Governance of Decentralized Sanitation

Partnerships with small-scale operators

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1. Introduction: why discuss partnerships with small-scale operators in sanitation?
2. What and who are small-scale operators in sanitation
3. Partnering with small scale operators
Learning objectives

• Describe the relevance of discussing the role of small-scale operators in sanitation
• Characterize, describe and distinguish different types of small-scale operators
• Analyze the process of reappraisal of small-scale operators
• Identify factors influencing partnerships with small-scale operators
• Critically debate the elements of a partnerships
• Assess the advantages and disadvantages of partnerships with small-scale operators based on the local context
1. Introduction:
Why discuss partnerships with small-scale operators in sanitation?
Sanitation in the big picture

There are 46 countries where less than half the population has access to an improved sanitation facility.

Fig. 9. Proportion of the population using improved sanitation in 2012

JMP, 2014
Sanitation in the big picture

• Progress achieved:
  – Decade water and sanitation (80s) 960 million people gained access to basic sanitation (Allen, 2008)
  – MDG 7 (target C): Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation
  – Almost 2 billion people have gained access to improved sanitation since 1990s (JMP, 2014)

• Implications of low (or inadequate) coverage (UN-HABITAT, 2006):
  – High rates of water-borne diseases (90% diarrhoea caused by poor sanitation) – lower life expectancy
  – Inadequate access to sanitation compels slum residents to use sanitary options that contribute to disease related hazards
  – High population overcrowding paired up with no service – spread of disease
Some factors identified to the limited progress in sanitation:

- From the government and official organizations:
  - Lack of recognition of actual drivers of demand for sanitation improvements
  - Unrecognized complexity of providing sanitation services in urban slums.
  - Lack of resources allocated to sanitation
  - and those that are allocated have to be divided among different ministries which claim to house specific components of sanitation services.

- From the users:
  - Sanitation is seen as being less of a priority than access to drinkable water,
    - though there are different perceptions between women and men (Allen et al, 2006a and WSP, 2004).
  - the lack of investment in individual facilities is due to other non-sanitation related issues such as land tenure: reluctance of landlords and renters to spend money on sanitation, particularly with regards to maintaining facilities after built (Allen, 2008: 15)
Why do we discuss small-scale providers in sanitation?

• Apparent gap of ‘standard’ services:
  – Mainly in peri-urban areas
  – Usually poor households

• In these areas there are already:
  – Self-initiated practices
  – Practices adjusted to local needs (not standard)
  – Participation by non ‘conventional actors’

• But currently most of these services might fall outside of the spectrum of ‘public services’

Small-scale providers may be part of the solution to readdress the sanitation gap
• What type of small-scale providers can you identify in sanitation?

• How would you describe them?
2. Small-scale operators in sanitation
Classification of SSIPs in sanitation

(WASTE, 2010)

Services based: enterprises that get their income from offering a service that is paid by clients

Commodities based: Enterprises that get their income by selling at a profit products that they have salvaged

Value based: entities that serve social, environmental or cultural purposes. Value created in raising awareness
The fragmented value chain of sanitation

- **Value chain**: from business management (M. Porter)
  - ‘a system, made up by subsystems each with inputs, transformations processes and outputs’ (IfM, Cambridge)
  - At the core of the concept: each subsystem creates (has potential for) value

- **Value chain for sanitation**: more complicated than other value chains
  - Subsystems are *often times* fragmented – operated
  - Each subsystem, step in the chain, has multiple options:
    - Capture: pit latrine, pour flush latrines, open defecation, shared facilities, public blocks, ...
SSIPs in sanitation

- Small-scale WATSAN providers serve a substantial portion of the market, particularly for the poor (70-90% according to World Bank, 2011, Samson, 2006)
- Appeared as a response to lack of services by ‘formal’ utility

- High diversity in:
  - Size (customer portfolio)
  - Relative performance to the service provided by public utility
  - Hydro-geological conditions
  - Acceptance depending on cultural factors
  - Fully private profit seeking, CBOs
  - Self-developed or promoted by external actors
  - Employment possibilities
  - Skills required depending on what part of value chain and purpose (Scheinberg, 2011)
Characterization of SSIPs

- Local entrepreneurs - Self-employed
- Innovative and demand-driven
- Flexibility: infrastructure, regulations, customers
- Work in competitive environments – services that work!
- Offer services, options to a large part of population in fast growing cities
- Opportunistic: discover markets

(Scheinberg, 2011; Grimm et al, 2011; Nijru, 2009; Schaub-Jones, 2008; Kariuki and Schwartz, 2005; Solo, 1999)
Typically SSIPs are limited…

• Are secluded in informal networks
• Suffer from hostile environments (lack of ownership titles): Threat of infrastructure expropriation
• Lack of access to financial resources: limiting growth possibilities
• Limited institutional capacity: limited business skills and little possibilities for training

(Scheinberg, 2011; Grimm et al, 2011; Nijru, 2009; Schaub-Jones, 2008; Kariuki and Schwartz, 2005; Solo, 1999)
Reflection on assumptions

• Characterization has done in *relative* terms and ‘as *opposed* to public utilities’

• But research has shown that SSIPs can ALSO be:
  – SSIPs have often times access to: financial resources/ social resources
  – They do not serve *necessarily* ‘their’ community
  – Entrepreneurship = risk – cover areas that can repay debts and generate profit
  – Extended practices of:
    • Price agreements – limiting competition
    • Determine areas of control

(Roy, 2009; Ahlers et al, 2013)

Characterization is relative! And it depends on understanding of SSIPs and their context
• What could be the benefit of partnering with small-scale operators?
• What cautions would you take in partnering with small-scale operators?
3. Partnering with small-scale sanitation providers
When do partnerships start happening?

