



# LESSONS LEARNT FROM THE IMPLEMENTATION OF PROJECTS TO IMPROVE ACCESS TO WATER AND SANITATION SERVICES

Within the framework of the Programme

**99** Improving the added value  
of microfinance



# Acronyms

<b>ADA</b>	Appui au Développement Autonome
<b>BP</b>	Banco Popular
<b>FAPE</b>	Fundación de Asistencia para la Pequeña Empresa (Small Business Assistance Foundation)
<b>FHA</b>	Fundación Horizontes de Amistad (Horizonte de Amistad Foundation)
<b>HPHES</b>	Hábitat para la Humanidad El Salvador (El Salvador Habitat for Humanity)
<b>MFI</b>	Microfinance Institution
<b>SDG</b>	Sustainable Development Goals
<b>REDCAMIF</b>	Red Centroamericana y del Caribe de Microfinanzas (Central American and Caribbean Microfinance Network)



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# 1. Introduction

This document capitalizes the experience of 7 MFIs affiliated at REDCAMIF that have received support to implement projects to improve access to water and sanitation services. This support was carried out within the framework of the "Improving the added value of microfinance" program established between ADA and REDCAMIF between 2018 and 2021.



Photography: José Manuel del Busto  
Location: Guatemala



**Approximately 8.5 million people in Central America and the Dominican Republic do not have access to their own housing, or live in poor housing conditions in terms of the quality of materials, type of construction, overcrowding, and insecurity, among other things. This figure is even more dramatic if we add the conditions of access to and use of permanent and quality drinking water (in the dry corridor of Central America alone, there are an estimated 5 million inhabitants with problems accessing drinking water), and access to sanitation systems for the proper and safe management of greywater and blackwater in and around housing, among other things.**

**Goal 6:** of the Sustainable Development Goals includes a focus on clean water and sanitation. Within the goal, targets incorporate universal and equitable access to safe drinking water, sanitation and hygiene services, an end to open defecation, the efficient use and integrated management of water resources, the protection of water-related forest ecosystems, and the role of rural communities in water management and sanitation.

With reference to Goal 6, the countries of the Central American Region and the Dominican Republic still face great challenges. One example is the percentage of households that have access to improved sanitation services. While Costa Rica and the Dominican Republic stand out in this aspect with 98.34% and 81.7% respectively, the data from El Salvador with 54%, Guatemala with 53.8% and Honduras with 59.04% clearly demonstrates the existing deficiencies . This is even more critical in rural areas. Apart from Costa Rica (94.06%), the shortfall is almost abysmal in the rest of the countries in the region, such as El Salvador (13.7%), Guatemala (10.59%) and Honduras (11.9%).

Another benchmark indicator is the percentage of households with a dirt floor. For 2017, the achievements of Costa Rica stand out again, where only 1.10% of the population uses this type of floor, followed by the Dominican Republic (3%), Panama (5.43%), Honduras (11.82%), El

Salvador (15.96%), and Guatemala (25.16%). In the case of Nicaragua, the latest available data from 2014 shows that 39.44% of the population still uses dirt floors .

Another piece of data that puts the region's situation into perspective is the proportion of the population using safely managed drinking water supply services. Although there is no data available for the entire region, Table 1 below includes both the overall and rural data available as of 2017, in order to visualise the existing deficiencies in the region. As can be seen, with the exception of Costa Rica, the shortfalls are greater and accentuated in the rural sector.

Table 1

**Economic Commission for Latin America and the Caribbean (ECLAC)**  
**Proportion of the population using safely managed drinking water supply services**

COUNTRY	PERCENTAGE RURALE	PORCENTAJE POBLACIÓN GLOBAL
Costa Rica	84	94
Guatemala	46	56
Honduras	19	ND
Nicaragua	29	52



The figures give us an idea of the magnitude of the situation regarding the need for investment in water and sanitation, and clearly justify the need to promote actions that accelerate the improvement of conditions that have an impact on health, hygiene, access to quality drinking water and efficient management of water resources. It is in this context that ADA and REDCAMIF, together with seven microfinance institutions, have driven projects to promote the water and sanitation approach in the region.



The microfinance sector plays an active role in the implementation of financial solutions that contribute to improving the quality of life of micro and small business owners, by offering resources to improve housing conditions, construction, and access to and permanent use of water and sanitation solutions. This has an impact on personal hygiene, family health, increased productivity, comfort, and security, among other things.



On the other hand, in the last 10 years, the close cooperation between REDCAMIF and ADA focused its efforts on innovation and the development of financial and non-financial services and products that drive investment, construction and sanitation improvements for the millions of low-income families in the region. Through an inclusive approach, the first effort promoted the concept of progressive social housing, where MFIs supported low-income families with constructive technical assistance and financing for scalable housing improvements and improved access to water and sanitation services. The programme was divided into two stages: in the first stage, 14 MFIs participated and financed more than 3,960 customers between 2016 and 2017; in the second stage, 9 MFIs participated and financed 1,715 customers between 2019 and 2020.

<sup>1</sup> Source: <https://data.iadb.org>. Last revision: 7 October 2021

<sup>2</sup> Source: <https://data.iadb.org>. Last revision: 7 October 2021



**This document summarises the experience of seven microfinance institutions that have been implementing projects to improve access to water and sanitation services since 2017 with the technical and financial support of ADA-REDCAMIF to improve added value. This experience benefited 1,154 customers who, through financing and technical assistance, invested in the improvement, construction and installation of: bathrooms, sinks, toilets, water tanks, septic tanks, biodigesters and water collectors, among other things.**



The document includes a methodological description of the information collection process based on interviews with MFI staff and customer surveys; a presentation of each participating MFI, including the project proposal; the analysis of the interviews with MFI leaders, including the qualitative assessment of the project implementation, successes and challenges identified; the results of the customer surveys and the lessons learned in the process





***Two lessons stand out as key experiences in project implementation: first is the use of progressive financing for water and sanitation investments; second is the strategic importance of having committed credit advisors trained in the investment options to be financed.***

It is important to note from the outset that COVID-19 is still having an impact on the implementation of the projects. Its effects and impacts on customers, MFI staff and their families have affected the operation of the organisations and have not allowed us to understand the true scope of the financial products aimed at improving access to water and sanitation services among low-income populations in Central America and the Dominican Republic.

## 2

## Methodological approach

The analysis of the experience began with a review of the documentation of the seven Microfinance Institutions (MFIs), particularly the logical model files and market studies produced in the development of these projects. Statistical information available from the MFIs in the REDCAMIF database was also used, as well as general information gathered from the MFIs' web portals.

The next step was the collection of information through direct contact with the MFIs, specifically with three key participants: the first were the project leaders and coordinators in each MFI, with whom the previously designed semi-structured interview guide was applied (Annex 8.1). The interviews focused mainly on the overall scope of the project, the results of the implementation of the related financial products and services, and the assessment of the support to customers in their water and sanitation investments.

The second group of interviewees were 13 credit promoters or advisors (2 per MFI), using the same interview guide used with the project leaders, but with the questions applied to their role within the projects. This guide was

used as a reference, as additional questions related to their work in promoting and monitoring the loans granted, as well as qualitative assessments of the products and recommendations for improvement emerged as the interviews went deeper.

**The third group of participants were 25 customers, using the survey developed by ADA (Annex 8.2) which included socio-economic data, the assessment of the service received and the impact on their daily life and that of their family. This information was processed in Excel and data output tables were produced.**

**The consolidated data from the interviews with credit advisors and leaders from the seven participating MFIs is included in section V. The results of the customer survey are in section VI.**





## 3

## Objective

The objective of this document is to compile the different characteristics, difficulties, successful and unsuccessful practices, tools, lessons learned and quantitative information on the development of pilot projects related to water and sanitation in Central America and in the Dominican Republic, to make this type of project more widespread.



## 4

## Implementation of pilot projects: presentation of participating microfinance institutions

A total of seven microfinance institutions received technical and financial support from ADA and REDCAMIF to implement financial products to improve access to water and sanitation services. These MFIs were chosen after a detailed selection process that began with a public call for applications among the 134 microfinance institutions affiliated with the seven National Networks that make up REDCAMIF. Interested institutions each submitted an expression of interest document explaining the scope, objectives and expected results of the Project.

The proposals received were analysed by the REDCAMIF-ADA Selection and Monitoring Committee, which designed an evaluation mechanism based on the expression of interest documents and financial indicators (portfolio, customers, PAR30, scale and social indicators, percentage of women, housing improvement portfolio, etc.). With this mechanism, the Committee first ratified the MFIs' commitment to participate, and then ensured that these institutions had the institutional capacity to implement innovations of this type.

***Each of the seven microfinance institutions described below formulated their individual projects with REDCAMIF and ADA's advice, using the logic model methodology and results-based management. On the one hand, this facilitated the structuring of clear and measurable activities, results and targets over time, while also facilitating the monitoring and evaluation process of each stage, both internally in the MFIs and within REDCAMIF and ADA.***



Table 2

## General data on microfinance institutions' implementation of water and sanitation products

MICROFINANCE	COUNTRY	CUSTOMERS	PORTFOLIO (USD)	PERCENTAGE OF FEMALE CUSTOMERS	PERCENTAGE OF RURAL CUSTOMERS
Asociación Hábitat para la Humanidad El Salvador	El Salvador	14,098	40,328,224	53%	47%
Banco de Ahorro y Crédito ADOPEM	República Dominicana	163,771	111,342,721	66%	41%
Banco Popular	Honduras	56,933	127,044,269	54%	20%
Fundación de Asistencia para la Pequeña Empresa (FAPE)	Guatemala	2,450	753,083	92%	71%
Fundación Horizonte de Amistad (FHA)	Honduras	2,935	2,020,137	47%	52%
MAYAVERSATIL S.A.	Guatemala	1,362	587,460	74%	82%
PANA PANA	Nicaragua	2,067	1,245,726	69%	12%

Source: prepared by the authors on the basis of information available at MIFINDEX: <https://www.mifindex.org/>. Data as of June 2021.



