

Overview of Activities

1. Introduction
2. The Cost of a Latrine Program
3. Who Pays for Latrine Programs
4. Design and Develop
5. Review

Learning Outcomes

At the end of this session, the participants will be able to:

1. Identify the different costs of a latrine program
2. Explain the key stakeholders that could pay for the costs of a latrine program
3. Describe different financing mechanisms

Materials and Preparation

- Participant workbook (1 per participant)
- PowerPoint (PPT): Finances (optional)
- 8 flip charts, write one title on each page: *Administration and Finance, Program Planning, Demand Creation, Capacity Development, Stakeholder Engagement, Latrine Products and Services, Fecal Sludge Management, and Monitoring for Improvement*
- Markers
- Ball
- Handout: Print and cut out the Scripts: Investor Challenges – 1 copy
- Prepare: Print and stick to the top of flip chart paper: 4 icons of 'Who pays for a latrine program?'

Recommended Reading

- Technical Brief: Finances
- Sanitation Case Studies

10 minutes

Introduction



If using PowerPoint, use Slide 3

1. Ask participants to take a minute and think of some costs associated with their latrine program. This can be anything that they will have to pay for, such as staff training, tools, advertising, salaries, raw materials, or office supplies. Tell them they will need those ideas to play a game. **(PPT Slide 4)**
2. Ask participants to stand in a circle. Explain that you will pass a ball to the first person, who needs to share a cost as soon as they get the ball. Then they will toss the ball to someone else as quickly as they can. If the person who receives the ball is unable to think of a cost, then they are out. The object of the game is to see which two people are left standing. They cannot say the same idea twice.
3. Present the learning outcomes or an overview of the lesson. **(PPT Slide 5)**

25 minutes

The Cost of a Latrine Program



1. Set up 8 flip chart papers around the room with the title of a cost category written at the top of each one: *Administration and Finance, Program Planning, Demand Creation, Capacity Development, Stakeholder Engagement, Latrine Products and Services, Fecal Sludge Management, and Monitoring for Improvement.*
2. Explain that there are many costs associated with latrine programs.
3. Split the participants into groups of 2-3. Each group should go to a flip chart paper. They will have 1 minute at each category to: **(PPT Slide 6)**
 - Discuss and write down what costs are associated with that category (both hard and soft costs)
 - Read the examples of costs written down by other participants
 - Try to come up with additional examples

Trainer Tip: Make a loud sound to notify the participants when the minute is over. It is sometimes difficult to get participants' attention when they are in deep conversations.

4. Once the groups have returned to their original category, give them another minute to review the content. Ask each group to share their most interesting observation from this activity.
5. Ask: "What category do you think is the easiest to finance?"
6. Ask: "What category do you think is the hardest to finance?"
7. Ask: "Who is going to pay for all the costs of a latrine program?"

Who Pays for Latrine Programs



1. Explain that we are going to discuss which stakeholders invest money in the costs associated with latrine programs.
2. Tape the four icons of Who Pays for Latrine Programs up on the wall on separate pieces of flip chart paper. Ask: “Who does each image represent?” (PPT Slide 7)
3. Provide the answers if they are unable to guess and write the title (Households, Financial Institutions, Governments, External Funders) above each image in large letters. Ask if they can think of some examples of Governments offices, Financial institutions, and External funders in their own contexts. Write these examples underneath each icon.
4. Ask the participants to turn to the Finances section of their workbooks and work in pairs to fill in the “What do they pay for?” section of question 1. Here they will need to consider how they will pay for the various costs that might not be covered by households.
5. Ask: “What type of funding does each one provide and what is it typically for?” As the group provides answers, record them below the icons on the flip chart paper. Fill in any gaps in their answers by providing additional details: (PPT Slides 8-11)
 - Households
 - Pay in cash or in-kind
 - Often pay for materials, products, labour, repairs, emptying services, cleaning and maintenance, transportation of materials
 - Buy or spend time collecting materials for anal cleansing
 - Financial Institutions (commercial banks, microfinance institutions, and multilateral development banks like the World Bank)
 - Loans that must be paid back
 - Best used for low-risk, income generating activities so that loans can be repaid.
 - Governments
 - Fund through grants, subsidies, in-kind, or public-private partnerships (PPPs).
 - Invest in preliminary studies, capacity-building programs or demand creation for non-sewered sanitation.
 - External funders (development aid agencies, nongovernmental organizations, foundations, individual donors, and investors)
 - May provide funding through donations, grants, equity investments, results-based funding or material subsidies
 - Have moved away from directly funding latrine hardware. Focus on developing sanitation markets.
6. Ask for 4 volunteers who will read out loud to the group. One at a time, provide each volunteer with a script to read (see Handout at end of lesson plan).

7. After each script is read out loud, ask the participants to identify the challenges the stakeholder in the script faced.
8. Ask: “What challenges might you encounter in working with this stakeholder? How could we overcome the challenges of working with this stakeholder?” (PPT Slide 12)
9. In their Panau groups, invite participants to complete the “What might be the challenges in working with this stakeholder?” section of question 1 in their workbooks.

