



A blended market-led approach for HWTS supply chain development

Recommendations for distribution of safe water technologies (HWTS products) in rural areas and small towns supporting a market-led approach

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Introduction

As part of a larger Self Supply Acceleration program led by Millennium Water Alliance (MWA), Aqua for All initiated in 2016 a so-called Try and Buy pilot to increase attention for a market-led approach for increase the availability and sales of Household Water Treatment and Safe Storage (HWTS) products like water filters. The aim was to trigger all stakeholders active in the HWTS supply chain, all the way from private sector suppliers to the household level, supported by government and NGOs. The goal was to stimulate increased household investments in safe water solutions, through getting acquainted to different HWTS products, and increasing knowledge about and access to products and services. A market-led approach and a partnership between key players including private sector, government and NGOs, is vital in ensuring sustainable safe water supply (chains) in rural Ethiopia. Results and lessons learnt from this pilot have been described in a separate report¹.

This document is meant to share our most important lessons learnt and includes suggestions how to successfully introduce a market-led approach for HWTS based on these experiences, specifically focussing on NGOs that are actively working on safe water at point of use in rural areas and small towns. The try and buy pilot did not result in a viable approach to develop and scale up a supply chain and market led approach. It did result in valuable insights to improve current practices in HWTS and contribute to the development of an approach to develop a sustainable supply chain for HWTS.

From the Try and buy pilot we learnt that NGOs play a crucial role in market led-solutions to achieve full coverage in safe water in a sustainable way. Many NGOs are or have been distributing water filters for free. This, however, has hardly resulted in sustainable use of water filters by households, nor the development of a reliable supply chain. Therefore there is interest in modifying current practices towards more sustainable, market-led approaches.

Key lessons from Try and Buy pilot in Dera Woreda

Some key lessons from the Try and Buy pilot are summarized here. These lessons are relevant in any approach for sustainable filter distribution in Ethiopia:

1. A harmonised approach between all stakeholders in safe water activities is important: all partners should stop (contributing to) current practices of free handouts / free gifts. Free hand outs do not lead to correct and continuous use of safe drinking water. It also kills any current or future appetite for household led investments in safe water and increases the dependency syndrome. Free gifts are often sold at the black market thus spoiling the market for filter suppliers.
2. The government should not only be actively involved, but should take place on the driver's seat. Close collaboration with the private sector supplier and enabling NGO is important.

¹ Summary report Try and Buy pilot safe water HWTS Ethiopia, Aqua for All, December 2017



3. NGOs play a crucial role in market-led solutions to achieve full coverage in safe water in a sustainable way.
4. Localised water quality information at the start of any market-based HWTS initiative is crucial to start demand creation and awareness raising.
5. Bad news runs fast: demonstrations, training of users, monitoring and follow-up visits including aftersales are crucial to avoid bad experiences. Careful instruction about proper use of products (incl. follow up), preferably in small groups, on the use of product are crucial.
6. Both the male (decision makers) and female heads of households (mainly the users) should be involved in any training, promotional or information meeting that takes place.
7. In order to be fully inclusive, installing different payment mechanisms like instalment approach, credit and voucher systems need to be considered with a proper system to enforce the agreed approach for payback.
8. Proper supply chains for (spare) parts and after sales service is the corner stone of establishing a market-led approach for sustained use of HWTS.

Advice for a ‘blended market-led approach’ by Ethiopian based NGO’s to develop a sustainable supply chain for HWTS

Many NGO’s are active in different parts of Ethiopia and also working on improving access to safe water. All are tirelessly working on how to improve their current practices to achieve safe water at point of use, like the distribution of water filters. The questions rises how this can be done in a more market oriented approach. . This document describes suggested activities, roles and responsibilities to adapt effective practices so that it can contribute positively towards the development of a sustainable supply chain² for products to achieve safe water at point of use – including household water filters. We call this a ‘blended approach’, as it combines more traditional program approaches (distributing a certain number of filters in a given area, either subsidised or not subsidised) in a sustainable, more business oriented way. Aqua for All’s recommendations below are applicable in situations where NGOs lead programs on safe water, and are in the position to change their current approach.

This proposed approach should be further developed and digested after some consultative discussion within the sector has taken place (health + WASH sectors).

Proposed approach

The market oriented approach must be well owned by the woreda water office and be endorsed by the woreda cabinet. The local area NGO staff (with a specifically appointed focal person) should initiate and lead the project implementation, after which handover takes place to more permanent local stakeholders. Aqua for All can be consulted during design and set-up.

Aqua for All recommends 5 key actors to be involved in a market-based approach for safe water at point of use:

² After discussion and implementation of this ‘blended approach’, the experience can also be shared and discussed with any other stakeholder active in the provision of safe water to the people of Ethiopia (including NGO’s, private sector suppliers and relevant government offices) to accelerate a market-led approach for HWTS products.



