



# Increasing institutional and regulatory support for private sector

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# Key Lessons in supporting private sector to achieve safe and equitable sanitation aims

## Key private sector challenges

1. Low demand
2. Lack of regulation leads to unsafe practices
3. High materials and equipment costs
4. Not proactively serving poor

## Key role for government support

1) Market facilitation to increase demand and build capacity to manage services

2) Balance regulation and support from unregulated towards smart compliance

3) Assess gaps in private sectors support for low income households and ensure equity



# Overview

- i. Role of private sector
- ii. Research basis
- iii. Major challenges to private sector
- iv. Local government role to support private sector



# Roles of Public and Private Sector

## Public responsibility

The public sector should be responsible to provide access

- Human rights to water and sanitation
- Government accountability to ensure safe, available, acceptable and affordable services

Extreme A



Extreme B



# Roles of Public and Private Sector

## Private sector providing service

- Previous research found private sector is the main provider (Chowdhry and Kone 2012)
- Role of private sector likely to increase to meet growing demand, particularly for scheduled emptying

The private sector will solve our sanitation problems

Extreme A



Extreme B



# Roles of Public and Private Sector

## Considering the middle way



To achieve safe and equitable FSM, private sector will need support

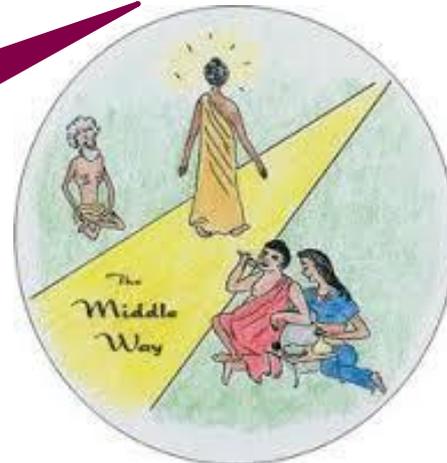


Extreme A



Extreme B

The public sector AND private sector both have roles



# Research basis

**ISF-UTS Enterprise in Wash:**  
3 years program in 3 countries

Structured interviews of 24  
sludge removal enterprises  
in 6 Indonesian cities

Focused on enterprise  
characteristics, entrepreneur  
traits, challenges and an  
assessment of success

Findings available at  
[www.enterpriseinwash.inf](http://www.enterpriseinwash.inf)

**World Bank technical assistance**  
in Indonesia and Vietnam

Septage Management Pilots  
and Capacity Building in Indonesia.  
Development of FSM in 3 cities,  
included 240 household surveys

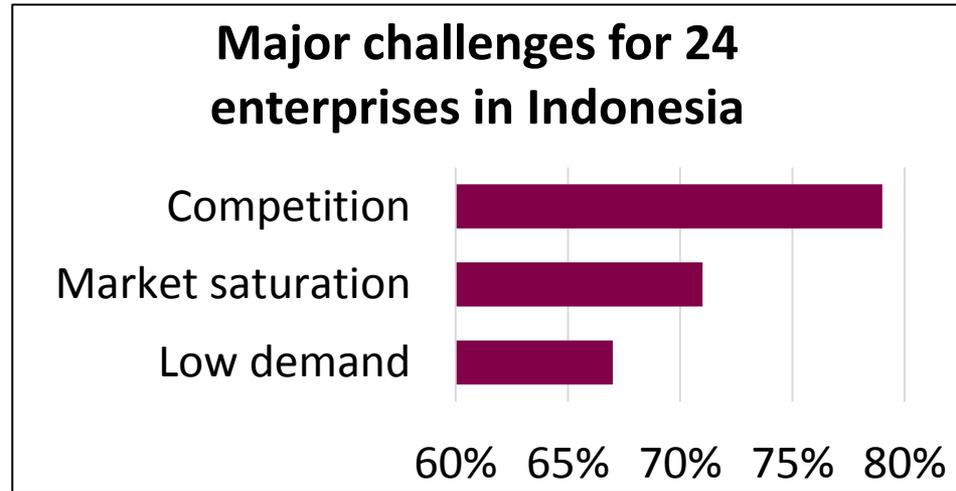
Rural Fecal Sludge Management  
(FSM) Rapid Assessment – Vietnam  
3 provinces, 30 household and 4  
emptier interviews

# Key challenges for private sector

## #1 - Low Demand

Low demand for emptying

- Non-standard and typically unsealed on-site sanitation
- Limited understanding of the need to regularly empty

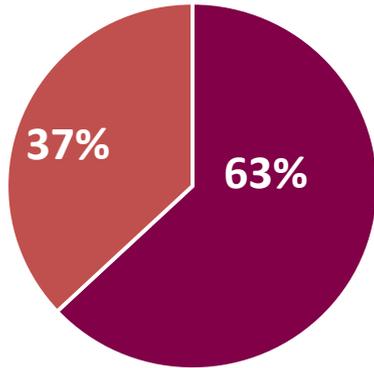


### Moving to scheduled emptying

- Likely to require greater private sector involvement to meet demand
- But significant promotion still required to ensure customers agree to empty

# Key challenges for private sector

## #2 – Lack of regulation leads to unsafe practices



Enterprises interviewed in Indonesia were informal

- 63% reported unclear/lack of government legislation
- 58% lack support from government
- Many reported *“Lack of government attention to the limited availability of disposal sites”*.