**Asociación  
Hábitat para la  
Humanidad El  
Salvador (HPHES)**





Habitat El Salvador is a non-profit organisation, part of Habitat for Humanity International, with a presence in approximately 70 countries. Its mission is: "To call people to build homes, communities and hope, and thus show God's love in action".

The title of the project was: Design of financial products for the construction of water and sanitation works. The established objective was to improve the quality of life of the families served by HPHES by facilitating access to financial products for the construction of water and

sanitation works. The duration was twelve months, starting in September 2019. Due to the COVID-19 pandemic, the duration was extended for a further twelve months. The project was located in the municipalities of the Department of La Libertad in central El Salvador.

**Improvement loans:  
Water and sanitation**



*Improved bathrooms  
on C/Garita Palmera,  
San Fco. Menéndez,  
Ahuachapán*

*Construction of well  
on C/Tepeagua,  
La Libertad*



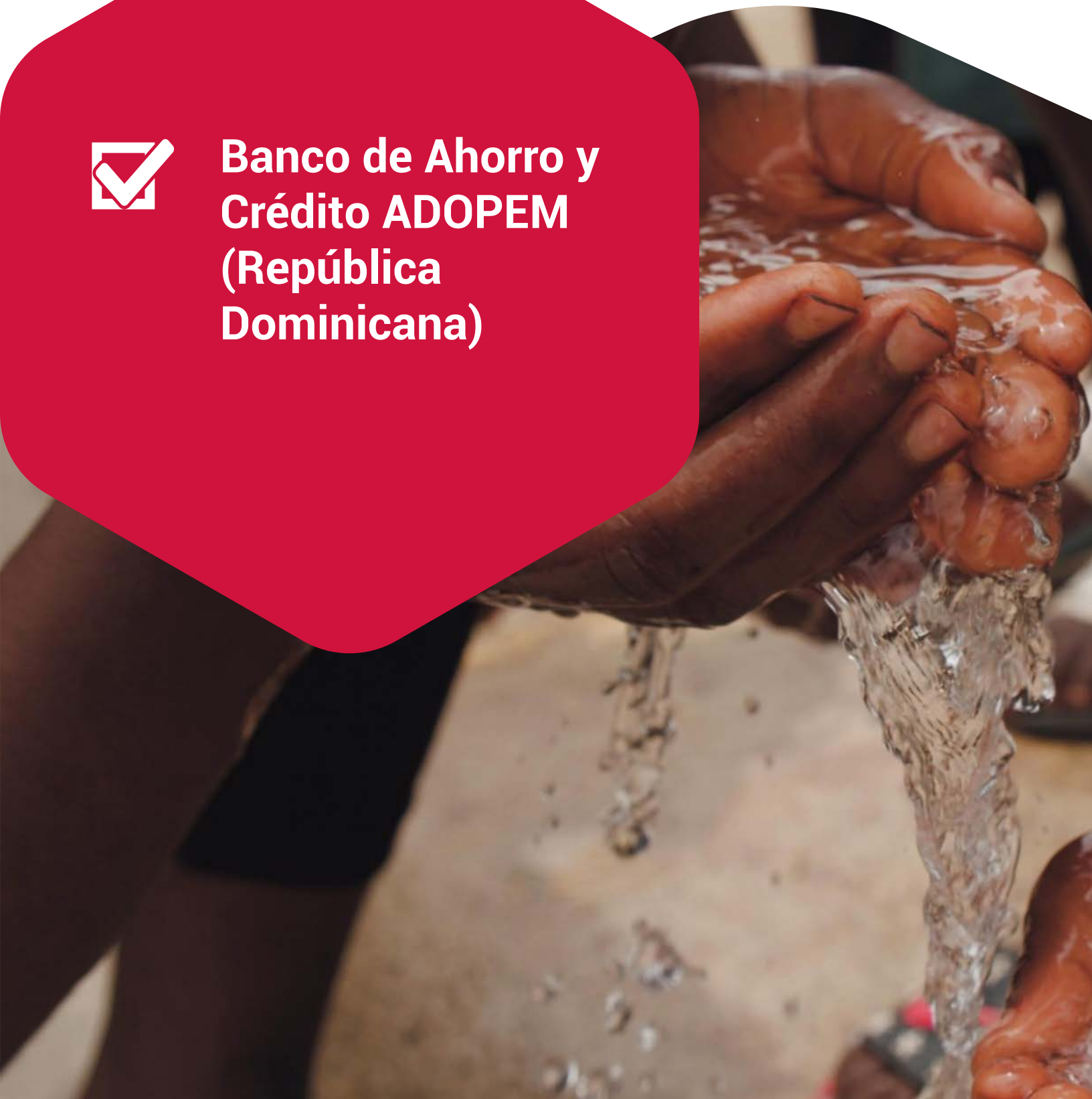
*Drilling and pump for  
well on Ca/Valle  
Nuevo, Victoria,  
Cabañas*



The HPHES approach focused on developing the project in rural communities by working with community and government actors. In addition, seven support lines were designed with credit services for water and sanitation shortages, combining loans with technical assistance to their customers



**Banco de Ahorro y  
Crédito ADOPEM  
(República  
Dominicana)**





Institution of the Dominican Republic whose mission is: "To promote the development of Dominican families by incorporating them into the formal economic and financial system, within a framework of ethical values, seeking to benefit society in general".

The title of the project developed was: Design, approval and piloting of the ADOPEM Eco Vivienda financial product, with three intended uses: i) Water and sanitation; ii) Energy and lighting; iii) Infrastructure and livelihoods. The project started in August 2019 and its objective was to improve people's quality of life through a financial product that has a positive impact on customers and the environment. The pilot lasted 18 months.

The project was developed in the Monte Plata Province, which is an area with a high rural population, a large housing deficit and deficiencies in the condition of water and sanitation buildings. The product is demand-driven and, in addition to the interest rate, an incentive model is established whereby customers with repayment capacity can "combine" loans for water and sanitation with working capital. Partnerships were established with water.org and Habitat for Humanity



**EcoVivienda  
ADOPEM**

*Promoviendo soluciones de vivienda con prácticas ambientales sostenibles y medios de vida en el entorno rural.*

-  Vivienda Productiva
-  Agua y Saneamiento
-  Energía e Iluminación

**Te apoyamos a reparar tu vivienda**

*Mejoras con Impacto ambiental y de calidad de vida*

**Planes cómodos y flexibles!**

 DE AHORRO Y CRÉDITO 



**Banco Popular  
(Honduras)**





Its purpose is to support micro, small and medium-sized enterprises because of their role in job creation, poverty reduction and the economic growth of Honduran families. Its mission is: "We are a bank specialised in satisfying the needs of families in the popular economic sectors of Honduras, actively promoting social development and the responsible use of the country's natural resources". It addresses the working capital and fixed asset needs of these economic sectors in an agile, personalised, friendly and cordial manner.

The title of the project developed was: Credit for Green Energy, Rural Electrification and Water Sanitation. Its objective is: To strengthen the value proposition through the design of a green financial product, contributing to the improvement of the quality of life of customers with limited access to financing. The value proposition includes two components both at the level of adaptation and

mitigation of climate change. The project has been running since October 2019, but due the COVID-19 pandemic, it has been extended by twelve months.

***The project and its products were concentrated in the urban and rural branches of Banco Popular in the departments of Yoro, Puerto Cortés, Comayagua and Danlí. The product has an intended use approach, the main factor being the improvement of the quality of life of the families served.***

## Customer experience

Before



After





**Fundación de  
Asistencia para  
la Pequeña  
Empresa (FAPE)  
(Guatemala)**





A Christian institution whose main purpose is to comprehensively assist micro-entrepreneurs in Guatemala, with the objective of improving their quality of life through training and financial assistance. Its mission is: "To promote the fundamental development of the micro and small business communities, providing them financial services, training and Christian orientation through careful personal attention".

***FAPE started the implementation of the project in September 2018. The title of the project was: FAPE Inclusive Financial Services for Water and Sanitation Project. The objective was to improve the quality of life of FAPE's customers through access to water and sanitation products. FAPE carried out the project in rural communities in the departments of Zacatepeques, Chimaltenango and Villanueva and Alta Verapaz, in the so-called central region of Guatemala. The pilot had a duration of 24 months.***

The product approach initially combined an intended use for housing improvement with water and sanitation investments. However, in practice, demand has made the product more flexible and increased the intended uses of the investment, separating housing from water and sanitation investments. Also, another characteristic that stands out is the combination of investment financing for water and sanitation with working capital loans for those customers with the capacity to pay. FAPE has established a partnership with Water for People to strengthen the staff's capacity to understand the type of water and sanitation investment.



**Rainwater collection system in Aldea Chilley, San Cristóbal, Alta Verapaz**



Fundación Horizontes  
de Amistad



## Fundación Horizontes de Amistad - FHA (Honduras)

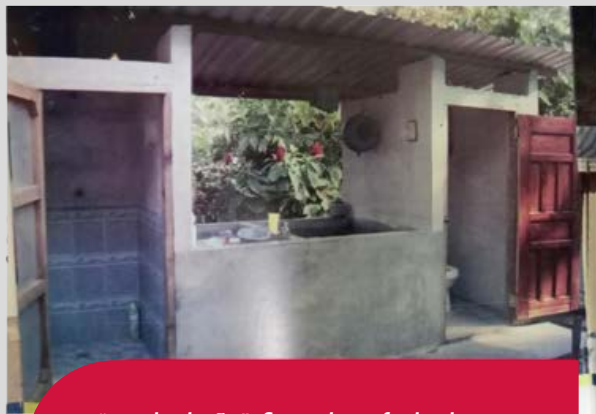




A private, non-profit development organisation based in the Republic of Honduras. Its mission is: "To contribute to the improvement of the standard of living of its internal and external customers by offering a wide range of high quality, efficient and appropriate financial services".

