WSUP | Water & Sanitation for the Urban Poor

Public-Private Partnerships explained: Urban sanitation service delivery in Kenya

Perspective Piece | August 2017

The concept of Public-Private Partnership is diverse and far-reaching. In WSUP's experience, collaboration between the public and private sectors is not simply something to aspire to: it is essential to providing pro-poor urban unsewered sanitation services at scale. This publication is part of a series examining the different ways in which public-private collaboration is being realised in Bangladesh, Kenya and Zambia - three countries where WSUP is working with Bill and Melinda Gates Foundation (BMGF) to improve the enabling environment for urban and peri-urban FSM services.

Public-Private Partnership takes many forms

While definitions vary, there is arguably no such thing as a typical Public-Private Partnership (PPP): the term is used as a catch-all to describe a number of different arrangements between the public and private sectors to deliver services and infrastructure in a cost-effective manner. PPP contracts take a number of forms which differ according to the division of roles and appropriation of risk between the public and private partners.

The design of individual PPPs can be seen as part of a continuum, with varying levels of cooperation and formalisation depending on the context. In WSUP's experience, it is a mistake to conceive of PPPs solely in the traditional sense of large-scale, contract-based infrastructure projects: these arrangements are inappropriate at the scale of unsewered sanitation service provision in urban areas, where partnerships developed between the public and private sector are often governed by service-based agreements and/or working relationships rather than a single contract. Such fluid and flexible partnerships are integral to the successful development of urban FSM services.

In Bangladesh, Kenya and Zambia, WSUP has been able to propose and adapt different models and approaches to developing PPPs, as well as working to strengthen the environment in which they operate. In Kenya, WSUP have been working with County Governments and sanitation entrepreneurs to further develop the enabling environment for PPPs in FSM.

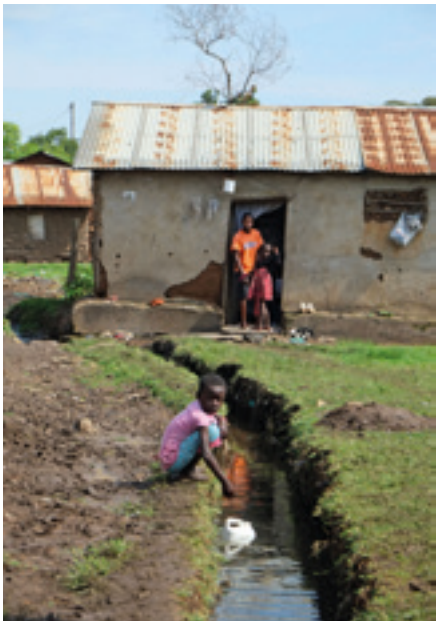

Image: Collecting water in Kisumu. **Credit:** WSUP

What do we mean by the term "enabling environment"?

PPPs (and sanitation businesses in general) need to sit within a regulatory, financial and institutional framework which supports private sector involvement. The strength of the enabling environment - which refers to clear policies, guidelines, regulations, technical assistance, financing streams and political buy-in - will directly correlate to the success of a PPP, both in terms of financial stability and its ability to reach customers in an equitable manner.

Urban sanitation in Kenya

Before detailing WSUP's response in Kenya it is important to understand the national context in which the BMGF programme operates. Kenya's current population is around 48.5 million, almost 27% of which live in urban areas. Urbanisation is rapid and it is projected that 60% of Kenyans will be living in cities and towns by 2030. Kenya's urban centres are characterised by informal settlements and poor water and sanitation infrastructure and services. Urban growth has led to high pollution levels and increased liquid and solid waste.

According to the 2015 Demographic and Health Survey, only 25.5% of urban Kenyans had access to privately owned improved sanitation in 2014. While the Joint Monitoring Program cited a higher figure of 31% in 2015, this still only represents a small shift towards improved sanitation coverage since 1990. Open defecation rates are low, but have not improved since 1990: 3% of the population still practice open defecation. The majority of urban residents use onsite sanitation (mostly pit latrines and septic tanks). An estimated 80% of the facilities are shallow pit latrines that pollute the environment.