- Simultaneous discourses that all happened separately for different reasons and different supports but that match in time and space:
  - Reappraisal of SSIPs → Formalization
  - Reconsidering ‘conventional’ partnerships
Following the ‘privatization decade’ (1993-2003), alternative modes of organizing service provision are sought.

- Pressure to achieve the MDGs
- Traditional PPP (public-private partnerships) less popular, new modes of involving the private sector sought

This shift affected the water and sanitation sector: Sanitation was included as part of the water management package and was dragged to the same destiny as water supply services in terms of governance recommendations.

(Allen et al, 2008)
Reappraisal of small-scale water providers

- SSIPS as the new Private Sector Champions
  - ‘small-scale entrepreneurs’ (Eales, 2008),
  - ‘independent water entrepreneurs’ (Solo, 2003)
  - ‘local entrepreneurs’ (Conan, 2003)
  - ‘harness entrepreneurship’ (Schaub-Jones, 2009)

- The positive traits of small-scale providers where highlighted
- Aim to remove the negative traits by ‘formalization’ processes
Start of partnerships

- Partnerships where ‘rediscovered’ after the 90s, but they existed before (mainly with CBOs/ support NGOs)
- World Summit on Sustainable Development 2002 (Johannesburg) :
  - Official acknowledgement that partnerships with small-sale providers could complement work of governments in meeting sustainable development goals
What is a partnership?

“...Instruments that enable organizations with differing skills and priorities to leverage increased impact through working together than would be possible by working alone”

Evans, McMahon and Caplan (2004:1)

• Partner when there is the potential to combine comparative advantages of different actors to the advantage of achieving a shared goal

Many other definitions exist, variations of the terms and focus
Benefits of partnering in sanitation

For Government authorities
1. Small providers offer **savings** in extending service coverage. Community-built sewerage systems cost only one-half to one-third as much as systems built governments, and there may be similar savings.
2. There will always be gaps in service provision until poverty recedes
3. Poor communities are more likely to receive improved services when delivery is formalised (allows monitoring to ensure public safety, and equity)

For SSIPs
1. Acknowledgment on SSIPs role could lead to investment facilities
2. Offers business stability and legal protection
3. Agreements are usually longer than simple licenses (politically more unstable)
Developing the partnership

Government

Small-scale operator

Geography

Technology

Donors

Users
## Considerations for all partners

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<tr>
<th>Partner</th>
<th>Role</th>
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<tr>
<td>Small-scale operator (SSP)</td>
<td>Provides the services</td>
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<tr>
<td>Local/National Authority</td>
<td>Facilitates the provision of services by, for example, developing policy, regulation and recognizing the role to be played by SSIP</td>
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<tr>
<td>(inter)national NGO</td>
<td>Enables sanitation improvements by supporting skills, training, community liaison</td>
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<td>Donor (if not the same as above)</td>
<td>Funds supporting elements such as promotion and necessary equipment</td>
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<td>Others?</td>
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**Other considerations**

| Small-scale operator (SSP)   | Different in size, capabilities, etc.                                 |
| Government                   | Not one single entity but different (Health, Finance, etc) and at different levels (municipal, regional, national, etc...) |
| Technology                   | Type of technological standards that can create ‘two (or more!) standards’ systems |
| Users                        | Are they to participate in the process?                              |
| Geography                    | Determines accessibility, standards required, etc.                   |
Developing the partnership

• Some areas will remain unique playing field of public utilities, as ‘the market’ is not sufficiently interesting for SSIPs
• Previous steps may be required before partnering: acknowledgement, recognition, adjustment of legal framework, etc.
• Different agreement for different contracting organizations:
  – Contracts with CBOs require often long negotiation/consultation periods and a certain degree of flexibility
  – Depending on final aim of contract add or not more socially-minded goals
  – Risk allocation must be measured against the risk absorption capacity of SSIPs
• Length of contract: balance between interest for private operator and risk limitation
• Make resources available required for monitoring and enforcement

Example guide for contract development: WSUP (2013) ‘designing effective contracts for small-scale service providers in urban water and sanitation’
Reflection about partnerships

- At what point are providers included?
  - And then who is included? (small operators also? What is small?)
- How much control does the main utility exert?
- Partnerships based on mutual gains:
  - Main utility keeps mandate of serving all population
- Evaluation of performance at the same level as main utility? In different terms?
- Accept double technical standards?
- Partnerships to serve more people? Who does the partnership serve?
- Current development of ‘ideal’ systems
- Fragmented sanitation value chain
What we have discussed

- Already materialized contribution of SSIPs in low income areas
- Characterization of SSIPs and types of sanitation operators
- Sanitation value chain: fragmented sector
- Reappraisal of SSIPs as *formal* partners in the provision of (sanitation) services
- Historical background of partnerships in the water sector
- What is a partnerships
- Possible benefits of partnering with SSIPs
- Implementation of partnerships with SSIPs
- Important considerations to think about when partnering (or studying partnerships)


Solo (1999). Small-scale entrepreneurs in the urban water and sanitation market. Environment and Urbanization 11 (1)


WSUP (2013) ‘designing effective contracts for small-scale service providers in urban water and sanitation’. Topic Brief (TB#008).
Thank you for your attention

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