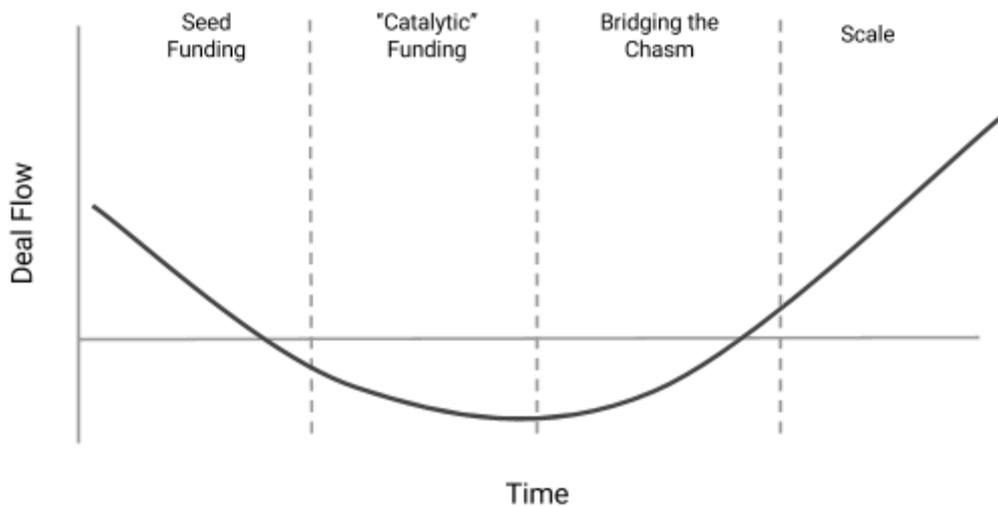


# Right Money, Right Time

## The Financing Value Chain

### Objective

Increasingly, donors in the development sector are driving implementers to migrate away from a focus on discrete projects and toward a more holistic approach that prioritizes long-term coherence and sustainability. In turn, implementers struggle to identify funding sources that allow for long-term planning. Specifically, implementers like iDE often have trouble securing funding that bridges the gap between seed/pilot funding and funding to achieve scale, as shown in the figure below.



This learning note aims to inform discussions in the development sector around the role of donors and implementers in building consistent and sustainable long-term programs, rather than discrete, short-term projects. The note builds on lessons learned through iDE Cambodia's Sanitation Marketing Scale-up program (SMSU), a program that over the last eight years has successfully built a coalition of funders to drive increases in sanitation coverage in rural Cambodia. Of course, iDE was also working within a system of implementing partners, donors, government agencies, and other stakeholders. It is beyond the purview of this paper to analyze how these types of systems can be leveraged to maximize impact, but it does bear mentioning that organizations that are thinking proactively about bringing the right partners to the table at the right time should also be cognizant of how their objectives and approach fit into and complement the larger system in which they are operating.

While iDE was generally intentional in its approach to assembling the right pipeline of donors, we also recognize that funding decisions in the real world are never based on analysis and strategy alone. Serendipity (connecting with the right donor at the right time) and necessity (settling for an available funding source even if it is not a 100 percent fit) also play a big role. Thus, this paper attempts to offer

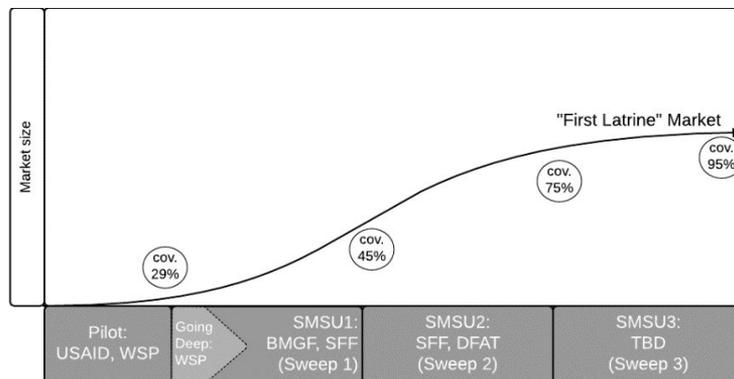
actionable insights for implementers and other practitioners by highlighting the factors and conditions that helped define the mix of donors and the donor-implementer relationships for the SMSU program.

