

Micro-credit – a Nobel Peace Prize Winning Initiative

– but could it also be the way to tackle the sanitation crisis?

On a cold December 10th afternoon in 2006 in Oslo, Norway, Professor Muhammad Yunus accepted the Nobel Peace Prize on behalf of himself and his organisation – the Grameen Bank in Bangladesh. The Norwegian Nobel Committee stated that they had chosen the laureates “for their efforts to create economic and social development from below.”

Specifically, the Committee felt that:

“Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights.”

In essence, micro-credit implies giving small loans, usually less than USD 200, to individuals to establish or expand a small, self-sustaining business. The majority of the loans go to women, because past experiences and studies have shown that women are most likely to reinvest their earnings in the business or in improvements that benefit the entire family. According to one study, 1580 microfinance initiatives were reported worldwide in 2000; these served over 30 million people – 19 million of whom could be classified among the world’s poorest.

As often happens when it comes to new ideas and approaches, not everybody is convinced. Many of the critics of micro-credit argue that making profits from the poorest is ethically wrong. However, such statements should be judged against the fact that the interest rates provided by microfinance institutes are lower than those offered by unregulated money lenders, to whom the poorest are otherwise forced to turn.

Benefits can be wide-ranging

Micro-credit has had a positive impact far beyond the individual clients, and the Grameen approach has often proven to have indirect links to improvements in sanitation and hygiene among others. Working in partnership, the Grameen Bank and its clients have established and agreed to commit to “16 decisions.” These amount to a code of conduct or life-style choices, and include statements related to drinking water and sanitation: “we shall build and use pit-latrines” and “we shall

drink water from tubewells. If it is not available, we shall boil water or use alum.”

Linked to these 16 decisions are 10 indicators, which bank staff use every year to assess poverty levels and determine whether or not borrowers have improved their socio-economic position. As with the 16 decisions, two of these indicators refer to safe drinking water, hygiene and sanitation practices. This means that even if Grameen Bank’s borrowers use their loans for income-generating activities rather than sanitary improvements specifically, they are still committed to building and using latrines as part of the 16 lifestyle decisions that they have agreed to.

Such measures can have a profound effect on people’s standard of living. Prof. Yunus himself experienced this during one of his visits to a village in Bangladesh where the bank’s “code of conduct” had been instrumental in the installment of a latrine. There he was greeted by a number of women members of the Grameen Bank who thanked him warmly for “saving us women from the punishment of hell.” Prior to this, they had had to wait until dark to use the bush to relieve themselves, and had often faced harassment and assault.

Could micro-finance be the answer to the sanitation struggle?

In the face of the discussions and disputes that surround government and donor subsidies, household contributions, and supply and demand, many organisations and development partners have been asking whether micro-credit could provide the solution to the sanitation crisis.

Micro-credit has in fact been used in various forms in different sanitation programs with varying results. These different forms of micro-credit can be divided into three



Professor Muhammad Yunus

Photo: Private

main categories: (1) revolving community funds, (2) funds for household latrine construction, and (3) credit for supply-chain stimulation.

Revolving funds

When addressing sanitation at the community level, the system known as “revolving funds” is used without requiring collateral. Instead, money is saved collectively and lent out (with no interest) on a rotating basis to members of the community to cover the cost of a septic tank or slab. Individual households within the community often help by contributing labor. These types of arrangement, which use household and community resources for sanitation improvements, have been reported in a range of countries, including India, Lesotho, Vietnam, Bangladesh, Pakistan and Burkina Faso.

Funds for latrine construction

Attempts have also been made to provide micro-credit specifically for building latrines. An example is Lesotho’s urban development scheme, initiated in the 1980s, which provided household credits for investment in Ventilation Improved Pit latrines (VI-Platrines).



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In order to receive the credit, households had to dig a pit and provide a deposit of 30-40% of the total cost. The loans ranged from USD 50 to 300. By 1990, 600 loans had been approved in response to 4500 requests, 252 latrines had been built and 81% of the households had paid back their loans. However, close to 1000 latrines had also been built in the area targeted through private initiatives and investments.

This example highlights the need for a holistic approach with a mix of sanitation and hygiene promotion and the availability of affordable and acceptable sanitation options. The conclusion was that, although the project had not created a sustainable microfinance initiative, it had successfully promoted sanitation.

Stimulating supply chains

Another approach has been to provide micro-credit loans to small businesses and entrepreneurs at different points in the sanitation supply chain. This is similar to the approach the Grameen Bank applies to income-generating activities. In many cases, however, the loans were part of a holistic sanitation programme

The 16 Decisions of Grameen Bank

1. We shall follow and advance the four principles of Grameen Bank - Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimise our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.