FHA named the project "Mi Baño" and aims to improve the living conditions of families (customers). The project was implemented in the departments of Cortes, Santa Barbara, Yoro, and Atlántida in the rural and peri-urban sectors. The duration of the pilot project was twelve months, starting in April 2017. FHA established partnerships with Water For People to strengthen staff knowledge.

**The main approach or model (although not the only one) is the "combo" or integral model, which involves financing the construction of a bathroom, toilet, sink, and washbasin with a roof and blocks. Depending on the customers' ability to pay, they can choose to do the construction all at once or pick the infrastructure they wish to prioritise. This model has a modular approach, in the sense that if the customer wishes to make another of the improvements that are part of the "combo", these can be combined into the infrastructure already built. This model does not limit its offer and includes other types of investments such as septic tanks, biodigesters, etc. It also includes the combination of home improvement with water and sanitation.**



*"combo baño", financing of a bathroom with washbasin and toilet. Source: Fundación Horizontes de Amistad. staff photo. Septiembre 2021.*



*Biodigester installation. Source: Fundación Horizontes de Amistad staff photo. Septiembre 2021.*



**MayaVersatil**  
CRÉDITOS - INVERSIONES - ASESORÍAS



**Mayaversatil S.A.**  
**(Guatemala)**





**Guatemalan organisation whose mission is: “To empower and generate sustainable development opportunities for the Guatemalan population in rural and urban areas, through entrepreneurship and versatility”.**

The name of the project is: Green Microfinance in Western Guatemala, which began in September 2019. Its objective was to improve the living conditions of customers by promoting sustainable development through financial and environmental services in the communities of Guatemala. The original duration of the project was 12 months, but due to the COVID-19 pandemic, it was extended by four months. It was developed in the western areas of Guatemala, in the departments of Quiché, Totonicapán, Quetzaltenango and San Marcos. These higher elevation areas are known as “tierra fría” and are home to indigenous communities and

a population focused on trade, service, industry and production, who were served with the combined credit service promoted by Mayaversatil.

Mayaversatil implemented two types of strategies: the first was combined financing where the customer received loans for working or productive capital and financing for investment in water and sanitation. Like other institutions, Mayaversatil realised the need to diversify its offer to include bathrooms, biodigesters, showers, toilets and sinks, among other things.

Before



After



**Asociación para  
el Desarrollo de  
la Costa Atlántica  
- Pana Pana  
(Nicaragua)**





Its mission is: “To be an indigenous organisation of the North Caribbean Coast of Nicaragua, which provides opportunities to improve the quality of life of preferably poor women and men with an entrepreneurial spirit, with equal opportunities in urban and rural areas of the Autonomous Regions of the Nicaraguan Caribbean Coast and the rest of the national territory, through inclusive microfinance services, sustainable human development projects, and a focus on gender and on lifestyle improvement”. As of December 2020, 69% of its customers are women.

Pana Pana has been implementing two products: the first is social housing and related basic services, focusing mainly on the peri-urban communities of Bilwi (Puerto Cabezas). The second is the current project focused on water and sanitation projects concentrated, although not exclusively, in the city of Bilwi and in the mining triangle municipalities (Siuna, Bonanza and Rosita), which began in August 2019. Pana Pana has the technical support of Habitat for Humanity and PRODEL. With the experience of the housing product, Pana Pana included technical assistance as an

additional cost to customers. However, there were many complaints from customers regarding this cost.

**The focus of Pana Pana is twofold: the first is to support families in the peri-urban sectors of Bilwi where the Mayor's Office and the Central Government are promoting projects to connect them to the drinking water system. Similar to all institutions, their offer includes a variety of intended construction uses, but with a certain priority on bathroom and toilet improvement projects. The second approach is to combine housing improvement with water and sanitation in the communities of the mining triangle municipalities.**

**Forjando juntos el Futuro**

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**Producto de Crédito**  
**“Agua segura para la familia”**

Consiste en un crédito de inversión a fin de proporcionar al cliente recursos para realizar la conexión de agua potable a la fuente pública.

Wanapan de Agua Potable

Habitación Construcción de Agua Potable

Water Potable

**Forjando juntos el Futuro**

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**Producto de Crédito**  
**“Acceso a Saneamiento óptimo”**

**ES TU OPORTUNIDAD APROVECHALO YA !!!**

**Forjando juntos el Futuro**

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**Producto de Crédito**  
**“Servicios Sanitarios para la familia”**

**ES TU OPORTUNIDAD APROVECHALO YA !!!**



Table 3

## Overview of water and sanitation projects

CATEGORY	BANCO ADOPEM	BANCO POPULAR	FAPE	FHA	HPHES	MAYAVERSATIL	PANA PANA
Country	Dominican Republic	Honduras	Guatemala	Honduras	Guatemala	Guatemala	Nicaragua
An overview of each of the projects implemented	Project to support the improvement of housing, access to water and sanitation and the use of alternative energy sources in rural areas of the Dominican Republic.	The project combines the implementation of innovations in water and sanitation with investment projects in alternative energy sources for rural areas.	Combines water and sanitation financing with working capital for productive and commercial activities. It also includes both housing improvement and water and sanitation projects.	Project focused on promoting water and sanitation improvement/construction investments in rural or peri-urban communities.	Design of seven support lines with credit services for water and sanitation needs.	Mayaversatil designed a financial product for various intended uses, with a rural focus. In its model, it includes the combination of water and sanitation loans with working capital.	The project seeks to address both water and sanitation investments in rural and indigenous communities located in the municipalities of the mining triangle and in the peri-urban areas of Bilwi
Brief description of the MFI implementing the project	Leading institution in the promotion of microcredit in the Dominican Republic. It has a wide variety of services and products for urban micro and small enterprises and a recent but extensive participation in the rural sector. The MFI is constantly innovating in terms of services and products.	It is one of the most representative organisations in the microfinance sector in Honduras. It has a broad presence at the national level and although its focus has been on urban sectors, it has been participating in the rural sector.	FAPE's work focuses on the development and empowerment of women in rural areas, mainly micro and small entrepreneurs.	It is a private, non-profit development organisation based in the Republic of Honduras, whose mission is: "To contribute to the improvement of the standard of living of its internal and external customers by offering a wide range of high quality, efficient and appropriate financial services".	It is part of Habitat for Humanity International, with a presence in approximately 70 countries. Its mission is to call people to build homes, communities and hope, and thus show God's love in action.	Mayaversatil's main focus is on strengthening communities and creating opportunities for rural families.	Pana Pana is an organisation that stands out for offering financial products and services in Nicaragua's northern Caribbean communities, an area where there is the least participation of private development institutions.
Objective of the project	Improve the quality of life of people through a financial product that allows access through different options that have a positive impact on customers, and which, in turn, will have a positive impact on the environment	Strengthen the value proposition, through the design of a green financial product, contributing to the improvement of the quality of life of customers with limited access to financing; the value proposition includes two components both at the level of adaptation and mitigation of climate change.	Improve the quality of life of FAPE customers through access to water and sanitation products, under the title: FAPE SFI Water and Sanitation Project.	Improve the living conditions of families	Improve the quality of life of the families served by HPHES by facilitating access to financial products for the construction of water and sanitation works	Improve the living conditions of customers by promoting sustainable development through financial and environmental services in the communities of Guatemala.	i) Increase access to and quality of housing loans for current and potential customers and ii) Design, approve and pilot the loan product "Safe Water and Improved Sanitation".
Implementation of the customer-centred approach in the project			This approach is important for us MFIs to take, as products should be designed according to the needs of customers. It is important to continue with this type of project.	We think it's very good, given that it's well designed and specified where the project is aimed. We are very satisfied with our achievements so far with the FHA. It's an important and simple tool to apply and, of course, it's a guide for other projects.	It's a very interesting, practical approach that captures customers' tastes, preferences and needs, and allows us to tailor services and products to the real needs of customers.	It is a well-defined model that helps the team to reflect and understand that we must have an in-depth knowledge of what the customer thinks of us in order to meet customer demand and interest.	The methodology workshop was conducted with the Pana Pana team with all branches in order to implement the methodology in a cross-cutting manner, and is included in the terms of reference.

Table 3

## Overview of water and sanitation projects

CATEGORY	BANCO ADOPEM	BANCO POPULAR	FAPE	FHA	HPHES	MAYAVERSATIL	PANA PANA
Country	Dominican Republic	Honduras	Guatemala	Honduras	Guatemala	Guatemala	Nicaragua
Project start date	January 2019	October 2019	January 2019	June 2017	September 2019	September 2019	September 2019
Implementation time frames	18 months	24 months	24 months	12 months	24 months	16 months	24 months
Innovative factor	Promotion of housing solutions with sustainable environmental practices and livelihoods in the rural environment (combination of productive financing with housing improvement).		Combining productive financing with improvement financing for water and sanitation investments (hybrid model).	Providing low-income customers with financing for water and sanitation projects under a progressive approach.	Design of specific financial products to address the improvement of water and sanitation investments in rural communities in El Salvador.	Offer a financial product for water and sanitation investment under a combo model in rural communities.	Combine financing with technical assistance, mainly in rural communities where this type of project does not exist.
Interest rate incentive	The annual interest rate is 24% lower compared to working capital loans	The annual interest rate is 24% lower compared to working capital loans	The annual interest rate is 15% lower compared to other products.	The annual interest rate is 6% to 8% lower in relation to the highest rate for other products.		The annual interest rate is 24% lower compared to working capital loans	The annual interest rate is 6% lower in comparison to trade loans
Widely accessible or not	Pilot not completed	Yes	Yes	Yes	Pilot not completed	No	Pilot not completed
Number of customers benefited	64	378	57	308	200	94	53

Source: prepared by authors on the basis of information collected. September 2021



## 5

## Qualitative analysis of the des results

### 5.1. Motivation and satisfaction with implementation

The main motivation of the MFIs are housing deficiencies and the need to improve the quality of life through access to quality drinking water services, as well as the hygiene and health conditions of low-income people who are customers of the MFIs.

