

# Harnessing the Private Sector to Provide Sanitation to the Poor

Stockholm Session Briefing 2009

David Schaub-Jones, August 2009

*Great efforts are being made to raise the profile of sanitation amongst donors, developing country governments and poor households. The focus is on creating greater demand for sanitation and greater demand for action on sanitation. So far there is much less discussion on who actually provides basic sanitation in the developing world and whether they need any support. Rather than government, typically it is the local private sector that is the predominant provider; a diverse range of formal and informal businesses work on sanitation – delivering to both rich and poor communities. Often this happens with limited oversight or outside support. This briefing note highlights this trend and seeks to provoke more debate of its consequences, both good and bad.*

In April 2009 BPD convened a multi-disciplinary roundtable to discuss how to engage sanitation entrepreneurs. Thirty professionals from differing sectors – from sanitation engineers to health specialists, from Malawian entrepreneurs to financial lenders – debated the role that entrepreneurs currently play, how to support them and what opportunities the sanitation sector may currently be missing. A key aim was to speak to those outside the immediate sanitation sector, including those who support entrepreneurs in other sectors, to generate wider perspectives.

Several issues arose during these discussions, prompted by a background document on engaging sanitation entrepreneurs and several case studies. Yet the main message was that while the local private sector is an important player in providing basic sanitation, the sanitation sector is not particularly good, yet, at working with small and medium businesses.

So the discussion has been carried on to Stockholm World Water Week 2009, with a session entitled “**Harnessing the private sector to provide sanitation to the poor**”. In order to get a real debate going, and drawing from the discussions at the roundtable, the following six statements, deliberately provocative, have been suggested:

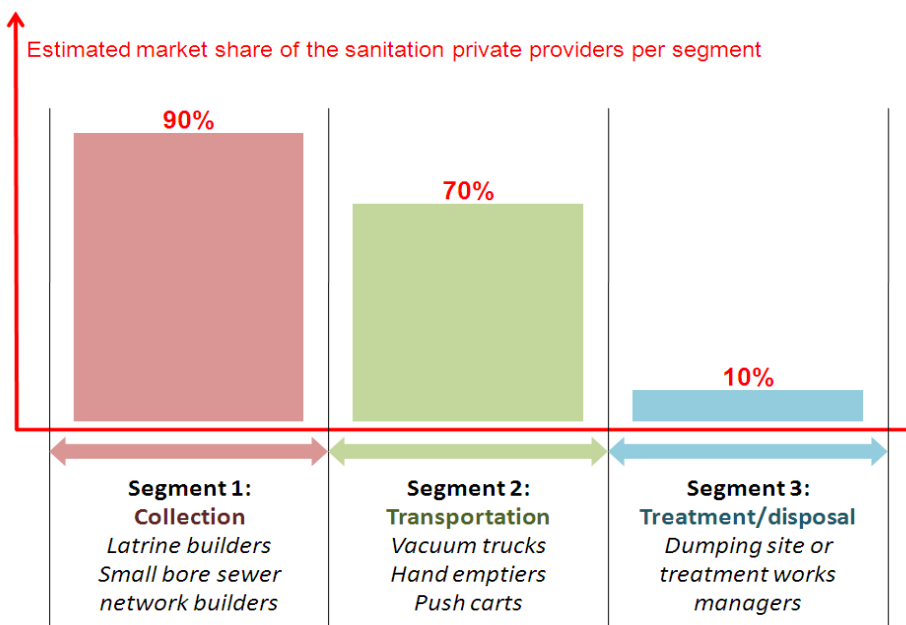
1. We know little about the sanitation market and would need to know more to intervene successfully
2. Those traditionally supporting small and medium businesses are unlikely to see sanitation as a promising market
3. Entrepreneurs do, and will always do, what they want – we cannot force them to ‘serve the poor’
4. A sanitation business can be improved and supported, just like any other business
5. NGOs are the wrong people to be supporting entrepreneurs
6. ‘Status-quo’ approaches are not going to solve the widespread shortage of basic sanitation - new business-friendly approaches are needed

### Trends and consequences

In most African cities sewers only serve a minority of the population. Far more households depend on on-site sanitation (non-sewered) for their sanitation needs. A similar situation exists in Asia and Latin America. In such contexts, the provision of sanitation is typically viewed as a household responsibility. To meet their needs (building toilets, removing waste) households occasionally do-it-themselves, sometimes turn to public sector providers, but far more often, contract in the local private sector. Indeed, the private sector is the prevailing supplier of both sanitation goods and sanitation services, including to those most in need.

Unfortunately the development community seems to lack consensus on the contribution of these private providers and how they should be regarded. Little research exists and there is little reliable data on how the ‘sanitation market’ is structured. One consequence is that there are few recommendations on how to engage this market, particularly in urban contexts, in order to develop sanitation more widely and better protect public health, the environment and human dignity.

