

Demystifying the enabling environment for urban sanitation

10th April 2018



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Programmatic case study: Activating onsite sanitation markets
5-year BMGF-funded programme: 2012-2017
Focus countries: Bangladesh, Kenya, Zambia



Programme learning: pivoting towards a city-wide approach

AIM: Catalyse the market for onsite sanitation products and services

PHASE 1: Business-centred approach - development of innovative sanitation business models

INSIGHT :

- Focusing primarily on one link of the FSM chain will not improve services at scale
- Supportive policies, incentives and regulations are required to enable businesses to lower prices or reduce their operating costs

PHASE 2: City-wide approach - aimed to address **barriers to business growth** by strengthening diverse aspects of the **enabling environment** for FSM services

So what does the “enabling environment” look like?

➤ WSUP sector functionality framework

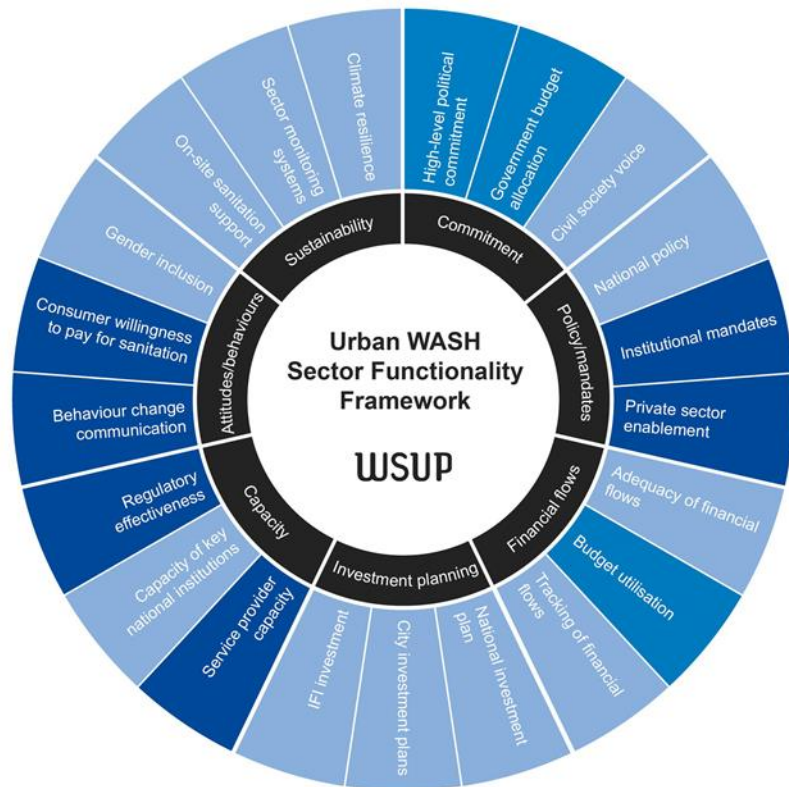
- Partially based on the UNICEF WASH-BAT “enabling factors” categories
- Provides a framework against which to map our **capacity development** and **sector influence** interventions...



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Strengthening the enabling environment for urban sanitation in Dhaka and Chittagong

Presented by:
Amirul Hasan
*Business Development
Lead, Bangladesh*





Urban sanitation in Bangladesh

- Bangladesh is one of the most **densely populated** countries in the world
- Very low rates of open defecation BUT only around 60% of the population **use an improved sanitation facility**
- There is **no sewerage** in Chittagong, and very little in Dhaka
- Households, businesses and institutions **rely on pit latrines and septic tanks**

Example focus areas in Bangladesh

Institutional mandates

Addressing lack of clarity about who was responsible for FSM delivery and regulation

