

Focus In and Scale-Up

*Using Evidence-based Solutions to Transform the
Work of Partners and the Quality of Life for
Families and Communities*



Thrive Networks designs, tests, and delivers at scale innovative financing and service delivery models to bring reliable sanitation and water systems and education to underserved communities in Vietnam, Laos, and Cambodia. Over three decades of work, we have built a reputation for high-quality research and crafted trusted relationships with local partners.

The evidence-based outcomes from our projects are being utilized by government agencies, the private sector, and local civic organizations to scale-up proven solutions to dramatically improve the health and living standards of families across entire communities and regions.



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Dear Friends,

Thrive Networks approaches our 30th year with a tremendous legacy of delivering sustainable sanitation, water, health, and education services to underserved communities in Southeast Asia. Our investment in programs that produce evidence-based approaches has created solutions that we are scaling-up to reach tens of thousands of families across multiple provinces and entire school-aged populations.

Since joining the organization in May of 2017, I have been impressed with  Thrive's strong reputation, based on the pillars of evidence-based outcomes and trusted partnerships. This annual report features numerous examples of our staff's innovative efforts to design financing and business models that deliver sustainable solutions with partners in government, the private sector, and community-based organizations.

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Our strategy for the immediate future is to focus-in and scale-up. We have much to share from our research and programs that can be adopted by other outstanding organizations around the world. Focusing now on scaling-up our proven approaches in Vietnam, Laos, and Cambodia will position Thrive Networks to become a global leader to improve the standard of living and health of millions of people across the globe.

Technological advancements can create breakthroughs, but too many development projects have failed over the last 30 years because they focused only on technology. To make lasting change that continues without ongoing funding or external support, the relationships between organizations and the delivery of services, what we call the ecosystem, must be informed by local norms and culture. The role of the Vietnam Women's Union as the initial contact and education arm for Thrive Networks' sanitation program is an excellent example of how integrating existing social networks into the structure of a sanitation delivery system accelerates implementation and the exit strategy for external parties such as Thrive Networks.

At Thrive Networks, we integrate rigorous third party research and assessments into our programs, making us a valuable resource to funders and implementing partners who share our commitment to delivering sustainable solutions. Our recent research into the effect of household subsidies on the uptake rate for hygienic latrines provides actionable insight that we have shared so that our partners learn alongside us and become experts capable of applying the lessons learned from our research to their own work, at a far larger scale.

Expanding the involvement of the private sector and individual households is essential to scaling-up sanitation and water system connections. Access to affordable financing is a stubborn obstacle. Thrive Networks is leading research and piloting innovative methods for using output-based subsidies and rebates to create attractive markets where none have existed before.

Today, Thrive Networks is equipping government agencies with research and information to effectively implement policies and invest resources to create lasting improvements in underserved communities. Our staff is training community-based organizations to take leadership in shaping their own futures based on proven approaches and technologies to address their clean water and sanitation needs. And, we are piloting new finance delivery schemes that allow families to invest in their health and improve their standard of living.

Thank you for your support of Thrive Networks' work. As you read through the 2016 Annual Report, you will find that a great deal has been accomplished in the past year. With your continued involvement, we can scale-up the delivery of affordable sanitation, clean water and education programs to support healthier families and build vibrant communities in Vietnam, Cambodia, and Laos today, and around the world tomorrow.

Sincerely,

Lynn Foden - Chief Executive Officer
Melinda Griffith - Board Chair

SANITATION

Vietnam Women's Union Mobilizes CHOBA 2

Launched in July of 2016 with funding from the Bill and Melinda Gates Foundation, the Community Hygiene Output-Based Aid (CHOBA) 2 program is dramatically increasing the number of households reached with financing and education about hygienic latrines by expanding the role of Vietnam Women's Union (WU) members as community mobilizers.


As a network that spans the country, WU members are an effective force for getting accurate surveys of existing sanitation practices and educating families about the health benefits of investing in hygienic latrines. WU members have successfully mobilized loans and aid funds for household use from provincial and commune government sources, and the WU mobilizers provide guidance to the project management board, giving the women a voice and a role in the success of each installation. A stipend is paid to the WU volunteer for each verified installation.

One WU mobilizer offered this reflection on her experience **when meeting with program staff**.

"Before CHOBA, I did not have much knowledge or communication skills. But since my participation in the project, I see clear improvement; now I am more confident to talk. There are also changes in my family. When I got married, my mother-in-law managed the household finances. Since my participation in the CHOBA project, I have my own voice and my mother-in-law trusts me. She allows me to make decisions about finances and any other thing. My mother-in-law even said that, "I feel very proud about Hanh."

Since I started to mobilize people in the CHOBA project, I see that the sanitation and environment has been much improved. There is no more garbage spreading on the two sides of the road. Families classify their garbage and there is treatment. I feel happy knowing that I helped improve the rural sanitation in my commune."

CHOBA 2 is promoting a nationwide sanitation conversation through **these key activities**:

- 1 national and 5 provincial launching conferences 
- 6 Trainings for Trainers
- 108 trainings for promoters at the commune level
- 2 workshops providing instruction for the privately manufactured ROTO tank

In the coming year, CHOBA 2 aims to install hygienic toilets in 20,000 households by expanding the use of in-house financing and engaging additional investors. Through workshops, landscape analysis reports, and detailed pilot designs, Thrive Networks will support government agencies and other organizations with the lessons from these pilot projects.

Output-Based Aid – Building Accountability

Output-Based Aid (OBA) is an innovative model to expand access to basic services for the underserved and to ensure sustainability. Under traditional aid programs, the donor provides funding to implementing partners before the work begins. OBA delivers payment based on verified results after implementation. The donor and service provider agree on a payment level that is profitable to the service provider and cost effective. The service provider mobilizes funds to pre-finance the work. The OBA model builds in accountability, design to meet the needs of users, and incentives to encourage delivery of “last mile” services – the final, and often most expensive, leg of a delivery network.

OBA LESSONS LEARNED

Water Supply: Paying for each new household connected to an existing system incentivizes utilities to deliver “last mile” coverage, which often includes underserved households.

Sanitation: Small rebates paid upon verification of properly built and used latrines encourages underserved households to build hygienic latrines now, not later.

Cost: OBA delivery is a very cost effective approach to reaching the poor and is highly effective in leveraging local investment.

TRADITIONAL INPUT-BASED APPROACH

Donor Funds Project



Service Provider Paid



Installation Service Completed

OUTPUT-BASED APPROACH

Donor & Service Provider agree on a partial
subsidy for each installation



Service Provider Mobilizes Financing



Installation Service Completed



Independent verification of
installation



Donor awards partial subsidy to
service provider and poor households
after the installations is verified

Demonstrating Sanitation Ecosystems for Government Scale-Up



Under the Australian government's Civil Society WASH Fund 2, Thrive Networks' sanitation focus in 2016 moved away from comparing the cost of OBA with existing government approaches and focused on demonstrating the effectiveness of the model to scale-up rural sanitation coverage.