Furthermore, the profile of most of the institutions, demonstrated by the proportion of their customers served in the rural sector, adds a clear interest in supporting the improvement of the living conditions of the populations living in rural or peri-urban areas. Particularly low-income populations. For the institutions, it is in the rural sector where the greatest demand for investment in water and sanitation infrastructure prevails.

While the expectation is not to obtain the maximum profitability available, the MFIs are clear that this type of product should serve to expand their presence in the geographic areas where they plan to implement the product, and address a market niche that is not being served and the product's growth potential.

All the MFIs have a housing product in their offer, but they did not have a specific product to specifically finance improved access to services or the construction of water and sanitation infrastructure, with an impact on the hygiene and health conditions of customer families.

As their most important satisfaction, the institutions highlight the implementation of a different product (five institutions) in their portfolio with concrete and tangible results in a short period of time. In addition, a common satisfaction among all the organisations is the substantial changes in the quality of life of the customer families: it is

tangible how relatively low-cost investments transform the safety, comfort, hygiene and health of customers' families.

### 5.2. Design and adaptation of the financial product

Market studies were an important factor in the participating institutions. Even when the MFIs had an idea where to implement the pilot, the market studies served to confirm or redefine the geographic areas, types of customers, potential partners and intended uses for financing. They were also the starting point for the design of the financial product conditions.

***The terms established in the product were similar in the MFIs (12 to 18 months and in cases of combined loans, up to 24 months). All 7 institutions opted for the interest rate as the main incentive and differentiator of the product.***

The financing scheme adopted by the majority was the "modular, progressive or combo" scheme: this consisted of making available to customers a set or group of constructive investments (the most common "combo" was a roofed bathroom with walls + washbasin/sink + water supply basin + toilet). Depending on the customer's priority need, their ability to pay and the advisor's analysis, it was defined which investment or investments were prioritised (customers could make all the investments at once, or prioritise one or two of them).



Banco ADOPEM and FAPE implemented an additional financing scheme that combines productive financing (loan for working capital) with sanitation improvement as a strategy to attract customers and ensure loan repayment.

The main difficulty identified was during the prospecting of customers: the advisors and project coordinators agree that selling to and convincing customers required additional effort. It is interesting to note that most of the interviewees agree that customers do not recognise the improvement of sanitary and hygienic conditions as a priority. The main reason identified is because customers believe that the use of loans is related to investing in their economic activity, as well as the lack of knowledge that families have about health issues.

***The solution was an extra process of convincing potential customers, relying on local leaders, seeking new customers and using the demonstration effect with customers who have already made improvements to water and sanitation infrastructure.***

During the process of implementing the pilot, two institutions made modifications to the financial product, particularly its intended use. One of them had established a financial product that included the various constructive intended uses of water and housing and the construction and improvement of housing. However, during the process of promoting and selling the product, they realised that there was little demand for home improvement. So the decision was made

to base the housing product more on the demand or interest of the customers and not to make it an active part of the promotion process. This modification allowed the advisors to place more emphasis on selling the water and sanitation product.

The second case initially established a single product with a specific intended use (bathroom and toilet); however, customer demand for other types of water and sanitation investments allowed the institution to make modifications and expand the intended use of the financing.

It is necessary to stress once again the implications of COVID-19, which has prevented the pilot from maturing sufficiently in order to collect the information necessary to make decisions that would subsequently allow the project to become more widely accessible. However, both the MFIs that still consider themselves to be in the pilot stage and those that have moved on to the product's expansion stage consider the implementation successful due to the low level of arrears obtained and the product's social impact.



### 5.3. Providers and partners

Partnerships were a common element in the institutions that implemented projects to improve access to water and sanitation services. All agreed that partnerships represented strategic added value that strengthened their capacities to promote the financial product among the target population. With the exception of Hábitat para la Humanidad El Salvador, which has a formally integrated area of constructive technical assistance and advice for its customers, the rest of the MFIs established partnerships with organisations recognised at the international level for their capacity to promote water and sanitation among the most vulnerable populations.

#### *Two types of providers have been identified:*



These are generally international organisations with a lot of experience and know-how to support organisations interested in strengthening the capacities of their staff and target populations in order to improve housing conditions, hygiene and health. Those mentioned by the institutions were: Habitat for Humanity, PRODEL, Water for People and Water.org.

In all cases, they agree that the development of these partnerships was useful and suitable for technical strengthening and that it provided advisors with better capacities and skills to sell the product (it empowered the work of the advisors, who now have the capacity to present, advise and recommend investment options to customers). In addition, they received support in structuring constructive catalogues to facilitate sales and adjust product advertising.

**Table 4**

**Water and sanitation projects  
International partner organisations of the MFIs**

	ADOPEM	BANCO POPULAR	FAPE	FHA	HPHES	Mayaversatil	PANA PANA
Hábitat para la Humanidad	X	X			X		X
PRODEL							X
Water for People			X	X		X	
Water.org	X						



This group mainly consists of hardware stores, sales of materials and companies specialised in technologies such as biodigesters.

With the exception of one of the cases, the rest of the organisations compiled a list of construction supply and technology providers in order to gather information on the existing supply and to structure their catalogues for sales and budgeting. ***This list facilitated the sale of the product and helped to structure investment budgets more accurately. In no case did either strengthening partners or providers entail costs for the MFIs.***

It is in this group of providers where certain difficulties were identified with partners who are committed to the quality of the equipment delivered, compliance with delivery times, guarantees, maintenance, etc., and who, although their line of business is commercial, agree with the financial institution in terms of the purpose of the development of the action. This is key, in the opinion of the advisors and customers, because any failure or non-compliance on the part of the advisor or the equipment sold falls directly on the financial institution, and there is a risk of non-compliance with the repayment instalments on the part of the customers.



***Although there are still no experiences of non-compliance on the part of the technology providers, for MFIs this means a certain degree of risk, given similar experiences with renewable energy projects and productive assets, among others.***

## 5.4. Staff training



Staff training was an activity that all the MFIs developed and considered strategic for the promotion of the product. With the exception of Habitat para la Humanidad El Salvador, due to the nature of the institution, the rest of the MFIs based their staff training on established partnerships. It is important to highlight the case of ADOPEM, which has specialised staff within the organisation with the capacity to provide training and coaching to staff on the Eco-Housing concept.

This strengthening was structured so that the advisors had knowledge of construction topics involving aspects such as land or housing conditions (floor, walls, roofs) and water and sanitation topics (bathrooms, toilets, septic tanks, biodigesters, water collection tanks, sinks, washbasins, among others). The training included budget structuring and aspects on the quality of supplies.

An interesting element to point out in the interview with the advisors is the value they give to training both on the financial product and on the construction of various solutions for water and sanitation investments. It is perceived that the quality and quantity of information provided to the advisors together with their experience has empowered them in this type of product.

However, at the same time, in three MFIs, advisors felt that reinforcement of the topics and regular refreshers are needed. It was equally common to find that advisors had to strengthen topics and knowledge on their own.

It is important to note that Hábitat para la Humanidad El Salvador has staff dedicated to

construction, which facilitates support to the customer in the planning and preparation of construction plans. On the other hand, Banco ADOPEM has a project coordinator with technical knowledge who constantly supports the advisors on technical aspects.

Two main difficulties were identified: (i) In some cases, advisors were initially reluctant to this type of financial product given the amount of information and knowledge required (this can be considered as part of the learning curve); in three of the institutions, training and coaching had to be reinforced in order to improve staff knowledge

and get them familiar with the product; and (ii) The implications of COVID-19 in staff training: in this case, use was made of communication technologies to conduct the training sessions and, as far as possible, face-to-face training was held but in small groups.



## 5.5. Promotion and marketing

With COVID-19, many of the organisations made use of promotion and publicity through digital or non-face-to-face formats, such as social networks and sending digital advertising materials to their customers using communication channels such as the application WhatsApp, among others. In addition, the use of radio spots, participation in community radio programmes, and megaphone advertising was maintained.

***When conditions permit, visits are made to potential customers, taking advantage of meetings and gatherings of community organisations where the promoters have relationships, and group meetings in group methodologies.***

However, the best way to sell the product was through direct visits. In some cases, at the initiative of the advisors, demonstration visits were made to customers with investments already implemented as a way to ensure sales with the customers.

A paradox emerges from the above: although the shortcomings and investment needs in housing and more so in the management of resources related to water and sanitation are high, there is very little interest in obtaining a loan to make these improvements. Apart from the issue of prioritising financing for economic activities, there is a consensus among advisors that customers do not

prioritise or do not see the importance of improving health and overcrowding conditions. This requires additional effort on the part of the advisors to sell the product.

However, both advisors and customers themselves consider that meeting with customers either directly or through group meetings is what secures or "closes" the sale of the product. In fact, when reviewing the survey data, few customers refer to non-face-to-face media (digital media, social



networks, radio, megaphone advertising, etc.) as the way in which they learned about the product, most commonly through referrals from another customer (for new customers) or from the advisor who serves them (for current customers).

Many of the institutions used third parties (consultants or helpdesk partners) to fine-tune the design of the marketing materials. This worked to reduce the time spent on learning how to market the products.

A relevant example is PanaPana, which is working on a digital application that allows for a quick and easy way to project the image of how the customer's home would look with the investment to be made.

## 5.6. Profitability

With the exception of Banco ADOPEM and Banco Popular, not all organisations have carried out profitability analyses on the product. Moreover, it is not clear whether a break-even point has been achieved. An initial explanation may lie in the length of time that the products have been on the market and the restrictions caused by COVID-19 that have not allowed the products to mature.