## SMSU Overview

iDE’s Sanitation Marketing program in Cambodia started with a pilot that ran from 2008 to 2011. During this time, iDE worked in two rural provinces to design and facilitate the sale of hygienic household latrines. Pilot funding came from the World Bank’s Water and Sanitation Program (WSP) and from USAID. While neither donor tends to fund relatively high-risk pilot projects, both had funding opportunities available at the time that prioritized early-stage projects with a focus on innovation and learning. By the end of the pilot phase, iDE had facilitated the sale of over 11,000 improved latrines by strengthening the sanitation value chain and building private sector capacity to supply easy-to-access and affordable latrine options.

Starting in 2011, iDE scaled up its sanitation marketing approach to seven provinces in a project known as Sanitation Marketing Scale-Up (SMSU). This phase of the program was funded by the Stone Family Foundation (Stone), the Bill & Melinda Gates Foundation (Gates), and WSP. Stone was interested in funding market-based approaches to improving sanitation, while Gates had a broader mandate to fund interventions with the potential to reach substantial scale, regardless of the program approach. WSP funded a learning initiative within the SMSU program, called “Going Deep,” which allowed iDE to experiment with new ideas in the two pilot provinces before rolling them out to the larger SMSU area. During the SMSU project, iDE facilitated the sale of over 141,000 improved latrines.

iDE secured follow-on funding for the second scale-up phase of the program, SMSU2, the goal of which is to reach 175,000 households with improved sanitation by 2018. This program phase is funded by Stone and Australia’s Department of Foreign Affairs and Trade (DFAT). SMSU2 builds on the previous SMSU project by exploring new product options, expanding the provision of consumer finance and smart subsidies<sup>1</sup>, and further refining the direct sales model. Both funders place a strong emphasis on learning, knowledge management, and sharing. See the image on the following page for an illustration of the SMSU program over time.



<sup>1</sup> The poorest customers in developing markets are often unable to pay cash up-front for toilets and other WASH products. To address this issue, iDE is testing the efficacy of financing options, which allow the customer to pay over time, and “smart” subsidies, which lower the purchase price.

## What Worked

Since 2008, iDE has been able to construct a program around a long-term vision and continuous implementation in order to rapidly increase sanitation coverage in rural Cambodia. The momentum and large-scale impacts generated by this program are not common in the development sector, so it is useful to examine some of the conditions and strategies that have contributed to the program's success.

**Thinking of SMSU as a long-term program from the beginning.** Starting in the initial phases of program design, iDE understood that using a market-based approach to increase sanitation coverage was a long-term proposition. As such, we envisioned the program in a series of phases that would be implemented over a longer period of time than the standard three-year development project. This is in contrast to a project-based mindset, which focuses on short-term goals and planning at the expense of longer-term strategic thinking. This mindset informed the attitudes and behaviors outlined below.

**Looking forward to funding for the next phase.** Often, the demands of running a complex program crowd out the time and space needed to think ahead in terms of fundraising for future activity. Throughout the SMSU program, iDE prioritized networking, relationship building, and active fundraising in order to ensure that the program received sufficient continuous funding to avoid disruptive, momentum-killing gaps in implementation.

**Developing open relationships.** iDE began working early to develop open relationships with donors based on peer-to-peer respect, transparency, and joint learning. This approach helped to establish trust and ensured that everyone understood both the successes and challenges experienced by the program. For example, iDE began discussions with Stone and Gates early in the pilot phase in order to secure funding for SMSU. When preparing to build these relationships, iDE made a concerted effort to understand donor mandates, share our mandate, and design a program that met both sets of priorities. iDE highlighted promising initial results of the sanitation marketing approach, which affirmed Stone's interest in market-based solutions. Those same early results provided evidence that spoke to Gates' interest in approaches for reaching scale. Ultimately, however, this was not enough to convince Gates to continue funding the program into the second phase of scale up because their organizational strategy shifted from rural to urban sanitation. In another case, iDE shared with Stone challenges related to high cancellation rates of latrine orders made by rural customers. Stone helped to brainstorm possible causes and solutions and provided additional consulting resources to analyze and help resolve the problem.