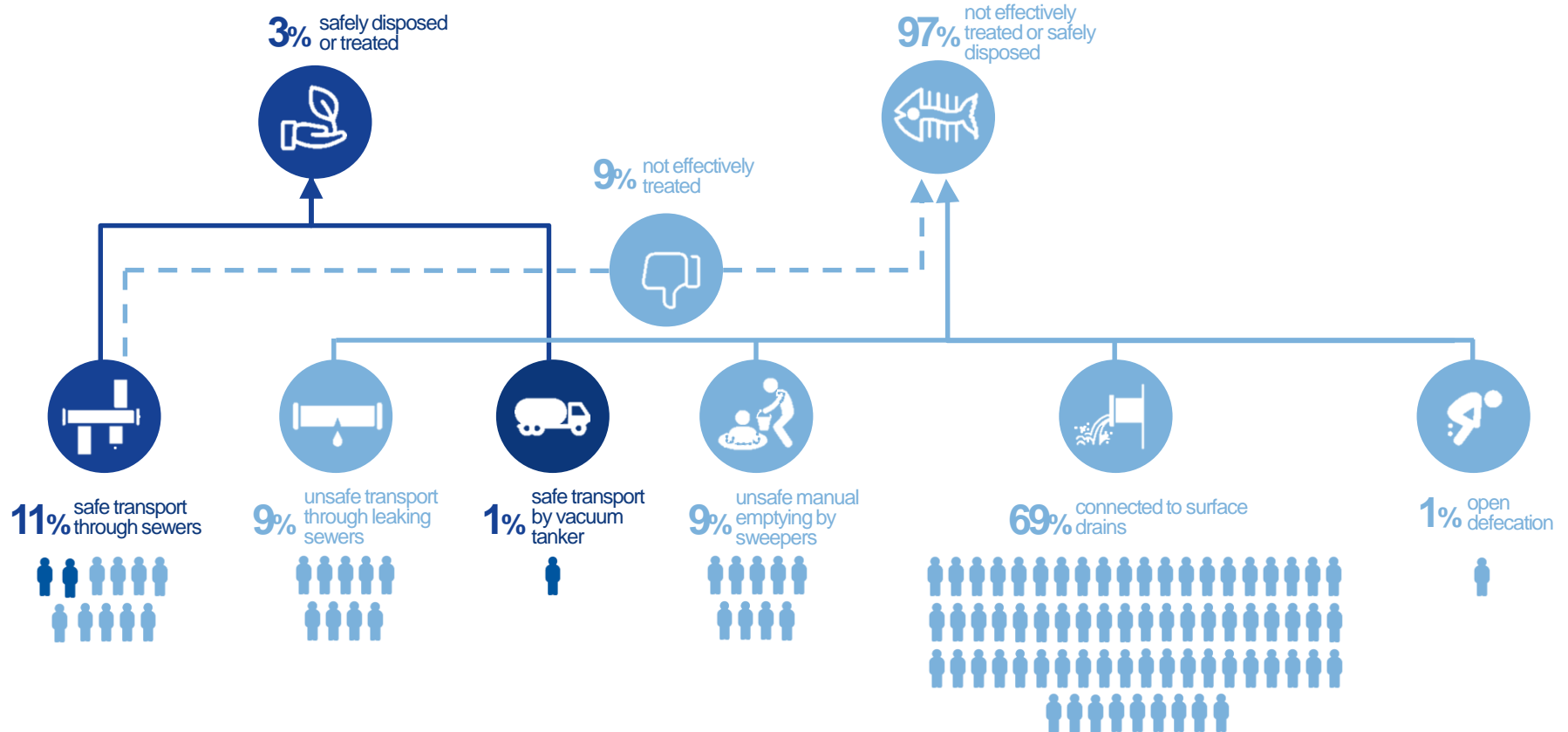
Private sector enablement

Supporting businesses to enter the sanitation sector in Bangladesh

Affordability and willingness to pay

Developing a pricing strategy to help sanitation businesses balance commercial viability and affordability for low-income customers

