



**Best Practices and Guidelines to Associations
for the Sanitation Sector of Cambodia**
SAIS IDEV PRACTICUM 2014-2015

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ABSTRACT

To improve access to sanitation in rural Cambodia, the Water and Sanitation Program (WSP) of the World Bank is exploring different strategies for strengthening the private sector for sanitation. In 2014, WSP conducted a Sanitation Marketing Business Review to understand the determinants and barriers to growth in the sector. A key strategy proposed by the Business Review was a market-based solution centered around the formation of a latrine business association.

This report presents findings from a qualitative study conducted in Cambodia, which assessed the feasibility of a professional association of latrine businesses in Cambodia. Next, a case study analysis is presented of two associations, the APPSANI sanitation association in Indonesia and the Cambodian Water Supply Association (CWA). Based on best practices and lessons learned from the feasibility and case study analysis, an operationalization strategy is also provided, which highlights best practices and recommends next steps forward for the formation of an association of latrine businesses in Cambodia. The unique challenges posed by the current state of the Cambodian sanitation sector are also discussed. Overall, it is recommended that donors focus on building social capital and professional networks among latrine businesses in order to catalyze collaboration and stimulate the potential demand-driven formation of a professional association of latrine businesses in Cambodia. . In addition, certain benchmarks must be met in order for an association to move forward, and these are addressed in the report. Throughout this process, donors are encouraged to take a facilitation and technical assistance role, while using a participatory approach with key stakeholders.

FEASIBILITY STUDY: SUMMARY OF QUALITATIVE RESEARCH

I. INTRODUCTION

Cambodia has the lowest rural sanitation coverage in Southeast Asia, with approximately 69% of the rural population still practicing open defecation. Poor rural sanitation practices have serious health, environmental, economic, and social consequences. To improve access to sanitation in rural Cambodia, the Water and Sanitation Program (WSP) of the World Bank is exploring different strategies for strengthening the private sector for sanitation. Currently, the rural private sanitation sector in Cambodia is underdeveloped, and limited to mainly latrine sellers. Similar to other small and medium sized enterprises (SMEs) in Cambodia, latrine businesses face large bottlenecks to growth, such as being too small to capture economies of scale, poor demand conditions, small market size, and lack of available institutions. Latrine businesses are also heavily reliant on various NGOs for demand generating activities, technical training, and coordination with governments. Thus, WSP is interested in strengthening the sustainability and growth of the private sanitation sector in Cambodia to improve rural sanitation coverage.

In 2014, WSP conducted a Sanitation Marketing Business Review to understand the determinants and barriers to growing the private sector for sanitation in Cambodia. A key strategy proposed by the Business Review was a market-based solution centered on supporting the formation of a latrine business association. Professional associations can be a useful platform for supporting SMEs and improving the business environment. Associations can help SMEs overcome bottlenecks by creating economies of scale, providing coordination and networking, taking collective action, delivering demand-driven services, and representing business interests at an aggregate level. Associations can also operate as a useful platform for disseminating information and reaching a large number of enterprises, and can function as an intermediary between businesses, governments, NGOs, and other stakeholders.

We conducted a feasibility assessment of the proposed latrine business association by using qualitative research methods to survey a variety of stakeholders in Cambodia. During our fieldwork, we used semi-structured interviews to question latrine business owners, sales agents, and representatives of sanitation NGOs and the MFI Association. We also conducted focus group discussions with various levels of local government. Our fieldwork covered four provinces, including Phnom Penh, Kandal, Prey Veng, and Tboung Khmum.

II. SURVEY OF LATRINE BUSINESSES

We surveyed small and medium-sized latrine business owners using a semi-structured interview format. We questioned latrine business owners about general background information, their interaction with NGOs, business and marketing practices, customer preferences, access to finance, challenges, and their potential interest in a professional latrine association. These surveys provided useful information about the nature of latrine businesses in rural Cambodia, the main challenges they face, and the potential feasibility of implementing the proposed association project.

A. Background Information of Latrine Businesses in Rural Cambodia

We interviewed latrine businesses of varying size and experience. Some of the latrine business owners we interviewed had been operating their business for only 2 years, while others had managed their latrine businesses for over 12 years. All of the latrine businesses were started by the owners' own initiative, but all also received significant support and assistance from various NGOs. Smaller

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latrine businesses only produced the latrine materials, such as slabs and rings, while larger latrine businesses also delivered, installed, and constructed shelters for the latrines based on customer demand.

Seasonality - The latrine business industry is seasonal in rural Cambodia, following the agricultural cycle. The high season for latrine sales occurs in the dry season, from November to May, while the low season corresponds with the rainy season. The seasonality of the industry is driven by consumer demand. Consumers are likely to spend money on their farming businesses during the rainy season, and only purchase latrines in the dry season after they have received the revenues from their harvests. Due to the seasonality of the latrine business industry, most latrine business owners only manage their sanitation enterprises part-time. Many latrine business owners also work in farming, produce materials for general construction, or construct other household items such as furniture.

Varying Size and Revenue - The size of latrine businesses varied, with some operating in only one commune while others operated across multiple districts. In the high season, smaller latrine businesses sold on average 10-20 latrines a month, while larger latrine businesses sold as many as 200 latrines a month. During the low season, smaller latrine businesses sold on average 0-3 latrines a month, while larger latrine businesses sold between 10-20 latrines a month. These numbers were self-reported, and the majority of business owners did not keep financial records, making it difficult to confirm the figures. A typical latrine is sold for USD\$55-70, with an estimated profit margin of around 10%. Latrine businesses also charge additional fees for digging, installation, and constructing shelters for the latrines.

Start-Up Financing - Of the latrine businesses interviewed, only half had ever taken out a loan for their latrine business, with the average loan size around USD\$2,000. While almost all latrine business owners said they were able to take out loans if they wanted to, many said they preferred to borrow informally from relatives or other villagers, or were dissuaded by high interest rates associated with formal loans.

Dependency on NGOs - All of the sanitation enterprises interviewed had received support from various NGOs, which operate in different regions in Cambodia. The main NGOs mentioned in these surveys were WaterSHED, IDE, Plan International, East Meets West, and World Vision. These NGOs were reported to provide technical trainings; recruit, train, and coordinate sanitation teachers who act as sales agents for latrine businesses; and/or provide subsidies to ID-poor households to purchase latrines.

B. Business and Marketing

Reliance on Sales Agents Provided by NGOs - In terms of marketing, latrine business owners reported they either relied on word of mouth or the sales agents provided by NGOs to promote their businesses and sell latrines. While a few of the latrine businesses did manage their own sales agents, these sales agents had originally been recruited and trained by NGOs. Typically, sales agents work solely on commission, which can range from USD\$2-5 for each latrine sold. Most of the latrine business owners also worked with commune councilors and village leaders to promote their businesses, offering them a small commission of around USD\$1-2 for each latrine sold. If any latrine business owners used printed materials such as posters or brochures, these materials were always provided by an NGO.

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Part-Time Staff - Most of the latrine business owners hired day laborers and masons as needed to help produce the latrine materials and to dig and install the latrines. Smaller latrine businesses typically only had family members that were full time staff, while larger latrine businesses could hire up to 20 casual laborers when demand was high. A typical latrine day laborer makes USD\$150 a month. The availability of casual laborers and masons is seasonal, and some latrine business owners complained that skilled labor was difficult to find as many laborers chose to work as agricultural day laborers or in factories.

Non-Competitive Environment - Most latrine business owners responded that they did not face significant competition. Many business owners were the sole latrine producer in their area. When there were multiple latrine businesses in a commune or district, entrepreneurs reported that the latrine businesses sold latrines of similar quality and prices since they had received support from the same NGOs. Thus, rather than competing, these latrine business owners felt that they worked together with other businesses.

Varying Levels of Training - Latrine business owners also reported varying levels of training and expertise in a variety of areas, such as technical, financial, and marketing. Most latrine business owners identified a lack knowledge in one or more of these areas, and expressed interest in receiving more training. While some latrine businesses had received trainings from NGOs on financial management and financial record keeping, almost none of the latrine business owners kept any financial records for their own business.

C. Customers

Full Payment Upon Purchase - All latrine business owners identified similar patterns of payment from customers. Almost all customers paid the full price for latrines in one lump sum upon delivery. Only a small percentage of customers, estimated at around 10%, used loans to purchase latrines. Moreover, very few customers opted to pay in installments. Most of the latrine business owners interviewed said that late payments were generally not a problem, with payments usually being late by no more than ten days. Furthermore, there were no reported cases where customers did not end up paying the full amount for a latrine.

Subsidies - For areas that received a subsidy program from an NGO, the subsidy was usually USD\$17 per latrine, and typically targeted the ID-poor. The NGOs paid the subsidies to the District or Provincial Department of Rural Development, from whom the latrine businesses could collect the subsidy payments each month. Households that received subsidies would then pay the remainder of the latrine cost to the latrine business directly.

D. Challenges

Lack of Demand - The main challenges identified by latrine business owners were the lack of demand from potential customers and that customers lacked access to finance to purchase a latrine. The majority of business owners felt they had the ability to handle additional production and demand if it were generated.

Lack of Knowledge and Support - Some latrine business owners identified lack of business, technical, or marketing knowledge as a major challenge facing their business. Additionally, while almost all latrine business owners said they received some type of support from local government, some expressed concern that local government was not active enough in promoting their latrine business or generating latrine sales. Finally, a few business owners also reported that delivering

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latrines during the rainy season was difficult as roads became muddy and transportation became difficult.

Interest in a Potential Association

Almost all latrine business owners interviewed said they would be interested in joining a professional latrine association, and would be willing to pay fees and help organize activities, depending on the services offered by the association. From a list of potential services that an association could provide, the following services were identified as most important by a majority of latrine business owners:

- Providing trainings on technical knowledge, marketing, and business skills
- Coordinating regional marketing campaigns
- Training and managing sales agents
- Coordinating activities with local governments and NGOs

E. Additional Information

Sustainability - Some latrine business owners expressed concerns about the long-term sustainability of their latrine businesses. Latrines are generally a one-time purchase, with few repeat customers. While maintenance or repairs of existing latrines could help drive future businesses, these activities have thus far been a marginal source of revenue for latrine businesses.