At the April 2009 roundtable, the following ‘market share’ (indicative figures only) was suggested:



From “Supporting private entrepreneurs to deliver public goods”  
Valfrey-Visser & Schaub-Jones, BPD, 2009

This distribution clearly varies from context to context, but the basic message is clear – private providers are a key player both in building toilets (to collect human waste) and, where treatment does not happen in-situ, transporting this waste away from urban households. In contrast, waste treatment and disposal, where they happen, are dominated by the public sector.

When one considers the underlying trends in sanitation in the last ten years, two stand out:

- great efforts are being made boost the demand for sanitation amongst households (sometimes by making a health case, but more recently by making sanitation ‘sexier’)
- a stronger case is being articulated for public sector action on sanitation (for instance by putting cash figures on the preventative health-care benefits of good sanitation, as well as through campaigns such as WASH).

*“Trend based projections of levels of services and resultant investments suggest a potentially large demand for microfinance of over USD 12 billion in loans over the next decade. Demand for sanitation is very large, particularly for rural sanitation (while) the highest potential for making a clear business case is through individual retail loans for sanitation. ... The sanitation loan sector shows high potential demand and can be coupled easily with existing sanitation promotion programs”.*

*Excerpt from “Assessing Microfinance for Water and Sanitation, A study by Meera Mehta for the Bill & Melinda Gates*

## Let's not forget sanitation supply

If successful, these trends should lead to both more demand for sanitation and more money to put into the sector. Yet a crucial issue, with 2.6 billion people without improved sanitation, is who will supply all the sanitation goods and services required? Three questions arise:

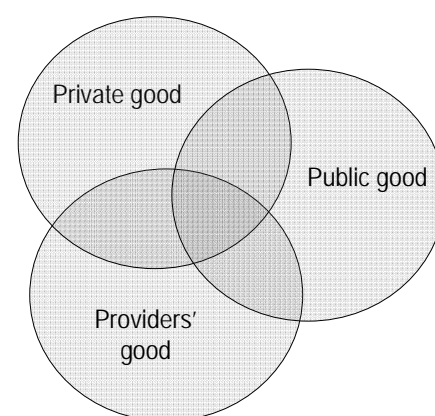
- i) First, can and will the private sector scale up their activities as hoped for?
- ii) Second, does the private sector reach poorer communities, and if not, can it be persuaded to do so?
- iii) Third, can the market go beyond just providing what households want, and help deliver better health and environmental protection?

Hence the impetus for BPD to convene the April 2009 discussions and co-convene a debate in Stockholm.

## Why meddle?

The relationship between households and sanitation providers is largely in the private sphere, and justifiably so. Yet the public health and environmental consequences of both good and bad sanitation provide a strong argument for the public sector to play a larger role in on-site sanitation than it does currently (let's call these the *public goods* of sanitation – see BPD's "Sanitation Partnership Series" for more detailed explanation of this and the adjoining graphic). This implies not just stronger regulation of providers' activities, but also more and better targeted support to them.

Yet as the graphic on page 2 suggests, there is not one monolithic 'sanitation market' – in reality there is a diverse set of sub-markets, often fairly unstructured. The range of providers is large, dealing with both facilities and services (from the masons that build household latrines to the entrepreneurs that build and run toilet blocks, from manual pit-emptiers to privately-run vacuum trucks). Customers too are diverse (from pay-and-go users of toilet blocks to landlords letting out accommodation, from people making home improvements to tenants emptying a shared latrine). Engagement by the public sector must not only recognise this, but also be aware of how the different parts of the puzzle link up – on-site sanitation works best (and delivers on public goods) when the system as a whole links together well.



*Can we harness the private sector to deliver not just the private good – that which drives household demand – and the providers good – that which ensures a viable business – but also the wider public good?*

## Mechanical emptying market, Dakar

"If the purpose of any engagement is to improve the service to households, a major barrier is the informal nature of much of the household emptying that occurs currently. Most of this is done by informal firms who themselves state a preference for the more predictable market offered by businesses and the State. Managers see household emptying as complicated to monitor; it is difficult for a manager to really know how many trips the truck did during the day (and they fear 'moonlighting' by their operators). Moreover, when discussing their relationship with ONAS (the formal sanitation agency), the entrepreneurs tend to concentrate on the ad-hoc contracts they receive for flood relief and tenders during pilgrimages. It may be hard to switch the subject of conversation (and thus focus the engagement) to household emptying, without being overly distracted by these other issues."