Opportunities and challenges to scale-up: flow of human waste in Dhaka



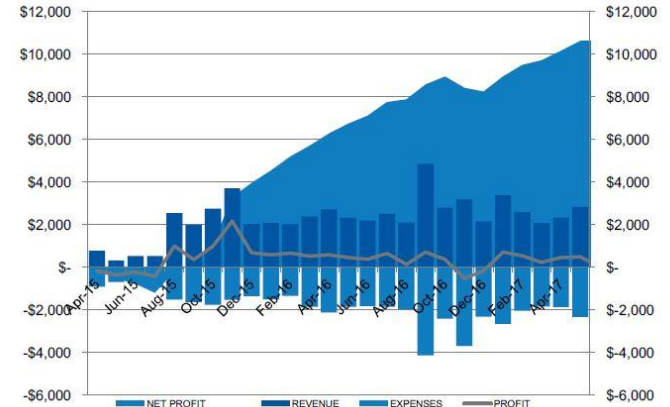
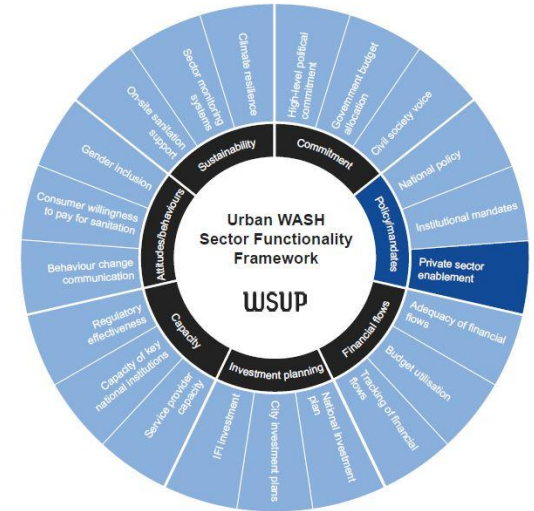
Indicator: Private sector enablement



➤ Development and replication of a **public-private partnership** for FSM services in Dhaka and Chittagong

- **SWEEP**: lease-based agreement between DWASA and Gulshan Clean & Care
- **Profitable on an O&M basis** within 5 months of start-up

Regular operational activities	Maintenance activities	Receiving demand	Mass marketing	Regulatory activities	Replacing & increasing fleet	Disposal & treatment
GCC	GCC	GCC	DWASA	DWASA	DWASA	DWASA



A vibrant and crowded street market in Bangladesh. The scene is filled with people walking, some in traditional attire and others in more modern clothing. The street is lined with shops and stalls, many of which have colorful signs in Bengali. In the foreground, a person is riding a rickshaw, which is a common mode of transport in such areas. The overall atmosphere is one of a bustling, active community.

Institutional mandates

Supporting the development of the **Institutional and Regulatory Framework** for Bangladesh:

- IRF for Dhaka – **Dhaka City Corporations** (North & South) take the lead, with **DWASA** in a supporting role
- IRF for other urban areas (including Chittagong) – **City Corporations** take the lead