1. The **woreda government** (water office, health office, woreda administration), should be part of the process right from start to the end in the selected Kebeles and customers selection that will use the product with payment (in business model). The woreda water and health offices will explicitly inform **the water quality** challenge of the woreda both the protected/improved water sources and the unprotected/unimproved sources based on the water quality test results which will be a justified reason why Water treatment is necessary. Awareness on health impact of drinking untreated water is crucial to create demand for HWTS.
2. The **NGO** working at local level shall lead the project of 'filter distribution new style' until the approach is commented, modified and internalized by all involved, after which scaling up can take place
3. The **supplier** of the selected HWTS products (the **private sector** partner) will supply the filters³ directly to customers or in bulk via NGOs. In any case the supplier still has to be involved during implementation of the new distribution modality for very important aftersales activities like availing spare parts and collecting customer feedback. This is crucial for effective after sales and supply chain development. This needs sufficient attention in a 'blended approach project'. A local agent system or other distribution system for spare parts should be developed by the private sector and can be supported by NGO's through their network
4. **Influential local people** like edir leaders, teachers, agriculture development agents, health extension workers, Kebele chairman, Kebele manager, religious leaders and other community leaders (preferably 5 to 10 people per Kebele) should be the **first movers** by receiving training, buying a filter and receiving a compensation for promotional efforts, like
 - voucher for a spare part upon buying a filter;
 - 1 free spare part for each 10 products sold;
 - a financial compensation if they sell a certain number of products.This compensation for marketing efforts should be discussed and agreed with private sector suppliers.
5. **Finance institutions** like the Micro finance institution (MFI e.g. Amhara Credit and Saving Institute, ACSI) or the farmers' cooperative (whichever is preferred by the community) should be part of the instalment approach to guarantee repayment of the cost of the filter, and also to finally collect payment of filters with agreed instalment period and rates. In case no financial institution is interested to be engaged, money collection could be done by the NGO or the woreda water office. The revenues should be used as a revolving fund (in a separate bank account for instance) for the purchase of filters (building up new stock) and its distribution (sales) to other customers. Who should manage the revolving fund will be subject for discussion between engaged parties based on the financial regulations of the country since government offices funded by government treasury are not allowed to collect cash for revolving fund unless they deposit it to government finance system.

Other points of attention for successful implementation:

³ An NGO can take the role in supplying filters, like buying them from private sector suppliers, and then availing (distributing and selling- not providing for free) them at local level. In mature markets, private sector suppliers or local entrepreneurs (agents) should take the role in supplying filters and spare parts.



1. A MoU should be signed between the supplier and MFI or farmers' cooperative (or any other institution responsible for revenue collection) about the working modalities for financing and payment modalities and about the maximum price for the product.
To cover the service charge of the guarantee and payment collection, the consumer price should be increased with 10% to 20% of the cost of the filter (subject to discussion between actors). This is important for reasons of sustainable service delivery and scalability. .
 2. Demand creation activities should be a shared activity by government offices, NGO and private sector players.
 3. Awareness raising, education and demonstration; the woreda government should make use of public local meetings and local events like trade fairs, bazaars, exhibitions, etc.) for awareness raising on the relevance of safe water and for demonstration of the safe water solutions and technologies. Target group should necessarily be both women and men.
 4. 100% upfront payment is challenging for most customers. Payment schedules can be considered and could be between 2 to a maximum of 4 months. This should be discussed with private sector suppliers as it can affect future guidelines for market-led approaches. In general the payment system and its timing should not overlap with the payment time of inputs like selected seed and fertilizers which appears to be a top priority for households. Timing of the whole HWTS distribution project that considers cash collection timing is there for crucial. In case an MFI or farmers' cooperative is involved for revenue collection, there must be advance payment to the MFI or Farmers' cooperative who is in charge of collecting money throughout the process.
 5. Private sector suppliers are also responsible to provide easy access to spare parts. They can assign local representatives who are residents of the Kebele (male or female, depending on the local practice) and also support the after sales service providers in order to establish a sustainable supply chain throughout. This representative should have close relation with the woreda water office. The facilitating NGO can discuss with the private sector about opportunities to develop a sustainable supply chain at local level. The after sales service could be performed by the local agent of the technology supplier, or can be linked to local WASH facilities suppliers or local entrepreneurs that exist in the target woreda (for Dera woreda it could be the spare part supplier Dawud Yibre). Spare parts should be available with such entrepreneurs with the help the suppliers, potentially facilitated by the NGO.
 6. The private sector suppliers will play crucial role of availing local language manuals, provide training and demonstrate proper use of the products.
 7. This 'blended approach' is aligned to the Amhara regional water bureau recent guideline where *the water facilities process owner section* should ensure the sustainability of WASH facilities, water quality monitoring and surveillance. In line with this guideline, there should be a regular evaluation per month performed by the Woreda WASH Team (WWT). According to the recent regional guideline, the woreda Administrator is also evaluated for his performance against this guideline.
 8. We recommend woredas and NGOs to give opportunity for more than 1 HWTS product for customers to have a choice. Customers – no matter what their investment level is – would like to have a choice of products that matches their need and budget.
 9. This blended approach project, which is new to most stakeholders, implies certain costs for workshops to inform and engage all relevant stakeholders before application. These activities should be budgeted for.
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