- Led to the perceived need to hide services
- Licencing requirements not clear, although some city examples exist
- Many private sector support greater market regulation to ensure quality services



# Key challenges for private sector

## #3 – Financial barriers

- High cost of materials and equipment was the biggest challenge
- Higher capital investment correlated with more successful operations – quality equipment efficient but expensive



- But 95% reported a maintained or increased profit in last 3 years
- Capital from: Savings (58%), family (38%), banks (33%) but access to loans not always a perceived barrier

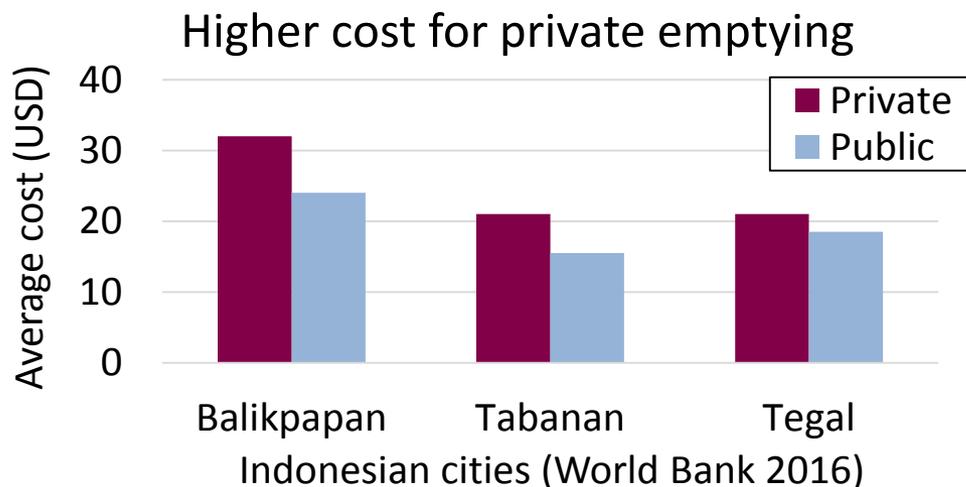
# Key challenges for private sector

## #4 – Provision of equitable services

### Private sector characteristics beneficial for serving the poor

Surveyed households preferred private sector: faster, better access, extra services

In Vietnam, private sector more likely to serve rural areas, public operators considered it too far.



### Private sector were found to not proactively support the poor

Sludge emptying enterprises had a lower sense of social responsibility compared with water and sanitation enterprises



Literature review found little evidence that private sector approaches have benefitted the poor (Gero et al., 2014)

# Government responsibility to support private sector

## #1 Market Facilitation



**a) Increase demand** by government lead promotion

- Improving on-site sanitation and increasing regular emptying
- Linking private sector with this market.

**b) Enterprise support** such as business and financial skills training. Findings indicate the market is easy to enter but difficult to succeed.

**c) Consider private sector needs** in improved service models

- Share risk for customer acceptance/demand
- Improve efficiencies in all steps of service chain
- Consider small enterprise financing needs

# Government responsibility to support private sector

## #2 Regulatory Oversight

- **Balance** between supporting private sector and regulating poor practices
- Requires a **considered and staged approach** from the current unregulated market toward smart compliance.

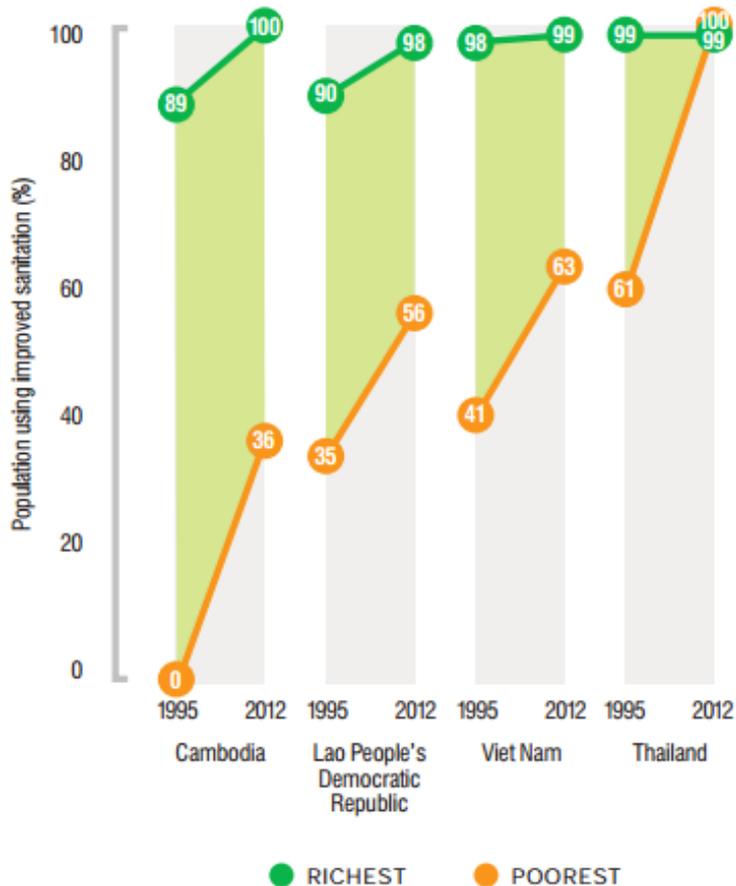


- Monitoring** current status of private sector moving to tracking emptying and safe discharge
- Licencing/ registration** to create service standards, encourage or sanction practices
- Regulate tariff** to improve cost recovery, transparency, equity and reduce cost cutting.



# Government responsibility to support private sector

## #3 Ensure Equitable Service Delivery



Source: JMP 2015

- **Ensure equity** of access and benefits to serve disadvantaged and low income households.
- **Assess the needs** of the marginalised groups to understand the support required for their inclusion.
- **Subsidies** may be required.



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# References

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