Affordability & willingness to pay

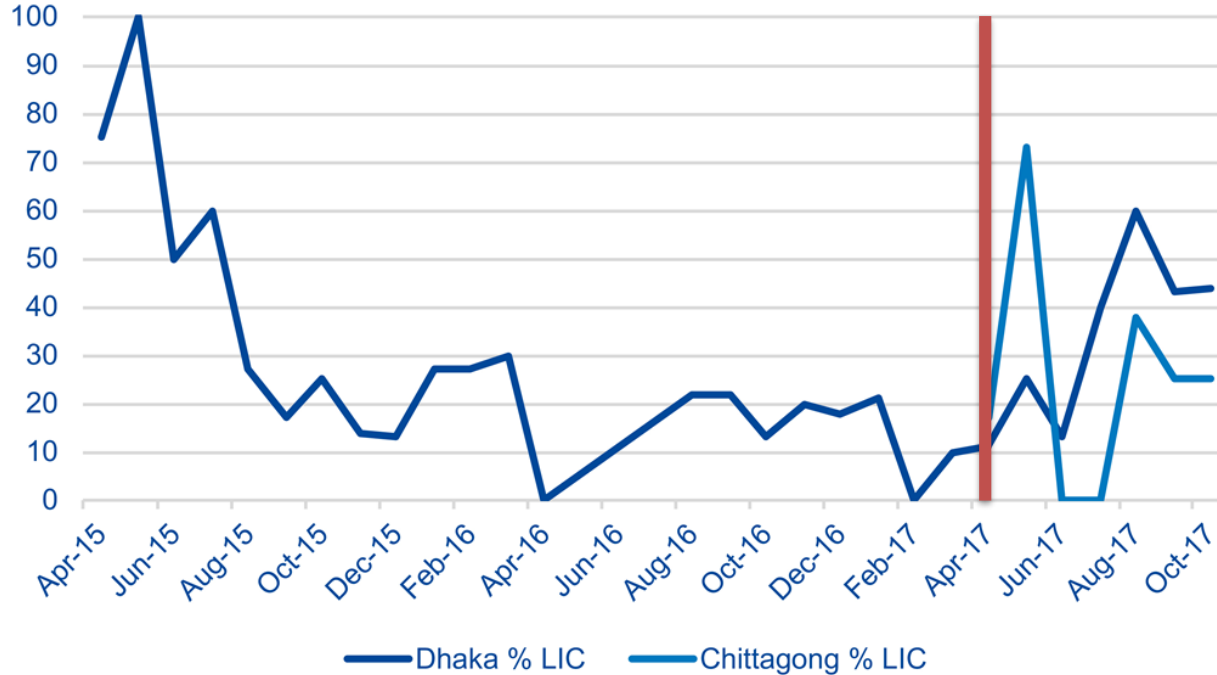
Developing a **differential pricing strategy**:

- SWEEP customers living in low-income areas charged a **lower tariff**
- **Flexible** pricing structure
- Targeting of low-income customers a **contractual requirement**



LICs as proportion of total customers (%)

Red line represents the introduction of the 30% minimum LIC contract clause in Dhaka



Looking ahead: size of potential market in four cities

Annual Market Size: US \$1 million
City Rank (by size): 11
Sewerage Coverage: 0%
Open Defecation: 1%

Rangpur
1.6m
population

Annual Market Size: US \$16.5 million
City Rank (by size): 1
Sewerage Coverage: 20%
Open Defecation: 1%