**Creating a harmonized program.** With multiple donors often come high transaction and coordination costs. iDE mitigated these costs by pushing for a harmonized program, with implications for reporting, communications, and planning. For example, iDE and funders agreed on a common set of metrics, lowering the data collection and reporting burden. All stakeholders jointly participated in a quarterly monitoring call, which allowed iDE to communicate progress and challenges in a single forum, while encouraging donors and iDE to learn from each other.

**Leveraging donor funds to multiply impact.** iDE thought strategically about how to bring multiple donors to the table at any given time. In general, funders want to make sure that their contributions have a

multiplier effect, whereby they are building momentum and impact in partnership with other donors. Getting the right donors at the right time was often a function of understanding how funding and leverage from two or more donors could result in a whole that was greater than the sum of its parts.

## Lessons Learned

**It is up to the implementer to paint a holistic program vision—at least to start.** Implementers are usually best positioned to understand how their own approach and core competencies can be brought to bear on a problem such as low sanitation coverage. As such, the burden will often fall on the implementer to articulate a vision with a clear set of outcomes and clear roles for donors and other partners. From this starting point, it is important that the implementer(s), donors, and other partners enter into a co-creation process that takes into account the needs and strengths of each actor.

**Implementers must understand donors' accountability frameworks and appetite for risk.** Donors have different risk and reward preferences. Where they sit on this spectrum dictates the results they expect to see, the timeframe over which they want to see them, and the level of variance they are willing to accept. The accountability frameworks of large bilateral or multilateral grants typically require that results materialize over a relatively brief period, and do not leave much room for variance in results. This type of framework makes most sense when implementers have confirmed their theory of change and have nailed down their operating model. As mentioned earlier, USAID and WSP both had discrete funding opportunities available that broke to some degree with the organizations' traditional frameworks and aligned well with the objectives of the sanitation pilot. However, both donors, and USAID in particular, pushed early on for iDE to achieve latrine sales. This in turn caused the iDE team to prioritize sales activities rather than product and business model design, which were foundational for scaled results down the line. At one point, iDE staff could even be found in the field selling toilets to potential customers in contrast to the theory of change at that time, which was to build the capacity of private-sector actors to do so. This experience underscored the importance of donors and implementers understanding each other's accountability framework and deciding ahead of time on an appropriate balance between immediate results and preparing for long-term outcomes.

**Implementers must understand how their objectives and approach fit with donor priorities.**

At each stage in the sanitation marketing program, iDE was fortunate to work with funding partners whose goals aligned with one or more of the program's components. For instance, during the pilot phase, WSP's involvement grew out of the early-stage focus on learning what works to improve sanitation. In SMSU1, Stone was attracted by the program's market-based approach. On the other hand, Gates was interested in funding approaches that had the potential to reach significant scale. In each of these cases, iDE analyzed potential funding partners with an eye toward achieving alignment between the program's objectives and donor priorities.

## Conclusions

The success of iDE Cambodia's sanitation marketing program is the product of both visionary long-term planning and a series of "happy coincidences" that brought the right donors and partners to the table at the right time. iDE's experience underscores the importance of thinking in terms of long-term programs

rather than individual projects and also the challenges involved in achieving this in practice. Without long-term thinking, it is possible (and maybe even likely) that the good ideas driving the sanitation marketing program would not have resulted in anywhere near the impact we've seen to date. Too often, such good ideas are hamstrung or grounded altogether by uneven efforts to assemble funding. In other cases, the implementer's vision for change is compromised because they have accepted funding from a donor whose interests or values don't align.

The takeaways and lessons learned presented in this paper are meant to inform the crucial conversations—in the WASH sector and beyond—around program planning and coordination between implementers and funders, and to help ensure that good ideas translate into great results.

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Read more: <https://www.ideglobal.org/areas-of-focus/wash>