covered more than 59 sanitation enterprises across 11 provinces³ out of 14 provinces that have sanitation programs. Although these studies report on different sets of characteristics, they overlap on some. Drawing on a rapid comparative analysis of findings from these studies (see Annex 1) as well as this research, we discuss some of the predominant characteristics of the sanitation enterprises covered.

There are two types of businesses operating as sanitation enterprises:

- i. Local producers of prefabricated concrete products
- ii. Construction material shops, who may also have some capacity for production of latrines.

The number of years of operation ranges from 2 years to over 10 years (Dalberg 2015; Griffin et al 2015; SNV 2016). Enterprises operating for longer than 10 years are more likely to have been selling latrines before sanitation marketing initiatives from development agencies. This was for example the case of one of the entrepreneurs interviewed as part of this study who explained that she *“was jobless and her uncle who sold cement for construction gave her the idea of starting a latrine business.”*

The range of products and services offered varies, with some enterprises offering both latrine products as well as delivery and installation services, and others offering just latrine products. According to Dalberg (2015), most of the iDE and SNV supported enterprises offered installation services whereas this was less common amongst WaterSHED supported enterprises. One of the entrepreneurs interviewed as part of this study who was supported by WaterSHED reported that he stopped to provide installation services because *“there are a lot of masons in the village who do this.”*

For many enterprises, latrines represent a significant share of their revenues, particularly in the high season. Dalberg (2015) reports that in the high season 60% of enterprises (out of 35) make more than 50% of their revenues from latrines and SNV (2016) reports that 37% (out of 24 enterprises) make 50%-90% of their revenues from latrines.

Although smaller enterprises may generally sell a lower number of latrines than larger ones⁴ (WSP 2015), the correlation between size and profitability is not a clear, which highlights the wide variations in pricing strategies and commercial approaches (Dalberg 2015). A possible explanation for this is that larger enterprises may be more stable businesses on their own without sanitation products or services and therefore some may be less motivated to explore higher profit margins from these products or services than smaller enterprises.

The use of commission based sale agents is a common marketing approach used by sanitation enterprises, often encouraged by NGOs acting as BDSs. For example, Dalberg (2015) and SNV

³ Battambang, Kampong Cham, Kampong Speu, Kampong Thom, Kampot, Kandal, Phnom Penh, Prey Veng, Pursat, Siem Reap, Tboung Khmum

⁴ This was also verified among the seven enterprises interviewed for this study.

(2016) report that close to 75% of sanitation enterprises (out of 35) and 63% (out of 24) employed sales agents respectively.

3.2 The support service providers

In Cambodia, NGOs are currently the predominant BDS providers to sanitation enterprises although in some situations they act as back up BDS providers to another actor (e.g. local government or another NGO) for certain support functions (see Table 2). For example, through its *Civic Champions* Program, WaterSHED trains key people within the commune council on leadership skills, who then play a role in supporting the sanitation enterprises in accessing the market, by planning and overseeing sanitation promotion activities (see Box 1). Similarly, other NGOs such as SNV have trained local governments to lead and implement demand creation and behaviour change communication (BCC) activities (see Box 2), which contribute to promoting sales uptake (World Bank 2015).

Box 1: WaterSHED's *Civic Champions* program

The *Civic Champions* program aims to develop leadership capability in rural areas and build a network of community leaders working together and supporting each other to achieve better development outcomes. The program consists of four three-day conferences for elected commune councillors delivered over a nine-month period. The conferences are the key part of the 'discover, develop, deliver' cycle. Participants are self-selected into the program and pay a participation fee of \$45.

During the conferences participants **discover** new leadership skills. Some of the leadership skills developed through the program include setting a vision and defining goals, emotional intelligence, problem solving skills, presentation and public speaking skills, team work, overcoming fear, efficiency, and project control cycle. In the three months between each conference, commune councillors **develop** the skills discovered by putting these into practice with support of a coach. This includes implementing a workplan, monitoring progress, overcoming challenges and adapting the plan based on new learning as implementation progresses. Participants then **deliver** by presenting on how they put their leadership skills into action and the results of this, and receive feedback from peers and superiors on their progress. Commune teams that reach the latrine uptake target compete for the best leader. This process facilitates peer learning and reflection, and reinforces good leadership behavior.

The program also follows a **cascade-training model** involving provincial and district officials as trainers and co-facilitators, as well as part of the program's advisory groups at the provincial level. This model allows provincial and district officials to develop a set of leadership skills themselves to support and guide the commune councillors in their work. Further it helps to build district and provincial government's support of the project and make it more legitimate for commune councillors to invest time in it.

Source: Bartell (2016b)

Box 2: SNV's Sustainable Sanitation and Hygiene for All program approach

SNV's Sustainable Sanitation and Hygiene for All (SSH4A) program focuses on the development of capacities and approaches that can be scalable through a government-led district-wide approach to sanitation. This includes creating leadership capacity and commitment for sanitation outcomes at the district, communal, and village level through training and participatory processes that encourage reflection and learning from failure. For example, in the district of Banteay Meas, district and commune level meetings were held regularly throughout the project. At these meetings, local leaders reported on progress against plans, and collectively reflected on successes and failures. Further, communes progressing slower or faster than others were revealed, creating peer-pressure amongst local leaders and further encouraging leadership and commitment from them.

Source: Murta et al (2016)

This contrasts with the approach of iDE who is acting as the direct BDS provider to sanitation enterprises. In this approach, iDE coordinates the sales amongst sanitation enterprises. Sale deals are made by sales agents, who are recruited and trained by iDE, and paid a daily allowance and commission fee. The sales information is channeled from the sales agents using a mobile application called "Salesforce" to iDE who then allocates the information to the sanitation enterprise.

Often one NGO acts as a direct BDS provider for certain functions and as back-up service provider for others. For example, although WaterSHED acts as a back-up service provider for demand creation/access to market, they act as a direct service provider for capacity building, networking/partnerships as well as informal counselling. They do this through annual capacity building workshops to enterprises, as well as through area manager supervisors whose role is to facilitate the market at the district level and build connections between the enterprises and commune councils.

Some NGOs have also been trying an approach where they act as a back-up service provider for capacity building and training. This is for example the case of SNV whose approach consists of engaging private sector actors such as the Cambodia Water Supply Association, a university and a larger successful sanitation enterprise, to provide training to sanitation enterprises.

Local government also acts as a direct service provider in some cases, although this has been predominantly for access to market/demand creation support functions (see Table 2).

Other actors such as micro-finance institutions (MFIs) have also been involved in the provision of access to finance to households, thus helping to increase sanitation uptake, although NGOs have played a critical role in partnering with these institutions and facilitating linkages and communication between these and sanitation enterprises to this effect, although with different degrees of intervention (see Box 3).

Box 3: Sanitation loans for rural households in Cambodia

Both WaterSHED and iDE have partnered with MFIs with the aim of making sanitation related financing available to rural households, and developed two types of sanitation financing models: WASH Loans implemented by WaterSHED and sanitation Financing (SanFin) implemented by PATH/iDE. Although the two models have common characteristics, the SanFin approach involved a greater level of NGO intermediation. In both cases, the loan is disbursed to the sanitation enterprise, and the household then repays the loan to the MFI on a monthly basis. However, a key difference relates to the payment of the interchange commission fee charged by the MFI. In the WASH Loans model, the sanitation enterprise pays this, whereas in the SanFin model, this is subsidised by iDE. Instead of subsidising the MFI, WaterSHED encouraged it to charge it as a loan origination fee to the sanitation enterprise, typically around 2% of the purchase price. This is a similar approach to the fee paid by merchants around the world who accept payment cards such as Visa or MasterCard. Further, in the WASH Loans approach, sanitation enterprises paid the commission sales through the MFI, while in the SanFin approach this were paid through iDE intermediaries. Nevertheless, a significant level of NGO support is required in coordinating linkages between sanitation enterprises and MFI loan officers, as well as in promoting the loans to households, as MFIs are not willing to take on this role.

Source: EMC (2014)

3.2.1 Geographic distribution of BDS provision

The geographic distribution of BDS provision to sanitation enterprises varies across the country. A large proportion of provinces do not have access to BDS provision to sanitation enterprises, and within the ones that have (at least 16 out of 25 provinces), the number of sanitation enterprises supported by NGOs ranges from 3 to 109 (see Figure 2). The NGOs supporting the largest number of sanitation enterprises are iDE and WaterSHED (Annex 2)



Figure 2: Reported number of sanitation enterprises supported by NGOs per province in Cambodia⁵

⁵ This data is based on numbers reported by iDE, WaterSHED, SNV, and EMW on the number of enterprises they currently

3.3 The funding sources

Funding for BDS provision for sanitation enterprises is currently predominantly driven by donor funding. Although there was some government funding for sanitation, this tended to be focused on demand creation and/or subsidies to poor households. Some NGOs have played an important role in leveraging public funding to this effect. Acting as back-up BDS providers they have empowered local governments to allocate budgets for BCC as part of their commune development plans.

