

Sustainable Sanitation

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Investing in Business Development Services

In Malawi, and in other countries, Water For People is investing in business development services (BDS) and market development activities to grow the number of businesses entering the sanitation market and increase success. This is a part of the Sanitation as a Business program funded by The Bill & Melinda Gates Foundation. The ultimate

goal is that businesses see the potential for profit and crowd in the market thereby providing the much needed sanitation services to communities and households without the need for constant ongoing donor funding. In Malawi our BDS business partner is Tools for Enterprise & Education Consultants (TEECs).

Bringing Businesses into Sanitation

Water For People carefully selected TEECs using criteria focused on business acumen, local presence, commitment, and enthusiasm for the sector, as well as the potential to grow into the role of a business leader in sanitation. Thus the focus for [selecting the BDS](#) was not heavily weighted on prior knowledge of the sanitation sector. Upfront costs to bring a business development firm like TEECs into the sanitation market are significant. In Malawi the cost is about US\$15,000 per month. Water For People has invested this significant amount to test the assumption that the private sector (through the BDS) can become a major business driver in the sanitation market. The overall intention of this market-based approach is that the BDS should quickly identify, pursue, and unlock opportunities that international NGOs could not do on their own. These resources are also used by TEECs to incubate multiple businesses to enter the market and support their development during this important stage. At present TEECs has identified and is supporting eight businesses with BDS services, six of which are now actively working with new customers. Just as Water For People did not select TEECs based

on previous sanitation experience, it was recognized that these entrepreneurs should have shown general business success so they can use this skillset to provide a high quality and competitive service in the sanitation market.



TEECs offices in Blantyre, Malawi

Opportunity for Pit Emptying Businesses

The populations of both Blantyre and Lilongwe in Malawi are expected to double between 2010 and 2030, reaching nearly four million between both cities, and at least half of this population will live in low-income areas. Currently the sanitation (pit emptying) service demand in these two cities is estimated at the equivalent of 2,085 drums per day (each

drum holds 200 liters/53 US gallons of sludge).

Until recently, emptying latrine pits was virtually impossible since in peri-urban areas a vacuum tanker cannot negotiate the narrow streets and lanes. Now, with the development of the Gulper (similar to portable hand pump that can lift waste from a pit

latrine), the sludge can be transferred to drums, which can be transported by pickup to a disposal site. Households in Malawi are willing to pay \$10-12 USD per drum, so with six drums on the pickup, a business could earn approximately \$60 USD per load. This shows the kind of opportunity that exists for entrepreneurs in the sanitation sector in Malawi.

The Pit Emptying Business Model

Annual income (assuming one truck load a day for 312 days per year) can reach over \$21,400 USD. While total expenditure is estimated at \$12,950 USD per year, which includes labor costs of \$5,000 USD, fuel costs of \$4,100 USD, dumping fees of \$1,050 USD, consumable costs (disinfectant and replacing equipment) of \$1,400 USD, and marketing costs of \$1,400 USD. Net margin (before interest and tax) is estimated at about \$8,450 USD per year. Presently six businesses are currently operational in Lilongwe and Blantyre. Collectively the

businesses have invested \$45,000 USD in form of assets and cash and the collective revenue for the past four months May-October, 2012 was just above \$10,000 USD. All income generated is from pit emptying services. So far, 22 new staff has been employed. While these businesses have started to provide services this is just the beginning. Two things are needed to make the investment in TEECs a lasting success: diversifying businesses into latrine construction and increasing the number of businesses entering the market.

Company Name	Staff*		Pits Emptied		Drums Emptied (200L)	
	May 2012	Oct 2012	May 2012	Oct 2012	May 2012	Oct 2012
Venture Sanitation	0	4	0	44	0	172
Clean It	4	4	0	21	0	80
Runock	1	6*	0	43	0	192.5
Kabula	2	6*	0	43	0	136
Gold	0	6*	0	5	0	88
Favorite	0	3	0	3	0	35
Total	7	29	0	159	0	703.5

*Designates one staff person is female

Above: Table showing performance of six TEECS-supported sanitation entrepreneurs

Business Diversification and Market Expansion

“Liberating the nation from filth and foulness” is the motto of TEECs. To fulfill the need of diversifying pit emptying business into latrine construction, they are currently seeking investors to establish a micro-finance agency in Malawi to provide sanitation loans for households to gain access to modern latrines. This will have the dual purpose of enabling the new sanitation businesses to diversify their portfolio to include latrine construction. And it will create a financing mechanism for

households to improve their sanitation facilities. TEECs is currently seeking an investment of \$1,500,000 USD to catalyze construction of modern sanitation facilities for more than 5,000 households. The long-term projection seeks to reach 30,000 households in the next five years as the business grows and expands to new markets.

Malawi Entrepreneur Profile: Runock Investments

Runock Investments was established in 2009 by Paul Chimwemwe and his wife, Sarah Mtuwa.

In September 2011, they began working with Tools for Enterprise & Education Consultants (TEECs) when they were recruited as a potential entrepreneur under the Sanitation as a Business (SAAB) program. Through their interaction with TEECs, Paul and Sarah gained an appreciation of the business potential of sanitation, given the high demand for services such as pit emptying especially in the low-income areas of Blantyre. Runock consequently began investing in a sanitation services business targeting two business models:

providing pit-emptying services and building latrines.

Runock worked with TEECs and has done intensive marketing around sanitation services, specifically for pit emptying using a Gulper. Runock received both financial and



Paul Chimwemwe, Managing Director of Runock

technical training from TEECs to establish

their business and learn how to operate a Gulper. In June 2012, Runock purchased a Gulper, recruited a team of four staff and began operations offering pit-emptying services. Within the first six months, Runock had emptied 43 pit-latrines and two septic tanks for customers within six low-income areas in Blantyre. This has resulted in revenue of 684,011 Kwacha (just over \$2,000 USD).

Paul and Sarah strongly believe the business has potential to expand to higher volumes and now intend to purchase a second Gulper and a truck to expand operations and increase their profitability. They are also diversifying into latrine construction.

Moving Forward

While it is encouraging to see the number of pits emptied growing, it is still a very low percentage of the overall market and need. Only 10 of 21 low-income areas in Blantyre and four out of 16 in Lilongwe have been reached by pit-emptying businesses. This clearly illustrates the huge gap that can be filled and the potential demand for entrepreneurs in this sec-

tor. To encourage more businesses to enter the market, TEECs is now pitching the pit-emptying business opportunity to owners of pickup trucks. This could be a new source of income for pickup truck owners and would take a relatively small investment to get started (estimated \$600 USD for a Gulper and basic equipment of drums, etc.).

A Business In Sanitation (BIS) marketing kit is also under development through the help of Water For People and a BDS partner, Captiva, based in Uganda. This will help a variety of BDS partners (including TEECs) to attract more entrepreneurs and investors into the sanitation services market.