60 minutes

Design and Develop



1. Explain to the participants that they will need to do a careful analysis of their financial contexts and the costs of their latrine programs, to consider how to make their financing work. This might include:
 - Reviewing what has already been done
 - Analyzing the supply chain
 - Analyzing ability to pay and willingness to pay
 - Researching government policy and investment in latrine programs
 - Researching external funding opportunities
 - Determining program costs
2. Direct participants to question 2 in their workbook and have them fill out the table “Analyze the Context”. Allow 10 minutes.
3. Ask: “Do you think it is possible for all the costs of a latrine program to be covered by households?”.
4. The answer is No, explain that households might need financial support to cover the costs of latrine products and services.
5. Ask them to view Table 3 “Household financial support definitions” in their workbooks. Give the participants 5 minutes to match the types of financial support to the definitions. Then, provide the answers.

Answers:

- 1- D
- 2- A
- 3- F
- 4- C
- 5- B
- 6- E

6. Explain that the 3 most common types of financial support to households are: saving schemes, loans, and subsidies.
7. Ask: “What is your experience with community-based savings groups (CBSG)? Could they be useful to your program?” (**PPT Slide 13**)
8. Ask: “What is your experience with microfinance?” (**PPT Slide 14**)
9. Ask: “Who thinks subsidies are bad? Who thinks subsidies are good? Who thinks it depends?” (**PPT Slide 15**).
10. “Is it important for households to contribute something?” Explain that there has been both good and bad implementation of subsidies.

Trainer Tip

Be prepared to share examples of bad and good implementation of CBSGs, microfinance, and subsidies. Look for information in the Finances Technical Brief on pages 11-14.

- Full-cost hardware subsidies have been ineffective in achieving adoption and continued use of a product. When given a latrine for free, households or communities may not be ready to change their behaviour and may not see the value of the latrine.
- Some approaches, such as Community Led Total Sanitation, are based on the belief that people should be motivated to construct a latrine they can afford without a subsidy.
- Recent research suggests that partial subsidies can significantly increase latrine ownership and usage.
- Subsidies can greatly improve the equity of programs, such as targeting households that meet specific poverty criteria who otherwise could not afford a latrine.

Trainer Tip: For more information see page 14 of the Finances Technical Brief

11. In their Panau groups, ask the participants to return to their workbooks and answer question 3. After a few minutes, ask a few groups to share their choices with the rest of the participants.
12. Explain that service providers may also need financial support. Ask the participants to return to Table 3: Household financial support definitions.
13. Ask: “Can any of these types of financial support used for households also be used to support service providers?” Explain that loans and subsidies for service providers are common. (**PPT Slide 16**)
14. Ask: “Are there any other ways to financially support service providers?”
15. Ask them to review question 4 in their workbooks titled “Table 4: Service provider financial support definitions”. Give the participants 2 minutes to match the types of financial support to the definitions. Then, provide the answers.

Answers

- 1 - A
 - 2 - C
 - 3 - B
16. Ask: “Do you have experience with any of these types of financial supports for service providers?” If yes, tell us about it. (**PPT Slide 17**)
 17. Give participants another 5 minutes answer question 4a in their Panau groups using their workbook.
 18. Invite a few groups to share their choices with the rest of the participants.

19. Explain that households and service providers (the market) may not cover full program costs. External funding in the form of grants, donations, or results-based funding from other funders might be needed to cover costs. **(PPT Slide 18)**
20. Ask: “What are the risks of only being funded by external funders?” **(PPT Slide 19)**
21. Explain that the risk of being fully funded by external funders is that if a funder is unable to provide what they committed or they stop funding, the program risks running short on funds. Having alternative funding allows some flexibility within the program plan.
22. Ask the participants to recall the scripts read earlier and then return to their workbooks and answer question 5 in their Panau groups. Consider the challenges you identified in working with each potential funder.

Ask a few groups to share their choices with the rest of the participants.

5 minutes

Review



1. Add financing activities to workflow table on wall. **(PPT Slide 20)**

15 minutes

Review



1. Ask the participants to find a partner. In their pairs, ask them to discuss where they would find information on funding options in their own community and who they might approach for funding in the future.

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Scripts: Investor Challenges

Handout

Households	I spend all of my spare money on my children. There are school fees, clothes, and food to pay for. My mother is also sick, so I send her money to help her pay for the doctor's bills. Latrines are expensive and there is no way I could afford to pay for one all at once. Even if I had one, it is expensive to pay for someone to come and empty it for me.
Government	We want to provide incentives to sanitation service providers, especially for places like Panau. But we don't have a large fund for this. No one in Panau pays taxes and the bulk of sanitation funding goes to strengthening networked systems in Latrina. The little we do have is only given out once a service provider has delivered on pre-determined targets. So really, it's not helpful to them when they are just starting out.
Financial Institutions	People come to us all of the time asking for loans for their businesses. But new businesses are the riskiest investments for us. I have to see that a business has a strong track record to know it will have the capacity to make money and pay back the loan. But most of the time I see inexperienced managers with big ideas and almost no business assets. This makes it impossible for me to say yes. So I have to look into sad faces and turn people away more often than not.
External Funders	We receive grant proposals that miss our criteria all the time. At the moment our board of directors is very concerned with scaling-up innovative solutions that are also focused on women and girls. So we have to see proposals that meet our strict criteria before we even consider funding anything. We have to see evidence that we're going to invest in the best possible intervention, and we have to be able to track the progress they make. Unfortunately, I get a lot of applications that are not well thought out and miss the mark.

4 Icons of 'Who pays for latrine programs'







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