Only WaterSHED had tried an approach where back-up service providers and enterprises paid for some of the business support services. Commune councils are requested to pay a fee of \$45 to join the leadership training part of their “Civic Champions Program’ (see Box 1). Similarly, enterprises contributed \$10/day towards the cost of an annual supplier workshop organised by WaterSHED aimed at developing their business management skills. An overall comment at the workshop was that this was difficult to achieve, and WaterSHED qualified this as 4% of the cases (for the Civic Champions programme; 17% for the annual supplier workshop), 98% were donor funded. Nevertheless this is at least a start towards encouraging enterprises to value support services provided to them.

3.4 Support functions

Overall, BDS provided to sanitation enterprises have been predominantly focused on *access to market/demand creation, training and capacity building, and product development* (see Table 2). All of these functions were perceived by the workshop participants as the most important in the short-term (see Box 4). Other services such as *counselling/mentoring, networks and partnerships, access to key resources* have also been provided, although only to a certain degree and limited in scope (see Table 2). Although access to finance/credit was perceived by workshop participants as important in the short-term, quality assurance, and advocacy and government lobbying were perceived as only being important in the longer-term (see Box 4).

support and/or have recently supported per province. The numbers provided by iDE and WaterSHED refer to the number of sanitation enterprises they currently support, and not those they supported in the past. These NGOs reported that so far they have built the capacity of 430 and 410 sanitation enterprises respectively.

Box 4: Perceived needs of sanitation enterprises by workshop participants

Overall workshop participants perceived that the support functions most important in the short-term (1-3 year timeframe) were access to market, capacity building/training, access to finance, and networking and partnerships. In the longer-term (4 or more years), participants perceived that the most important functions were advocacy/lobbying, quality assurance, product/service development and innovation.

Support functions	Relative importance (number of votes)	
	Short-term (Within 1 – 3 years)	Long-term (Within 4 or more years)
Access to market/demand creation	9	2
Capacity building/training	9	3
Counselling	2	4
Access to information	4	4
Cost reduction/access to resources	2	4
Access to finance	8	2
Advocacy/lobbying	4	9
Networking/partnerships	7	4
Quality assurance	2	7
Product/service development and innovation	6	8

3.4.1 Access to market/demand creation

Insufficient/seasonal demand is one of the major challenges reported by enterprises, yet sanitation enterprises tend to have a passive approach to sales (World Bank 2015, Dalberg 2015, SNV 2016). Government and NGOs have been critical in providing this support function through demand creation and BCC activities, different approaches to linking sanitation enterprises to sales agents, training sales agents, assisting these in managing their sales force, as well as through facilitating the provisions of loans to households by MFIs, and providing subsidies to poor households.

Within government, local governments and village leaders in particular, have played an important role in supporting access to market to sanitation enterprises. This includes cases where they have acted as sales agents and/or to support sales agents in selling latrines and receive a commission per latrine sold for such support. They have also provided this support function by using their influence and convening power to organise sale events, and conducting demand creation and BCC activities (Dalberg 2015; World Bank 2015). Evidence showing that sales uptake in communes with BCC activities is higher compared to communes without BCC activities (World Bank 2015) supports the fact that behavior change communication efforts by local government combined with appropriate coaching of sanitation enterprises in orders management, can mitigate the challenges of demand seasonality and support these to have a more stable income from sanitation throughout the year (World Bank 2015).

In some cases, NGOs or development actors played a role as back-up service providers by supporting local government actors to perform this support function. As explained earlier, this includes cases where they empowered local governments to uptake BCC responsibility as part of their commune development plans, and trained them to plan, budget and implement BCC sessions (see Box 2). According to the World Bank (2015, p. 17), communes that integrated BCC in their commune development plans in “tended to continue BCC activities in the

following years without external support.” It also includes the case of WaterSHED’s Civic champions program which aims at developing leadership and capacity within commune councillors to conduct sanitation promotion activities in their administrative areas (see Box 1).

There are also cases of NGOs that trained sales agents. This was for example the case of the efforts led by iDE in collaboration with Whitten & Roy Partnership (WRP) to develop a sales training approach which included a package of supporting tools to be used by latrine sales agents (World Bank 2015) (see Box 2).

The use of sale agents is somewhat linked to the success of sanitation enterprises in terms of volume of sales. However, the volume of sales is not correlated to the size of the sales force but rather linked to its quality (Dalberg 2015). This has implications for the recruitment, training and management of sales agents, particularly because enterprises have demonstrated limited interest and capacity to manage commission-based sales agents (World Bank 2015).

Characteristics of the sales force that are linked to success include if the sales agents offered credit to customers (e.g. through linkages with MFIs, see Box 3), whether these received incentives in addition to the regular sales commission fee, as well as the type of sale agents. Sales agents who offered credit to customers, and/or were offered additional incentives by the enterprises for meeting their targets, tended to outperform those who did not (Dalberg 2015). Further, due to time availability and aligned skillsets (e.g. persuasive public speaking), young and educated college drop-outs tend to make better sales agents than farmers or sales agents with more than one source of income or job (e.g. village leaders, teachers), and who often do not conduct sales events beyond their own village (Dalberg 2015; World Bank 2015).

On the other hand, there is a risk of higher turnover amongst sales agents who work as freelancers and are not part of the community or tied to it through their main jobs or sources of income, as can be the case of college drop-outs (Dalberg 2015). For sanitation enterprises, it may not be worth the effort and time investment required to manage this high-turn over, nor it is likely that they have capacity to do so. Addressing this may require support from an external actor, which is not likely to be sustainable in the long term. Service providers can raise awareness of this evidence amongst sanitation enterprises and sale agents, as well as integrate it in any training offered to sales agents (see Box 5), and through networking opportunities, link them with different types of sales agents.

Box 5: Training of sales agents

A collaborative effort by Whitten & Roy Partnership and iDE was undertaken to professionalise latrine sales. As part of this which a sales training approach that combined systematic sales training with a package of tools for sales agents was developed. The approach aimed at “selling the problem”, rather than selling latrine product specifications, by “helping the customers to recognize their problems associated with not having a latrine and to realize that purchasing a latrine would help them solve those problems”. Further, it adopted a door-to-door sales strategy in addition to village group sales events. This strategy helped to ensure sales agents reached those who did not attend the village level events or did not decide to buy the latrine at these events. More importantly, in this strategy, sales agents could customize their pitch “to address the actual problem facing the particular customers, increasing the chance of latrine purchase.”

Source: World Bank (2015, p. 9)

3.4.2 Capacity building/training

Capacity building and training support services offered by NGOs include technical and business management skills. According to Dalberg (2015), areas of training for which sanitation enterprises expressed most interest in related to business management and marketing aspects. This aligns with findings from Griffin et al (2015), who note that sanitation enterprises do not tend to keep any financial records for their business, despite receiving trainings from NGOs on financial management and financial record keeping.

Limited business skills were also observed among the seven sanitation enterprises interviewed. Although some reported they had received training on bookkeeping, none practiced it and had no record of the number of latrines sold in the last year and/or month. Further, all aspired to grow but showed no evidence of a clear business plan for the shorter or longer-term. Although some were able to estimate the amount of money they required to be able to meet their aspirations, they were not clear on what this estimate was based on, and said it was based on what relatives who had businesses said was needed. All of the entrepreneurs also showed limited knowledge of the number of competitors beyond their communes as well as of their sanitation market in terms of progress in improved sanitation coverage in their communes and beyond. When asked what will happen when all people in their communes have a toilet, a typical response was that they would move to another business line but perceived that it was going to take a long time for that to happen (some said 5 years and other said 15 years).

3.4.3 Product/service development and innovation

A standardized affordable latrine design – easy latrine⁶ - is widely available Cambodia, with minor variations, in areas covered by different NGOs. However, this product only includes the underground part, which is associated with a time lag between purchase and installation, as households wait to save enough money for their ideal shelter to install the toilet.

According to existing studies (World Bank 2015; Darlberg 2015) offering a complete low-cost underground and shelter package along with offering installation services, will not only contribute to accelerate installation rates but also create a more attractive proposition for MFI to provide loans to households to purchase toilets. The higher loan size reduces the operational cost ratio per household. Further, loan representatives are more likely to be more proactive in ‘pushing’ loans for latrines and shelters as their incentives are not linked to the number of loans, but rather to the disbursement amounts. The value proposition of a loan for a latrine and a shelter is also likely to be more attractive to customers, requiring less ‘selling time’ (Darlberg 2015).