Market-Distorting Activities - Some latrine business owners expressed concern that some activities of NGOs were market-distorting and could negatively impact their businesses. For example, subsidy programs for latrines for low-income households sometimes generated confusion and suppressed demand for latrines. Once a subsidy is in place, it can be harder to make non-subsidized customers willing to pay the actual market price, since they are aware other villagers paid a lower price. Furthermore, some villagers were confused by the activities of sanitation NGOs in general. While some of the NGOs, worked purely in sanitation education and outreach, villagers wrongly believed that the NGO would actually purchase latrines for them. Thus, some villagers were unwilling to pay for a latrine after it was installed because they had mistakenly believed the NGO would pay for the latrine. This misunderstanding made it difficult for latrine business owners to collect payment from some customers.

III. FOCUS GROUPS WITH LOCAL GOVERNMENT

Focus groups, conducted in a semi-structured format, were held with local government officials in Ponhea Krek, Memot, and Tambe districts, as well as with officials from the PDRD in Tboung Khmum Province. The aim of the focus groups was to assess the capacity of different levels of local government to work with and support the work of a privately organized latrine business association. Officials in attendance at the district meetings typically included representatives of the CCWC and DCWC, the DORD, the district administration, and Commune Chiefs. The questions and following conversations focused on current government sanitation activities at the district and commune level, government interaction with latrine businesses and sanitation NGOs, previous experience working with associations, and areas for potential collaboration with a latrine business association.

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A. Local Government Sanitation Activities and Capacity

Commune Government - Commune officials have moderate experience implementing sanitation activities and capacity to take on sanitation related responsibilities. Commune officials, in coordination with NGOs and PDRD, have participated in efforts to increase sanitation awareness, facilitate CLTS, and promote latrine use. However, their role has been limited and more related to facilitation, rather than implementation, of projects. Commune chiefs and CCWC officials have primarily helped NGOs to make connections in their community and identify poor households for participation in subsidy programs.

District Government- District officials showed low capacity to support sanitation work. The role of the district has primarily been to facilitate activities between provincial and commune governments, and district governments are often bypassed in the planning and implementation of activities. The role and capacity of district governments have been limited by the fact that no budget resources have been allocated for district level sanitation activities; and districts have no means to generate their own revenue. As part of decentralization, the Cambodian government plans to allocate funds specifically for sanitation (approximately USD\$2,000 per district) directly to district governments.

Provincial Government - PDRD officials demonstrate strong capacity in sanitation work, and have significant experience working with villagers to increase awareness and demand for latrines. Sanitation, in conjunction with water, is one of the main roles of the PDRD. The PDRD has coordinated sanitation work with NGOs active in their province, as well as worked with latrine businesses (LBs) to regulate prices.

B. Work with Associations: Experience and Attitudes

A small number of commune council members and commune chiefs noted having experience working with associations in the past, including local savings groups and farmers' associations. Generally, the CCWC appears to have more experience conducting sanitation work and dealing with associations. Officials had difficulty understanding the concept of a latrine business association as envisioned by the Sanitation Marketing Business Review, with many assuming that they themselves would be responsible for organizing and implementing the association. Officials were primarily concerned that the creation of an association would become an additional burden on top of their current responsibilities. District and commune officials expressed a lack of time and resources to complete current tasks. Local officials also expressed concern that non-members of a future association would have a difficult time competing with members of the association, especially if associations were able to sell their latrines at discounted prices.

C. Challenges to Sanitation Sector

Regarding their role in sanitation, district and commune officials identified a lack of funding, resources, and time as the major constraint preventing them from carrying out more activities. On the demand side, the officials noted that households had difficulty affording latrines because of high prices (USD\$55-70).

IV. SURVEY OF SALES AGENTS

A. Profile

Semi-structured interviews were completed with sales agents working with latrine businesses supported by IDE. All sales agents were university students. They viewed their sales agent positions

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as a volunteer role or part-time internship to gain experience and complement their studies. Working as a latrine sales agent is not seen as a long term career, primarily because the job does not provide adequate compensation.

B. Challenges

The greatest challenge cited by the sales agents was the lack of financial resources. Agents are not provided money for gas to travel to the villages, allowance for food, or funds to provide incentives for villagers to attend meetings. Agents receive a small commission for sales of approximately \$2.50 per latrine. However, this compensation is not enough to cover their work-related costs. In addition to the lack of financial resources, the sales agents also cited the unwillingness of households to change their behavior as an additional challenge to increasing latrine use. Multiple visits to the same area are often required before a sale can be made.

C. Potential Association Services

The sales agents noted that the most useful role that a potential latrine business association could play would be the coordination of sales agents and the provision of a more structured and sustainable commission system. The second priority cited was facilitating coordination with local government officials. Agents believed increased outreach and awareness promotion by local officials would help promote latrine uptake.

V. OTHER STAKEHOLDERS

Informal interviews were conducted with representatives of sanitation NGOs such as SNV and IDE, as well as a former staff member of the Cambodian Microfinance Association (CMA). The aim of these interviews was to gain an understanding of the organizations' work in the sanitation sector, and receive their feedback on the feasibility and potential roles of a latrine business association.

A. Challenges

Participation in an Association Would Formalize Currently Informal Enterprises - Regarding the creation of a latrine business association, SNV and IDE representatives both highlighted that small businesses, which currently operate informally, may be concerned that entrance into the association would entail taxation and greater regulation, making operations more difficult. This concern may be eliminated in the future, as the government is planning a push to incorporate informal businesses into the formal sector. If businesses are brought into the formal sector by other means, this potential hesitation would be mitigated.

Fragmented NGO Environment - NGOs also noted that the appetite for participation in an association may differ by region, with differences stemming in part from the varied and sometimes contradicting approaches of NGOs operating in different provinces. To overcome this challenge, SNV and IDE representatives both suggested that individual association groups be organized at a province or district level to account for regional differences in the sanitation sector. However, the overall organization and regulation of the association would be best done on a national level.

B. Relevant NGO Projects

SNV and IDE are currently undertaking projects that provide similar services to those that are proposed for the association. Lessons can be learned from their experiences to strengthen the feasibility of the association.

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SNV Business Service Centers - SNV is currently engaged in a pilot project, in conjunction with USAID and Save the Children, to create Business Service Centers to support latrine businesses with marketing, business planning, and establishing quality standards. In contrast with other NGOs that use one standardized latrine project, SNV promotes a business strategy that includes varied sanitation products to meet the needs of diverse clients, as well as the sale of water filters and hand washing facilities. The inclusion of additional products reduces reliance on one line of business, and improves the sustainability of the business model for when the demand for basic latrines is met.

IDE Negotiating Bulk Purchases - One potential role proposed for the latrine business association is to negotiate prices with suppliers for latrine building materials. In the next six months, IDE plans to hold a supply chain forum to bring raw material suppliers and LBOs together to negotiate bulk purchases. IDE also plans to make bulk purchases of pans for latrine slabs, which must be ordered from Thailand or Vietnam, to resell to Cambodian LBs.

C. Microfinance Association

MFIs encounter a number of challenges when providing loans to households for latrine purchases. Loans for latrine purchases are small and involve high transaction costs per loan. This is because households without latrines are located in remote rural areas, requiring travel to the location or the presence of a local MFI branch. In addition, loans for latrines must be profitable in order to merit MFI involvement. The lack of sanitation awareness limits household demand for latrines, which decreases MFIs confidence in the profitability of loans for latrines.

Coordinate MFIs with Sanitation Demand Activities - To overcome the challenges presented above, it was recommended by the former CMA staff member that visits by MFI representatives be coordinated with community meetings focused on sanitation awareness. This strategy would allow MFI staff to meet with a large number of potential clients at one time, reducing travel and time costs. Providing financing options in conjunction with sanitation education could also serve to bolster demand.

VI. ASSOCIATION IMPLEMENTATION: LESSONS LEARNED AND CHALLENGES

Through conversations with local governments, latrine business owners, sales agents, and NGOs, we identified a number of key challenges to the feasibility of the proposed association model.

Identifying Champions - One of the most significant challenges to the proposed association model will be to identify the stakeholders or individuals that will spearhead the creation of the association. Latrine business owners currently have limited interaction with each other. While many latrine businesses owners showed interest in assisting with potential activities of the association, business owners lack the capacity to spearhead this initiative on their own. Most of the businesses owners believed that they did not have the skills that they needed to run their own business, let alone a much larger association. NGOs may be able to assist in identifying particularly qualified and motivated latrine business owners to involve in the creation process, but it is likely that these individuals will still need significant assistance from NGOs or WSP.

Donor Support Needed in the Short Term - For an association to take formation, it will likely need to be led and supported by NGOs and WSP, at least in the short-term. While NGOs seem like the natural leaders for this initiative, conversations revealed that it might be difficult to get them involved. Most NGOs already have work plans to scale sanitation in Cambodia. Varying and

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sometimes conflicting strategies make coordination among the various sanitation NGOs in Cambodia difficult. In addition, each organization has limited capacity and resources to take on new projects, and getting them to focus resources on building a private sector association of latrine businesses may entail sacrificing other initiatives. Moving forward, it will be necessary to identify NGOs with aligned incentives to help initiate the association.

Offering Relevant Services - As noted above, latrine business owners consistently noted lack of demand as one of the biggest impediments to growth. In addition, sales agents noted that the most difficult aspect of the sales process was the time and effort necessary to increase sanitation awareness and create permanent behavior change. Currently, NGOs are almost entirely responsible for all demand generating activities in sanitation. If the association's goal is to strengthen the private sector for latrines and decrease the reliance of latrine business on NGOs, then a future association would need to focus heavily on demand creation activities. While other services are important, such as offering trainings and coordinating with various stakeholders, they need to be done in parallel with sanitation education and marketing pushes.