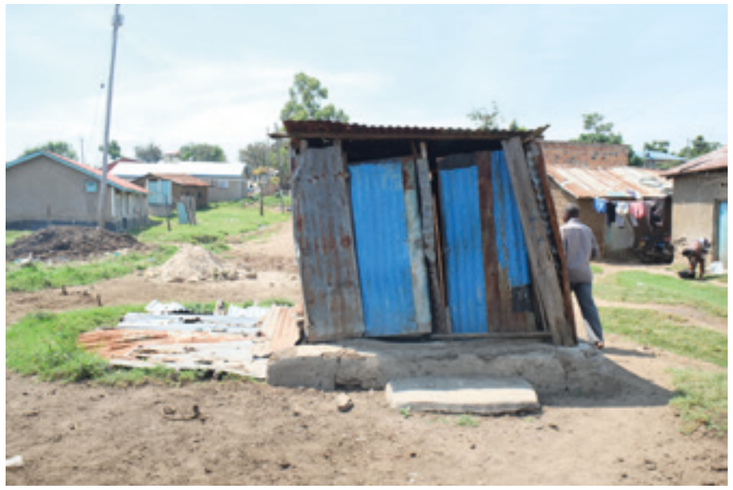

Image: Public toilets in Kisumu, Kenya. **Credit:** WSUP

National sewerage coverage is between 12% (cited in the Kenya Environmental Sanitation and Hygiene Policy – KESHP – 2016-2030) and 19% (according to WASREB, the water services regulator). In 2009, there were 43 sewerage systems across Kenya, and only 15 towns had wastewater treatment plants; the operational capacity of these wastewater treatment plants is low, estimated at around 16%. Due to poor water supply and the low capacity of wastewater treatment plants, only 5% of Kenya's sewage is treated effectively.

Overall responsibility for urban sanitation service planning and policy making is shared between the Ministries of Health and Water, and implementation of those policies is the remit of County-owned Water Service Providers (utilities), regulated by WASREB and the National Environment Management Authority. Following devolution, County Governments (through their Departments of Health, Water, and Environment) are responsible for planning and implementation, and other actors including utilities and NGOs provide services to customers. Counties can devolve sanitation functions to urban areas if they so choose, although this further stage of decentralisation has not yet become apparent.

There are a number of SMEs currently operating in the urban sanitation sector, including for-profits and social enterprises, but very few operate at a significant scale and they are not regulated by WASREB, who only focus on sewerage service providers.

How can PPPs strengthen Kenya's urban sanitation sector?

In most countries in which WSUP works, utilities and local government struggle to deliver adequate water and sanitation services in growing cities. For example, in Kisumu - Kenya's third-largest city, and the focus of WSUP activities under the BMGF programme - pit latrines are by far the most used type of sanitation facility, but the soil means that pit size is restricted and pits therefore fill up quickly. The County Government has only five vehicles for collecting and transporting faecal sludge across the whole city. Only three of those are currently operational.

PPPs can offer a strong platform for developing approaches to FSM in challenging environments like Kisumu: advantages include allowing public institutions to meet mandates in an efficient and cost-effective way that ensures services are pro-poor and sustainable; reducing cost and risk for both parties; offering the potential to reach under-served populations (such as low-income communities or those living in topographically challenging areas); and harnessing private sector innovation, business acumen, speed, and demand creation through business links to communities. Businesses with an interest in expanding into FSM service provision are likely to be drawn to urban areas by virtue of their dense populations, their higher than average income (although this will be less apparent in low-income areas), and potential to scale up.[1]

PPPs of all sizes and models require strong regulatory frameworks and supportive public institutions. Nationally, sector reform, framework development and demand creation support (through, for example, subsidies) will strengthen the enabling environment for PPPs. On subnational levels (either county or city governments), the public sector can provide capacity building, technical assistance, and guidelines for SMEs willing to enter the urban sanitation sector.[2]

Kenya's PPP framework

Kenya has a specific PPP legal framework, orchestrated by a PPP unit that sits within the National Treasury. The framework is based on international best practice principles for PPPs, although the system has not yet been tested throughout a project cycle (i.e. from the initial design of a project to its eventual operation, oversight and completion).[3] Kenya's national government receives additional financial support from the World Bank's Infrastructure Finance and Public Private Partnerships Project, which is investing US$ 40 million to support PPP projects and strengthen the enabling environment in Kenya.