Solutions to challenging environments, in particular flood-prone areas, also require more research on products as well as financing options. World Bank (2015, p. 17) notes that “an

⁶ The easy latrine is standardized affordable design developed by WSP/IDE and launched in 2009 with the aim of strengthening of the sanitation supply chain in rural areas. It includes a concrete slab, a ceramic toilet pan/bowl, a concrete chamber box, a PVC pipe, concrete rings and a lid for the rings (Dalberg 2015).

incremental “adaptation” of existing design and business model was not sufficient to address the particular challenging environments through a market-based solution.”

3.4.4 Business counselling/mentoring

Business counselling/mentoring services offered by NGOs often depends on limits to their staff’s ability and confidence to assess the enterprises’ individual challenges and provide appropriate advice to address these: *“Many of our staff are shy and feel intimidated about providing advice to some businesses, particularly if these are well established big businesses in the community (NGO interviewee).”* Further, when asked who they sought business advice from, sanitation enterprises reported they relied on their family members mostly, particularly relatives who operated other businesses or had previous business experience.

3.4.5 Networking/partnerships

Networks and partnerships support services offered by NGOs are largely limited to establishing connections between sanitation enterprises and local government authorities, sales agents and MFIs. Networking opportunities for sanitation enterprises to establish support networks or partnerships amongst themselves and other actors in the supply chain such as raw material suppliers/wholesalers were less evident. For example, one entrepreneur said he *“felt very isolated”* and had *“no one to discuss things with”*. Networking opportunities can be designed to encourage peer-to-peer learning and sharing of information, and/or joint partnerships with suppliers/wholesalers of raw materials through which enterprises may be able to negotiate better deals with these supply chain actors (e.g. bulk discounts, better payment terms, etc). Interviews with sanitation enterprises revealed a degree of support existed between these and other enterprises operating in the same commune. However this was limited to the lending or borrowing of assets (e.g. moulds) and/or selling or purchasing materials at same cost as the supplier, and did not include sharing of business related information. Enterprises operating in the same commune or district and who compete for the same customer base may be resistant to share information with each other. Thus care should be taken in the design if these opportunities so that enterprises that don’t compete for the same customer base are matched. Geographic Information System (GIS) data indicates that on average an enterprise can deliver sanitation products to communities located 8.8km away from their location (World Bank 2015), which may provide an indication of how to design this matching.

3.4.6 Access to finance/credit

NGOs have been playing a critical role in facilitating linkages and communication between MFIs and sanitation enterprises. However, the provision of this support function was perceived to remain a major challenge by workshop participants: *“Although Cambodia has one of the most robust MFI infrastructure in southeast Asia and there is also a lot of lenders out there but access to finance specifically for sanitation products can be very difficult, both for the enterprises and their consumers. For something that is less than \$100 they do not think the risk is worth the cost investment. So there is a real market gap for this”* (Workshop participant).

Addressing this challenge may require the government to push financial organisations to provide this kind of support function. Further, strategic engagement with MFIs in providing microcredit for sanitation through working closely with the Cambodia Microfinance

Association should be pursued, to share results and experiences, and seek opportunities for collaboration between MFIs and latrine businesses (World Bank 2015).

Nevertheless, successful provision of loans to sanitation enterprises is also linked to the demand for these financial products, and may require strategies to address risk aversion attitudes evident amongst enterprises. It is common that sanitation enterprises prefer to borrow informally from relatives or other villagers, or are discouraged by high interest rates associated with formal loans (Griffin et al 2015). Among the seven sanitation enterprises interviewed, although most had taken loans for trucks, all reported they were not willing or less confident to take loans for their latrine business. Training on financial literacy may contribute to reduce risk aversion amongst enterprises and increase demand for loans.

3.4.7 Quality assurance

Although quality assurance services are not commonly provided, this happens somewhat indirectly as businesses are accountable to customers, and their geographic proximity helps to ensure this (World Bank 2015): *“customers pay for products, so they hold the businesses accountable for the quality of the product”* (Workshop participant). According to Dalberg (2015), to date quality of sanitation products was not raised as an issue by customers. However this assumes that the customers know what good quality of sanitation products is. Thus raising awareness of good quality standards amongst customers as part of demand creation activities may be a way of ensuring this. Technical training masons may also be a way of contributing to quality assurance of products (World Bank 2015). There is evidence indicating that masons often provided poor quality construction (World Bank 2015), which may particularly critical in cases where sanitation enterprises do not offer installation services and/or households opt to hire a mason separately for this. As part of the Easy Latrine design, a concrete-cast chamber box was developed with the intention to remove the need for a household to hire a mason. However, bypassing the masons in the supply chain also led to some misunderstandings about the chamber box quality. As the masons were unfamiliar with the new product innovation, either they would install it incorrectly, or tell the households to return it in exchange for the traditional bricks. Ensuring quality of sanitation products thus requires that they are not bypassed in sanitation marketing initiatives (World Bank 2015).

3.4.8 Advocacy and government lobbying

A number of WASH sector network and working groups (e.g. Rural Sanitation Working Group), provide NGOs a platform for dialogue with government stakeholders and through which the interests of sanitation enterprises can be represented. However, enterprises need to first have an organised mechanism or platform to discuss and voice their common interests in a unified manner. This is likely to be more effective if bottom-up originated and developed by the enterprises themselves, which may only happen has the sanitation market becomes more mature. However, networking opportunities can be designed to encourage or instigate these kinds of discussions. Further, service providers can also provide guidance on possible organisational structures for such a mechanism or platform.

3.5 Reflections on the sustainability of BDS in Cambodia

The current context of BDS provision to sanitation enterprises is heavily dependent on donor funding, with WASH NGOs acting the main BDS providers. This means that business services tend to be provided within the timeframe of these NGOs' programs or projects, which does not encourage or ensure a focus on long-term sustainability of BDS services beyond reaching universal coverage of improved sanitation, particularly if this is the main goal driving their programs, and also does not position the sector to provide such BDS support across the country as a whole. In this context, NGOs tend to be accountable to their donors and not to the clients of the services - the sanitation enterprises. Thus sanitation enterprises are not likely to have a say on the quality and design of the BDS services provided, hence there is a risk that BDS services do not genuinely address the needs of the enterprises, including in the longer-term. This situation also has potential to contribute to perpetuating a mindset of dependency among sanitation enterprises. As one workshop participant noted *"[sanitation] entrepreneurs think that they are helping NGOs doing their jobs, and that it's the NGOs job to help them, and so they should not pay for support services"*.

BDS to sanitation enterprises are a key strategy to increase toilet sales by enterprises, and accelerate progress towards universal coverage of improved sanitation. However, ensuring sustainability of BDS in the long term may involve a trade-off for a lower rate of acceleration of progress of improved sanitation coverage. In addition, there is a difference between support services designed with a sole focus in increasing sales to accelerate access to improved sanitation, and support services designed with a focus in accelerating as well as sustaining access to improved sanitation (including supporting movement up the sanitation ladder, as well as addressing sludge removal services), and that last beyond the duration of a NGO's program, or after funding from donors is withdrawn.

There are however examples of NGO approaches to the provision of certain business support functions that encourage the sustainability of these BDS functions in the long term. These include cases where they have acted as back-up service providers or service facilitators and have built the capacity of other actors in the supply chain as service providers, and/or leveraged funding for the payment of these services from government and/or the enterprises themselves (see Table 2, Box 1 and 2).

Table 2: Examples of roles performed by different actors for each support function

Support functions	BDS providers	Back-up service providers and/or service facilitators
Access to market/ raising demand	<p>NGOs:</p> <ul style="list-style-type: none"> Recruiting, training⁷, coordinating and managing commission based sales agents amongst sanitation enterprises (approach by iDE - in addition to the commission fee the sales agents receive a daily allowance from iDE) Partially subsidising loans offered by MFIs to households to purchase toilets⁸ (e.g. see SanFin) Strategies to ensure all consumers can afford, and are mobilised to purchase toilets³ (e.g. SNV subsidy for low-income households pilot in Banteay Meas district) 	
	<p>Local government officials:</p> <ul style="list-style-type: none"> Conducting demand creation, BCC and sanitation promotion activities Using their influence and convening power to organise sale events Acting as sales agents Liaising between sales agents and customers and paid a commission per latrine sold for such supporting by the sales agent 	
Capacity building/ training	<p>NGOs:</p> <ul style="list-style-type: none"> Technical training on production techniques and processes Training on sales, marketing, and business management Exposure visits to sanitation enterprises in other provinces to promote peer-to-peer learning on production techniques, solutions for business and sales challenges (SNV) 	<p>NGOs: Facilitating, training and providing guidance to actors such as larger successful sanitation enterprises, the Cambodia Water Supply Association and a local University to deliver business management training to sanitation enterprises</p>

⁷ Training of sales agents is considered as a support function under access to market/demand creation (and not under capacity building/training) because ultimately these help to increase demand and uptake of improved sanitation.