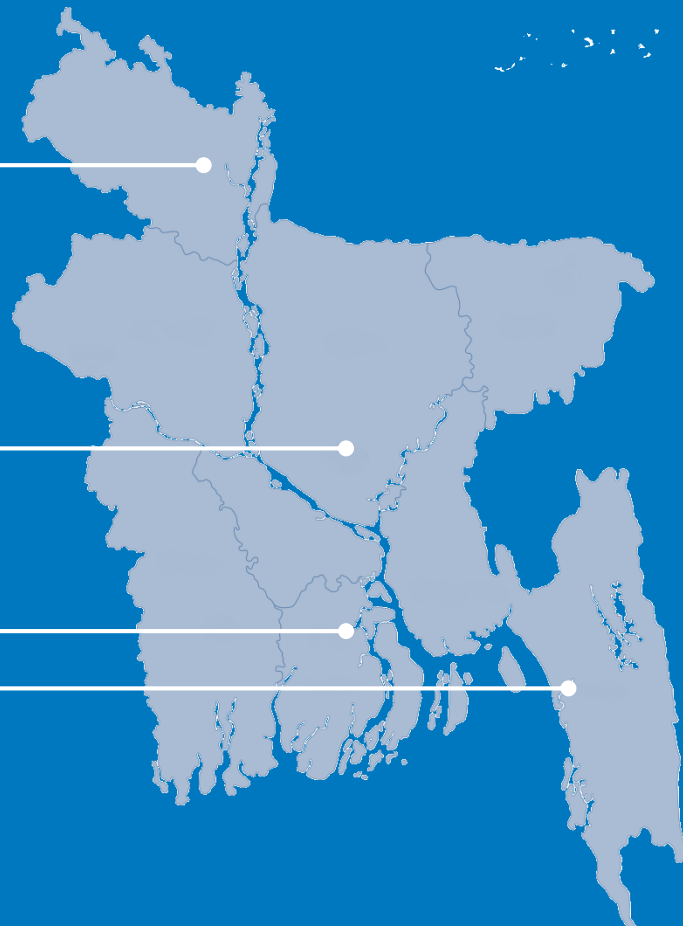
Dhaka
16m
population

Annual Market Size: US \$2.5 million
City Rank (by size): 9
Sewerage Coverage: 0%
Open Defecation: 1%

Barisal
1.9m
population

Annual Market Size: US \$5.0 million
City Rank (by size): 2
Sewerage Coverage: 0%
Open Defecation: 1%

Chittagong
4m
population



Any questions?



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Strengthening the enabling environment for urban sanitation in Kisumu, Kenya