[1] Ndaw MF (March 2016) Private sector provision of water supply and sanitation services in rural areas and small towns: the role of the public sector. WSP, World Bank
[2] Ndaw (2016)
[3] Economist Intelligence Unit (2015) The 2015 Infrascope: Evaluating the environment for public private partnerships in Africa

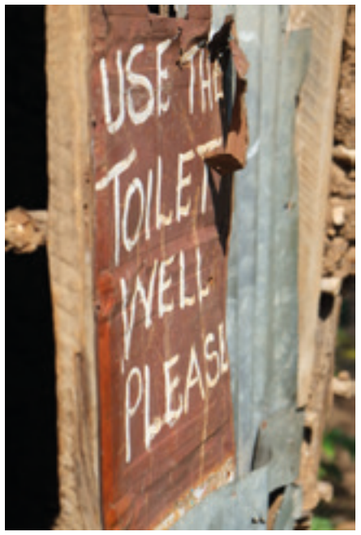

Image: Public toilets in Kisumu, Kenya.
Credit: WSUP

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These national processes have not yet been replicated at the county level. Proposals have been submitted to the National Assembly to amend the 2013 PPP Act to provide more clarity on subnational frameworks for PPPs, possibly through the establishment of county PPP units.[4]

There is certainly recognition among national and local governments that PPPs add value to the WASH sector, but the process at the moment is ad hoc and relies on private sector initiative: NGOs and/or SMEs identify the lead public body and propose a model for their approval. In terms of WASH specifically, PPPs are more common in the water sector than in the sanitation sector, although these are limited to Water Service Boards and public utilities, rather than open to competitive bidding from private operators. Under a delegated management model, utilities give water in bulk to private distributers who then sell the water to consumers in accordance with a price structure set by the utility to avoid extortion. No such clear-cut model exists for sanitation services.

The KESHP 2016-2030 promotes increased private sector involvement in urban sanitation, highlighting the importance of solutions that are within the reach of the poorest and most marginalised, and investing in demand creation for sanitation products and services. The KESHP also provides for translating these PPP-friendly policies and regulations for county implementation.

An opportunity to create a new FSM partnership in Kisumu

In Kisumu, only one in every four households use private improved sanitation facilities, while 26% use improved shared sanitation and about 14% use unimproved private sanitation. Under the BMGF programme, WSUP Kenya are supporting private entrepreneurs and local governments to create an environment where both parties are able and willing to enter into partnerships with each other.

Currently, the public sector working alone cannot provide FSM services at scale. However, the lack of county-level regulation on the handling of faecal waste discourages private participation, as there is no confidence that establishing a licensed private company to operate in FSM will be rewarded. Small-scale FSM entrepreneurs such as pit emptiers are almost all unlicensed, operating illegally and at night.

Since the beginning of 2017, WSUP have been working to with a Kisumu entrepreneur to address this situation, supporting him in expanding his solid waste management business (Gasia Poa) to include FSM services. The entrepreneur has now signed a formal licensing agreement with the County Public Health Office to work in FSM and has started pit emptying in low-income areas of the city. Under the PPP arrangement, the SME can use the Kisumu Water and Sewerage Company's (KIWASCO) treatment facilities to dump the sludge collected from pit latrines, and receives training and capacity building from the Public Health Office in order to ensure that their services meet regulations; this means improved equipment for staff (including gloves, boots, other protective gear, and vaccination certificates) and a vehicle that conforms to waste removal standards (currently Gasia Poa hires transportation as and when required, but the Kisumu Public Health Office would prefer that any vehicle transporting faecal sludge be single-purpose and clearly branded).

Image: Gasia Poa employees assessing a pit latrine before emptying. **Credit:** WSUP

[4] Olotch C (2017) 'Public Private Partnerships: How does Kenya fare?' World Bank blog

The Kisumu public sector therefore plays a key role in developing an enabling environment, ensuring that regulations for private participation are clear and that those operating in the urban sanitation sector are not indirectly harming public health through improper collection and disposal of faecal sludge. The Public Health Office also acts as a channel for knowledge management and information-sharing among practitioners, and trains FSM SMEs on best practice pit emptying and the potential dangers involved.