⁸ Offering loans and/or subsidies to households is here considered as a support function under access to market/demand creation (and not under access to finance/credit) because ultimately these help to increase demand and uptake of improved sanitation. Access to finance/credit function in turn, refer to providing enterprises with capital to invest in the development of their businesses.

	Other actors: SNV is engaging other actors such as a larger successful sanitation enterprise, the Cambodia Water Supply Association and a local University to provide business management training to sanitation enterprises	
Counseling/ Mentoring	NGOs: <ul style="list-style-type: none"> • WaterSHED and iDE employ staff at the district level (Area Manager/Supervisor and District Supply Chain Coordinator respectively) who meet regularly with enterprises and provide them with advice on how to improve their businesses • SNV reported they follow-up with entrepreneurs individually on a monthly basis by phone or face-to-face to coach these on how to address challenges specific to their enterprises 	
Networking and partnerships	NGOs: <ul style="list-style-type: none"> • Acting as market facilitators, establishing connections between sanitation enterprises and other others in the supply chain, such as local government authorities, sales agents and MFIs (e.g. role performed by WaterSHED's Area Manager/Supervisor and iDE's District Supply Chain Coordinator) 	
Access to information	NGOs: Provide information on financial products available from MFIs such as loans, production processes and technology, and sales and business management practices Local government officials: Village leaders informally provide information to sanitation enterprises on households that do not have toilets in their villages	
Cost reduction or access to key resources	Government and NGOs: Providing moulds to sanitation enterprises	
Product/ service development and innovation	NGOs: NGO support for this function has focused mainly on technology development, including the development of affordable toilet options and more recently shelters	

4 DESIGNING BDS FOR SANITATION ENTERPRISES AT SCALE

In this section, we present considerations for the design of BDS for sanitation enterprises at scale in Cambodia, drawing on literature on BDS, workshop discussions, and findings in previous the section.

4.1 Understanding the spectrum options for BDS delivery

There are many different approaches and models of providing BDS to enterprises evident in literature. There are two dimensions that can be used to guide thinking about the design of BDS to sanitation enterprises at scale:

- **Mode of delivery:** What drives service provision and who delivers BDS?
- **Mode of coordination:** At what level of governance are the BDS coordinated?

4.1.1 Mode of delivery

There are two common modes of delivery, each with associated characteristics and concerns:

- **Supply-driven model:** BDS providers are typically dependent on donor funding and thus are responsible to donor organisations and not to the client. As a result, services are not likely to meet the real needs of the clients and tend to be expensive and unsustainable in the long-term. Further, this approach prevents private sector actors from developing commercial BDS provision, as they are unable to compete against subsidised providers (Wongtschowski et al 2013; Kahan 2007).
- **Demand or market-driven model:** Based on the principle of client pays, the funding organisations act as facilitators (back-up service providers), supporting and building the capacity of the service providers, and generating demand for services amongst the target clients. In this model, services are more likely to respond to the real needs of enterprises and remain sustainable in the long-term (Wongtschowski et al 2013; Kahan 2007).

The current context of BDS to sanitation enterprises in Cambodia follows the supply-driven model, although as explained above, there are examples of NGO approaches that encourage sustainability in the long term and include aspects of the demand-driven model.

However, although the demand or market-driven model may be ideal from a sustainability point of view, it may not be realistic in contexts where markets are very weak (Wongtschowski et al 2013). This may be the case of for example, remote rural areas where there is a high proportion of poor households and very limited availability and/or capacity of local service providers. Therefore, a system where market-driven and supply-driven models co-exist, whilst promoting accountability and sustainability, may need to be followed. Wongtschowski et al (2013) refers to this middle-path approach as the **needs-driven model**, where donor and government funding resources are used to ensure services to those who cannot pay, without crowding out the market for paid services provided by commercial actors, by applying the principle of ‘client pays’ where possible (see Box 6 for examples of approaches to support the principle of client pays). Further,

where accountability cannot be ensured through the client pays principle, monitoring and evaluation systems that request feedback from clients can be used and integrated into periodic reviews of the service-delivery system. The author also suggests that action-oriented studies should also be conducted to assess the needs of the enterprises (Wongtschowski et al 2013).

All of the seven sanitation enterprises interviewed as part this research said they would be willing to pay for training if they trusted its quality was worth the cost. Their main concerns as regards attending training or not instead related to the time commitment and travelling distance from their homes this might involve.

In Cambodia, given its diversity of geographic contexts and thus variability of approaches required, as well as the fragmented nature of the WASH sector (as different NGOs are responsible for the sanitation development of different geographic areas) the multi-pronged approach of the **needs-driven model** may be the most realistic starting point. However, for the **needs-driven** approach to be effective, a coherent donor support policy and a mechanism of communication and coordination between back-up service providers and service providers is required (Wongtschowski et al 2013), which in the context of Cambodia may be challenging given the absence of a funded lead sector coordinating body. Existing WASH coordination meetings and sharing platforms, such as the RUSH meetings, may nevertheless be leveraged and provide opportunities for sector collaboration in the design of guiding principles.

Box 6: Approaches that encourage the principle of client pays

- **Gradual cost recovery:** BSS are offered to enterprises for free (or upon payments of a small amount), but gradually, each year, these are provided at a small additional cost, until the full cost is covered. Introductory services that produce a quick payoff can be offered for a small fee or vouchers are given out to enterprises, which they can use to pay the partial cost of a service; over time the value of the voucher is gradually reduced, so enterprises pay a larger proportion.
- **In-kind and material contributions:** Enterprises are requested to provide in-kind contributions to the provision of BSS, such as for example, venue for training, or food for training participants. As a condition to receive the training or other types of BSS (at a full or reduced cost), enterprises can also be requested to share the learning with other enterprises in their district or province.
- **Payment by results:** Enterprises only receive BSS (and pay for this) only when it is able to show the service provider the achievement of certain results or targets (e.g. a certain number of latrines sold in one month).
- **Support clients to find the resources to pay for the services:** BSS offered to enterprises are provided at a cost but within flexible or gradual payment arrangements, such as payment by installment or by offering financing to allow the more vulnerable enterprises to pay for services.
- **Embedded services:** Enterprises are offered a BSS (e.g. advice) if they buy a certain product from wholesalers (e.g. cement). Another approach is to link the purchase of training packages to the access to credit from an MFI.
- **Third-party payment:** Mutually beneficial BSS to both small and large enterprises are identified and delivered, but only the larger enterprises are charged for these.
- **Piggybacking on microfinance:** A common approach within MFI programmes, is to hold use credit meetings to disseminate information about a BSS. These BSS can be offered as a separate, non-compulsory, fee-based activity. The loan officers and the BSS providers' staff are usually not the same as well. The advantage of this approach is that clients have already access to finance to pay for services. Further, it reduces the costs of marketing services as clients are already coming together for loan related meetings.

Source: Wongtschowski et al (2013); Kahan (2007)

4.1.2 Mode of coordination

The coordination of BDS provision can be done at a centralised level or within varying degrees of decentralisation (see Figure 3), with advantages and disadvantages across both modes (see Table 3).