Presented by:
Emanuel Owako
Project Manager, Kisumu

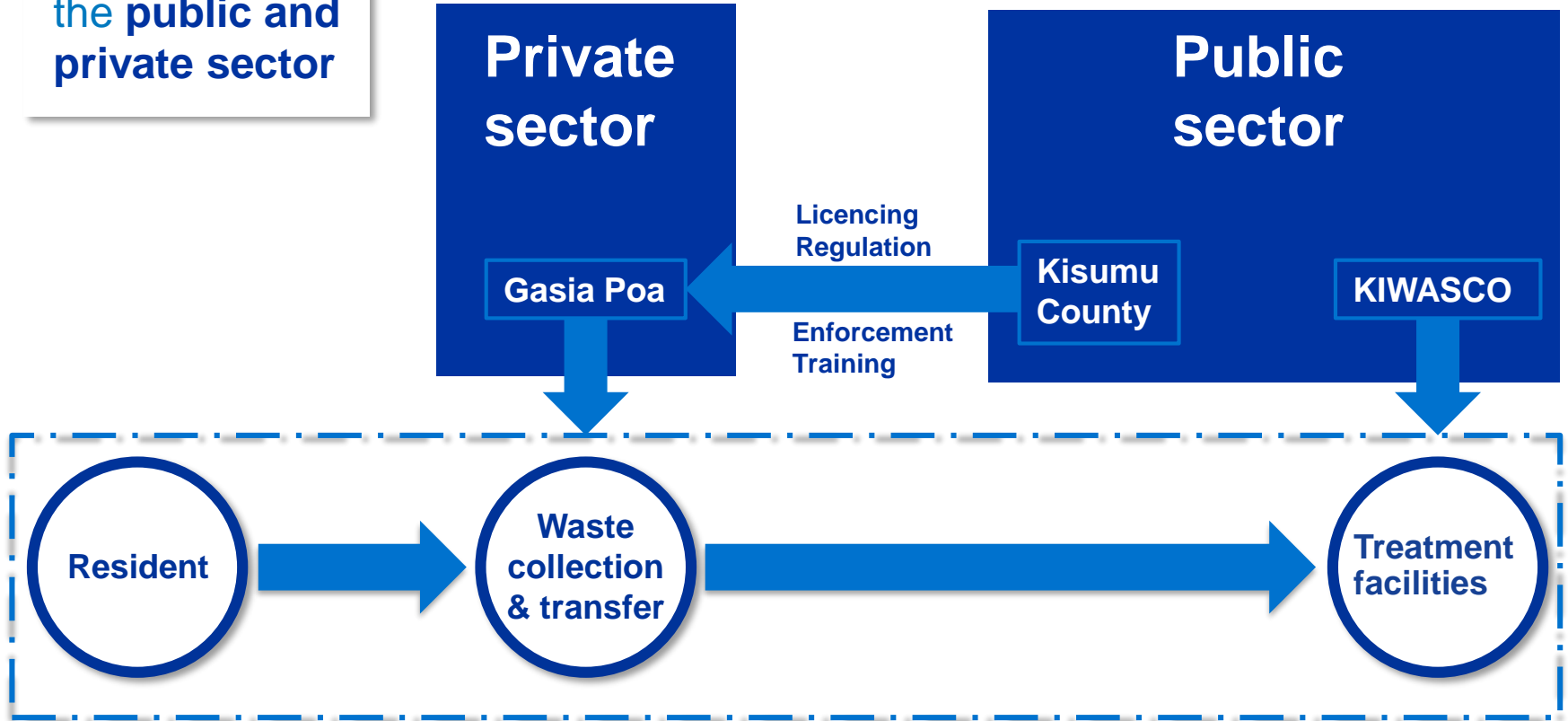




Urban sanitation in Kisumu, Kenya

- Nearly 400,000 people live in Kisumu
- Approximately **75% of households rely on pit latrines**
- Loose soil in the area leads to pit collapse, so pits tend to be small
- The County Government of Kisumu has **few functioning vehicles** for sludge collection and transport
- **Informal manual emptiers** are common

Working with
the **public and
private sector**



Example focus areas in Kisumu

Service provider
capacity

Developing and strengthening formal private sanitation service providers

Regulatory
effectiveness

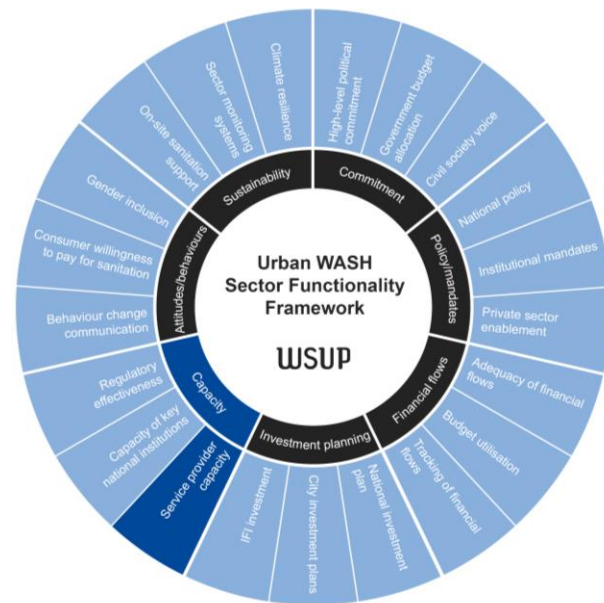
Working with stakeholders to introduce regulations governing best practice for manual emptying or FSM

Indicator: Service provider capacity



➤ Supporting Gasia Poa to move into urban sanitation:

- Supporting compliance with County Government's **licensing standards**
- Developing **marketing and customer acquisition strategy**
- Providing **financial modelling and training**



Regulatory
effectiveness

Developing **Standardised Operating Procedures (SOPs)** in Kisumu

- **Raising minimum standards** for emptying and disposal
- **Extensive guidelines** covering overall operations, emptying of waste, transport, disposal, customer acquisition
- Accompanied by **training to improve enforcement**



Looking ahead: change at the county level

- Experience gained in developing the SOP in Kisumu City is feeding into a **County Sanitation Policy** now being drafted by the County Government
- Long-term aim to **influence other counties** facing similar FSM challenges and contribute towards the establishment of **national FSM regulations**



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Strengthening the enabling environment for urban sanitation in Lusaka

Presented by:
Sibongile Ndaba
*Business Development
Lead, Zambia*





Urban sanitation in Lusaka

- Around 70% of the city's population live in informal 'Peri-Urban Areas'
- Households in these areas commonly rely on on-site sanitation facilities
- This is very unlikely to change in the near future
- Poorly constructed pits leach into the surrounding soil or overflow during the rainy season
- Outbreaks of diseases like cholera are common