Association Size & Structure - The organizational structure of the association will also need to be carefully considered. Of particular importance is determining if the association should be organized on a district, provincial, or national level. Also, the association should initially be launched as a pilot on a smaller scale, before scaling it to a national level. However, the initial size will still need to be large enough to include a critical mass of latrine business owners. From our preliminary research, it seems that organizing the association on a provincial level will be most appropriate.

Potential Sources of Financing - The preliminary stages of building the association will require funding from an outside source. Local governments could be one potential source of support, but interviews with district and provincial governments highlighted the lack of resources available for sanitation initiatives. If the association were to be funded by the government, the mandate would likely need to come from the ministry level. Another potential source of financial support could be the sanitation NGOs, but, again, many of these organizations have limited resources, and redirecting funding from their current initiatives may prove quite difficult. To move forward with the association model, it will be necessary to determine the potential cost of launching an association, and to meet with stakeholders to determine those that are interested in offering financial support.

Achieving Financial Sustainability will be Challenging - The association will be reliant on outside funding sources during the preliminary stages, but the goal is for the association to be self-sustainable in the long run. Latrine business owners make relatively small margins on each latrine, and currently receive training and support from NGOs for free. For this reason, it will be challenging to convince business owners to pay annual fees to receive services they are already receiving without cost. Many latrine business owners stated that they would be willing to pay a fee to join the association, but only if membership in the association directly leads to increased sales. One option could be a fee structure that includes both a small annual fee, and additional fees for sales that occur because of the association's marketing and sales activities.

VII. CONCLUSIONS

Our research revealed an appetite for a potential association of latrine business owners, given that it offers relevant services at affordable prices. The majority of latrine business owners expressed that the most important service an association could offer would be demand creation activities. The

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NGOs and government officials interviewed also confirmed the sentiment that a lack of demand for sanitation due to inhibitive prices and lack of awareness remains the largest challenge to the sanitation sector in Cambodia.

The interviews and surveys that were conducted also highlighted a number of other important aspects of the association that will need to be addressed in order to move forward with this idea. The first step in building the association will be to identify stakeholders that are willing to take the lead in launching the association. In addition, highly motivated latrine business owners should be identified and included in the planning and implementation of the association. In the long-term, these identified leaders will ideally take full ownership of the association as other stakeholders phase out. Furthermore, while initial funding will be necessary to initiate an association, the fee structure should be carefully considered to achieve long-term financial sustainability.

CASE STUDIES AND LESSONS LEARNED

I. INTRODUCTION

In this report, we present two case studies, a private-sector sanitation association in Indonesia (APPSANI) and the Cambodian Water Supply Association (CWA), and distill best practices and lessons learned in key areas of supporting associations, such as formation, governance, membership recruitment, services, financial sustainability and donor partnerships. We also provide key recommendations for future steps for donors to support the establishment of a latrine business association in Cambodia.

APPSANI was formed in January 2012 with support from the government of Indonesia and WSP. The association was formed with the primary purpose of facilitating collaboration between sanitation enterprises and the government in order to increase household access to sanitation and help meet government sanitation goals. Since 2012, APPSANI has grown to encompass more than 585 members. Services have expanded, with APPSANI currently piloting a centralized franchise model in which it trains and directly manages sales agents. Despite the growth and development of the association, APPSANI continues to face challenges with financial sustainability, and remains reliant on financial support from grants and the Government of Indonesia.

The Cambodian Water Supply Association (CWA) was established in December 2011 and officially launched in August 2012. The association is structured as an independent non-profit organization led by association members, and functions to bring together various stakeholders in the water sector, including water suppliers and NGOs in Cambodia. The goal of CWA is to increase the provision of clean water throughout Cambodia through support of water operators, sharing of technical knowledge, and provision of networking opportunities. The CWA has grown to 80 members and seven full time staff. As background research, we spoke with a water and sanitation specialist at WSP. We learned of the challenges and lessons learned regarding the formation, fee structure, and financial sustainability of CWA.

Table: Comparison of Cases

	Sanitation Sector of Cambodia	APPSANI	CWA
Location	Cambodia	Indonesia	Cambodia
Sector	Sanitation	Sanitation	Water
Number of Members	--	585	80
Formation	Current lack of demand from private sector	Private sector-led, with support from government and WSP	Private sector-led with technical assistance from donors
Business Model	Small and medium sized enterprises reliant on various NGO support	Piloting a new centralized franchise model for members	Composed of a variety of different water supply enterprises
Financial Feasibility	--	Remains reliant on financial support from donors and government	Remains reliant on financial support from donors

II. FORMATION

The initial formation of an association is a critical phase to establish bylaws and organizational structures that can help an association achieve long-term sustainability and relevance. One key challenge to creating a latrine business association in Cambodia is understanding the critical steps needed for the formation process to be successful. A summary of the formation of APPSANI and CWA, and key lessons learned, are presented below.

Formation of APPSANI

The private sanitation sector in Indonesia has evolved significantly over time. Previously, the Government of Indonesia and various donors were highly engaged in the recruitment and training of sanitation business owners through the National Strategy for Community-Based Total Sanitation (STBM). After experiencing difficulty in converting masons into sanitation entrepreneurs, the government and donors transitioned their strategy toward developing one-stop-shop sanitation enterprises in 2009. The goal of the one-stop-shop model is to provide a single location where customers can purchase all the materials and services necessary for latrine installation.

Between 2009 and 2012, business owners began meeting and sharing their experiences informally. It was during this period that business owners started to discuss the creation of a formal association. These initial discussions and early collaborations served as the foundation for the formation of APPSANI and the expansion of future business coordination.

In January 2012, the Government of Indonesia and donors organized a small group of one-stop-shop latrine enterprises from East Java to discuss the creation of a sanitation industry association. Topics of discussion included potential benefits, services, and areas of collaboration between enterprises and the government. As a result of the meeting, APPSANI was formed with the goal of collaborating with the government to increase household access to sanitation. Overall, the formation of APPSANI into a functioning association took place over a period of two years. During this growth phase, APPSANI increased membership, expanded services offered, and developed capacity and organizational skills. By late 2014, APPSANI was providing support and services to 150 active one-stop-shop members in five provinces.

Lessons Learned from APPSANI

Donors and Government Play Early Organizational Role, Members Drive Development - In the APPSANI case, outside players were instrumental in organizing the initial meetings to establish the association. However, the demand for the organization and its ultimate formation were dependent upon the members themselves.

Prior Foundation of Collaboration - Before establishing a formal association, it may be beneficial to organize less formal opportunities for business owners to meet and collaborate in order to establish communication and trust.

Development of the Association Takes Time, Adaptation - The consolidation of APPSANI as an organization took multiple years. Building capacity and establishing functional services takes time.

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The services must adapt to meet the changing needs of the members and the market, and can expand as the capacity of the association grows.

Formation of the Cambodian Water Supply Association

In 2009, USAID launched a Micro, Small, and Medium Enterprise Strengthening Project (MSME) in Cambodia. As part of the project, USAID provided rebates to water suppliers to expand their services to more customers, especially in rural areas. As part of the project, approximately 20-30 water suppliers were brought together on a quarterly basis for business meetings, trainings, and other business development efforts. When the MSME project ended in 2012, water suppliers voiced a need for an ongoing, sustainable platform to share information, network, and influence government policy. Through discussions, the idea for the creation of the Cambodian Water Supply Association (CWA) was born.

The formation of CWA was demand driven, and spearheaded by a group of strong leaders within the water supply community. After the MSME project ended, around 30 water suppliers came together and elected a board of directors to lead the formation process. Of the seven board members elected, at least five showed strong leadership and commitment to the initiative. The chairman of the board, in particular, exhibited strong leadership and offered the use of his office space as well as donated personal financial resources to help with CWA's formation.

In order to become a legally recognized association in Cambodia, CWA needed to establish bylaws, create an organizational structure, generate templates for operational documents, have official office space, and receive approval from relevant local authorities. While the idea for the CWA was demand driven, the water suppliers needed a facilitator to assist with the formation of the association. CWA received technical assistance from various donors to assist with the technical aspects of formation, such as drafting bylaws, completing legal documents, and writing the formal application.

In terms of timeline, water suppliers in Cambodia met for three years during the MSME project to develop trust and build strong business relationships before the idea to form a professional association was developed. During the formation processes, members met approximately five to seven times to gather and draft all relevant materials. Once application materials were completed, it took another one to two months to gain approval from the relevant local authorities - including commune, district, and provincial governments - and another one to two months for the application to be approved by the Ministry of Interior. Overall, it took approximately four years for CWA to develop from informal business meetings into a nationally established professional association.

Lessons Learned from CWA

Demand-Driven Idea - The experience of CWA highlights the need for the formation of an association to be demand driven, as CWA was formed from an already existing platform of collaboration between water suppliers in Cambodia.

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Need for Champions to Drive the Process - The successful formation of CWA would not have been possible without a strong board of directors and chairman to spearhead the process and volunteer their own time and resources.

Technical Facilitator - The technical and administrative support offered by donors was crucial during the formation process, and helped the board of directors navigate the legal and regulatory requirements to become a legal association.

III. GOVERNANCE

The governance structure of an association determines the decision-making process, level of ownership, transparency, and accountability of the organization. Successful associations accurately represent the needs and opinions of all its members, while fulfilling their intended mandate. Thus, strong governance structures, such as a representative board of directors and institutionalized democratic processes, are crucial to the effectiveness and long-term sustainability of associations.

Governance of APPSANI

After the vision and mission of APPSANI were established, the organizational structure of the association was formalized with input from entrepreneurs and district-level government staff. The organizational structure was developed to mirror the major functional areas of the association, including board members responsible for: business development; R&D/product development; education and training; organizational development; public relations; and women's empowerment. Once the structure was formalized, steps were taken to build the capacity of the board and APPSANI staff in the areas of training, government relations, and organization skills such as planning, management, and budgeting.