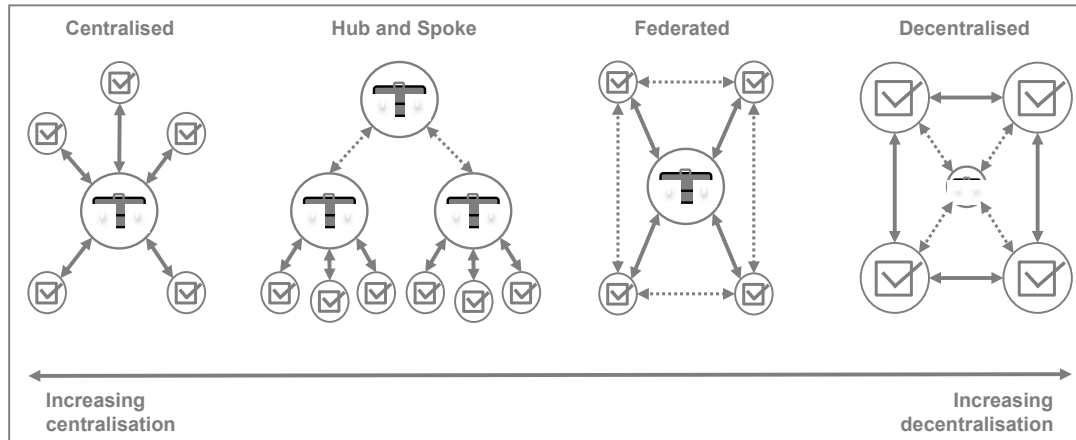


Figure 3: Examples of organisational structures with varying degrees of decentralisation (solid line – direct steering forces; dotted line – indirect steering forces) (Adapted from Deloitte 2016)

At the one end of the spectrum are organisational (or interorganisational) systems that operate with a higher level of command and control from a central unit with direct accountability and reporting relationships to these, fewer levels of leadership/management in the centre unit and the operating units. At the other end of the spectrum are organisational systems that operate following the “spirit” rather than the “letter of the law” with high level of operational flexibility, and a higher number of leadership/management levels between the central unit and the distributed operational units. The hub and spoke approach is a hybridised mode of the centralised model, where the powers of the central unit are redistributed to regional units that coordinate the operational units. The federated structures is also a hybrid form that combine characteristics of centralised and decentralised modes, combining the benefits of centralised planning, standardization and economies of scale whilst allowing leadership and flexibility at the local level (Deloitte 2016). In each of these structures, the decentralised or operating units can be different independent entities rather than units of the same organisation.

Table 3: Advantages and disadvantages of a centralised versus a decentralised mode of coordination

	Centralised mode	Decentralised mode
Advantages	<ul style="list-style-type: none"> • Ability to maintain a complete overview of the country as a whole, including ability to direct more resources to areas with greater BDS needs • Potential efficiencies in pooling resources • Potential to build strong technical capacity to provide business support • Opportunity to facilitate learning through both vertical and horizontal learning strategies 	<ul style="list-style-type: none"> • Offer greater opportunities to develop local leadership • Flexibility to closely match local needs and demands and respond to diversity of contexts • Flexibility to use a wide range of possible financial and human resources towards providing BDS

Disadvantages	<ul style="list-style-type: none"> • Harder to match and respond to local needs and demands (and hence the potential to become supply-driven) • Introduces need for multiple layers of communication from centralised level all the way to enterprises themselves • Issues of how/where to provide support (needs to be accessible to entrepreneurs) 	<ul style="list-style-type: none"> • Requires sufficient capacity at decentralised levels to be effective • Can lead to either lack of integration, potential gaps in services (or their locations) and possible duplication of efforts • Can lead to inconsistency of performance expectations and standards across the country • Can lead to lack of clarity of accountability and ownership mechanisms and processes
---------------	---	---

BDS functions can be coordinated and implemented following only one mode of coordination or varying degrees of centralisation-decentralisation can be used for different BDS functions or sub-sets of these.

The level of decentralisation in terms of administrative boundaries may also vary. For example, there may be advantages to decentralise the coordination of certain BDS functions to the provincial level, depending on the funding and human resources available at this level (including the availability and capacity of back-up service providers and service providers). Decentralisation to the provincial level may also be more or less viable in some parts of the country depending on the existence of a critical mass of enterprises, which may provide economies of scale, and greater opportunities for recovery of costs through the principle of client pays (see Box 6).

Government departments at the national and/or provincial levels can also ensure that certain BDS are delivered across the country or within provinces, while coordinating with other external actors to deliver other BDS and/or ensure flexibility of BDS to meet local needs. These can include, for example:

- *Centres of excellence/or expertise* focused on promoting and facilitating innovation on product and service development;
- *Shared BDS centres* or *BDS coalitions* providing capacity building services within a province or district level covering an area covered by multiple different NGOs;
- *Sanitation enterprise associations* or other types of *alliances* between sanitation enterprises only or between different actors in the supply chain, through which enterprises have access to networking and partnership opportunities, access to information, resource sharing, peer-to-peer learning, and/or a unified voice for advocacy and lobbying.
- *Incentives for private BDS providers* to establish themselves and provide BDS services

As explained earlier, given the diversity of contexts in the country, as well as the mix of different funding sources and interests that lead to that, it may prove more realistic to start with a multi-pronged approach which embraces different modes of coordination for different or sub-sets BDS functions. What will be important in this context however, is good communication between the various actors as regards their intentions and careful attention to potential synergies, complementarities or tensions between approaches that are being developed concurrently.

In addition, as BDS for sanitation enterprises contributes to national outcomes, which are mandated by national ministries, ultimately a degree of centralised coordination is likely to be required so these are able to maintain a complete overview of the country as a whole. This is likely to be required in relation to policy formulation and monitoring, which could draw on the principles considered in this report (see Section 5.1), and monitoring of progress against the mandated outcomes.

4.2 Considering the inclusiveness of BDS delivery

Inclusiveness of BDS refers to the extent these services and/or their outcomes reach vulnerable and disadvantaged members of the population (e.g. poor, women, people living with disabilities (PLWDs), elderly, marginalised ethnic groups, communities in remote locations) (Wongtschowski et al 2013), and can be considered from two different, but not mutually exclusive, perspectives:

- **BDS accessible to vulnerable and disadvantaged groups:** Who benefits from the economic opportunity to provide services? Is being a BDS accessible to vulnerable and disadvantaged members of the population?
- **BDS that promote and support socially inclusive sanitation enterprises:** Do BDS promote inclusiveness of the products and services provided by sanitation enterprises, so that these reach vulnerable and disadvantaged groups?

In the next sections we explore these two perspectives.

BDS accessible to vulnerable and disadvantaged groups

In this perspective, BDS are accessible to enterprises led by vulnerable and disadvantaged groups. This can be done with the intention of supporting these groups to take up sanitation entrepreneurship as a source of income, should they wish so, and promoting equitable opportunities for economic empowerment. As noted by workshop participants, this approach can also contribute to promoting a greater diversity of products and services that reach a greater diversity of customers, including those from vulnerable and disadvantaged groups. This is based on the understanding that a sanitation entrepreneur from a vulnerable or disadvantaged group of the society is likely to have greater sensitivity to the sanitation needs of the group they represent, and an interest in addressing these.

Making BDS accessible to vulnerable and disadvantaged groups, requires understanding the barriers to entry and challenges to success to sanitation entrepreneurship faced by these groups in particular. For example, in many countries, including Cambodia, women are largely underrepresented in sanitation entrepreneurship and face a different set of challenges to entry and success than male entrepreneurs (Willets et al 2016, Bartell 2016a) (see Box 7). Similarly, entrepreneurs located in remote areas may face greater barriers to entry and success than others in less remote locations, including limited opportunities for economies of scale and/or higher costs of materials and operations.

Box 7: Addressing the barriers to entry in sanitation entrepreneurship by women

Approaches to support female sanitation entrepreneurs need to move beyond ensuring equal participation by women and men in training activities. These need to be designed based on a clear understanding of the real barriers women face, and include follow-up mentoring support, as well as work with men to change perceptions (ISF-UTS 2016a).

Research conducted by WaterSHED (Bartell 2016a) indicates that in Cambodia females involved in sanitation entrepreneurship faced a specific set of barriers including:

- Time constraints due to housework and care duties
- Mobility restrictions, including discomfort from being exposed to heat and unfamiliar environments, and fear of travelling alone to remote areas
- Lack of self-confidence
- Challenges in effective communication with customers and male workers

In Vietnam, 'Enterprise in WASH' research (ISF-UTS 2016a) found that a barrier to entrepreneurship among women was that these tended to be more economically stressed than men. One of the contributors to this is that Vietnamese women often face challenges accessing finance if their land is only registered in their husband's name, rather than jointly.

However, the balance between a focus on promoting equitable economic opportunities and progress towards sanitation goals may need to be carefully considered. A common approach in sanitation marketing is to support existent entrepreneurs (e.g. construction material shops and concrete producers) - who typically do not represent vulnerable or disadvantaged groups - and leverage on their businesses skills, resources and networks. As noted earlier, entrepreneurs from vulnerable and disadvantaged groups may face additional barriers that require greater financial and time investment to address, and may slow down progress towards sanitation goals. There is also the risk of oversaturating the market with too many sanitation enterprises, and overcrowd the market for those existent and experienced entrepreneurs who have greater likelihood of success. Further, ineffective business practices can be a risk to loan programs, thus selecting experienced enterprises with high likelihood of success in latrine sales, is an important consideration for setting up a sanitation loan program.