Working with
community Water
Trusts in Chazanga
& Kanyama to
**develop full
sanitation chain
service**

LWSC: Developing the
utility's on-site
sanitation capacity

**Scaling up citywide
sanitation** with
national and
international
stakeholders

Example focus areas in Lusaka

Behaviour change
communication

Educating communities about the negative impact of disposing of solid waste in pits

Infrastructure and
technology

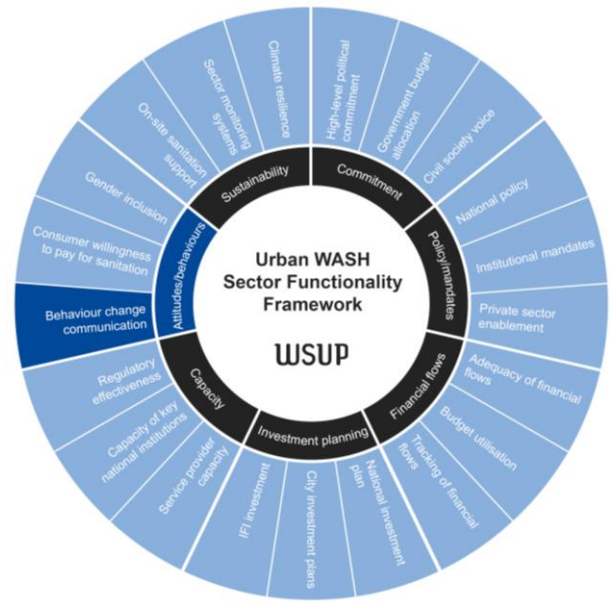
Providing improved on-site sanitation infrastructure for peri-urban population

Indicator: Behaviour change communication



Annual community-level campaigns:

- Don't dispose of **solid waste** in pit latrines
- **Upgrade** to a pour-flush toilet



Infrastructure and technology

- Constructing **transfer and treatment stations** in Kanyama and Chazanga
- **Support Water Trust management** of the sanitation chain in peri-urban areas



Looking ahead: Lusaka Sanitation Project

- WSUP Advisory now providing LWSC with technical assistance for **development of the FSM market across the city**
- Opportunity to synthesise programmatic learning to influence **city-level** sanitation planning and management



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the bottom line

Understanding the **business** of sanitation

[Play it now](#)

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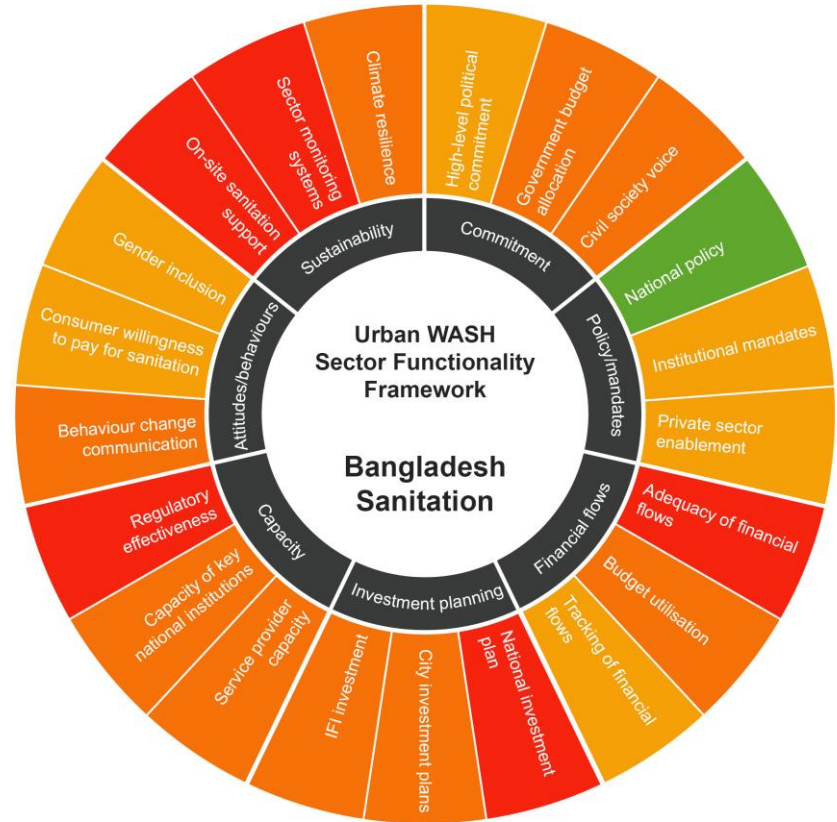
Looking ahead: a diagnostic tool

