

Pilot Project: Micro-credit for improved water and sanitation

Summary: The project combines microcredit with advice and training for families in marginalized neighborhoods in Cochabamba, Bolivia. It facilitates the access of families to microcredit for improving water, hygiene, and sanitation conditions. The pilot project serves to develop and test a model, which later can be scaled up to thousands of families all over Latin America and beyond.



Typical housing conditions in a suburban dwelling in Cochabamba, Bolivia

1. Introduction

Over the past 10 years, the SODIS Foundation (“SODIS”) has been working within a wide variety of partner institutions in order to promote safe drinking water as well as improved sanitation and hygiene conditions in Latin America. Financing for these projects came in the form of donations, creating a strong dependency on these contributions. In the process of change and learning, SODIS is now developing new, “pilot” or “model” projects to achieve the same goal: improve living conditions of families in Latin America. The current project is designed to empower people to improve their own water, sanitation and hygiene conditions. Microcredit will be applied as a means of empowerment and engagement, combined with expert advice and know-how to the target families. For this purpose, SODIS teamed up with two very experienced financial institutions in Bolivia (BNB and CACEF) who will be in charge of the microcredit delivery and management. SODIS will advise the families on adequate water and sanitation solutions and strengthen the supply chain of these services. Families will be supported in their endeavor to connect to the local water distribution network and to improve their sanitary facilities. Overall, these improvements will lead not only to improved productivity and living standards, but also create a model of sustainable development in suburban areas which then can be replicated in other places.

2. Background and Justification

In relation to safe water, hygiene, and sanitation, similar situations appear in the majority of Latin American countries: People living in suburban slums often only have access to water delivered by tanker trucks. This water usually is highly contaminated and not safe for human consumption. In more established settlements, water distribution networks may exist but poor families do not have the money to pay for a household connection. Even if a household is connected to a water distribution network, the service often is irregular and the quality of the water delivered is poor. This leaves the responsibility of water treatment with the users, creating a need for technologies for water disinfection at point-of-use.

The situation on sanitation services is even worse: sewers hardly exist and where they exist, sub-urban families find it very difficult to connect to these systems or to find information on alternative, adequate sanitation solutions. For local authorities, sanitation is not a priority, and the private sector is not willing to invest in informal settlements. This creates a situation where satisfying one of the most basic human needs – going to the bathroom – becomes a daily struggle, creating health hazards and inequalities. The project wants to address these issues in an innovative way.

3. Goals, objectives and impact

Goal: To empower suburban families with financial resources and know-how in order to improve the water, sanitation and hygiene conditions of their homes.

Objectives:

- Provide education and advice about adequate water and sanitation solutions to suburban families
- Inform families in suburban neighborhoods about financing alternatives for water and sanitation solutions
- Facilitate the access to microcredit for improving water and sanitation conditions in suburban settlements
- Encourage microfinance institutions to offer specific tools and vehicles for suburban families

Improved water and sanitation conditions have a dramatic impact on quality of life: adults increase their productivity (less time lost for water collection and due to illness), children and youths improve school attendance, and waterborne diseases like diarrhea and cholera are reduced or disappear. Improved water and sanitation services are the single most effective public health intervention.

Additionally, the project will also impact factors like self-esteem and empowerment of local families. Rather than depending on donations from a charity, they learn how to improve their living conditions by themselves, guaranteeing complete ownership of the investments.

Last but not least, the project will develop and test a mechanism which will deliver sustained improvements of living conditions through the mechanism of microcredit. This may open the door to new forms of international cooperation, allowing for the funds available to create much more impact and over a long period of time.

4. Results and outputs:

- 100 families in one suburban neighborhood will be trained on adequate water, sanitation and hygiene solutions.
- Families will access microcredit specifically designed for the purpose of improving living conditions in these suburban neighborhoods.
- Microfinance institutions discover the market of water and sanitation solutions for suburban families.
- Local micro-entrepreneurs are trained on offering and delivering services to improve water and sanitation solutions.
- Microfinance products are improved based on the experience of this pilot project.

5. Strategy

The project proposes an innovative institutional set up:

- A microfinance institution offering credits to suburban families at attractive conditions
- An international donor setting up a security fund for the microfinance institution as a fall-back option and as a source for the attractive loan condition (fixed term investment)
- A technical advisor organization
- Local micro-entrepreneurs for service delivery

This ecosystem of institutions will allow all the key players involved to work efficiently, focus on their main role and support each other in order to achieve the goal of the project: To empower suburban families with

financial resources and know-how in order to improve the water, sanitation and hygiene conditions of their homes.

6. Implementing organizations

SODIS is a non-profit organization based in Bolivia dedicated to the promotion and diffusion of simple solutions in the water and sanitation sector in 7 countries of Latin America (see also www.fundacionsodis.org). SODIS is currently shifting from charity-based funding to sustainable self-financing. Under this new paradigm, SODIS promotes and facilitates solutions to improve access to water and sanitation services through innovative partnerships between the non-profit sector, the private sector and the increased self-help capacity of local families.

Banco Nacional de Bolivia (BNB) and CACEF are both national financial institutions with considerable experience in the microfinance sector. For the current project, they develop a specific credit vehicle and the according information and assessment tools, allowing suburban families to access credit at attractive conditions.

An international donor organization provides funds, which are invested on a fixed term and serve both to create attractive conditions for the microcredit and as a security in the case a creditor defaults.

Local micro-entrepreneurs will be trained in order to offer and deliver the services for improving water and sanitation conditions of target families.

7. Project data

Project duration: 1 year (pilot phase)

Project costs: 20,000 USD (plus loan of 50,000 USD, which has been provided by an international donor organization)

Project coordination: SODIS (www.fundacionsodis.org)

Cochabamba, December 2010