There is also a risk of being supply-driven and forcing a business opportunity that vulnerable and disadvantaged groups might not actually enjoy or be interested in. For example, WaterSHED reported that a significant proportion of females (28%) who were offered sanitation entrepreneurship training set themselves goals to start or improve other types of businesses such as household businesses, rather than sanitation enterprises.

In a needs-driven approach, however, donor and government funding resources should be used to ensure BDS to those who cannot genuinely afford these services. However, this should avoid crowding out the market for paid services provided by commercial actors to those who can pay. This requires ensuring effective targeting of subsidised BDSs.

Further, as discussed in the paragraphs below there are alternative, and in some cases more cost-effective ways, of engaging vulnerable and disadvantaged groups in sanitation development efforts to ensure their needs are addressed that should also be considered.

BDS that promote and support socially inclusive sanitation enterprises

In this perspective, sanitation entrepreneurs are encouraged, and supported to ensure their services and products are tailored to and reach the vulnerable and disadvantaged groups. This can be done through carefully chosen support functions:

- *Demand creation:* Demand creation and BCC processes tailored to reach the vulnerable and disadvantaged groups; these ensure these groups are actively and meaningfully included, consulted, and engaged; training of sale agents to reach out to vulnerable and disadvantaged groups; provision of financial support to those households who are not able to afford a toilet.
- *Access to information:* Providing enterprises and sales agents with a better understanding of vulnerable and disadvantaged community members, their needs and aspirations.
- *Capacity building/ training or counselling:* Supporting enterprises to develop flexible payment schemes, affordable pricing structures and/or cross-subsidised discounts for the poor.
- *Product and service design solutions:* Supporting enterprises to develop affordable inclusive toilet designs.
- *Networking/ partnerships:* Linking sanitation enterprises to organisations or groups representing vulnerable and disadvantaged members of communities to raise awareness of the needs and aspirations of these groups among enterprises; linking sanitation enterprises motivated by pro-social values to form a social enterprise alliance to share access to resources (e.g. information, assets) or channels with the aim of supporting each other in achieving their collective social mission of reaching the vulnerable and disadvantaged.
- *Advocacy/political lobbying:* advocating for government regulatory and financial incentives that promote social enterprise business models. For example, in Viet Nam enterprises can register officially as a social enterprise (under the 2014 Law on Enterprises) and “receive benefits from doing so; such enterprises are required to return a proportion of their earnings into the ongoing development of the business” (ISF-UTS 2016b).

Encouraging sanitation enterprises to ensure their services and products reach the vulnerable and disadvantaged groups may also require tapping into entrepreneurs’ pro-social motivations as well as working with incentives that reward pro-social behaviour. A broad range of motivations beyond financial and material gains, should be considered (Clark and Wilson 1961; Wilson 1989; Ernst 2012):

- *Personal development and growth motivations* (e.g. mastery, career development, learning, need for achievement, need for independence)
- *Solidary and affiliation motivations* (e.g. camaraderie, sense of group mission, sociability, need for affiliation)
- *Purposive motivations* (e.g. sense of purpose; sense of duty and responsibility; autonomy)

- *Status motivations* (e.g. prestige, respect, recognition and appreciation, pride and honour).

‘Enterprise in WASH’ found that these types of motivations were evident amongst sanitation enterprises in Indonesia, Vietnam and Timor-Leste (see Box 11). There may be opportunities to encourage enterprises to contribute to social inclusion outcomes through incentives that tap into these motivations:

- BDSs such as capacity building and networking opportunities can tap into some of these motivations, including *personal development and growth motivations* and *solidary and affiliation motivations*. Thus, certain BDSs could be used as a reward for meeting certain social inclusion targets or conditions. This could include for example tailored counselling on how to improve a specific business line of the enterprise, or discounts on entrepreneurial training, or access to membership in a business alliance.
- Business alliances or networks (see Box 8) can also be used to tap into *purposive motivations* that promote a collective social mission among sanitation enterprises and other actors in the supply-chain of reaching the vulnerable and disadvantaged.
- Lastly, *status motivations* can be tapped into through formal recognition of enterprises that meeting certain social inclusion targets, by for example offering them publicity in the community or more widely (e.g. local or national newspaper, radio or TV), or an award ceremony.

The same approach may also need to be considered to encourage private BDS providers to promote inclusiveness of the services provided by sanitation enterprises.

Box 8: Motivations beyond financial and material gains

‘Enterprise in WASH’ research found that sanitation enterprises in Indonesia, Vietnam and Timor-leste were motivated by a wider range of benefits than financial and material gains. These included pro-social motivations underpinned by empathy for the poor and self-satisfaction in helping these groups, and religious beliefs. Other motivations included status and recognition from the community, as well as capacity building opportunities, extended social networks, sense of camaraderie and peer-to-peer learning offered by the association of sanitation enterprises they were part of.

Source: Willetts et al (2014); ISF-UTS (2016c)

4.3 Understanding the spectrum of BDS providers and funding sources

Within a **needs-driven approach** (the approach suggested by this report), NGOs should avoid acting as BDS providers. Instead these should focus on acting as the back-up service providers and disappear as the market develops and more permanent commercial and/or government actors take over support functions.

A step towards this approach includes identifying *who these actors may be*, as well as looking for possible synergies with non-sanitation organisations and potential cross-sector collaboration. Commercial actors can include, for example, existing business consultancies, financial institutions, wholesalers/suppliers of raw materials, farmers/women associations, chamber of commerce, and other existent associations or networks (at national or lower levels). Government actors can include WASH as well as non-WASH government agencies with a mandate for private sector development.

In some cases, however, NGOs may not be best placed in terms of skills and capacity to build the capacity of such service providers. Thus they may need to reach out to other actors and instead play a brokering/coordination role of these actors.

The needs-driven approach also encourages the use of principle of ‘client pays’, although this may not always be feasible and alternative sources of funding may be required to fund BDS. Regardless, to the extent possible, donor funding should be prioritised to leverage government investment in BDS, as funding from government actors are likely to be longer-term than international donor support for projects. In addition, some BDSs may align closely with the mandates of certain government agencies. Thus close alignment with these mandates as well as the national policy and ongoing process of deconcentration and decentralization may provide opportunities to leverage government funding for certain BDS functions. For example, as explained in section 3.3, local government is well placed to take responsibility for demand creation services, and some NGOs have been acting as back-up BDS providers to build capacity and empower local governments to lead and fund this support function.

Further, BDS to sanitation enterprises contributes to outcomes beyond improved and sustained health, which may relate to the mandates of government agencies beyond the WASH sector (see Box 9). Articulating these outcomes and identifying interest and capacity within these agencies to deliver certain BDSs (or developing strategies to create incentives to build such interest or capacity), could provide opportunities for NGOs to leverage additional funding from government (see Box 10). In Cambodia, non-WASH government agencies with mandates related to private sector and economic development include the Ministry of Commerce and the Ministry of Industry and Handicrafts.

Box 9: What are the intended outcomes of BSS to sanitation enterprises?

Based on responses from the workshop participants

- **Improved and sustained health outcomes:** Sanitation enterprises contribute to improved and sustained sanitation coverage, by providing households’ with sustained access to sanitation products and services of better quality and at affordable prices.
- **Poverty reduction:** By supporting improved and sustained health outcomes, sanitation enterprises contribute to the well-being of the people, and improvement children’s health and their growth, which reduces the likelihood of poverty within communities.
- **Economic development/prosperity:** By supporting improved and sustained health outcomes, sanitation enterprises help to improve economic productivity of people within communities. Further, sanitation services and products are a source of income and this also contributes to economic development of communities. Supporting sanitation enterprises increases their opportunity for revenue and for providing employment in the villages.
- **Human development outcomes:** Supporting sanitation entrepreneurs by improving their skills, can improve social development and capacity within communities.

Box 10: Non-WASH government agency supports BSS to sanitation enterprises in Indonesia

In the district of Manggarai Timur of Indonesia, Plan Indonesia played an important role in facilitating local government implementation of the national sanitation strategy, and bringing attention of sanitation to non-WASH government agencies. As a result of these efforts, in 2014, the Department of Industry, Trade, Cooperatives and SMEs – a non-WASH government agency with a mandate for private sector development - allocated funding for training of sanitation entrepreneurs in their yearly budget proposal.

Source: Murta et al (2016); ISF-UTS (2016c)

5 WAY FORWARD

In this section we propose principles by which BDS should be provided in the context of Cambodia, and areas for collaboration between WASH NGOs in going forward in developing BDS for sanitation enterprises at scale. Overall a shift from the current supply-driven model of delivery to a **needs-driven approach**, and well-coordinated but likely decentralised provision of BDS services.