However, they do value that the products generate social profitability in the communities where they participate, particularly in rural areas. It is also important to note that

the MFIs have claimed to have an adequate management of arrears (with the exception of one institution, the ranges are between 0% and 3%). One MFI was seriously affected in its total portfolio by the combination of COVID-19 among its customers and the effects of hurricanes ETA and IOTA, which caused its arrears to be above this range.





6

## Analysis of customer surveys

The information presented below is the result of the processing and analysis of the survey conducted with 25 customers of the seven MFIs that participated in the project. The interview period took place between 7 September and 7 October 2021.

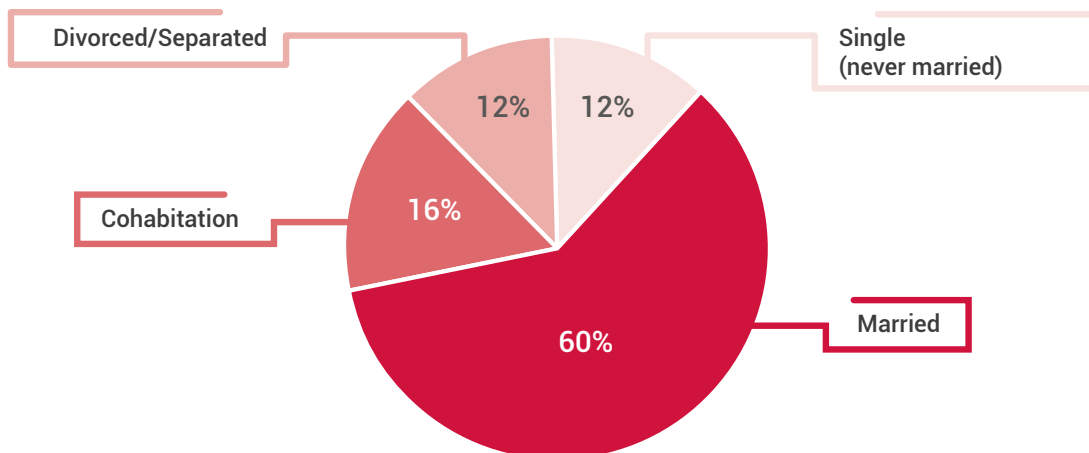


### 6.1. Socio-economic data

The age ranges of the surveyed customers are between 24 and 64 years old. The average age is 43 years. The range of 40 to 50 years old is where the highest proportion of customers is observed (43%). From the age range, we can infer that the type of customer who acquires this type of financing is stable economically, socially and in their relationships, which allows them to make greater investments in infrastructure. This is also related to their marital status. In Graph 1 below, 76% of those surveyed are married or living with their partner in a common-law relationship. The remaining 24% are in the single and divorced/separated categories. It is striking in this group that, with the exception of one man, all are single mothers living with their children.

Figure 1

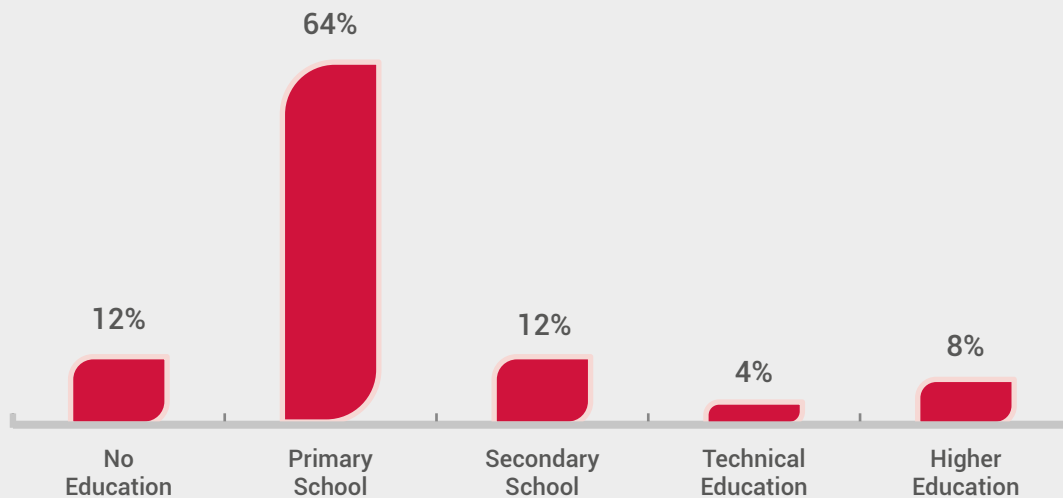
Clients MFI - Credit Water and Sanitation Civil Status



**In terms of gender, 60% of the respondents were female. The level of education of the respondents is low (Graph 2): most have completed their primary education (64%), while 12% are illiterate and 24% have completed their secondary education or higher, a common trait in the countries of the region and more accentuated in rural areas.**

Figure 2

## Clients MFI - Credit Water and Sanitation Level of schooling



*Source: prepared by the authors on the basis of customer surveys. September 2021*

As for the number of people living in the home, the average number is 5, with 3 over 18 years old and 2 under 17 years old. When we look at the trend data, we can see that the number of people living in the same house is 4 people (2 over 18 years of age). If we take into account that practically 100% of the customers are rural or peri-urban, where overcrowding is higher, we can infer that the customers selected to implement this product –either intentionally or accidentally – are stable in the different facets of their lives.

Table 5 shows that 72% of the surveyed customers are customers who have already received financing from the institution. In contrast, it is interesting to note that 28% are customers who are receiving financing from the respective institution for the first time. One explanation that emerges from the interviews with the advisors is that this type of financing serves as a hook to attract new customers, that the amounts are relatively low for

the size of the investments to be made, and that they make sure that these new customers are recommended by other trusted customers or representatives of local community organisations. For long-standing customers, the average number of loans received, including the current one, is 4.

**Table 5**

**Customer's standing with institution  
MFI Water and Sanitation loan customers**

NUMBER OF LOANS RECEIVED	NUMBER	PERCENTAGE
Second or additional loan	18	72%
First loan	7	28%
<b>Total</b>	<b>25</b>	<b>100%</b>

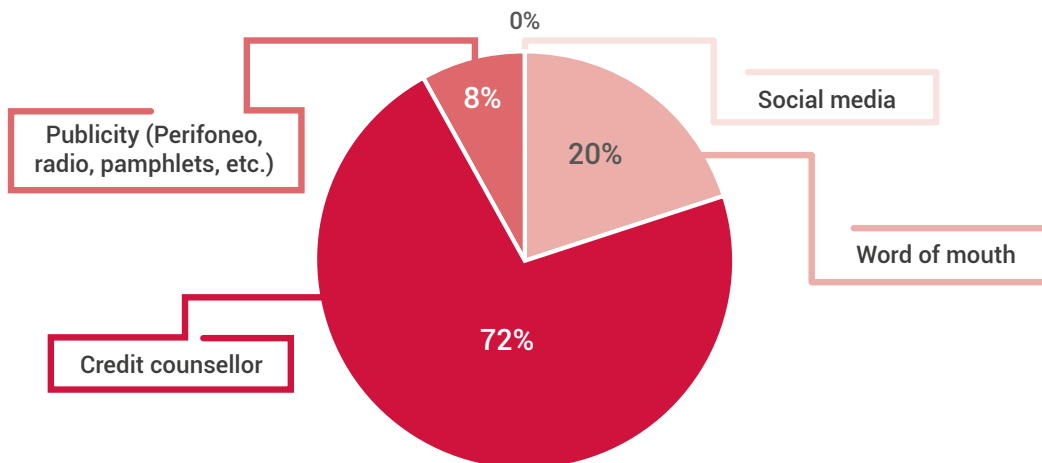
Source: prepared by the authors on the basis of customer survey. September 2021



The main source of information for customers (Graph 3) is credit promoters; 72% of customers found out about the product through visits by promoters to their homes, followed in order of importance by neighbours and friends who are already customers of the institution (20%). The use of non-face-to-face promotional and advertising media such as megaphones, radio spots, and digital and physical advertising managed to reach 8% of the customers. One factor that may explain this is that this type of financing requires an additional effort to convince customers.

**Figure 3**

**Clients MFI - Credit Water and Sanitation  
How did you become aware of the Water and Sanitation Product?**



Source: prepared by the authors on the basis of customer surveys. September 2021

On the subject of economic activities, Table 6 shows that 72% are concentrated in commerce (mostly convenience stores that are inside their homes) and services (mainly motorbike taxis). Both economic activities rapidly circulate money, which allows them to maintain a flow and make daily savings for the payment of the instalment. In addition, 16% have formal jobs in both the public and private sector. 12% are in food processing activities (tortilla factories, cabinet making).

It is important to mention that the economic activity mentioned is that of the customer interviewed. It does not refer to the family income. In terms of income, the average and median amount is close to USD \$500 per month (USD \$539 and USD \$453 respectively). However, there is a wide disparity in income ranging from USD \$86 to USD \$1,294.

Table 6

### Clients MFI - Credit Water and Sanitation Customer's Main Economic Activity

ECONOMICAL ACTIVITY	NUMBER	PERCENTAGE
Retail trade in agricultural or non-agricultural products	11	44%
Service	7	28%
Public / private sector employee	4	16%
Small industry / Processing	3	12%
<b>Total</b>	<b>25</b>	<b>100%</b>

Source: prepared by the authors on the basis of customer survey. September

## 6.2. Loans conditions

100% of the interviewees believe that they obtained the financing at the right time. One possible explanation is that the construction or investment processes in housing do not depend on environmental factors, temporary availability of construction materials, or times of the year in order to make investments.