Using seven years of field experience testing sanitation ecosystems comprised of government agencies, health workers and the Vietnam Women's Union, Thrive Networks is delivering evidence and demonstrated results to inform policy change. We have found that identifying "champion" provinces to profile and celebrate in national forums promotes further buy-in and a sense of competition between provinces. Provincial champions are highly effective as trainers and at encouraging their peers to get on board.

Thrive Networks provided data demonstrating that after 30 months, the uptake rate achieved by its East Meets West (EMW) program is four times faster than the National Target Program (NTP). Under EMW 16,000 latrines were built, while 4,000 were built in the same period under the NTP in four provinces.

In 2016, examples of some Vietnamese provinces committing their own resources to an OBA approach include:

- Ben Tre Province: \$ 22 subsidy provided for each underserved household that builds a latrine
- Thai Nguyen Province: 200 KG of cement allocated for each underserved household building a latrine
- Ha Tinh Province: \$25 OBA rebate match for each household that builds a latrine
- Three Provincial People's Committees have committed to phase in provincial budgets for output-based sanitation



Research Cambodia

Complementary Interventions: Outcome-Based Aid and Sanitation Marketing



| | Sanitation Marketing | OBA Subsidy | Both Interventions |
|-----------------------|----------------------|-------------|--------------------|
| Wealthiest households | 18% | 7% | 25% |
| Median households | 29% | 22% | 33% |
| Poorest households | 8% | 17% | 33% |

Thrive Networks wanted to understand how sanitation marketing (SanMark) and OBA subsidies affect latrine uptake and whether or not subsidies to underserved households might decrease latrine uptake by better-off households.

Together with the Water and Sanitation Program of the World Bank, we examined the differences in latrine uptake across three income levels in 120 villages in Cambodia exposed to an OBA subsidy (rebate and discount), SanMark alone, or both interventions combined. The study found that the availability of subsidies to households with lower incomes increased latrine adoption among all households. Meanwhile, there was no evidence of pro-poor subsidies acting as a disincentive to wealthier households to purchase and build latrines.

Advancing Fecal Sludge Management in Vietnam

As part of its research grant under CHOBA 2, Thrive Networks is joining the Asian Institute of Technology (AIT) to pilot technical and service delivery options to address the lack of rural fecal sludge management (FSM) in Vietnam.

While hundreds of thousands of septic tank latrines have been built in rural Vietnam over the past decade, there are currently little to no systems in place for emptying and safe disposal. Thrive Networks will work with the Vietnam Women's Union, the Ben Tre provincial government, and local stakeholders to develop a delivery ecosystem capable of providing high quality and sustainable FSM service. If suitable technical options are identified in the feasibility study, a pilot project will follow to inform a national FSM policy guideline to support government agencies in the future.



2,415 latrines have been constructed under the Civil Society WASH Fund 2 program, leveraging a \$12,075 investment by the Government of Cambodia.

Testing Public-Private Sector Sanitation Models in Cambodia

Thrive Networks is combining government advocacy and a revenue-generating commercial model to expand sanitation delivery in Cambodia. Under the program, the government covers the full subsidy for underserved households and private sector partners cover the costs of the performance based incentives in the sanitation ecosystem.

Thrive Networks is testing this approach in 30 communes in Prey Veng province. The provincial Department of Finance has allocated budget to the commune fund that provides \$5 out of a total \$18 rebate to every household below a certain income threshold that builds a latrine. Funding from the Australian government is covering the \$13 difference. By working closely with government partners, we expect that the Commune Council will be able to cover the total rebate within the next three years.

Data Collection Helps Lao Deliver Sanitation Equitably

Sanitation services reach approximately 62% of households in Laos; however, the discrepancy between urban and rural settings remains high, with 87% of urban households using a proper toilet compared to only 48% in rural areas.

To help local authorities focus limited resources where the need is greatest, Thrive Networks developed a simple and transparent poverty identification system using **four** indicators: (i) housing conditions, (ii) **primary** income, (iii) **economic hardship** and (iii) assets. This approach identified 3,796 potential beneficiary households that met the criteria in target villages.

To further expand access to improved sanitation, **Thrive Networks** and The Ministry of Health's National Center for Environmental Health and Water Supply (Nam Saat) signed an agreement in May 2016 to expand Community-Led Total Sanitation, hygiene promotion, and sanitation marketing in ten districts in Sekong and Champasak provinces through financial incentives at both the household and village levels.



RESEARCH:

Nudging a Hand Washing Habit

When was the last time you gave a child a nudge? For example, that gentle prompt to change a behavior such as sitting up straight. Can visual nudges at school, such as reminders painted on a walkway, influence children’s hand washing behavior? And do the effects of nudging last over time? Through **dewroming studies and surveys in** 3,119 schools in **four** provinces of Vietnam, we found that 85% of schools have hygienic latrines and, when soap is available, nudges do have a significant impact on hand washing behavior.

PERCENTAGE OF STUDENTS OBSERVED WASHING HANDS

(with hand washing station located close to the latrine)

| | Without Nudges | With Nudges | Percent Increase |
|--------------|----------------|-------------|----------------------|
| Boys | 37% | 65% | 28 percentage points |
| Girls | 51% | 77% | 26 percentage points |
| All Students | 43% | 70% | 27 percentage points |

Maintaining nudges, especially nudge paintings on the foot path where children walk to the latrine, can sustain the desired behavior. At the same time, if the distance to the hand washing place is located 10 meters or more from the latrine, frequency of hand washing declines by roughly a third. These results are just one piece in a complex puzzle Thrive Networks is working to better understand in order to promote healthier behaviors.

Increasing Women's Influence in the Household

“When the wife made the decision, the latrines were more hygienic.”



Thrive Networks has implemented OBA in sanitation in Vietnam to reach over 150,000 households. A key element of this model is the 5,000 Vietnam Women's Union volunteers who have focused on reaching the poorest 40% of households. We conducted two studies to understand how a large scale rural sanitation program in Vietnam affects women's roles in their homes and communities.

One study included 517 households, where the decision to install a latrine was made either by the wife, the husband, or jointly. The study found that neither total family income, nor family size influenced the role of the wife in the decision to install a latrine. In homes that installed latrines without CHOBA, the husband was the main decision maker 55% of the time. When CHOBA was involved, this rate decreased to 31% of households. These elements of the CHOBA program appear to increase the wife's decision-making role to invest in a latrine:

- When a Vietnam Women's Union Mobilizer informed the wife about hygienic latrines
- When the family obtained a loan from VBSP
- When the Vietnam Women's Union assisted the wife with the loan application



CONCLUSION

Promoting latrines and education on health benefits did not influence the balance of power in the households while practical information regarding latrine options, costs, and masons did increase the wife's influence. It also appears that men gave greater weight to costs while women emphasized health. When the wife made the decision, the latrines were more hygienic.