Governance of Cambodian Water Supply Association

Members of the CWA elected a board of directors made up of seven individuals during a series of meetings, and used voting systems to agree on bylaws. This process was facilitated by technical assistance from donors, and the final outcome was a governance structure that was agreed upon by all members. While CWA was generally led by strong leadership, only five of the seven original board of directors were very active during the formation process. The director of the board, in particular, was integral to driving the entire formation process. Finally, democratic systems remain in place so that all members are able to vote on major adjustments to the association, such as membership fees and benefits.

Figure 1: APPSANI Board Structure

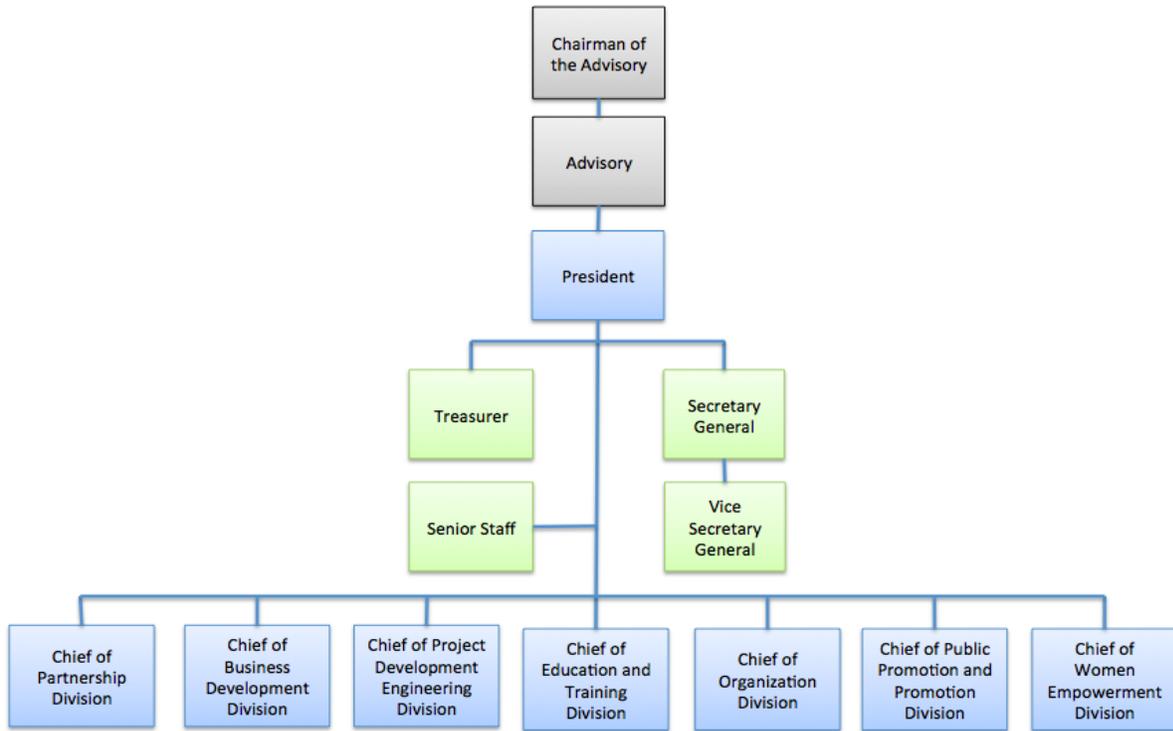
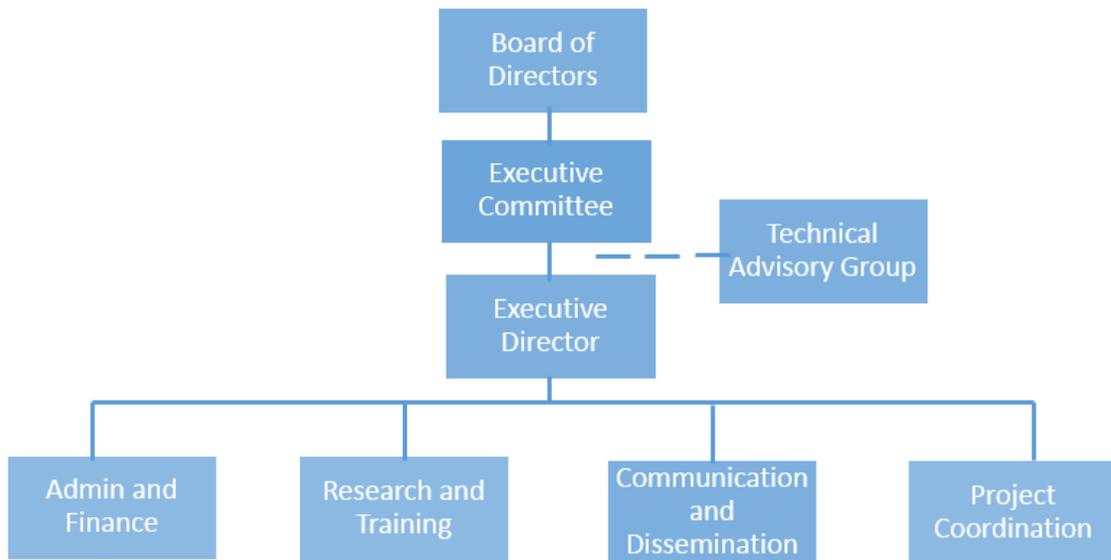


Figure 2: CWA Governance Structure



Best Practices and Guidelines to Associations for the Sanitation Sector of Cambodia

Lessons Learned

From the APPSANI and CWA cases, as well as from recommendations from the World Bank BMO report, some best practices in governance and organizational structure for professional associations are presented below.

Board Structure Established Early, Composed of Members - Formalizing the organizational structure of the association was an important first step in the formation of APPSANI. Developing the structure of the association facilitates the clear delegation of responsibilities and roles, which is essential in the early stages of association creation.

Democratic Processes - The successful formation of CWA can be attributed, at least in part, to a democratically elected board of directors. In general, the decision-making of an association should be guided by democratic processes, either through democratic decisions by members or through elected representatives.¹ Bylaws should establish regular meetings and elections that are open to all members. Term limits for board members can also be useful for strengthening governance. Democratic processes ensure that all members participate in the decision making process, and can help an association be more responsive to the needs of all of its members.

Strong Leadership - To be successful, associations typically need strong leadership to drive the formation process. The reputation, foresight, and experience of the board members are crucial to an association's success. Leaders should have a long-term vision for the association, be respected within the business community, and capable of communication, compromise, and cooperation for the good of all members.² However, one key challenge to establishing strong leadership is the typically fragmented nature of private sector interests. Larger or more powerful business owners may have vested personal or political interests. Thus, associations are sometimes misused as vehicles for influencing policies for private interests by influential members, and smaller members' needs and opinions may not be adequately represented. In the early stages of formation, leaders should be democratically selected and bylaws should establish policies for representing the voice of smaller members and balancing the influence of larger business owners.

Independent - Ideally, an association should be autonomous and independent from the government. Thus, it can independently represent its business members and advocate for establishing a better business environment.

IV. MEMBERSHIP RECRUITMENT & STRUCTURE

An association's membership recruitment strategy and structure is important to the long-term sustainability of the organization, and affects the association's ability to accurately represent its members. A successful association should determine what types of enterprises and individuals should be members, be open to all eligible individuals and organizations, and structure its membership so that the needs and opinions of its various members are balanced.

¹ World Bank Group Small and Medium Enterprise Department. 2005. "Building the Capacity of Business Membership Organizations: Guiding Principles for Project Managers." Second Edition.

² World Bank Group. 2005. "Building the Capacity of Business Membership Organizations"

Membership Structure of APPSANI

In 2008, the Government of Indonesia launched the National Strategy for Community Based Total Sanitation (STBM). Unlike previous strategies, which focused on government provision of sanitation, STBM emphasized the role of the private sector. Early on, 1,700 masons and staff of district health centers were trained to become sanitation entrepreneurs. However, following training, more than 97 percent of masons were found to be inactive or not using their new skills for sanitation. Due to the challenges of training and engaging masons in the sanitation sector, the government, with technical support from donors, changed their strategy.

From 2009 to 2011, the Government of Indonesia and donors were highly involved in the recruitment and training of one-stop-shop sanitation enterprises. The purpose of creating one-stop-shops was to provide a single enterprise that could offer all the materials and services required for the purchase and installation of a latrine, reducing the complexity of the process for potential customers. By 2013, over 100 one-stop-shop sanitation enterprises were active in East Java, the location of the initial pilot project. The original members of APPSANI were all recruited from this pool of business owners. After the formation of APPSANI, continued efforts have been made to expand membership.

Despite improvements, the current process for recruitment and training has seen a relatively low conversion rate from trainee to active business. Of the 565 participants trained by APPSANI in five provinces, only about one-quarter of them, or 150 enterprises, have transitioned to active APPSANI enterprises. In a survey of APPSANI members, association benefits - including access to suppliers, access to finance, and linkages to government - were cited as the main reason enterprises choose to join the association.

Regarding the target demographic for membership, recruitment for APPSANI was initially focused on sanitarians. Sanitarians are local government health workers, who also run a sanitation enterprise part-time. However, sanitarians generally spend less time on their business, receive smaller bank loans, and possess less working capital compared to full time sanitation business entrepreneurs. Although sanitarians are experienced and passionate, their other commitments prevent them from growing their latrine business. Full-time providers have more incentive to expand their businesses and maximize their profits, leading them to be more successful. In light of these findings, APPSANI altered their recruitment strategy to target people with business experience and entrepreneurial ability. Potential targets identified by APPSANI included: local and regional chambers of commerce; schools and universities; and retiring sanitarians.

Lessons Learned from APPSANI

Early Members are Recipients of Previous Training, Established Enterprises - Early recruitment for a latrine business association in Cambodia will likely come from businesses with established connections to WSP and sanitation NGOs. Future recruitment of new members can be expanded to reach a broader target population.