In terms of the loan requested, 72% said they received the amount they requested, 24% said slightly less and 4% said much less than requested. These results are consistent with

the adequacy of the amount for the expected investments: **52% of customers said the amount was adequate in contrast to 28% who said it was slightly too low and 16% too low (see table 7)**. Consistent with the above data, when asked whether they had to use additional financing to make the investment, 72% said yes. Own savings (11 cases) and support from families (7 cases) were the sources used.

**Table 7****Clients MFI - Credit Water and Sanitation  
Amount of loan adequate for the investment**

OPINION ON AMOUNT RECEIVED	NUMBER	PERCENTAGE
Too low	4	16%
Slightly too low	7	28%
Adequate	13	52%
Slightly too high	1	4%
<b>Total</b>	<b>25</b>	<b>100%</b>

Source: prepared by the authors on the basis of customer survey. September 2021

One explanation for these results may lie in the unexpected costs and fees that have to be paid in advance. In addition, in specific cases, they had expectations of receiving larger amounts to implement additional investments than those indicated in the intended use of the loan. Another factor that was identified was the increase in the cost of construction materials, which influenced the need for additional options to finance the construction.

The lack of use of finance companies or similar institutions is striking. When asking customers about this phenomenon, it was common to obtain answers that the MFI is the only one that agreed to finance them, or that other financial institutions have many requirements, complex procedures, excessive guarantees, high instalment amounts and much higher interest rates.



Regarding the terms, 100% of customers see the terms, the amount of the instalments and the monthly payments as adequate. Two explanations are identified: firstly, a good analysis by the advisors to identify the

customers' ability to pay; and secondly, that the dynamics of their economic activities allow them to save the amount for the instalment in one month.

In terms of access to credit, all customers rated the ease of accessing loans from their respective institution highly. 32% consider it very easy to access financing and 68% consider it acceptable.

The customers' concept of acceptable indicates that the conditions set are appropriate to their environment, their economic dynamics and their living conditions. It is therefore not a neutral or indifferent opinion; on the contrary, it is a positive assessment. In contrast, regarding the most difficult aspect of accessing the loan: 13 mentioned that they had no problems, 10 customers did, 6 of them mentioned the fees, 3 mentioned that it took 15 days to disburse the loan and 1 referred to the high interest rate.



Waiting periods for disbursement were 1 to 2 days at most, except for three cases where the waiting period was 15 days. Grace periods did not exist and the first instalment is paid one month after disbursement according to the established payment plan. 100% of the financing conditions are appropriate to the economic activity carried out.

Regarding the reasonableness of the cost of the loan (table 8), 84% said that they found the cost reasonable, 12% considered it slightly high (closely related to fees) and 1% considered the cost of financing to be high. In contrast, only 2 customers have had some inconvenience with the repayment of the loan, mainly related to late repayments.

*This may be explained by the incentive that was established in the low interest rate compared to the rest of the institution's offer and how customers perceive it in the monthly instalment. The only customer who complained directly about the interest rate was a very well-informed customer, with experience in working with non-governmental organisations and who knows the actual cost of the financing.*

**Table 8**

**Clients MFI - Credit Water and Sanitation  
Cost of the loan**

REASONABLENESS OF THE COST OF THE LOAN	NUMBER	PERCENTAGE
Yes, it's reasonable	21	84%
Slightly too high	3	12%
Too high	1	4%
<b>Total</b>	<b>25</b>	<b>100%</b>

Source: prepared by the authors on the basis of customer survey. September

### 6.3. 6.3. Technical assistance

When asked if they received technical assistance, 64% said no in contrast to 36% who said yes. The customers who said yes are concentrated in 3 MFIs in particular, where they were guided by credit advisors on the investment to be made, recommendations of construction models/schemes (plans) and budgeting. In addition, there are a few customers whose provider supported them in the implementation of new technologies (specific cases of biodigesters). It should be mentioned, however, that all customers mention the support provided by the advisor on the financial product and its management. Of the customers who mentioned technical assistance, 67% mentioned that they were not aware of the information received before and 33% mentioned that they were aware of some topics.

***It is important to reflect on technical assistance, particularly with regard to the scope and expectations of customers and institutions: both customers and advisors consider everything related to the process of formalisation and credit management as part of the normal process of credit approval.***

When there are different considerations, it is in the type of investment support provided: for MFIs, assistance functions as advice. All credit advisors have the knowledge and skills to recommend to customers the type of investment to make. This assistance allows them to define what type of infrastructure the customer can build, based on the conditions of the land, housing, the customer's ability to pay, access to drinking water, etc. A common example is that customers may choose to build a combo of a bathroom, toilet, washbasin, and water tank. The advisor, in this case, recommends whether it is feasible to make all the investments at once or to follow a progressive approach. Customers do not necessarily recognise all this advice as part of the technical assistance provided by the institution; they perceive it as additional support to them, but not assistance provided by the MFIs.

” In addition, it is common for advisors to assist with budgeting (this involves taking measurements, investment analysis, supply requirements, material costs, etc.). This advice allows the advisor to determine the amount of the investment, to determine the customer's ability to pay and to follow up on the execution of the work being financed. As in the case mentioned in the previous paragraph, not all customers consider this support as technical assistance.

Customers relate technical assistance to direct support in the construction process or in the implementation of the new technology being financed, which is why they consider the support of construction workers or companies in charge of the installation of certain technologies as assistance.

### 6.4. Use of the loan

During the prospecting and analysis prior to credit approval, customers generally have identified an investment or improvement to be made. In this process and due to the limits established in the amounts and according to the customers' payment capacity, the advisors mostly recommend combining additional investments that can be made under a progressive approach. The most common of these is the improvement/creation of roofed bathrooms, toilets and washbasins; and in some cases, water storage tanks, septic tanks and biodigesters were added. As a home improvement, the installation of solar panels including a freezer, batteries and a set of spark plugs is also included.

Figure 4 shows that the largest investment made was in roofed bathrooms (23 customers). Seven opted for cisterns or tanks for drinking water for human consumption, 7 customers invested in the implementation of toilets with septic tanks, 5 built a washbasin with a sink, and 2 installed biodigesters in their homes.

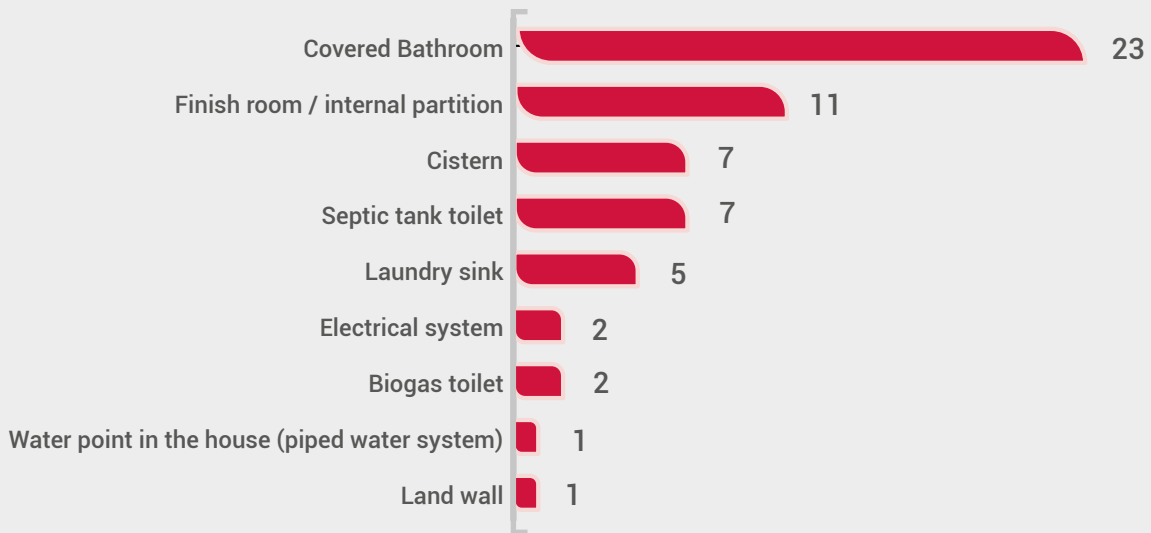
One aspect to emphasise that is highly valued by customers is the substantial change that investment in new water and sanitation infrastructure means. A common example is transitioning from latrines, many of which are in poor condition outside the house at a far distance within the property. The first effect that customers mention when making this investment is on safety. Another common example is going from bathrooms with wooden walls in poor

condition and no roof to having a concrete or roofed bathroom area. The issue of safety and community is mentioned again.

As has been mentioned, the investments are made under the concept of investment combos, which is why a good part of the customers included home improvements in their constructions (11 cases) with a wide variety of intended uses: creation of 1 or 2 room partitions, expansion into a business, minor repairs such as ceilings, levelling, etc.

Figure 4

Clients MFI - Credit Water and Sanitation  
Frequency of Water and Sanitation Investments Made



Prepared by the authors on the basis of customer survey. September 2021





Regarding the question about the possibility of making the investment without the support of the MFI, 64% said no and 36% said yes, but with great difficulty. With the second percentage going deeper into the answer, what most of the customers argued is that the investment would have been postponed for 1 to 3 years in the hope of saving. In relation to the investment with technical assistance, 88% believed that they made or could have made the investment without technical assistance; the remaining 12% mentioned the need for assistance to make the investment (for example, two single mothers and one of the customers who invested in the biodigester believe that they could not have completed the construction on their own without the support of their advisor).

***It is important to note that the response does not necessarily indicate a lack of interest in technical assistance, but rather that investments in water and sanitation can be made with or without technical assistance. One element that may explain this situation is the relative ease of hiring builders with construction experience. Eight customers interviewed relied on family builders or are builders themselves, which reduces interest in seeking technical assistance.***

In terms of waiting time and availability of materials, except in the case of biodigesters, all of them expressed that they had no problems in obtaining all the required materials in practically one day. There is a wide network of hardware stores in their communities or in the main towns nearby. An important aspect to mention was the waiting time for the builders, with the waiting periods being between 15 to 30 days. A factor that explains this situation is the availability of builders in the

However, this does not mean a shortage of builders.