Smart Incentives Encourage Private Sector to Build Rural Water Systems

Through the \$1.6 million Private Sector Innovations Project, The Government of Australia is supporting the Government of Vietnam's efforts to mobilize private investment using output-based incentives. Thrive Networks' EMW program, alongside the Australian Water Association and provincial governments, has attracted five private enterprises in three provinces to compete in a bidding process to build and maintain rural water systems where households cannot afford the cost. Smart subsidies are paid to private installers when all target households in the service area are connected to the scheme and have water with sufficient pressure and quality.

Thrive Networks calculated the full life cycle cost of construction, management, maintenance, and depreciation of rural water schemes, and then used a life cycle revenue model to project the total income over the life of the scheme.

The difference between the full life cycle costs and revenue is covered by the output-based subsidy. The subsidy is designed to incentivize private investment in a market that, without intervention, is not attractive enough.

When the subsidy is agreed upon, enterprises bid for the project through a competitive tendering process. The winners then finance and construct the schemes.

Private Sector Innovations (PSI)


Thrive Networks signed Memorandums of Understanding with Ha Nam and Son La provinces to pilot public-private water supply ecosystem models that will use an OBA approach to provide subsidies for investment in rural water schemes. The Australian Water Association (AWA) **is taking the** lead to provide the technological innovation component in Son La province. The bidding process will select private enterprises to deliver 3,000 new household water connections (1,000 household connections in Son La and 2,000 in Ha Nam). In preparation for the bidding process, the following steps have been completed or are underway:

- i. Project locations have been selected in each province
- ii. A baseline survey was conducted in Ha Nam
- iii. Consultants have been contracted to manage the competitive bidding process to select private enterprise service providers

Delivering Last-Mile Clean Water Services



Thrive Networks water programs reach underserved households, increase accountability, and drive operating efficiencies by making payments to service providers for each new household connected to a new, expanded, or rehabilitated water supply network. Properly structured financial incentives can promote “last-mile” (the final, and often most expensive, leg of a delivery network) service delivery by creating a market attractive to private sector water service providers.

With  financial support from Australia’s Department of Foreign Affairs and Trade (DFAT), Thrive Networks connected 7,041 households in Vietnam and 350 households in Cambodia to clean water systems in 2016. **All** are piped village water systems with metered household connections. A smaller number are school-based water systems. Thrive Networks transfers ownership and management of these water systems to government, private operators once they are operational.

With funding from Grundfos, Thrive Networks completed five clean water projects in Ben Tre and Tien Giang, delivering safe water to 2,758 households. Training was conducted for ten enterprises and six sessions were held to raise awareness about clean water and sanitation.

Negotiations were completed to assign costs per connection with a local clean water provider for the Que Thuan project, funded by Andersons, and a main pipe was installed at the Dai Tan project. In the coming year, two clean water projects in Long An and a project funded by Grundfos in Dong Thap will conclude. A third well at Ha Vinh will be completed and the Que Thuan project will be upgraded. Separate projects at Phuoc Chien, Thuan Bac, and Ninh Thuan will begin.

Digital Monitoring & Evaluation System Receives High Marks

Thrive Networks successfully launched a digital monitoring system this year to provide accuracy, efficiency, and high-quality reporting. Donors, including Australia's Department of Foreign Affairs and Trade and The Bill and Melinda Gates Foundation, reviewed and gave positive feedback about the system.

Since its launch, the digital M&E system has identified a redundancy mistake with 190 sanitation cases in four provinces in Vietnam. We developed a database for 240 water schemes funded and built by Thrive Networks within the last 15 years, and the database identified numerous challenges and provided insight for the future strategy for Thrive Networks' Water program.

National and provincial counterparts in Vietnam (NCERWASS and PCERWASS) are eager to apply the digital monitoring system to their work in order to increase integrity and productivity, find and reduce water leakage, and improve their services to rural households. We intend to hand over the system and provide technical assistance to local counterparts in Ben Tre province to set up digital water network management for PCERWASS.

In the coming year, use of the digital monitoring system will expand to other projects in Cambodia and Vietnam, such as the **Private Sector Innovations project** and Fecal Sludge Management research. We will use it to implement quality assurance for WASH projects and expect to become more efficient at internal monitoring for project management, conducting an internal audit, and monitoring trips to the field. It will also support plans to conduct evaluations and consumer satisfaction analysis, focusing on WASHOBA projects.

to ¼ page– Lynn is getting this

Simple Health Solutions Keep Children in School



Keeping children in school is the best way to improve their opportunities for financial security as adults. However, when a child's body is fighting a helminth infection, attending school can become physically impossible. The worm infection interrupts the body's ability to absorb nutrients, causing anemia and malnourishment that can impair the child's mental and physical development. With no energy or strength, paying attention in the classroom or simply getting to school becomes an insurmountable obstacle.

In April 2016, 693,000 students in almost 3,000 schools across four provinces in Vietnam were given a safe, effective, and low-cost medication to cure infection by intestinal parasitic worms. This mass drug administration (MDA) to fight soil-transmitted helminth infection in children was made possible by a **four and a half** year, \$2 million grant from the Dubai Cares charitable foundation to Thrive Networks.

The deworming program has trained 7,900 health service providers and teachers with additional funding from The Vietnamese Ministry of Health and Vietnamese Health Environment Management Agency; the National Institute of Malariology, Parasitology and Entomology; and the Ministry of Education and Training. **A major objective of this program in Vietnam is to assess if integrating hygiene education in schools with school-based deworming can further reduce reinfection rates.**

During 2016, Thrive Networks, in close coordination with Evidence Action (the technical partner of Thrive Networks in this program) and Vietnamese government partners VIHEMA and NIMPE, has successfully implemented the two rounds of Mass Drug Administration in the four target provinces.

In the near future, we anticipate that this evidence-based deworming strategy **can** prepare the Vietnamese government to adopt a systematic deworming approach as official government policy, protecting the health of students throughout the country so that their academic dreams become reality.

SPELL Scholarships Keep At-Risk Students in the Classroom

Poverty is the single greatest threat to ending a child's education early. SPELL – Scholarship Program to Enhance Literacy and Learning – is a holistic approach that helps the most disadvantaged students from the poorest districts in Vietnam graduate from high school.

In 2016, 1,536 girls and 775 boys received scholarships for school fees, books, uniforms and intensive academic tutoring. These students performed well and achieved the following:

- 97.3% of 9th grade SPELL students were accepted into secondary school
- 93% of 12th grade SPELL students graduated, matching to the national average
- 35.2% of 12th grade SPELL students were accepted to university, maintaining the trend of 35% in 2015 and an increase from 25% in 2014.

SPELL also supported training programs on teamwork and presentations skills for students. The program develops youth who are motivated to improve their communities. Almost 92% of SPELL students attended volunteer activities in 2016.

In 2017, SPELL continues to aim for high student graduation and achievement rates and plans to provide laptops for 30% of students.



COMPASSION HOMES

With small individual grants, Thrive Networks constructed 23 new, quality, Compassion Homes in 2016 to shelter 117 people. Some of these homes were built for families of SPELL Scholarship students (see Nguyen Thi Tien Linh's story next) and reinforced efforts to keep children most at risk of dropping out in the classroom and on to graduation.