Recruitment Targeted for Business Experience and Entrepreneurial Ability - In order for an association to be successful, it is important to identify and recruit high-potential members. This can be done through the development of a screening tool to identify experience and characteristics correlated with success.

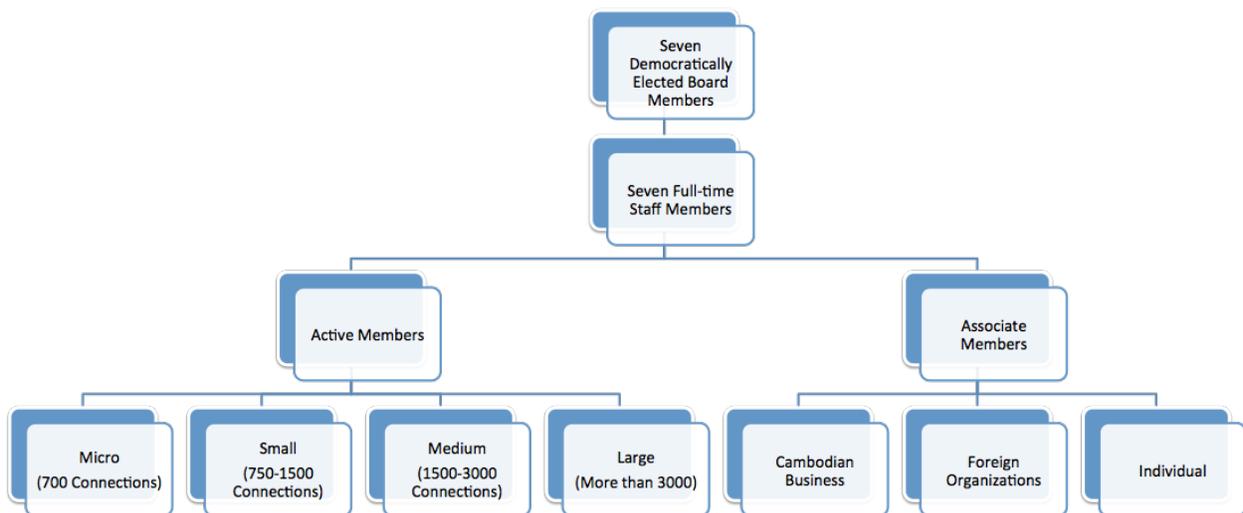
Members Join to Receive Desirable Services - The key to membership growth is identifying and providing services that address specific member needs. Input from members should be sought to determine which services garner the greatest demand.

Figure 4: CWA Membership Structure

Membership Structure of CWA

Before CWA was officially formed, there was a group of water suppliers meeting regularly, who recognized the benefits of networking and organizing together. Thus, membership recruitment for the CWA was relatively straightforward, as there was already a strong membership base prior to official formation. Furthermore, as CWA has become more established, its membership base has continued to grow. However, some larger water suppliers have declined to join the CWA as they believe they already have strong systems in place, and possess more capacity and knowledge than CWA. Thus, CWA has encountered some difficulty in attracting larger, more experienced water suppliers to join the association.

From its inception, CWA recognized that it would need to offer multiple categories of membership, as the water supply sector in Cambodia is comprised of a variety of different actors. CWA has two main types of members: (1) Active members, which are water service providers who have voting rights; and (2) Associate members, who are other individuals or organizations working in the water supply sector such as NGOs, banks, and individuals. As of recently, CWA has created additional membership categories based on the size of the water supply business and the type of organization. Active members are now divided into four categories - micro, small, medium, and large - based on the number of connections, or customers, they have. Associate members are also divided into three categories: foreign company, Cambodian company, and individuals.



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Lessons Learned from CWA

Different Membership Categories - One major strength of CWA's membership structure is the creation of different membership categories. This structure allows for a variety of different stakeholders in the water supply sector to participate in CWA's activities, while still allowing the water suppliers themselves to have more voting rights. In general, different membership categories allow for more accurate representation of the interests of varying stakeholders and businesses.³ By having both active/voting members, as well as affiliated/non-voting members, associations enable other stakeholders to participate in association activities and planning, while restricting voting power to the business members themselves.

V. SERVICES PROVIDED

The services typically offered by an association can be classified into broad categories: trade and market development; training, advice and consulting; information and networking; office facilities and infrastructure services; and delegated government functions.

Potential Services a Latrine Business Association Could Deliver⁴

Services	Examples
Trade and Market Development	<ul style="list-style-type: none"> • Facilitating market research • Hiring, managing, training, and/or coordinating a network of sales agents • Providing marketing materials such as printed brochures and posters • Coordinating regional marketing campaigns
Training	<ul style="list-style-type: none"> • Management training • Technical training • Financial management training • Training on relevant legal and regulatory matters • Development of training manuals
Advice and Consultancy	<ul style="list-style-type: none"> • Individual counseling and mentoring • Legal services • Financial and taxation advice • Assisting with accountancy and bookkeeping • New technologies and environmental aspects
Information and Networking	<ul style="list-style-type: none"> • Regular business meetings and conferences • Newsletters and publications • Membership directory and database • Coordinating activities with local government and NGOs
Office Facilities and Infrastructure Services	<ul style="list-style-type: none"> • Secretarial services • Computer services • Telecommunications • Internet access • Storage and port services
Delegated Government Functions	<ul style="list-style-type: none"> • Business registration • Holding professional licensing • Running courts of arbitration • Developing and supervising industry standards

³ WB BMO report

⁴ Adapted from the WB BMO report, and from information from our field work

Services Offered by APPSANI

The initial services provided by APPSANI were determined through consultation with entrepreneurs and targeted to meet the specific needs and challenges identified by business owners. Over time, the services provided by APPSANI have evolved and expanded, facilitated by the growing capacity of the organization. New services are first piloted with a small group of members before being expanded and implemented across the association.

Current services provided by APPSANI include:

- **Recruitment and Training:** APPSANI advertises the sanitation business opportunity to prospective one-stop-shop enterprises through mass media and other channels; accepts applications and fees for training; and delivers four-day Sanitation Enterprise Training to potential new members.
- **Member Registration:** The association communicates association benefits, formally registers, and collects membership fees from newly trained entrepreneurs.
- **Quality Assurance & Certification:** APPSANI develops and delivers training on Standard Operating Procedures (SOPs) for business processes including product promotion, taking orders, construction, and payment procedures. The association ensures member compliance with SOPs and coordinates with the Government of Indonesia to certify the quality of latrines constructed by APPSANI members.
- **Government & External Relations:** APPSANI helps members develop strong relationships with local government officials and serves as a liaison and spokesperson at national and provincial levels. In addition to providing support to members, the association also provides technical assistance directly to the government as needed. APPSANI also maintains the association's website and blog.
- **Member Surveys & Performance Monitoring:** The association conducts periodic telephone interviews with members to collect details on sales, business, and financial performance. Surveys are also a tool for members to express their needs and make requests (e.g. training topics, useful services, etc.).
- **Access to Finance:** APPSANI helps members gain access to affordable finance by assisting enterprises in preparing loan applications and by providing loan guarantees with banks. The association also facilitates access to finance for customers by partnering with banks and MFIs to provide consumer sanitation loans.
- **Access to Inputs & R&D:** APPSANI provides member discounts for latrine materials, including fiberglass mold sets for construction, ceramic pans, and PVC pipes. APPSANI also invests in university partnerships and research and development for new low-cost product designs and desludging techniques.
- **Members Training, Coaching & Events:** In addition to the initial training of entrepreneurs, APPSANI develops and delivers new trainings in areas such as marketing, government coordination, financial accounting, etc. APPSANI also provides peer-learning opportunities through a mentorship program and business-to-business exchanges.
- **Evolution of APPSANI Services: Centralized Franchise Model:** An APPSANI initiative currently being piloted is the centralization of sales, including the training and management of sales agents. The potential evolution of APPSANI to a centralized franchise model is a recent development, and may not have been possible at an earlier stage in the development of the association or the Indonesian sanitation market.

Best Practices and Guidelines to Associations for the Sanitation Sector of Cambodia

Lessons Learned

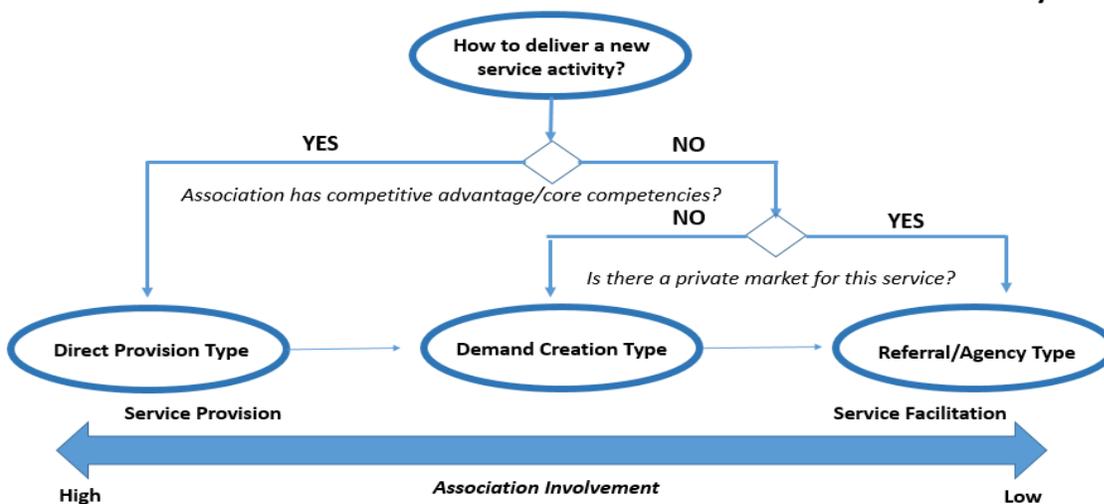
Services Driven by Member Needs - Association services should be driven by the needs and initiative of member businesses. Associations should actively seek the input of members to evaluate current services and identify potential future services.