76% of the customers did not have any issues after the investment; the remaining 26% faced minor problems with the builders, such as minor leaks that were solved in due time. It is important to note that 2 of the cases that faced problems were the result of the effects of hurricanes ETA and IOTA, which partially or totally damaged the walls of the house, affecting investments in bathrooms, washbasins, etc. 100% of the customers felt satisfied with the suppliers of materials and the builders.

100% of customers consider that the financial products offered by MFIs for access to water and sanitation services are better value for money than other products. As mentioned above, most customers hold in high regard the ease of access to financing, the support given during prospecting and the conditions set. They also recognise the incentives in the interest rate and the monthly instalment to be paid. The usefulness of the investment is mainly linked to the living conditions of the family in the house: 72% consider the investment to be for the house, 4% mention that it is for the business and 24% for both places (see table 9).

”



**Table 9**

**Clients MFI - Credit Water and Sanitation  
Usefulness of the investment**

IS IT USEFUL FOR YOUR FAMILY OR ECONOMIC LIFE?	NUMBER	PERCENTAGE
Only for my personal daily life	18	72%
Only for my business	1	4%
Both	6	24%
<b>Total</b>	<b>25</b>	<b>100%</b>

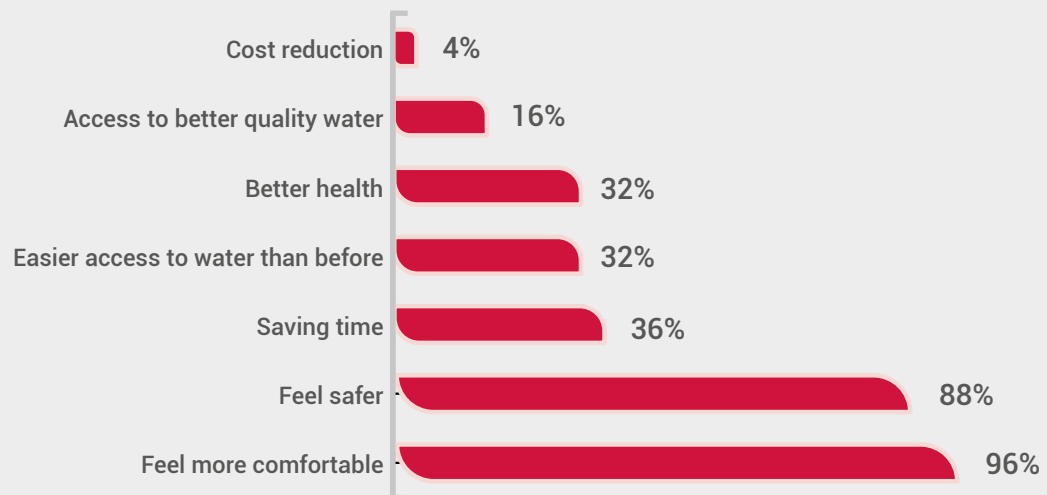
Prepared by the authors on the basis of customer survey. September 2021

## 6.5. Impact

All respondents consider that it has improved their family's quality of life (84% say a lot and 16% say some). 100% of customers would recommend this type of loan to others and only one customer mentions that they would not apply for a loan with the MFI again. The changes and improvements are related to the security and comfort obtained (96% and 88% respectively); 36% value the time savings and 32% value the access to water and improved health.

**Figure 5**

**Clients MFI - Credit Water and Sanitation  
Water and sanitation credit change in quality of life**




Source: prepared by the authors on the basis of customer survey. September 2021


**In general, 100% of the customers are satisfied with the investment in water and sanitation, 76% of whom are very satisfied with the attention and results obtained by being customers of the MFI. Customers' comments on the change in their families' standard of living focus on the comfort and safety of having a bathroom with a roof and walls, having more privacy inside the house, and the comfort and safety of having a proper toilet and not having to go to a latrine or outdoors.**


## 7


## Lessons learnt


## 7.1. Identifying success factors


- 


**01** It is necessary to point out the importance of prior market studies for geographic location, intended investment uses, financial product structuring, customer typology, geographic zones, etc.
- 


**02** Adequate selection of customers: stable at the economic, social and family level, which increases the probability of paying the instalments. More stable customers are more interested in improving the living conditions and comfort of their families and prioritise housing payments in their expenses.
- 

**03** At the stage of piloting the financial product, a conservative selection of customers to whom financing can be provided is required. There is a learning curve that advisors have to go through, mainly related to the management and appropriation of the various intended uses that can be offered.
- 

**04** The importance of advisors with knowledge of the communities' social networks: the promoter's action in selling the product is vital, as it helps deepen the identification of potential customers; identify local networks for the promotion of the product; have the skills and knowledge to recommend the type of investment under a progressive or combo approach; support in budget design and ensure the quality of the investment during the follow-up.
- 

**05** Flexibility and diversity in the intended use of financing: although the financial product can be a single one, the intended uses should be diverse and flexible to the conditions of the environment, housing and land of the customers.
- 

**06** Although it has not been possible to observe the results of the progressive approach of the investments promoted by the institutions, due to the execution time of the projects, this approach reduces the risks of over-indebtedness, builds customer loyalty and ensures a subsequent credit for the next stage of investment.
- 

**07** A common denominator of the customers interviewed is acknowledgement of their respective MFI for the financing opportunity. Customers highly valued the ease of processing, the different credit conditions compared to other financial products (mainly the fact that no physical collateral is required, the low amount of the monthly instalment to be paid and the interest rate). From the supply side, this can be explained by how assertive they were in structuring the product and selecting customers with good credit records or good references in the community.
- 

**08** Partnerships with companies or organisations that strengthen staff knowledge and skills in water and sanitation issues are key.

## 7.2. Unsuccessful practices



01 Avoid coming onto market with few intended water and sanitation uses: opting for a product limited to one or two intended uses reduces the supply and attractiveness of the product, as well as the incentives for customers to apply for financing. The characteristics of this type of investment make it easier to have a variety of intended uses with different construction combinations. An example is an MFI that started the offer with a product for bathrooms and toilets, when the demand requested other uses such as washbasins, septic tanks, etc.



02 Lack of transparency in the loan conditions, mainly with the upfront charging of fees and stationery expenses. There is little understanding of this condition among customers and in many cases they are surprised by the charge.

## 7.3. Considerations for wider accessibility, replicability and sustainability

01

It is not a product for everyone: although social indicators related to housing, access to water and sanitation show large shortfalls in all countries in the region, MFIs must be very careful with this type of financing, as not all families have the same needs and conditions to acquire financing for these purposes.



02 A key factor in the piloting process was to develop appropriate market studies that provided a clear definition of the geographical area of implementation of the pilot, the customer typology, and the demand for water and sanitation investments. This is in addition to the MFI's capacity to hire quality consultants.

02

03

Financing water and sanitation initiatives requires technical and construction knowledge by both field staff and management. It is key for MFIs involved in these initiatives to partner with institutions that promote water and sanitation investments for low-income populations to strengthen the technical and knowledge capacities of staff in order to have the skills to identify customers needs, be able to recommend supplies and investment timelines, provide support to customers in structuring costs, and recommend the type of investment to prioritise. This also includes technology providers.



04 It is important to build the necessary partnerships in advance with strengthening organisations, technical assistance and technology providers that ensure quality and coherence with the philosophy and social mission of microfinance institutions. When partnerships are structured "along the way", situations can be created that detract from customer management and discourage the continuity of the product within the institution.

04

05

The experience of the advisors, their relationship with the communities where they operate and the training they are given is key to expanding the coverage of this type of product.



06 Promotion and advertising should be diverse and extensive, combining both traditional media, such as megaphones, radio spots and brochures, as well as the use of technological platforms and digital advertising. The main challenge is how to adapt the promotion of this type of product and its intended uses so that it effectively reaches the target group of interest.