The gift that shelters a SPELL Scholar

Miss Nguyen Thi Tien Linh grew up with her mother and aunt in one of the poorest households in Binh Sa commune, Thang Binh district, Quang Nam province. At 49 years old, Linh's mother works hard as a farmer on a 1,000 meter rice field to provide for Linh and an aunt, who cannot work due to a disability. As the only income earner in the family, sometimes Linh's mother takes additional jobs as a day laborer to make extra money. Still, Linh's mother knows that her daughter's education is the key to Linh having an easier life than she has had. She works every day to keep Linh in school.

When Linh was accepted to the SPELL Scholarship program as a 5th grader, the family lived in a small brick house. Because they could not afford mortar for the walls, light came through between the bricks and water flowed inside the house whenever it rained. In 2013, the tin roof blew away in a typhoon. Thrive Networks replaced the roof, but the house continued to deteriorate. Eventually, a wall fell down. With the tin roof too low, the house became unbearably hot in the sunny season.

Local staff recognized that Linh was at risk of having no shelter and knew that this could cause her to drop out of school. The Compassion Home program intervened to build the family a new house with two bedrooms, a living room, kitchen area, latrine and veranda. It is much sturdier than her old house, with finished brick walls, a cement floor, tile roofing, wooden framed windows, doors, and an electrical system.

Linh does not take the support her family has received for granted. Ranked an average student in 2009, Linh advanced to become an excellent student with the support of the SPELL. What can a young student achieve with a safe roof over her head and a small scholarship? In July, Linh was accepted into the Economic University and is on her way to college.

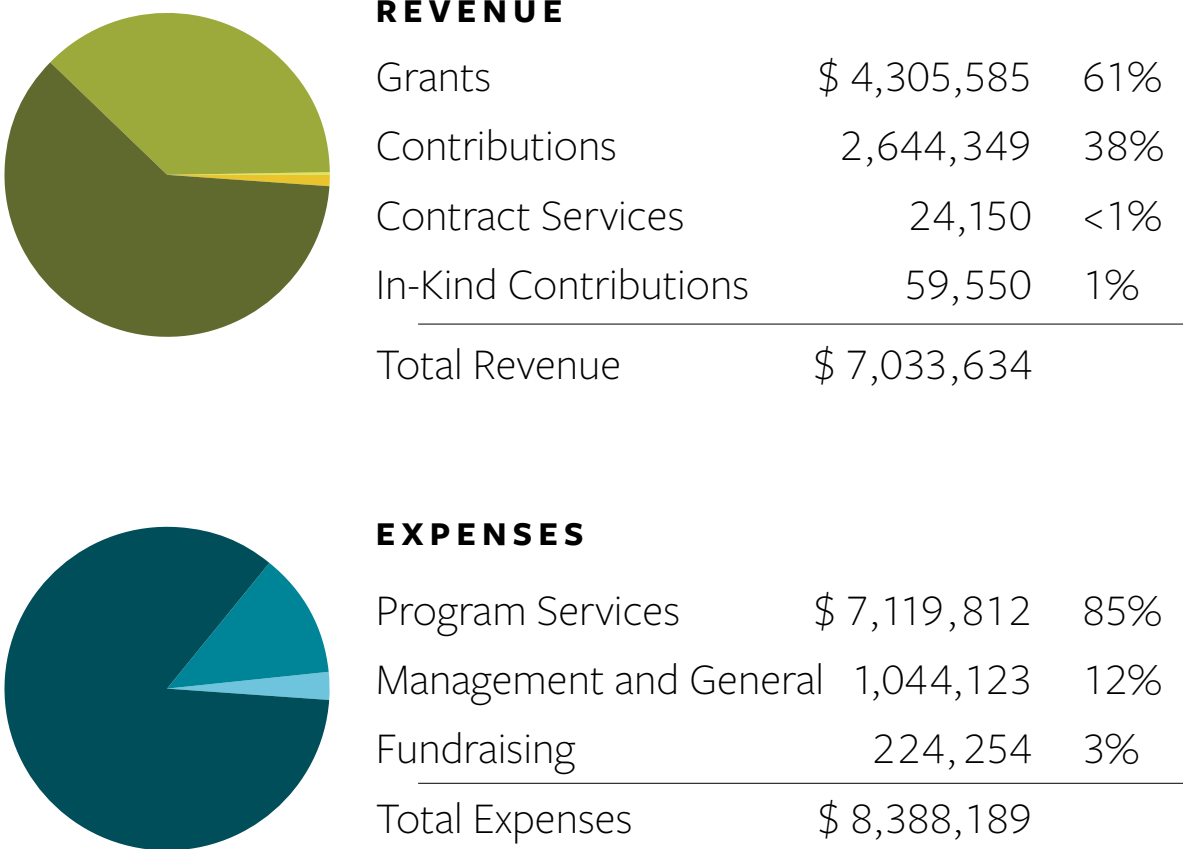
The family is overjoyed and Linh's mother called EMW's office to express her sincere thanks.

A bright future to Linh and her family!



Financial Information

Year Ended December 31, 2016



KNOWLEDGE AND LEARNING



In 2016, Thrive Networks established several key research relationships, including one with the Institute of Sustainable Futures at the University of Technology Sydney (ISF). ISF’s existing researchers in the region have been well received nationally and internationally.

Under WASHOBA, efforts continue to improve technical and monitoring skills for people involved throughout the program’s implementation. Twenty-three training courses were provided on data collection, monitoring tools, and verification techniques. More than 50% of the participants were women.

Thrive Networks Water presented the research results of several studies at these international events in 2016:

- STOCKHOLM WATER WEEK
- WASH Futures in BRISBANE
- EAST ASIAN REGIONAL CSO WASH LEARNING EVENT IN HANOI
- TOILET BOARD COALITION MEETING IN MUMBAI

Major Donors

Thrive Networks acknowledges the individual and institutional donors who make our work possible. We are deeply grateful for your commitment to improving the health and well-being of underserved communities in Vietnam, Laos, and Cambodia.

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Focus In and Scale-Up

*Using Evidence-based Outcomes to Transform the
Work of Partners and the Quality of Life for Families
and Communities*

Thrive Networks designs and tests innovative financing and service delivery models to bring reliable sanitation and water systems and education to underserved communities in Vietnam, Laos, and Cambodia. Over three decades of work, we have built a reputation for high-quality research and crafted trusted relationships with local partners.

The evidence-based outcomes from our projects are being utilized by government agencies, the private sector, and local civic organizations to scale-up proven solutions to dramatically improve the health and living standards of families across entire communities and regions.

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Dear Friends,

Thrive Networks approaches our 30th year with a tremendous legacy of delivering sustainable sanitation, water, health, and education services to underserved communities in Southeast Asia. Our investment in programs that produce evidence-based technologies and methods has created solutions that we are scaling-up to reach tens of thousands of families across multiple provinces and entire school-aged populations.