Services Adapt to Meet Changing Needs of Business and Industry - The services provided must be continuously evaluated and adapted as the needs of the members and the market change. Using pilots to test new services allows for progressive learning among staff and members, and improvement in the quality of service provision.

Demand Creation is a Major Need - Demand creation for sanitation has been increasingly identified as an important role for APPSANI. In general, high volume producers gain more business due to their connections with local health volunteers and village heads who serve as marketing agents. APPSANI's move towards a centralized franchise model with training and direct management of sales agents is further evidence that demand creation and sales are valuable services that can be provided by an association. Demand creation has also been identified as a major challenge in Cambodia and could be a useful service for a future latrine business association in Cambodia.

Services Offered Should be based on Capacity - The services that an association chooses to offer should depend on the interests of its members, as well as the association's experiences, capacities, and resources.⁵ To inform what types of services to offer, associations can conduct a needs assessment of their members, as well as an internal capacity assessment. Furthermore, associations should be careful not to crowd out private suppliers of business development services, and should therefore also consider the existence and competitiveness of other suppliers of the respective business services. When determining if a service should be offered, associations can use the decision tree below.

Decision Tree: How to Deliver a Service Activity



⁵ WB BMO report

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Concentrate in a Few Core Activities - Typically, associations that specialize in one area of expertise perform better than associations with multiple functions.⁶ Thus, in the beginning, an association should concentrate on a few core activities before expanding its services offered.

Monitoring and Evaluation - Associations should keep careful records of their activities and assess the performance, impact and profitability of their services offered.⁷ Once a service is implemented, associations should engage in monitoring and evaluation to determine whether the service is being implemented well, and to evaluate the benefits and impact of the service. One effective way to measure impact is to distribute member surveys after each service, or to appoint a quality control officer. Measures of success can include how many members are served, the diversity of services offered, and cost effectiveness of offering the service. Finally, following evaluation, associations can decide to expand successful services.

Indicators and Methods of Impact Assessment⁸		
Approaches/Methods	Quantitative Indicators: Captures measurable, numeric, and categorical information	Qualitative Indicators: Captures subjective information such as beliefs, opinions, and ideas
Data Collection Instruments	<ul style="list-style-type: none"> • Questionnaires • Surveys • Census • Case studies • Written document analysis 	<ul style="list-style-type: none"> • Interviews • Testimonials • Focus Groups • Observation
Example	The number of training courses offered by the BMO to its members has increased by 25%	The satisfaction of the members regarding the training courses has improved over the past 6 months

VI. FINANCIAL SUSTAINABILITY

Professional associations in developing countries often face numerous challenges in achieving financial sustainability. Associations typically earn income from a variety of sources, such as membership fees, service fees, sponsorships, subsidies, and product sales. However, these income sources may not be enough to cover an association's administrative costs and the costs of offering services to its members. Furthermore, many associations in developing countries lack accurate and transparent accounting procedures, making their true financial situation difficult to assess. Overall, sound accounting measures and financial sustainability are crucial for an association's long-term sustainability and effectiveness.

⁶ WB BMO report

⁷ WB BMO report

⁸ Adapted from the WB BMO report

Financial Sustainability of APPSANI

The operation of APPSANI was initially reliant on donor funding. Although the association has been able to expand its member services and membership base, the association has yet to establish a sustainable business model to support its activities, and remains dependent on the Government of Indonesia and grants for funding.

Current revenue sources include:

- Training service fees paid by local government
- Training fees paid by participants
- One-time member registration fees
- Donations from the board and senior management members
- Margins from bulk purchase of materials

Additional potential revenue sources have also been identified:

- Per-latrline fees for loans paid by banks and microfinance institutions
- Per-latrline sales commissions for association sales agents

In a 2012 survey of APPSANI members, nearly all businesses exhibited a pattern of strong initial growth, followed by a gradual decline in sales per month. Latrine businesses have limited opportunities for resale, as few households are interested in moving up the value chain, or simply delay purchase until they are able to buy a higher quality model. In order for the association to be financially sustainable, the businesses of the individual members must also be profitable.

Lessons Learned from APPSANI

Association Reliant on Funding from Donors and Government - Achieving financial sustainability is a major challenge for associations, even years after being established. Determining the members' willingness to pay and appropriate fee structures is difficult. If the cost of participation is too high, associations risk the loss of membership. However, even with appropriately designed membership fees, it is likely that an association will require additional outside financial resources.

Sustainability of Individual Businesses - To ensure the long-term health of an association, the sustainability of the sanitation industry and individual businesses must also be supported. The sustainability of individual latrine businesses can be strengthened through expansion of the potential sales area and development of complementary products and services that can be provided to customers who have already purchased a latrine.

Financial Sustainability of CWA

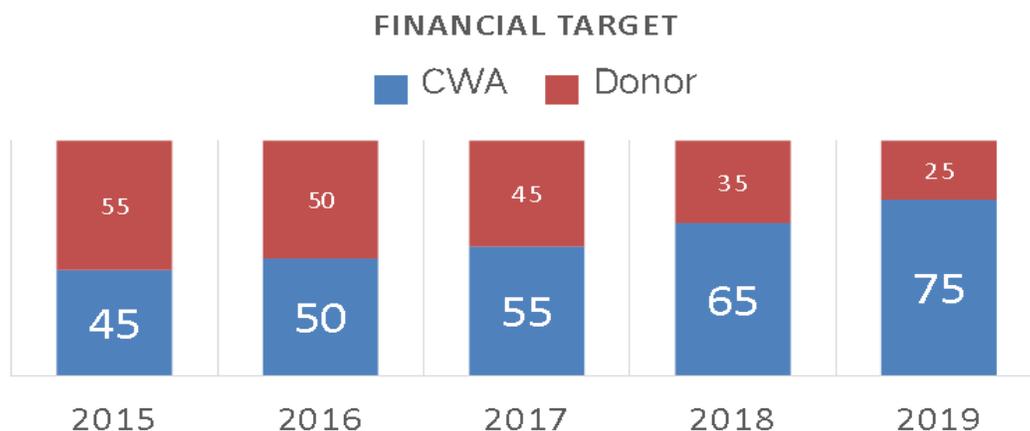
The CWA’s main sources of funding are from membership fees, and from activities that donors implement through CWA’s platform. For membership fees, CWA uses a sliding scale based on the size of the business and the type of membership. Under the current fee structure, Active members’ annual membership fees range from USD\$200-400, while Association members’ fees are USD\$250. Active members use an honor system to pay fees according to their size, with larger businesses volunteering to pay higher fees.

Currently, CWA is phasing in a new membership structure that will be accompanied by a new fee structure. Under the new organization structure, Active members will be split into four categories based on the number of connections/customers businesses have: micro, small, medium and large. Similarly, membership fees will be lower for smaller enterprises and increase with the business’ size. Association members will also be split into three different categories: foreign companies, Cambodian companies, and individuals or students. Foreign companies will pay an annual membership fee of USD\$400, while Cambodian companies and individuals will pay a membership fee of USD\$10-50, depending on their size. While this new fee structure can make membership more affordable for members, it is also problematic for CWA’s long-term financial sustainability as the bulk of its members are classified as “micro” or “small” enterprises, and thus pay lower membership fees.

Another major source of revenue for CWA comes from donor grants as well as activities that donors implement through CWA’s platform. Currently, various donors implement a variety of projects through CWA, and contribute any proceeds and fees collected from these activities to CWA. Initially, donors took the lead in implementing these revenue-generating projects. However, as CWA gains capacity and experience, donors will aim to transition more of the responsibilities and financial costs related to implementing these projects to CWA.

Overall, CWA has successfully grown over time, and has expanded from having an all-volunteer staff to currently employing eight full time staff. However, CWA is still very reliant on donor support for implementing income-generating activities and has not achieved financial sustainability. Furthermore, its new membership and fee structure may hamper its future financial sustainability by allowing the majority of its members to pay lower membership fees.

CWA Strategic Plan for Financial Sustainability



Lessons Learned from CWA

Differential Fee Structures based on Members' Size or Income - Implementing a sliding membership fee structure for members based on their size or income can be an effective way for associations to maximize their revenue and membership. However, thorough financial analysis should be conducted to determine the ideal fee structure that balances expanding membership with the organization's financial sustainability.

Donors can help Build Capacity for Long-Term Financial Sustainability - Donors have helped develop CWA's capacity by implementing income-generating activities through CWA's platform. These activities help generate income for CWA in the short-term, while also developing CWA's capacity and knowledge to implement similar activities independently in the future. This type of arrangement with donors can be more effective for establishing financial sustainability in the long-term for an association, compared to direct grants or donations.

VII. PARTNERSHIP WITH DONORS

Associations are a useful platform through which donors can reach a large number of enterprises and potentially achieve higher cost-effectiveness, greater outreach, and sustainability. Likewise, donors can assist associations through capacity building, such as planning workshops, staff training, seed financing, and promoting accounting and sustainable financial practices. As independent and neutral actors, donors can also help associations forge networks with other organizations and

APPSANI Partnership with Donors

While the establishment of APPSANI was determined by the demand of its members, the Government of Indonesia and various donors played an important role in facilitating and bringing together entrepreneurs for the initial meeting. The government has also continued to play an important role in identifying potential individuals to receive training, as well as carrying out community-led total sanitation (CLTS) and demand creation activities. In addition, the government and donors continue to financially support APPSANI.

Moreover, government officials have also been instrumental to the success of individual latrine businesses. APPSANI members report the most success when they develop close working relationships with government health staff and coordinate their sales activities with CLTS and demand promotion activities.

stakeholders, and mediate and coordinate between different interest groups.