5.1 Considering the principles by which BDS should be provided

The following nine principles can help set a new direction for how government, NGOs and other development partners consider a sector-wide approach to sanitation entrepreneurship. Their application requires significant re-thinking of approaches, and it is recognised that changes implemented are likely to be evolutions of current approaches. Regardless, these principles can usefully guide new thinking and action.

Principle 1: Encourage the principle of ‘client pays’ where possible: As service providers, NGOs tend to be accountable to their donors and not to the clients of the BDS services - the sanitation enterprises. Thus sanitation enterprises are not likely to have a say on the quality and design of the services provided, nor this ensures that services genuinely address the needs of the enterprises. The ‘client pays’ principle promotes accountability of the BDS providers to the sanitation enterprises, and quality and relevance of the BDS provided.

Principle 2: Create a market for BDS rather than dependency: A pre-requisite to scaling up BDS is assurance that adequate demand for a service is available. Any support provided to sanitation enterprises should be designed in order to develop rather than distort the market for BDS. The current context, where NGOs are main service providers, perpetuates a mindset of dependency among sanitation enterprises where they see themselves as helping NGOs with their projects. Just as sanitation marketing sees households as consumers rather than beneficiaries, BDS should aim to see sanitation enterprises more as consumers too rather than beneficiaries too.

Principle 3: Avoid crowding out the market for paid services provided by commercial or other civil society actors and also consider opportunities for government actors to act as BDS providers: NGOs should focus on acting as the back-up service providers and should disappear as the market develops and more permanent commercial, social enterprise, civil society and/or government actors take over support functions.

Principle 4: Ensure accountability systems are in place: Monitoring and evaluation systems that request feedback from clients should be used and integrated into periodic reviews of the BDS service-delivery system, particularly where accountability cannot be ensured through the ‘client pays’ principle. Action oriented studies should also be conducted to assess the needs of the enterprises. This would be expected to help to ensure the quality and relevance of the BDS provided.

Principle 5: Ensure BDS are accessible to those enterprises who cannot genuinely afford: Donor and government funding resources should be used to ensure BDS to those who cannot

pay. However, this should avoid crowding out the market for paid services provided by commercial actors to those who can pay. This requires ensuring effective targeting of subsidised BDSs.

Principle 6: Design BDS that promote and support socially inclusive sanitation enterprises:

Integrate support for sanitation enterprises to ensure their services and products reach the vulnerable and disadvantaged groups in BDS. Work with incentives beyond financial and material gains that reward pro-social behaviour, including using certain BDSs rewards for meeting certain social inclusion targets or conditions.

Principle 7: Use donor funding to leverage government or other investment in BDS:

The use of principle of ‘client pays’ may not always be feasible and alternative sources of funding may be required to fund BDS. Donor funding should be prioritised to leverage government investment in BDS, as funding from government actors are likely to be longer-term than international donor support for projects.

Principle 8: Seek opportunities for alignment between BDS and government mandates:

Some BDSs may align closely with the mandates of certain government agencies, including those beyond the sanitation sector. Thus close alignment with these mandates as well as the national policy and ongoing process of deconcentration and decentralization may provide opportunities to leverage government funding for certain BDS functions. This includes alignment with the mandates of both WASH as well as non-WASH government agencies.

Principle 9: Look for synergies with both WASH and non-WASH organisations and potential intra and cross-sector collaboration for BDS:

When identifying capacity and ability to deliver BDS, consider a broad range of actors as BDS and back-up service providers within and outside the WASH sector.

5.2 Importance of and Opportunities for collaboration

For the approach here proposed to be effective, a coherent donor support policy and strengthened mechanisms for communication and coordination between back-up service providers and service providers is required. Existing WASH coordination platforms may be used to initiate greater sector collaboration for developing BDS for sanitation enterprises at scale. Drawing on discussions from the workshop and further ideas developed on the basis of this report, proposed areas for collaboration include:

- Joint work by NGOs in thinking through how they could each shift to become back-up service providers instead of service providers
- Joint assessment of the needs of sanitation enterprises (this could draw on NGOs’ data on the sanitation enterprises they support)
- Joint identification and assessment of breadth potential commercial actors and government agencies to provide BDS to sanitation enterprises
- Leadership on this area by one NGO or other development partner to focus their attention at sector level BDS, building on this report, and explicitly facilitate engagements of other actors in a coordinated fashion
- Share information on innovations, approaches and/or lessons learned related BDS to sanitations including (but not limited to) the following:
 - Design and commercialisation of toilet superstructures

- Linking with MFIs and design of financial products/packages
 - Training of packages and approaches to capacity building of sanitation enterprises
 - Approaches to capacity building of local governments as BDS providers (e.g demand creation)
- Collective advocacy and lobbying efforts in leveraging funding from non-WASH government agencies with mandates for private sector development, including joint analysis of the motivations of government agencies with mandates for private sector development that can be tapped in to leverage such funds;
- Development of guiding principles of BDS to sanitation enterprises in the Cambodian context.

REFERENCES

- Bartell, J. 2016a, *Barriers for women to enter and succeed in the rural wash market in Cambodia*. Formative research with latrine business owners, WaterSHED field staff and sales agents, WaterSHED, April 2016
- Bartell, J. 2016b, *Civic Champions Scale Up Project – Evaluation*, WaterSHED, December 2016
- Cho, Y., Honorati, M. 2014, Entrepreneurship programs in developing countries: Ameta regression analysis, *Labour Economics*, 28, pp. 110–130
- Clark, P.B. & Wilson, J.Q. 1961, 'Incentive system: A theory of organization', *Administrative Science Quarterly*, 6, pp.129– 166
- Dalberg 2015, *Review of Sanitation Marketing Approaches in Cambodia*, Prepared for WSP, 17 January 2015
- Deloitte 2016, *Addressing the challenges of decentralisation*, Third party governance and risk management, Extended Enterprise Risk Management
- Emerging Markets Consulting (EMC) 2014, *Study on the Experiences of Existing MFI Models Financing Sanitation in Rural Cambodia*, Prepared for Plan International Cambodia, May 2014
- Ernst, K. 2012, 'Social Entrepreneurs and their Personality', in C. K. Volkmann, K. O. Tokarski, & K. Ernst (eds.), *Social Entrepreneurship and Social Business*, Wiesbaden: Springer Gabler, pp. 51–64
- Griffin, S., Ho, Y., Tebor, J. 2015, *Best Practices and Guidelines to Associations for the Sanitation Sector of Cambodia*, WSP
- ISF-UTS 2016a, *Learning Brief 4: Driving Equality, Enterprise in WASH*, Prepared by the Institute for Sustainable Futures, University of Technology Sydney, URL: <http://enterpriseinwash.info/wp-content/uploads/2016/12/ISF-UTS_Enterprise-in-WASH_Learning-Brief-4-Equality.pdf>
- ISF-UTS 2016b, *Learning Brief 5: Private and social enterprise business models, Enterprise in WASH*, Prepared by the Institute for Sustainable Futures, University of Technology Sydney, URL: <http://enterpriseinwash.info/wp-content/uploads/2016/12/ISF-UTS_Enterprise-in-WASH_Learning-Brief-5-Business-models.pdf>
- ISF-UTS 2016c, *Learning Brief 6: Working with Motivations and Incentives, Enterprise in WASH*, Prepared by the Institute for Sustainable Futures, University of Technology Sydney, URL: <http://enterpriseinwash.info/wp-content/uploads/2016/12/ISF-UTS_Enterprise-in-WASH_Learning-Brief-6-Motivations-and-incentives.pdf>
- Kahan, D. 2007, *Business services in support of farm enterprise development: A review of relevant experiences*, Food and Agriculture Organization of the United Nations, Rome
- Ministry of Rural Development (MRD) 2011, *National Strategy for Rural Water Supply, Sanitation and Hygiene (NSP-RWSSH) 2011 – 2025*, April 2011