06

07

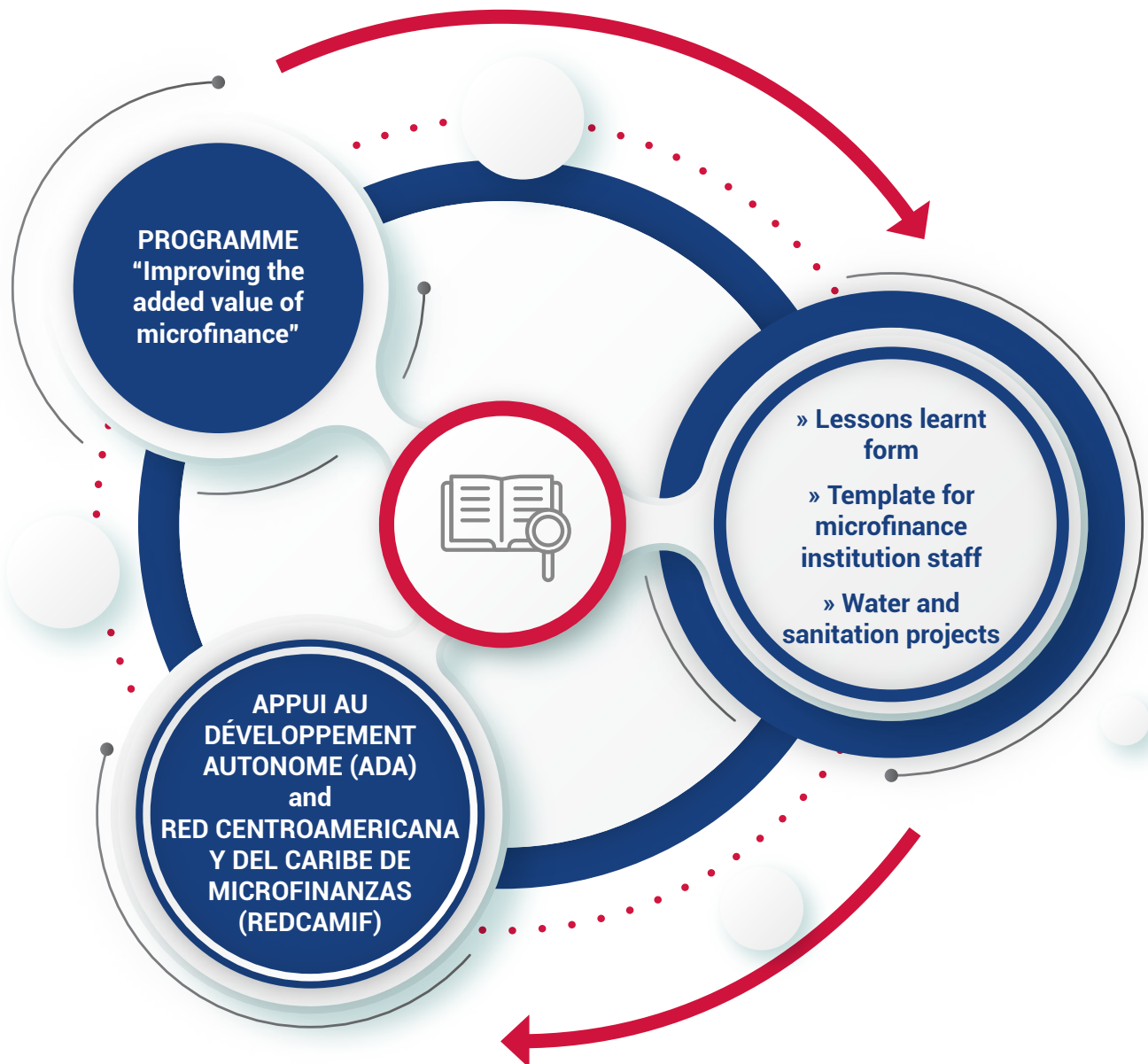
In order to make the product more widely accessible, the next stage should consider the development of social indicators on the access and use of the investments and technologies that are financed.



# 8

## Appendices

### 8.1. Microfinance institution staff interview form



**Use of the lessons learnt form**

By sending to MFI officials for completion

**Officials to be interviewed if necessary**

Credit advisors charge of pilots (maximum 2)

Official in charge of the project

**Customers**

Minimum 3 customers - Maximum 5 customers

MFI project (title and main components of the project):

Implementing Microfinance Institution:

Overall objective:

Country:

Time of implementation of the pilot: (dates and duration of the project)

Location of the pilot (general characteristics of the area):

What was the MFI's motivation for implementing the project?

At the end of the project, was the MFI satisfied with the way the project was designed?

Why?

What would you have changed in the project design (product, customer segment, area of implementation, expected results, etc.) and goals? When and why?

What do you think of the customer-centred approach used for the implementation of this project? Are you satisfied with it? And would you use this approach again in the implementation of other projects?

What were the major successes of the project?

From the perspective of the impact on customers and from the perspective of the MFI (max. 5)

What were the major difficulties of the project? (max. 5)

What were the unexpected results of the project?

Results in addition to the customers and to the strengthening of MFIs

What were the changes during the implementation of the project compared to what was initially planned?

Please rate your overall satisfaction with the implementation of the project from 1 to 5, where 1 is not very satisfied and 5 is very satisfied.

Number of customers financed

## 1. Product design and adaptation

- 1.1. What would you have changed in this phase? When and why?
  - 1.2. What was the success factor during this phase and why?
  - 1.3. What was the biggest difficulty during this phase?
  - 1.4. To what extent was the MFI internally ready for the implementation of a new product?
  - 1.5. Were the results of the market research useful for the development of the project?
  - 1.6. What adjustments would you make to the products to make them a more competitive?
- 

## 2. Staff training

- 2.1. What would you have changed in this phase? When and why?
  - 2.2. What was the success factor during this phase and why?
  - 2.3. What was the biggest difficulty during this phase?
  - 2.4. How many training sessions were held? What methodology was used? Was there a need for reinforcement or repetition of training?
- 

## 3. Structuring relationships with equipment/technical assistance providers

- 3.1. What would you have changed in this phase? When and why?
  - 3.2. What is the success factor in the provider relationship and why?
  - 3.3. What was the biggest difficulty during this phase?
- 

## 4. Promotion and marketing

- 4.1. What would you have changed in this phase? When and why?
  - 4.2. What was the success factor during this phase and why?
  - 4.3. What was the biggest difficulty during this phase?
  - 4.4. Was the MFI's in-house team used for this process or an external consultant?
- 

## 5. Financial aspects

- 5.1. Has the profitability of the product been identified? If so, what were the results?
- 5.2. If the product was profitable, what were the key factors in achieving profitability?
- 5.3. If the product was not profitable, why was this not the case?



## 8.2. Customer survey template

Section	Question
<p><b>Interview details</b></p>	<p>Customer identification</p> <p>Customer telephone number</p> <p>Name of the region</p> <p>Name of the municipality or town</p> <p>Rural or urban area?</p> <p>Date of the interview</p> <p>Hello,</p> <p>My name is [NAME OF SURVEY TAKER]. I am conducting a survey to find out if you are satisfied with the [NAME OF LOAN] loan offered by [NAME OF MFI] and how it has helped you.</p> <p>You have been selected on the basis of a random sample. The survey is anonymous and individual data from the questionnaires cannot be disclosed. You have the right to refuse to answer any question and to end your participation in the survey at any time.</p> <p>There is no compensation for your participation, but your answers may help [NAME OF MFI] to offer new financial services tailored to your needs. Your participation will take about 20 minutes.</p> <p>Would you like to continue?</p> <hr/>
<p><b>Customer information</b></p>	<p>What is your full name?</p> <p>What is your age?</p> <p>What is your marital status?</p> <p>What is your education level?</p> <p>How many persons in your household are adults aged 18 or over, including yourself?</p> <p>How many persons in your household are 17 years of age or younger?</p> <p>How long have you been a customer of [NAME OF MFI]?</p> <p>Unit of time</p> <p>How many times have you received a loan from [NAME OF MFI] (number of cycles, including current loan)?</p> <p>Were you a customer of [NAME OF MFI] before taking out the [NAME OF LOAN] loan?</p> <p>How did you find out about the [NAME OF LOAN] loan at [NAME OF MFI]?</p> <p>From what activity do you earn most of your income?</p> <p>What is your monthly income from this main activity? (in CURRENCY)</p> <p>Do you believe that the loan was granted at an optimal time for the implementation of your project?</p> <p>If not, please specify the most appropriate month for disbursement.</p> <p>Have you received the loan amount you requested?</p> <hr/>



Section	Question
<b>Customer information</b>	<p>Is the loan amount you received adequate to your needs to carry out your project in the best possible way?</p> <p>Did you use other types of financing to carry out this project?</p> <p>If so, which ones?</p> <p>Is the duration of the loan adapted to your project/situation?</p> <p>What do you think of [NAME OF MFI]'s loan access conditions (in terms of collateral required, minimum income, project characteristics, etc.)?</p> <p>What are the most difficult aspects?</p> <p>Since obtaining the loan, how long did you wait before starting to repay (grace period)?</p> <p>Was the grace period granted adequate/satisfactory?</p> <p>How often do you have to repay your loan?</p> <p>Were the repayment conditions you received adequate?</p> <p>Does the cost of the loan you have obtained seem reasonable (including interest rate, administration and insurance costs)?</p> <p>Did you encounter any difficulties in dealing with the [NAME OF LOAN] loan?</p> <p>If yes, what kinds?</p>
<b>Technical assistance</b>	<p>Did you receive technical assistance from [NAME OF MFI] on the use of the [NAME OF LOAN] loan?</p> <p>Who provided you with the technical assistance?</p> <p>What topics were explained to you?</p> <p>Did you have this knowledge before?</p> <p>Are you satisfied with this technical assistance?</p> <p>Why are you not satisfied?</p>
<b>Use of the loan</b>	<p>Did you use the [NAME OF LOAN] loan provided by [NAME OF MFI] for any purchase/investment/installation?</p> <p>What housing investment have you made with the [NAME OF LOAN] loan granted by [NAME OF MFI]?</p> <p>When did you make this purchase/investment?</p> <p>Would you have made this purchase/investment without the [NAME OF LOAN] loan provided by [NAME OF MFI]?</p> <p>Would you have made this purchase/investment without the technical assistance provided by [NAME OF MFI]?</p>

Section	Question
<b>Use of the loan</b>	<p>How long did you have to wait for the [PRODUCT OR MATERIALS] to arrive at your home after the purchase? (in days)</p> <p>How do you feel about this waiting period?</p> <p>Since installation, have you had any problems?</p> <p>If so, which ones?</p> <p>Are you satisfied with the supplier's after-sales service?</p> <p>Why are you not satisfied?</p> <p>Do you consider this [PRACTICE, PRODUCT OR MATERIALS] promoted by the MFI to be better value for money than conventional products?</p> <p>Is this purchase/investment useful for your personal daily life or economic activity?</p> <hr/>
<b>Impact</b>	<p>Do you consider that your quality of life has improved since you made this purchase/investment?</p> <p>Can you explain?</p> <p>In particular, have you noticed the following changes?</p> <hr/>
<b>General opinion</b>	<p>Would you recommend this loan to your friends/acquaintances?</p> <p>Why not?</p> <p>Would you be willing to apply for a loan from [NAME OF MFI] again?</p> <p>Overall, are you satisfied with the service provided by [NAME OF MFI]?</p> <p>Do you have any other comments that could contribute to improving [NAME OF MFI]'s service?</p> <hr/>



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