Since joining the organization in May of 2017, I have been impressed with Thrive's strong reputation, based on the pillars of evidence-based outcomes and trusted partnerships. This annual report features numerous examples of our staff's innovative efforts to design financing and business models that deliver sustainable solutions with partners in government, the private sector, and community-based organizations.

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Our strategy for the immediate future is to focus-in and scale-up. We have much to share from our research and programs that can be adopted by other outstanding organizations around the world. Focusing now on scaling-up our proven approaches in Vietnam, Laos, and Cambodia will position Thrive Networks to become a global leader to improve the standard of living and health of millions of people across the globe.

Technological advancements can create breakthroughs, but too many development projects have failed over the last 30 years because they focused only on technology. To make lasting change that continues without ongoing funding or external support, the relationships between organizations and the delivery of services, what we call the ecosystem, must be informed by local norms and culture. The role of the Vietnam Women's Union as the initial contact and education arm for Thrive Networks' sanitation program - funded by the Bill and Melinda Gates Foundation - is an excellent example of how integrating existing social networks into the structure of a sanitation delivery system accelerates implementation and the exit strategy for external parties such as Thrive Networks.

At Thrive Networks, we integrate rigorous third party research and assessments into our programs, making us a valuable resource to funders and implementing partners who share our commitment to delivering sustainable solutions. Our recent research into the effect of household subsidies on the uptake rate for hygienic latrines provides actionable insight that we have shared so that our partners learn alongside us and become experts capable of applying the lessons learned from our research to their own work, at a far larger scale.

Expanding the involvement of the private sector and individual households is essential to scaling-up sanitation and water system connections. Access to affordable financing is a stubborn obstacle. Thrive Networks is leading research and piloting innovative methods for using output-based subsidies and rebates to create attractive markets where none have existed before.

Today, Thrive Networks is equipping government agencies with research and information to effectively implement policies and invest resources to create lasting improvements in underserved communities. Our staff is training community-based organizations to take leadership in shaping their own futures based on proven approaches and technologies to address their clean water and sanitation needs. And, we are piloting new finance delivery schemes that allow families to invest in their health and improve their standard of living.

Thank you for your support of Thrive Networks' work. As you read through the 2016 Annual Report, you will find that a great deal has been accomplished in the past year. With your continued involvement, we can scale-up the delivery of affordable sanitation, clean water and education programs to support healthier families and build vibrant communities in Vietnam, Cambodia, and Laos today, and around the world tomorrow.

Sincerely,

Lynn Foden - Chief Executive Officer
Melinda Griffith - Board Chair


SANITATION

Vietnam Women's Union Mobilizes CHOBA 2

Launched in July of 2016 with funding from the Bill and Melinda Gates Foundation, the Community Hygiene Output-Based Aid (CHOBA) 2 program is dramatically increasing the number of households reached with financing and education about hygienic latrines by expanding the role of Vietnam Women's Union (WU) members as community mobilizers.

As a network that spans the country, WU members are an effective force for getting accurate surveys of existing sanitation practices and educating families about the health benefits of investing in hygienic latrines. WU members have successfully mobilized loans and aid funds for household use from provincial and commune government sources, and the WU mobilizers provide guidance to the project management board, giving the women a voice and a role in the success of each installation. A stipend is paid to the WU volunteer for each verified installation.

As CHOBA 2 got underway, one WU mobilizer offered this reflection on her experience.

 *"Before CHOBA, I did not have much knowledge or communication skills. But since my participation in the project, I see clear improvement; now I am more confident to talk. There are also changes in my family. When I got married, my mother-in-law managed the household finances. Since my participation in the CHOBA project, I have my own voice and my mother-in-law trusts me. She allows me to make decisions about finances and any other thing. My mother-in-law even said that, 'I feel very proud about Hanh.'"*

Since I started to mobilize people in the CHOBA project, I see that the sanitation and environment has been much improved. There is no more garbage spreading on the two sides of the road. Families classify their garbage and there is treatment. I feel happy knowing that I helped improve the rural sanitation in my commune."

CHOBA 2 is promoting a nationwide sanitation conversation through the following trainings and workshops:

- 1 national and 5 provincial launching conferences
- 6 Trainings for Trainers
- 108 trainings for promoters at the commune level
- 2 workshops providing instruction for the privately manufactured ROTO tank

In the coming year, CHOBA 2 aims to install hygienic toilets in 20,000 households by expanding the use of in-house financing and engaging additional investors. Through workshops, landscape analysis reports, and detailed pilot designs, Thrive Networks will support government agencies and other organizations with the lessons from these pilot projects.

Output-Based Aid – Building Accountability into Sanitation Systems

Output-Based Aid (OBA) is an innovative model to expand access to basic services for the underserved and to ensure sustainability. Under traditional aid programs, the donor provides funding to implementing partners before the work begins. OBA delivers payment based on verified results after implementation. The donor and service provider agree on a payment level that is profitable to the service provider and cost effective. The service provider mobilizes funds to pre-finance the work. The OBA model builds in accountability, design to meet the needs of users, and incentives to encourage delivery of “last mile” services – the final, and often most expensive, leg of a delivery network.

OBA LESSONS LEARNED

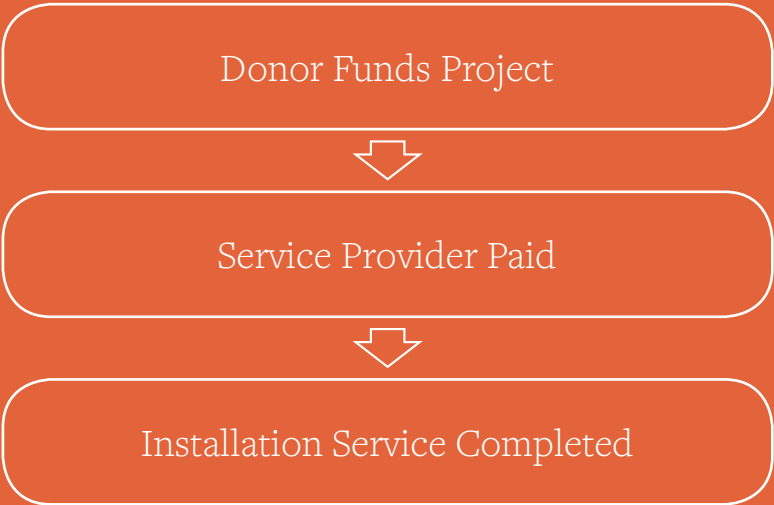
Water Supply: Paying for each new household connected to an existing system incentivizes utilities to deliver “last mile” coverage, which often includes underserved households.

Sanitation: Small rebates paid upon verification of properly built and used latrines encourages underserved households to build hygienic latrines now, not later.