Lessons Learned

Government Instrumental in Formation and Funding - The formation and continued function of APPSANI have relied on close cooperation with and support from the government of Indonesia and donors. A successful public-private partnership (PPP) can maximize the effectiveness of an association, especially within the sanitation sector. In this case, a strong PPP can coordinate supply and demand for sanitation, with the government conducting CLTS activities while APPSANI implements sales and supply of latrines. The Indonesia case differs significantly from Cambodia in this regard, as the Cambodia government currently lacks the capacity or commitment to engage in

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effective PPP with the sanitation sector. Thus, the lack of government support in the Cambodia case presents a significant challenge to the success of a potential sanitation association.

Relationships with Government Health Staff Support Success - Close collaboration with local government facilitates entry into the community and access to market information. Coordination of latrine sales with government-led behavior change and demand creation activities has been shown to increase sales and the uptake of latrine use by households.

Twinning Arrangements with other Associations - Twinning arrangements, where more developed and less developed associations can partner together, can be useful and lead to direct cooperation of equal partners and practical know-how transfer.⁹

Strive for Financial Sustainability - Donor interaction with associations should take a participatory approach, have a demand orientation, adopt a long-term view, and strive for financial sustainability. Dependency on grants makes associations vulnerable and undermines their independence. Furthermore, supply-driven donor assistance can create incentives for associations to become resource rather than member driven. Thus, donors should request that associations co-fund all activities, and adjust funding and services in accordance with the association's absorptive capacity and growth. Furthermore, donors should identify a clear exit strategy by using specific project targets and time frames.

⁹ WB BMO report

OPERATIONALIZATION STRATEGY FOR ASSOCIATION

I. INTRODUCTION

Improving rural sanitation coverage in Cambodia is a challenging endeavor, due in part to the poor enabling environment for the private sanitation sector. In Cambodia, local governments lack the capacity, resources, and knowledge to effectively support the private sector for sanitation. The various sanitation suppliers, including cement mixers, masons, and latrine producers, similarly lack capacity and rely on various NGOs for technical support, sales, and sometimes subsidies. Numerous NGOs are working in the WASH sector in Cambodia, but have competing agendas and utilize contradictory approaches. While the existing development of the sanitation sector in Cambodia can be largely attributed to the efforts of NGOs such as IDE, Watershed, and Plan International, the plethora of stakeholders in the sanitation sector has also created a fragmented private sector with little coordination.

Exacerbating the weak private sector is the general lack of education and awareness of proper sanitation practices, contributing to the low consumer demand for latrines prevalent throughout rural Cambodia. A change in local behaviors and attitudes towards sanitation needs to coincide with a strengthening of the private sector in order to improve overall rural sanitation coverage in Cambodia.

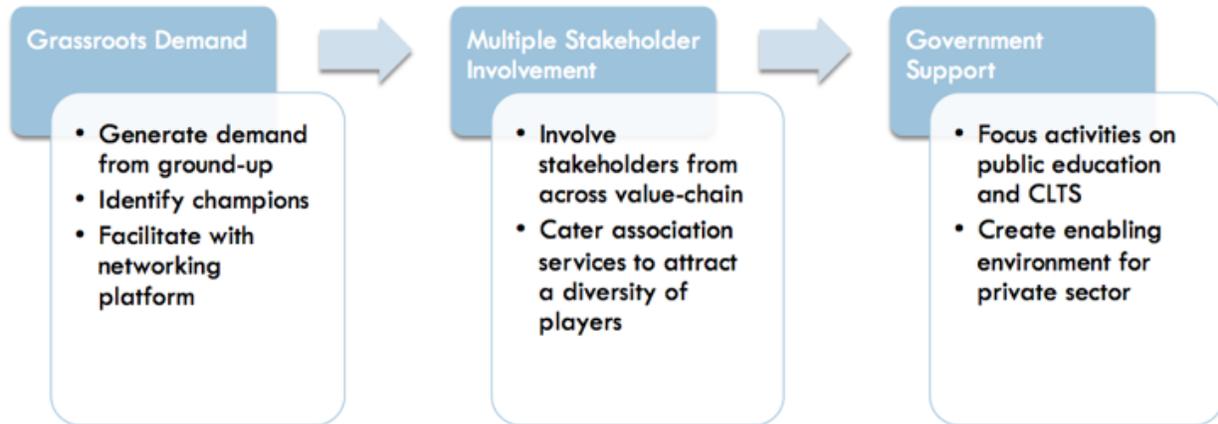
In light of these challenges, strengthening the capacity of the private sector for sanitation is one crucial component of a comprehensive strategy for improving rural sanitation coverage in Cambodia. A key recommendation that arose from WSP's Sanitation Marketing Business Review called for the formation of a professional association for latrine businesses and other stakeholders in the sanitation sector. In a context where there is weak government capacity and over-reliance on NGOs by the private sector, a professional association can help empower the private sector and enable businesses to work together to promote a better enabling environment. An association offers advantages compared to government or NGOs, such as its ability to legitimately represent the interests of the private sector and organize collective action. An association can play a unique role in improving the enabling environment for businesses by lobbying for government policies that are beneficial to the private sector, representing the private sector at high-level meetings, and coordinating the sharing of information. While an association could be advantageous to growth in the sector, it is not always the best course of action. Before proceeding with the creation of an association, a number of enabling environmental factors must be present.

In the subsequent sections, we propose an operationalization plan that details the steps necessary to determine whether or not to proceed with the creation of the association. If an association is determined to be appropriate in the Cambodian context, the plan then outlines how to support the formation of a sanitation association, the external support that will be required throughout the process, as well as key challenges and recommendations to consider.

II. EVALUATE PRECONDITIONS FOR ASSOCIATION IMPLEMENTATION

In order for the creation of a private latrine business association to be viable, the following conditions should be met. These preconditions will be evaluated during the pilot period. If these conditions are not met, the proposed strategy of a private association should be re-evaluated.

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Condition #1: Grassroots Demand for Association

The private sanitation sector in Cambodia is highly fragmented. Without an established history of communication and professional collaboration between businesses, the success of a latrine business association in the short term is unlikely due to a lack of understanding of the benefits of coordination, grassroots demand, and trust between business owners.

Both the APPSANI and CWA cases highlight the need for a professional association to be demand-driven. Donor-created associations run the risk of not being responsive to the actual needs of its members.¹⁰ Furthermore, if members do not feel ownership of the association, the organization will have low sustainability and credibility. Thus, newly created professional associations should ideally build off of existing institutions such as informal business meetings or producer cooperatives.

To Address Condition 1: Pilot Program - Meetings of Latrine Business Owners

In light of these challenges, regular meetings between latrine business owners should be facilitated with the goal of building professional networks and strengthening the private sector. In the short-term, the primary goal should be to build social capital and professional networks among latrine businesses. Regular meetings among sanitation enterprises can create a starting point for collaboration and stimulate the potential demand-driven formation of a professional association of latrine businesses in the future. Based on our findings, we do not recommend the direct, top-down creation of a professional association for latrine businesses. Rather, focus should be given to providing the right incentives and creating an enabling environment for a demand-driven association to organically develop.

Pilot Program - We propose that the process begin with a pilot program in one to three provinces to create a platform for regular meetings between latrine businesses. Prior to launching the pilot, an interest assessment of the latrine businesses should be conducted to identify topics to discuss and events that business owners would be interested in attending. Potential meeting topics and events could include technical trainings, forums on specific business challenges such as marketing or managing sales agents, or meetings with specialists about regulations and legal considerations.

¹⁰ World Bank Group Small and Medium Enterprise Department. 2005. "Building the Capacity of Business Membership Organizations: Guiding Principles for Project Managers." Second Edition.

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Within each province, consultations should be done with NGOs and other relevant stakeholders to select 10-20 latrine business owners to participate in the program. It is also essential during this period to identify 1-3 champions in each province who are interested in taking a leadership role in organizing fellow business owners and galvanizing support for and participation in meetings. If the pilot is successful, the program could be expanded into other provinces and eventually nationwide to promote collaboration and networking among latrine businesses.

Condition #2: Multiple Stakeholder Involvement

For an association to be successful and sustainable, stakeholders across the entire sanitation value chain must be interested in joining. An association composed entirely of small-scale latrine producers will likely be insufficient, both in its ability to generate revenue to support the operation of the association and in exerting enough influence to make coordination worthwhile.

Expanding membership to include raw material suppliers (pipes, cement, etc.), other construction enterprises, and businesses that provide complementary services (maintenance and desludging, and/or sanitation enterprises that service more urban areas) may allow for additional benefits to coordination activities and better results. Similar to CWA, membership can also include non-voting members, such as NGOs, MFIs, individuals, and other stakeholders. These stakeholders can bring much needed financial and human capital resources. In addition, the wider variety of stakeholders will increase the power of the association to attract the interest of the government and to lobby on behalf of the sanitation sector.

To Address Condition 2: Needs Assessment with Stakeholders across Value Chain

To garner interest in the association from stakeholders across the value chain, we recommend that a needs assessment be conducted to understand the challenges of other supply-side stakeholders. This assessment would include surveying and having conversations with larger stakeholders to understand their challenges and gauge their interest in an association. These conversations can help inform potential services that an association could offer to attract a wider variety of members.

Condition #3: Government Support

The association, comprised of private-sector stakeholders, can potentially play an important role in increasing rural sanitation. However, in order for the association and the private sector to be successful, the government will need to play a vital role. As mentioned above, a significant barrier to increasing sanitation services in Cambodia is the lack of demand from consumers, which is largely a result of a lack of education on the importance of proper sanitation and difficulty in achieving behavior change. While members of the association could pool resources for marketing efforts, ultimately, sanitation is a public good. Government involvement will be crucial for the implementation of public health campaigns and CLTS programs. Without a commitment from government bodies at both the national and local levels, the benefits of the association will be limited.