Excerpt from "Engaging Sanitation Entrepreneurs, Dakar Case Study" (Bereziate, BPD, 2009)

### Top-down versus bottom-up

Looking outside the sanitation sector, it is clear that there are different ways of engaging the local private sector to help deliver public goods. The water sector tends to address local private water providers in quite a top-down way, focussing on regulation and policy changes. Many other sectors tend to approach the issue more from the bottom-up. There, support agencies tend to look very hard at the business model (who the customers are and what they want; how suppliers run their business; how it has evolved). They focus on how to make the 'business' work better, rather than worrying directly about how to 'formalise' them.

*When it comes to helping and financing start-up entrepreneurs, are NGOs best placed to do this, or should it rather be the domain of the banks and true business support agencies?"*

Participant's reflection, "Engaging Sanitation Entrepreneurs, A Roundtable", London 2009, BPD

### Supporting toilet builders in Lesotho

Lesotho is justifiably famous for its highly effective urban sanitation programme, launched in 1981 through the Urban Sanitation Improvement Team (USIT). USIT was actively involved in assisting households who wanted to build or improve their dry toilets. It trained and certified builders, provided a range of standardised designs suitable for different conditions and affordability levels, worked closely with retailers of building materials, and administered a loan scheme funded through the Lesotho Bank.

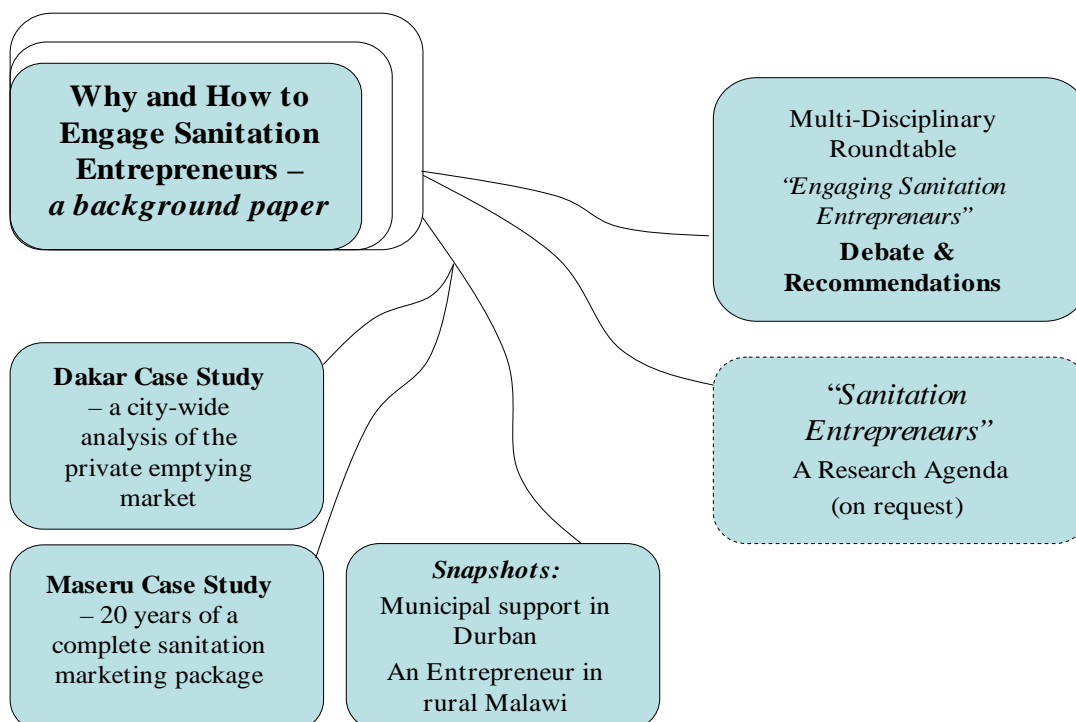
A decade later, the impact of USIT's work is still evident. Well-built latrines are evident throughout the city. Although relatively few builders are contracted or monitored by USIT, the standard and quality of construction remains high and VIPs are the benchmark. USIT clearly played a strong 'broker' role between households and builders (supported by donor funding). What lessons can we learn from this about how to develop and support entrepreneurs in other contexts?

Excerpt from "Supporting sanitation entrepreneurs in Lesotho – 20 years of experience" (Schaub-Jones, BPD, 2009)

Discussion at the roundtable of such contrasts and the reality of how they play out in six African contexts gave rise to some trenchant debate. From this we have derived the six 'debate statements' on the front page, which we trust will provoke reflection and discussion at Stockholm and elsewhere.

### Existing BPD work on Sanitation Entrepreneurs:

See [http://www.bpdws.org/web/w/www\\_187\\_en.aspx](http://www.bpdws.org/web/w/www_187_en.aspx)



For further details of the work below and other related initiatives please contact [davidsj@bpdws.org](mailto:davidsj@bpdws.org)