- Ministry of Rural Development (MRD) 2016, *National Action Plan, Rural Water Supply, Sanitation and Hygiene 2014-2018*, April 2016
- Murta, J., Foster, T., Willetts, J. 2017, *Review of SNV's Pro-poor support mechanism in Banteay Meas district, Cambodia*, Report prepared by the Institute for Sustainable Futures, University of Technology Sydney for SNV
- Murta, J.C.D., Willetts, J.R.M. & Triwahyudi, W. 2016, 'Sanitation entrepreneurship in rural Indonesia: a closer look', *Environment, Development and Sustainability*, pp. 1 - 17
- Piza, C, Cravo, T, Taylor, L, Gonzalez, L, Musse, I, Furtado, I, Sierra, AC and Abdelnour, S, 2016, *Business support for small and medium enterprises in low- and middle-income countries: a systematic review*, 3ie Systematic Review 25, London: International Initiative for Impact Evaluation (3ie)
- SNV 2016, *Rapid Assessment of Potential for Business Service Centre Models*, Prepared by BDtruS Research and Business Consultancy for SNV, 14 October 2016
- WHO/UNICEF JMP 2015, WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation, viewed 20 June 2017,
URL: <[https://www.wssinfo.org/documents/?tx_displaycontroller\[type\]=country_files](https://www.wssinfo.org/documents/?tx_displaycontroller[type]=country_files)>
- Willetts, J., Murta, J., Gero, A. 2016, *Water and sanitation entrepreneurs in Indonesia, Vietnam and Timor-Leste: Traits, drivers and challenges*, Enterprise in WASH – Working Paper 4, Institute for Sustainable Futures, University of Technology Sydney
- Wilson, J.Q., 1989, *Bureaucracy: What government agencies do and why they do it*, Basic Books
- Wongtschowski, M., Belt, J., Heemskerk, W., Kahan, D. (eds) 2013, *The business of agricultural business services: Working with smallholders in Africa*. Royal Tropical Institute, Amsterdam; Food and Agriculture Organization of the United Nations, Rome; and Agri-ProFocus, Arnhem
- World Bank 2015, *Kingdom of Cambodia TA - Cambodia Sanitation Marketing Synthesis Report*, Report No: ACS13274, April 29, 2015

ANNEX 1: CHARACTERISTICS OF SANITATION ENTERPRISES

Study	Griffin et al 2015	Dalberg 2015	SNV 2016
Study areas and sample size	Nr enterprises: Phnom Penh, Kandal, Prey Veng, and Tboung Khmum.	35 enterprises: Kampong Thom, Kandal, Prey Veng (17); Kampot (2); Battambang; Kampong Cham, Kampong Speu (13); Kampong Chhnang (3).	24 enterprises: Pursat, Battambang, Siem Reap ⁹
Profile of respondents	Some operating for 2 years, while others for over 12 years. Most only manage their sanitation enterprises part-time.	15% selling latrines for over 10 years; about 50% have been selling latrines for 4-5 years, of whom most have been recruited and supported by sanitation marketing initiatives.	Concrete producers, 4 of which were women. Some operating for 2 - 5 years, while others for over 10 years. There were no female led SMEs identified in Pursat or Battambang. The majority had other income generation activities in addition to the latrine business, and one quarter said that the latrine business as their main source of income.
Sanitation products and services	Latrine businesses charged additional fees for digging, installation, and constructing shelters for the latrines.	About 80% offered installation services (mostly iDE and SNV LBs).	Delivery and installation services offered. Only one of the concrete producers supplied latrine shelters.
Share of business revenue from latrines	-	60% make more than 50% of their revenues from latrines in the high season and only 22% do so in the low season.	For 37% sanitation was the whole or major share.
Business ownership	-	-	The majority claimed to be managed by couples (59%), while smaller proportions were owned by men (31%) and women (10%). ¹⁰
Target customers and coverage areas	Some operating in only one commune while others operated across multiple districts.	-	The majority operated within their local areas (within the same commune or district). Almost half also supplied to areas besides their districts, and 13% supplied to other provinces.

⁹ This study included a sample of 31 enterprises, of which 24 were latrine businesses, and the rest were agriculture related enterprises, and water filter suppliers.

¹⁰ These figures refer to the overall sample of the study (31 enterprises including latrine and non-latrine businesses).

Competition	Most reported they did not face significant competition. Many were the sole latrine producer in their area.	-	80% indicated they do not compete with other suppliers.
Number and gender of employees	Smaller latrine businesses typically only had family members that were full time staff while larger latrine businesses employed up to 20 casual laborers when demand is high.	There is a wide variation in the number of sales agents employed per latrine businesses, but only about 15% of the latrine businesses employ more than 4 employees; over 25% of them don't employ a dedicated sales staff at all.	The number of employees varied from 4 to 10 people. Enterprises in Siem Reap had a higher number of employees than in Pursat and Battambang. The majority of staff were male, with only 14% female. ²
Volume of sales	<ul style="list-style-type: none"> High season: Smaller latrine businesses sold average 10-20 latrines/month, while larger latrine businesses sold up to 200 latrines/month. Low season: Smaller latrine businesses sold average 0-3 latrines/month, while larger latrine businesses sold 10-20 latrines/month. 	Up to 200-320 latrines/month	Number of latrine sets sold in the last few months ranged from 25 to 90.
Price of latrines	USD 55-70	USD 42-70	USD 45-67.5
Profit margin	Estimated 10%	5% - 41%	15% - 18%
Revenue	-	USD 240-16,800	Estimated monthly sales of USD 1,970.
Production costs	A typical latrine day laborer makes USD\$150 a month.	USD 30 - 43	-
Payment arrangements	<ul style="list-style-type: none"> Mostly full payment upfront Estimated 10% customers used loans to purchase latrines 	-	A few were able to offer payment by installment.
Business skills, management and networks	Almost none kept any financial records for their business (although some had received trainings from NGOs on financial management and financial record keeping).	Areas for which latrine businesses expressed most interest are primarily non-technical in nature and include sales and marketing and business management.	40% said they cooperate in the form of experience sharing and sourcing concrete rings during peak season when their stock is limited.
Marketing approaches	<ul style="list-style-type: none"> Word of mouth or the sales agents provided by NGOs. A few managed their own sales agents, although these had originally been recruited and trained by NGOs Commission to sales agents from US2-5/latrine 	<ul style="list-style-type: none"> Over 25% didn't employ a dedicated sales staff at all; 15% employed more than 4 sale agents 25% offered additional incentives to sale agents who met their targets 	63% used commission-based sales agents; 50% did own marketing at village marketing events. A few had business cards.

	<ul style="list-style-type: none"> Commission to commune councilors USD1-2/latrine 	<ul style="list-style-type: none"> Commission sales agents from US2-5/latrine (iDE supported LBs) 	
Access to capital	<ul style="list-style-type: none"> 50% had taken out a loan Average loan size around USD 2,000 	<ul style="list-style-type: none"> Close to 60% have or seek access to capital, which is typically used for an upfront investment to start producing latrines, and investing in a truck for delivery. 	-
Challenges	<ul style="list-style-type: none"> Lack of demand from potential customers Local government was not active enough in promoting their LBs or generating latrine sales Customers lacked access to finance to purchase a latrine Lack of business, technical, or marketing knowledge Difficult to find skilled labor as many laborers chose to work as agricultural day laborers or in factories Bad road condition during rainy season Market-distortion effect of NGO subsidy programs for latrines 	<ul style="list-style-type: none"> Insufficient/seasonal demand Turning down orders for latrines largely due to inability to deliver latrines and shortage of trained labor Sales agent turnover (mainly iDE LBs) Trucks breakdown frequently and difficult roads Access to capital Collecting outstanding payment from households 	<ul style="list-style-type: none"> Unstable/seasonal sales Bad road condition Collecting outstanding payment from households Rejection of households when latrine is delivered
Future business perspectives	-	-	88% viewed potential to grow and 60% of these had a business plan. Some of them expect to obtain low-cost finance from financial institutions for more working capital and investment, particularly for buying new truck and production expansion.

ANNEX 2: NUMBER OF SANITATION ENTERPRISES SUPPORTED BY NGOS PER PROVINCE¹¹

Provinces	iDE	WaterSHED	SNV	Plan	EMW	Unicef	Total
Banteay Meanchey	17						17
Battambang		48	6		1		55
Kampong Cham		108			1		109
Kampong Chhnang		38			1		39
Kampong Speu		47			3		50
Kampong Thom	19						19
Kampot			14				14
Kandal	10						10
Kep							0
Koh Kong							0
Kracheh					3		3
Mondul Kiri							0
Otdar Meanchey	9						9
Pailin		3					3
Phnom Penh							0
Preah Sihanouk							0
Preah Vihear							0
Prey Veng	24				3		27
Pursat		18	5		1		24
Ratanak Kiri							0
Siem Reap	18		3				21
Stung Treng							0
Svay Rieng	12						12
Takeo		48					48
Tboung Khmum							0
Total	109	310	28		13		460

¹¹ This data is based on numbers reported by iDE, WaterSHED, SNV, and EMW on the number of enterprises they currently support and/or have recently supported per province. The numbers provided by iDE and WaterSHED refer to the number of sanitation enterprises they currently support, and not those they supported in the past. These NGOs reported that so far they have built the capacity of 430 and 410 sanitation enterprises respectively.