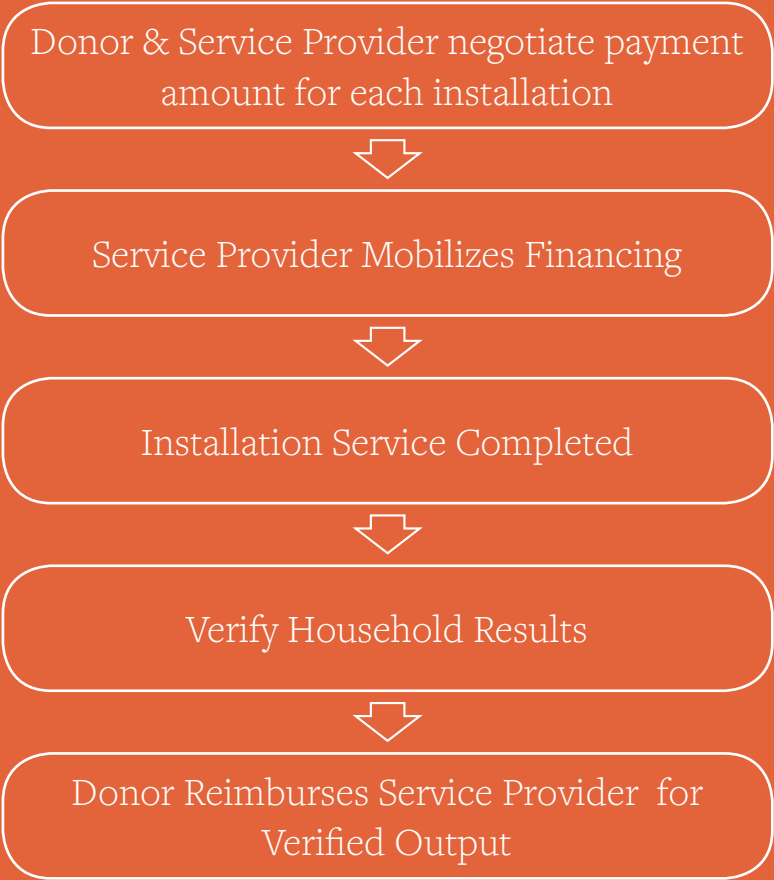
Cost: OBA delivery costs are far lower than other approaches, while both leveraging local investment and reaching large scales.



TRADITIONAL INPUT-BASED APPROACH



OUTPUT-BASED APPROACH



Demonstrating Sanitation Ecosystems for Government Scale-Up



Under the Australian government's Civil Society WASH Fund 2, Thrive Networks' sanitation focus in 2016 moved away from comparing the cost of OBA with existing government approaches and focused on demonstrating the effectiveness of the model to scale-up rural sanitation coverage.

Using seven years of field experience testing sanitation ecosystems comprised of government agencies, health workers and the Vietnam Women's Union, Thrive Networks is delivering evidence and demonstrated results to inform policy change. We have found that identifying "champion" provinces to profile and celebrate in national forums promotes further buy-in and a sense of competition between provinces. Provincial champions are highly effective as trainers and at encouraging their peers to get on board.

Thrive Networks provided data demonstrating that after 30 months, the uptake rate achieved by its East Meets West (EMW) program is four times faster than the National Target Program (NTP). Under EMW 16,000 latrines were built, while 4,000 were built in the same period under the NTP in four provinces.

Thrive Networks sanitation programs completed 12,373 latrines in 2016.

10,879 - Vietnam

877 - Laos


617 - Cambodia


In 2016, examples of some Vietnamese provinces committing their own resources to an OBA approach include:

- Ben Tre Province: \$ 22 subsidy provided for each underserved household that builds a latrine
- Thai Nguyen Province: 200 KG of cement allocated for each underserved household building a latrine
- Ha Tinh Province: \$25 OBA rebate match for each household that builds a latrine
- Three Provincial People's Committees have committed to phase in provincial budgets for output-based sanitation



Research Cambodia Complementary Interventions: Outcome-Based Aid and Sanitation Marketing

| | Sanitation Marketing | OBA Subsidy | Both Interventions |
|--------------------------|---|----------------|-----------------------|
| Wealthiest households | 100%  | 7% | 25% |
| Median households | 29% | 22% | 33% |
| Poorest households | 8% | 17% | 33% |

 Thrive Networks wanted to understand t how sanitation marketing (SanMark) and OBA subsidies affect latrine uptake and whether or not subsidies to underserved households might decrease latrine uptake by better-off households.

Together with the Water and Sanitation Program of the World Bank, we examined the differences in latrine uptake across three income levels in 120 villages in Cambodia exposed to an OBA subsidy (rebate and discount), SanMark alone, or both interventions combined. The study found that the availability of subsidies to households with lower incomes increased latrine adoption among all households. Meanwhile, there was no evidence of pro-poor subsidies acting as a disincentive to wealthier households to purchase and build latrines.

Advancing Fecal Sludge Management in Vietnam

As part of its research grant under CHOBA 2, Thrive Networks' EMW  program is joining the Asian Institute of Technology (AIT) to pilot technical and service delivery options to address the lack of rural fecal sludge management (FSM) in Vietnam.

While AIT works to discover the most appropriate FSM technology solutions, EMW will work with the Vietnam Women's Union, the Ben Tre provincial government, and local stakeholders to develop a delivery ecosystem capable of providing high quality and sustainable FSM service. If suitable technical options are identified in the feasibility study, a pilot project will follow to inform a national FSM policy guideline to support government agencies in the future.



2,415 latrines have been constructed under the Civil Society WASH Fund 2 program, leveraging a \$12,075 investment by the Government of Cambodia.

Testing Public-Private Sector Sanitation Models in Cambodia

Thrive Networks is combining government advocacy and a revenue-generating commercial model to expand sanitation delivery in Cambodia. Under the program, the government covers the full subsidy for underserved households and private sector partners cover the costs of the performance based incentives in the sanitation ecosystem.

Thrive Networks is testing this approach in 30 communes in Prey Veng province. The provincial Department of Finance has allocated budget to the commune fund that provides \$5 out of a total \$18 rebate to every household below a certain income threshold that builds a latrine. Funding from the Australian government is covering the \$13 difference. By working closely with government partners, we expect that the Commune Council will be able to cover the total rebate within the next three years.

Data Collection Helps Lao, PDR Deliver Sanitation Equitably

Sanitation services reach approximately 62% of households in Laos; however, the discrepancy between urban and rural settings remains high, with 87% of urban households using a proper toilet compared to only 48% in rural areas.

To help local authorities focus limited resources where the need is greatest, Thrive Networks developed a simple and transparent poverty identification system using three sets of indicators: (i) housing conditions, (ii) income earning potential, and (iii) other durable assets. This approach identified 3,796 potential beneficiary households that met the criteria in target villages.

To further expand access to improved sanitation, EMW, the Water and Sanitation Program of the World Bank, and The Ministry of Health's National Center for Environmental Health and Water Supply (Nam Saat) signed an agreement in May 2016 to expand Community-Led Total Sanitation, hygiene promotion, and sanitation marketing in ten districts in Sekong and Champasak provinces through financial incentives at both the household and village levels.