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which builds demand through promotion and education, and builds supply by encouraging small, local businesses to capitalise on the demand exerted by the community.

Can sanitation generate income?

Sanitation can also provide further benefits, such as income generation. Ecological sanitation (ecosan) separate urine and excrement, both of which can eventually be used as agricultural fertilisers. Families can then either use it themselves in order to grow more crops, or sell the manure on to local farmers. For the households using the system, investment in sanitation provides both health and income-related benefits.

In Benin, the theft of containers of urine from an ecosan program run by the NGO CREPA provides a striking example of the value of urine as a commodity. The containers were later returned empty, proving that it was in fact the urine the thieves were after.

Sanitation also provides income benefits in that it cuts down the number of working days people lose as a result of sickness related to poor sanitation. In financial terms, the amounts being considered are enormous. According to WaterAid, for example, water-related diseases (caused by the lack of a clean water supply coupled with inadequate sanitation) costs the Indian economy 73 million working days a year.

Micro-credit: a means of empowerment

To accept the prize with Prof. Yunus were nine of his Bangladeshi borrowers: elected representatives of the Grameen Bank's 7 million borrowers-cum-owners. They are women who have, through the financial services offered to them by the bank, taken the needs and development of their families and communities into their own hands.

They are the living examples of the principle that development has to start from within and is about giving people the opportunities

Official Ten Indicators to Assess Poverty level

Every year Grameen Bank (GB) staff evaluate their work and check whether the socio-economic situation of GB members is improving. GB evaluates the poverty level of the borrowers using ten indicators. A member is considered to have moved out of poverty if her family fulfills the following criteria:

1. The family lives in a house worth at least Tk. 25,000 or a house with a tin roof, and each member of the family is able to sleep on bed instead of on the floor.
2. Family members drink pure water of tubewells, boiled water or water purified by using alum, arsenic-free, purifying tablets or pitcher filters.
3. All children in the family over six years of age are going to school or finished primary school.
4. Minimum weekly loan installment of the borrower is Tk. 200 or more.
5. Family uses sanitary latrine.
6. Family members have adequate clothing for every day use, warm clothing for winter, such as shawls, sweaters, blankets, etc., and mosquito-nets to protect themselves from mosquitoes.
7. Family has sources of additional income, such as vegetable garden, fruit-bearing trees, etc., so that they are able to fall back on these sources of income when they need additional money.
8. The borrower maintains an average annual balance of Tk. 5,000 in her savings accounts.
9. Family experiences no difficulty in having three square meals a day throughout the year, i. e. no member of the family goes hungry any time of the year.
10. Family can take care of the health. If any member of the family falls ill, family can afford to take all necessary steps to seek adequate health care.

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to improve their own lives. As the chairman of the Nobel Committee stated, "What started as an innovative local initiative, 'a small bubble of hope,' has thus grown to the point where it has made an impact on poverty alleviation at the national level."

We can all agree that innovative solutions are needed to finance sanitation. Micro-finance is one such solution. Can we learn from past experience, identify the factors leading to success, and adapt them to different settings, cultures and environment?

Of course, micro-finance alone is not "the" solution to the world's sanitation crisis. But, it is one novel financial solution that could work – together with demand creation, behaviour change, hygiene promotion, a variety of af-

fordable, sustainable and suitable technical solutions, and sustainable service provision. It is mainly a question of putting people in charge of their own development; it's about empowering people and giving them the capacity and resources to change their lives for the better! Or, as Professor Yunus put it so well in his acceptance speech in Oslo:

"Micro-credit is a well-tried and well-founded method that can bring financial services to the poorest of the poor. Micro-credit promotes entrepreneurship, and puts each individual poor person, especially women, in the driving-seat of their own lives."

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Photo: Håkan Jönsson

The Value of Excreta

The yearly human excretion of a family of six can from literature be assumed to be approximately 18.2 kg nitrogen (N) and 2.3 kg phosphorus (P). The fertiliser value of this yearly excretion of the family can be valued at 880 Indian rupees (INR), which over a ten year period has a present value of 5070 INR, assuming an interest rate of 10%. This means that an ecological sanitation system safely recycling both urine and faeces as fertiliser and costing less than 5070 INR will be paid off by the nutrient value in the human excreta within 10 years.

Source: Håkan Jönsson, Associate Professor, Swedish University of Agricultural Sciences - SLU, Uppsala University

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www.lboro.ac.uk/orgs/well/resources/fact-sheets, www.grameen-info.org/bank/the16.html, www.irc.nl, www.wateraid.org.uk, www.who.int/water_sanitation_health/en/, www.crepa.org, www.nobelpeaceprize.org, www.sei.se, www.ecosanres.org, www.wash-cc.org