- **Two-yearly assessments** of sector functionality in WSUP focus countries
- Position city authorities to **prioritise effectively**
- Shift in focus from reactive, “keeping pace” approach to **long-term system strengthening**



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Balancing financial viability and user affordability: An assessment of six WASH service delivery models

Topic Brief | August 2017



A guide to strengthening the enabling environment for faecal sludge management

Experience from Bangladesh, Kenya and Zambia | November 2017



Incentivising the private sector to target low-income customers

Perspective Piece | February 2018

Sanitation businesses can improve services for all urban residents – including the poorest – but this requires carefully designed pricing strategies and measures to reduce risk. This publication outlines WSUP's approach to incentivising the private sector to target low-income customers, and how this is being applied to access commercial viability, affordability and equity of FSM service provision in Bangladesh.

Providing of water urban WASH services depends on service delivery models which generate ongoing revenues that are sufficient to cover the costs of service provision. Incentives are introduced to offset the service provision market size and profitability. As a result, many low-income customers are unable to afford the services and high income areas, where market demand and resulting financial margins are assumed to be higher.

This presents a challenge for organisations like WSUP. How can we balance private sector incentives to provide improved services at scale, while incentivising businesses to target low-income areas and ensuring affordable low-income customer services? Below, we set out four reasons from our work supporting WSPs in a faecal sludge collection service operating in Dhaka and Chittagong, and aim to be expanded to Bangladesh and beyond.

1. Reduce the risk of entry

Revenue streams are hard to predict when a business is starting up. The public sector provides a financial guarantee to allow private firms to enter the market for water or wastewater services. This can be done through a revenue guarantee for a set period of time. WSUP operates through a revenue-based agreement (RBA) with the Bangladesh Water Supply and Sewerage Authority (BWSA). BWSA uses their letter to the BWSA (Guarantee Check & Cash, GCCC) as a revenue risk.

Chittagong, WSUP purchased a revenue letter for the City Corporation, which can be used by the business owner. The letter guarantees that the business owner will not have to tolerate losses in case of business failure. This is a key consideration for companies as they contemplate entering a new sector.



2. Include low-income customer targeting as a contractual requirement

The guarantee of public sector support offered by a public-private agreement can be used as leverage to incorporate targeting low-income customers. In Dhaka, GCCC was not included in the contract. WSUP Dhaka was able to achieve public sector focus in the contract on its operations and maintenance terms, largely due to its focus on customers with higher needs (such as toilets, who require more time per customer but provide a higher financial margin).

This approach represented GCCC's unmet need for the market. However, since WSUP established itself as a commercially viable in Dhaka, a clause was introduced to 30% of their customers were low income. A similar clause was introduced in the agreement with Chittagong Dhaka Corporation (CDC) in the year of the WSUP/Chittagong programme (see Figure 1 in our report).

Finance modelling demonstrated that a 10-20% mix of high-income businesses and low-income customers (LCO) would provide sufficient profit to encourage private sector participation, while also meeting an important need for a lower range of customers. In this case, the BWSA can be held if they fail to reach the 30% target.