RESEARCH:

Nudging a Hand Washing Habit

When was the last time you gave a child a nudge? For example, that gentle prompt to change a behavior such as sitting up straight. Can visual nudges at school, such as reminders painted on a walkway, influence children’s hand washing behavior? And do the effects of nudging last over time? Through a survey of 3,119 schools in 4 provinces of Vietnam, we found that 85% of schools have hygienic latrines and, when soap is available, nudges do have a significant impact on hand washing behavior.

PERCENTAGE OF STUDENTS OBSERVED WASHING HANDS

(with hand washing station located close to the latrine)

| | Without Nudges | With Nudges | Percent Increase |
|--------------|----------------|-------------|----------------------|
| Boys | 37% | 65% | 28 percentage points |
| Girls | 51% | 77% | 26 percentage points |
| All Students | 43% | 70% | 27 percentage points |

Maintaining nudges, especially nudge paintings on the foot path where children walk to the latrine, can sustain the desired behavior. At the same time, if the distance to the hand washing place is located 10 meters or more from the latrine, frequency of hand washing declines by roughly a third. These results are just one piece in a complex puzzle Thrive Networks is working to better understand in order to promote healthier behaviors.

Increasing Women's Influence in the Household

“When the wife made the decision, the latrines were more hygienic.”

Thrive Networks has implemented OBA in sanitation in Vietnam to reach over 150,000 households. A key element of this model is the 5,000 Vietnam Women's Union volunteers who have focused on reaching the poorest 40% of households. We conducted two studies to understand how a large scale rural sanitation program in Vietnam affects women's roles in their homes and communities.

One study included 517 households, where the decision to install a latrine was made either by the wife, the husband, or jointly. The study found that neither total family income, nor family size influenced the role of the wife in the decision to install a latrine. In homes that installed latrines without CHOBA, the husband was the main decision maker 55% of the time. When CHOBA was involved, this rate decreased to 31% of households. These elements of the CHOBA program appear to increase the wife's decision-making role to invest in a latrine:

- When a Vietnam Women's Union Mobilizer informed the wife about hygienic latrines
- When the family obtained a loan from VBSP
- When the Vietnam Women's Union assisted the wife with the loan application



CONCLUSION

Promoting hygienic latrines and education on health benefits did not influence the balance of power in the households while practical information regarding latrine options, costs, and masons did increase the wife's influence. It also appears that men gave greater weight to costs while women emphasized health. When the wife made the decision, the latrines were more hygienic.

Smart Incentives Encourage Private Sector to Build Rural Water Systems



Through the \$1.6 million Private Sector Innovations Project, The Government of Australia is supporting the Government of Vietnam's efforts to mobilize private investment using output-based incentives. Thrive Networks' EMW program, alongside the Australian Water Association and provincial governments, has attracted five private enterprises in three provinces to compete in a bidding process to build and maintain rural water systems where households cannot afford the cost. Smart subsidies are paid to private installers when all target households in the service area are connected to the scheme and have water with sufficient pressure and quality.

Thrive Networks calculated the full life cycle cost of construction, management, maintenance, and depreciation of rural water schemes, and then used a life cycle revenue model to project the total income over the life of the scheme.

The difference between the full life cycle costs and revenue is covered by the output-based subsidy. The subsidy is designed to incentivize private investment in a market that, without intervention, is not attractive enough.

When the subsidy is agreed upon, enterprises bid for the project through a competitive tendering process. The winners then finance and construct the schemes.

Innovations in Public/Private Partnerships



Under WASH  BA, Thrive Networks signed Memorandums of Understanding with Ha Nam and Son La provinces to pilot public-private water supply ecosystem models that will use an OBA approach to provide subsidies for investment in rural water schemes. The Australian Water Association (AWA) will  like the lead to provide the technological innovation component in Son La province. The bidding process will select private enterprises to deliver 3,000 new household water connections (1,000 household connections in Son La and 2,000 in Ha Nam). In preparation for the bidding process, the following steps have been completed or are underway:

- i. Project locations have been selected in each province
- ii. A baseline survey was conducted in Ha Nam
- iii. Consultants have been contracted to manage the competitive bidding process to select private enterprise service providers

Delivering Last-Mile Clean Water Services



Thrive Networks water programs reach underserved households, increase accountability, and drive operating efficiencies by making payments to service providers for each new household connected to a new, expanded, or rehabilitated water supply network. Properly structured financial incentives can promote “last-mile” (the final, and often most expensive, leg of a delivery network) service delivery by creating a market attractive to private sector water service providers.

With financial support from Australia’s Department of Foreign Affairs and Trade (DFAT), Thrive Networks  connected 7,041 households in Vietnam and 350 households in Cambodia to clean water systems in 2016. Most are piped village water system with metered household connections. A smaller number are school-based water systems. Thrive Networks transfers ownership and management of these water systems to government, private or community  operators once they are operational.

With funding from Grundfos, Thrive Networks completed five clean water projects in Ben Tre and Tien Giang, delivering safe water to 2,758 households. Training was conducted for ten enterprises and six sessions were held to raise awareness about clean water and sanitation.



Negotiations were completed to assign costs per connection with a local clean water provider for the Que Thuan project, funded by Andersons, and a main pipe was installed at the Dai Tan project. In the coming year, two clean water projects in Long An and a project funded by Grundfos in Dong Thap will conclude. A third well at Ha Vinh will be completed and the Que Thuan project will be upgraded. Separate projects at Phuoc Chien, Thuan Bac, and Ninh Thuan will begin.

Digital Monitoring & Evaluation System Receives High Marks

Thrive Networks successfully launched a digital monitoring system this year to provide accuracy, efficiency, and high-quality reporting. Donors, including Australia's Department of Foreign Affairs and Trade and The Bill and Melinda Gates Foundation, reviewed and gave positive feedback about the system.

Already, the digital M&E system has identified a redundancy mistake with 190 sanitation cases in four provinces in Vietnam. We developed a database for 240 water schemes funded and built by Thrive Networks within the last 15 years, and the database identified numerous challenges and provided insight for future strategy for Thrive Networks' Water program.

National and provincial counterparts in Vietnam (NCERWASS and PCERWASS) are eager to apply the digital monitoring system to their work in order to increase integrity and productivity, find and reduce water leakage, and improve their services to rural households. We intend to hand over the system and provide technical assistance to local counterparts in Ben Tre province to set up digital water network management for PCERWASS.

In the coming year, use of the digital monitoring system will expand to other projects in Cambodia and Vietnam, such as Innovation Exchange and Fecal Sludge Management research. We will use it to implement quality assurance for WASH projects and expect to become more efficient at internal monitoring for project management, conducting an internal audit, and monitoring trips to the field. It will also support plans to conduct evaluations and consumer satisfaction analysis, focusing on WASHOBA projects.

to ¼ page– Lynn is getting this

Simple Health Solutions Keep Children in School



Keeping children in school is the best way to improve their opportunities for financial security as adults. However, when a child's body is fighting a helminth infection, attending school can become physically impossible. The worm infection interrupts the body's ability to absorb nutrients, causing anemia and malnourishment that can impair the child's mental and physical development. With no energy or strength, paying attention in the classroom or simply getting to school becomes an insurmountable obstacle.