The importance of government support and coordination is demonstrated in the case of the APPSANI association in Indonesia, which has been successful as a result of two complementary elements:

- Government-led demand creation and behavior change activities
- Positive enabling environment for the private sector that has allowed for supply to scale

Best Practices and Guidelines to Associations for the Sanitation Sector of Cambodia

To Address Condition 3: Gain Government Support

In order for sustainable progress to be made in sanitation, demand creation must focus on increased awareness and behavior change – not just on the promotion of increased latrine sales. The success of a private latrine association in Cambodia will be dependent upon effective partnership and coordination with government. While providing support to the private sector and facilitating the creation of an association is important, attention must equally be given to help the government increase capacity - specifically in promoting behavior change for sanitation. Any plan for creating an association must include plans to work closely with the government, both at local and national levels, to garner support, mobilize resources, and leverage capacity.

III. DETERMINE PLAN FORWARD: ASSOCIATION FORMATION OR ALTERNATIVE STRATEGY

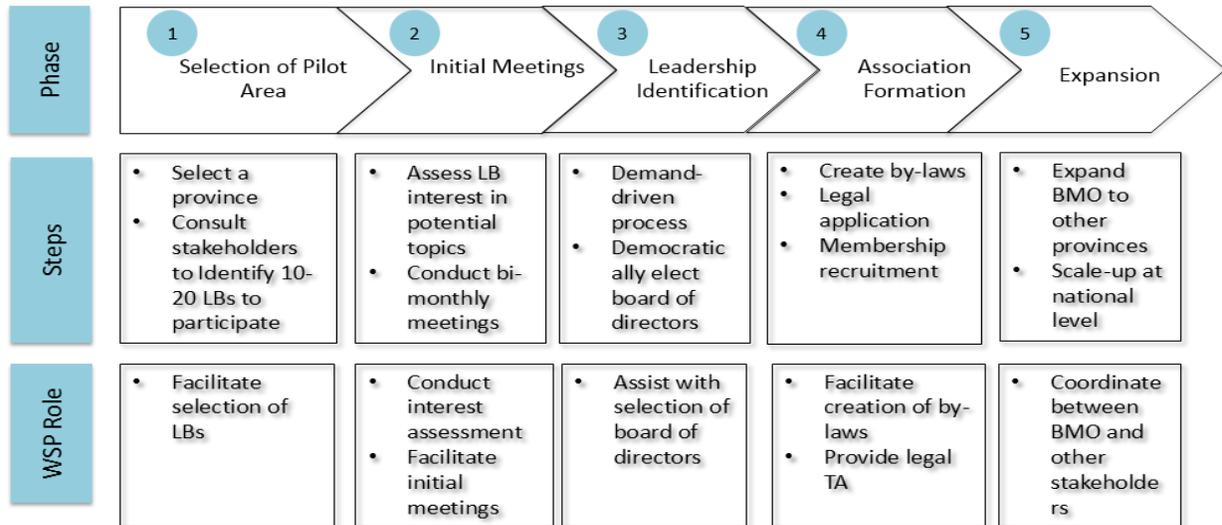
If it is determined that the three conditions above are met, steps can be taken to formally create an association – including electing board members, drafting by-laws, and applying for legal status. During this process, continuous feedback from members is essential to determine the nature of the association, its organizational structure, and the services it will provide. At this time, it is not possible or practical to provide specific recommendations in the regard. If the conditions are not met, alternative strategies to increase rural sanitation should be considered.

IV. FINANCIAL FEASIBILITY MODEL

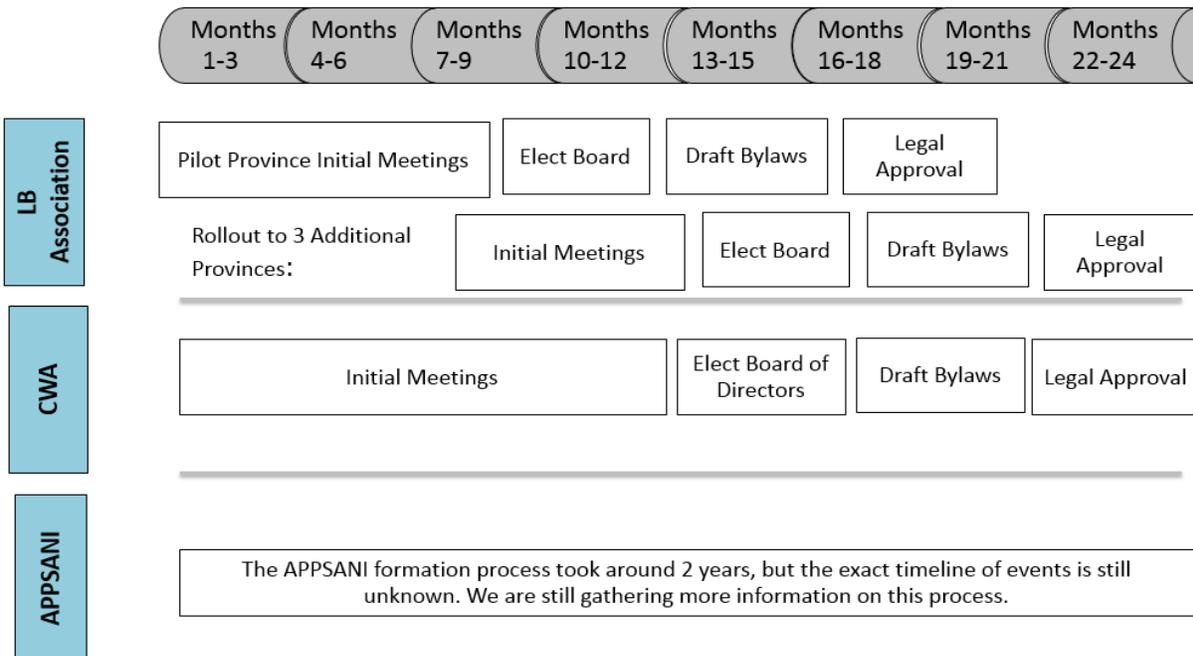
Provided with this report is a financial feasibility model that can be used to estimate the revenues and costs of a potential latrine business association. The template allows for a variety of assumptions, costs, and revenues to be adjusted based on the potential number of members and the type of services offered. The financial model also estimates how much donor funding would be needed in each year to cover the difference between the revenues and costs of a potential association. This tool can be helpful to assess the financial feasibility of an association, as well as estimate the amount of donor funding that would be needed during each stage of the process.

APPENDIX

Steps to Formation of a LBMO

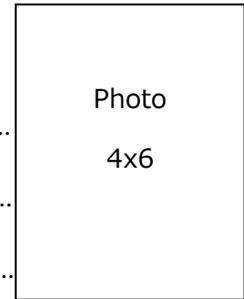


Comparison of Association Formation Timelines



Template for Application Form for Active Member¹¹

This application form is only for individuals or legal entities who hold a sanitation business permit from the Ministry of Rural Development (MRD).



Name of sanitation enterprise:

Name (of person/company) on sanitation business permit:.....

Name of owner/director:

Gender:.....Age:.....

Contact Address:

.....

Telephone:..... Mobile phone: Email:

Address of sanitation enterprise: Village:Commune:

District: Province:

Sanitation Business Permit Number:

Issued Date:

I am the owner/director of the above mentioned sanitation enterprise. I would like to be an **active member of the Cambodian Sanitation Association (CSA)** with the aim to promote the development of the sanitation supply sector in Cambodia. I agreed to follow the by-laws of CSA and the decisions made by the board of directors of CSA, and am willing to pay the annual membership fees in the amount of USD.....

According to the above statement, I hope the management team of CSA will kindly accept me to be an active member of the Cambodian Sanitation Association.

.....Date

.....Signature and Seal
Owner/Director of the Sanitation Enterprise

Attachment

- A Photo 4×6
- A photocopy of ID card
- A photocopy of license
- A delegation letter (if any)

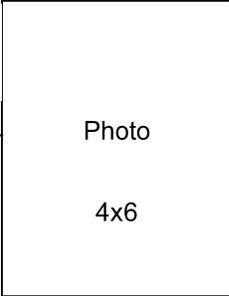
¹¹ Adapted from CWA

Best Practices and Guidelines to Associations for the Sanitation Sector of Cambodia

Template for Application Form for Associate Member¹²

This application form is only for individuals or legal entities whose profession or interests relate to the sanitation sector in Cambodia

Name of (person/organization):
Name of owner/director:
Position (if organization):
Gender:.....Age:.....
Contact Address:
.....
Telephone:..... Mobile phone: Email:



I am [individual/entity]which resides at of the above mentioned address. I would like to be an **associate member** of the **Cambodian Sanitation Association (CSA)** with the aim to promote the development of the sanitation sector in Cambodia. I agree to follow the by-laws of CSA and the decisions made by the board of directors of CSA, and am willing to pay the annual membership fees in the amount of USD.....

According to the above statement, I hope the management team of CSA will kindly accept me to be an active member of the Cambodian Sanitation Association.

.....Date

.....Signature and Seal

Attachment

- A Photo 4×6
- A photocopy of ID card
- A photocopy of patent (for a company) or letter from the MOI/MOFA (for NGOs)
- A delegation letter (if any)

¹² Adapted from CWA

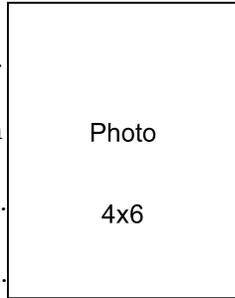
Template for Delegation Letter¹³

Name:

Owner/director ofsanitation organization

Gender:.....Age:.....

Address:



.....

Telephone:..... Mobile phone:

Email:

I am pleased to authorize Mr/Ms
Age:.....

Position: as my representative to work with
the **Cambodian Sanitation Association (CSA)** related to general work, meetings, or votes.
The
delegation of authority is effective from until the next
notification.

According to the above statement, I hope the management team of the association will kindly
accept my representative.

.....Date

.....Signature and Seal
Owner/Director of the Sanitation Enterprise

.....Signature and Seal
Delegate

Attachment

- A Photo 4×6
- A photocopy of the ID card of
the representative

¹³ Adapted from CWA