In April 2016, 693,000 students in almost 3,000 schools across four provinces in Vietnam were given a safe, effective, and low-cost medication to cure infection by intestinal parasitic worms. This mass drug administration (MDA) to fight soil-transmitted helminth infection in children was made possible by a three-year, \$2 million grant from the Dubai Cares charitable foundation to Thrive Networks and our partner, the Deworm the World Initiative led by Evidence Action. 🗨️

The deworming program has trained 7,900 health service providers and teachers with additional funding from The Vietnamese Ministry of Health and Vietnamese Health Environment Management Agency; the National Institute of Malariology, Parasitology and Entomology; and the Ministry of Education and Training. This year, 🗨️ are testing approaches for increasing hand washing and other behaviors that will reduce school children's risk of infection. The results will drive a scaled-up execution of hygiene education activities across 2,800 schools within the four provinces. 🗨️

In the near future, we anticipate that this evidence-based deworming strategy can prepare the Vietnamese government to adopt a systematic deworming approach. 🗨️ official government policy, protecting the health of students throughout the country so that their academic dreams become reality.

SPELL Scholarships Keep At-Risk Students in the Classroom

Poverty is the single greatest threat to ending a child's education early. SPELL – Scholarship Program to Enhance Literacy and Learning – is a holistic approach that helps the most disadvantaged students from the poorest districts in Vietnam graduate from high school.

In 2016, 1,536 girls and 775 boys received scholarships for school fees, books, uniforms and intensive academic tutoring. These students performed well and achieved the following:

- 97.3% of 9th grade SPELL students were accepted into secondary school
- 93% of 12th grade SPELL students graduated, matching to the national average
- 35.2% of 12th grade SPELL students were accepted to university, maintaining the trend of 35% in 2015 and an increase from 25% in 2014.

SPELL also supported training programs on teamwork and presentations skills for students. The program develops youth who are motivated to improve their communities. Almost 92% of SPELL students attended volunteer activities in 2016.

In 2017, SPELL continues to aim for high student graduation and achievement rates and plans to provide laptops for 30% of students.



COMPASSION HOMES

With small individual grants, Thrive Networks constructed 23 new, quality, Compassion Homes in 2016 to shelter 117 people. Some of these homes were built for families of SPELL Scholarship students (see Nguyen Thi Tien Linh's story next) and reinforced efforts to keep children most at risk of dropping out in the classroom and on to graduation.

The gift that shelters a SPELL Scholar

Miss Nguyen Thi Tien Linh grew up with her mother and aunt in one of the poorest households in Binh Sa commune, Thang Binh district, Quang Nam province. At 49 years old, Linh's mother works hard as a farmer on a 1,000 meter rice field to provide for Linh and an aunt, who cannot work due to a disability. As the only income earner in the family, sometimes Linh's mother takes additional jobs as a day laborer to make extra money. Still, Linh's mother knows that her daughter's education is the key to Linh having an easier life than she has had. She works every day to keep Linh in school.

When Linh was accepted to the SPELL Scholarship program as a 5th grader, the family lived in a small brick house. Because they could not afford mortar for the walls, light came through between the bricks and water flowed inside the house whenever it rained. In 2013, the tin roof blew away in a typhoon. Thrive Networks replaced the roof, but the house continued to deteriorate. Eventually, a wall fell down. With the tin roof too low, the house became unbearably hot in the sunny season.

Local staff recognized that Linh was at risk of having no shelter and knew that this could cause her to drop out of school. The Compassion Home program intervened to build the family a new house with two bedrooms, a living room, kitchen area, latrine and veranda. It is much sturdier than her old house, with finished brick walls, a cement floor, tile roofing, wooden framed windows, doors, and an electrical system.

Linh does not take the support her family has received for granted. Ranked an average student in 2009, Linh advanced to become an excellent student with the support of the SPELL. What can a young student achieve with a safe roof over her head and a small scholarship? In July, Linh was accepted into the Economic University and is on her way to college.

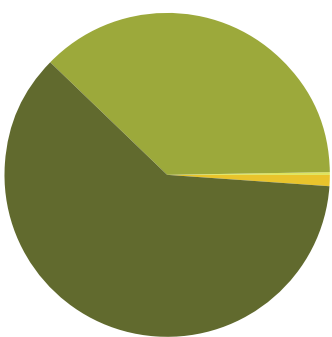
The family is overjoyed and Linh's mother called EMW's office to express her sincere thanks.

A bright future to Linh and her family!

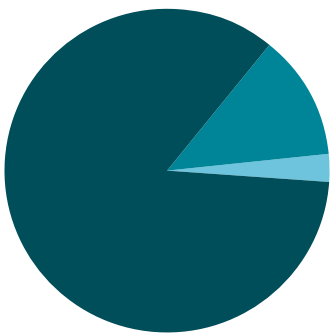


Financial Information

Year Ended December 31, 2016



| REVENUE | | | |
|-----------------------|--------------|-----|--|
| Grants | \$ 4,305,585 | 61% | |
| Contributions | 2,644,349 | 38% | |
| Contract Services | 24,150 | <1% | |
| In-Kind Contributions | 59,550 | 1% | |
| Total Revenue | \$ 7,033,634 | | |



| EXPENSES | | | |
|------------------------|--------------|-----|--|
| Program Services | \$ 7,119,812 | 85% | |
| Management and General | 1,044,123 | 12% | |
| Fundraising | 224,254 | 3% | |
| Total Expenses | \$ 8,388,189 | | |

KNOWLEDGE AND LEARNING

In 2016, Thrive Networks established several key research partnerships, including one with the Institute of Sustainable Futures at the University of Technology Sydney (ISF). ISF’s existing researchers in the region have been well received nationally and internationally.

Under WASHOBA, efforts continue to improve technical and monitoring skills for people involved throughout the program’s implementation. Twenty-three training courses were provided on data collection, monitoring tools, and verification techniques. More than 50% of the participants were women.

Thrive Networks Water presented the research results of several studies at these international events in 2016:

- STOCKHOLM WATER WEEK
- BRISBANE WASH CONFERENCE
- CSO WASH LEARNING EVENT IN HANOI
- TOILET BOARD COALITION MEETING IN MUMBAI

Major Donors

Thrive Networks acknowledges the individual and institutional donors who make our work possible. We are deeply grateful for your commitment to improving the health and well-being of underserved communities in Vietnam, Laos, and Cambodia.

\$1M and over

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| GRET <i>France</i> | Ministry of Rural Development <i>Cambodia</i> | Vietnam Bank of Social Policy <i>Vietnam</i> |
| Institute for Sustainable Futures, University of Technology, Sydney <i>Australia</i> | National and Provincial Centres for Water Supply and Sanitation <i>Vietnam</i> | Vietnam Health Environment Management Agency <i>Vietnam</i> |
| Kiva.org <i>United States</i> | National Centre for Environmental Health and Water Supply <i>Laos</i> | Vietnam Women’s Union <i>Vietnam</i> |
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