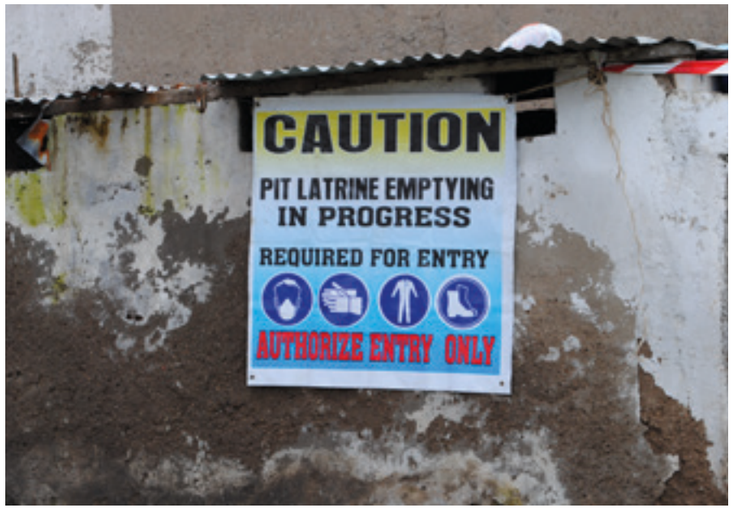

Image: Safety precautions during pit emptying in Kisumu. **Credit:** WSUP

Results so far

The pilot is still in the early stages of implementation: the WSUP-supported entrepreneur has begun providing pit emptying services in informal settlements in Kisumu, with early indications suggesting a high level of interest in the service. Customer feedback shows an appreciation for a service operating legally and to the standards required by the Public Health Office. The SME emptying pits during daylight is viewed as particularly welcome and novel.

Public and private sector stakeholders in Kisumu have recently finalised a Standard Operating Procedure for FSM actors, which includes up-to-date government regulations and a training manual for pit emptiers and Public Health Officers. The SOP is about to be adopted at the county level and training around its implementation has already begun.

Nationally, counties are fine-tuning a new PPP policy alongside partners from the WASH network, clarifying licensing issues, service costs, and penalties for illegal dumping. Illegal pit emptiers still operate in Kisumu, and offer their services at a fee that undercuts the licensed operator: clear penalties and effective enforcement will therefore be critical if the licensed provider is to succeed in the long term. Some delays are expected due to upcoming national elections, but PPP agreements and the Standard Operating Procedure agreed to date will contribute to the design of the eventual policy.

Next steps for the public sector

Developing, clarifying and enforcing FSM regulations and guidelines

There are few regulations or guidelines currently in place to help County Governments engage private companies (for example, there are no contract templates and consumer tariffs are not regulated), and few incentives are in place to persuade sanitation SMEs to operate in lower income areas. Translating the KESHP and its related legislation at the County level will help shape an enabling environment for SME activity.

As noted, improved enforcement of sanctions for illegal pit emptying will be critical for licensed providers to flourish in Kisumu. Public Health Officers had the authority to fine offenders regarding solid waste, but no such procedures were in place for FSM, which proved challenging. At the moment, the County Government is applying the fines designed for solid waste management to the FSM sector with no adaptation. Provisions for the enforcement of Kisumu's Standard Operating Procedure will be necessary to ensure that it has a sustained impact on the county's FSM sector. Community Health Workers employed by the Public Health Office have the power to fine those not abiding by it, but this enforcement power must be utilised.

This area will be a key focus of the BMGF programme in coming months: WSUP will continue to support the progression in Kisumu towards formalised dumping through the introduction of levies and procedures for FSM operators; by providing a model market-based system for the utility's vacuum tanker emptying section; and through supporting improved regulation of other FSM enterprises operating in Kisumu. WSUP will also support the County Government of Kisumu to initiate the drafting and enactment of a new public health policy, laws and regulations that will greatly strengthen and support the enabling environment for formal FSM service provision.

Assessing the impacts on infrastructure

The required capacity to treat the faecal waste removed from pits will need to be assessed, so that the added demand to infrastructure is fully understood and reflected in dumping fees. The technical feasibility of using the existing treatment sites must also be assessed to ensure that the increased faecal sludge emptied by FSM operators does not negatively impact their operations further. This could impact the cost of disposal.

In addition, WSUP are working with KIWASCO to develop reception facilities at the existing treatment sites, so solid waste dumped in pit latrines can be burned at the site and barrels can be cleaned after they are emptied.

Next steps for the private sector

The SME is currently working solely in low-income peri-urban areas of Kisumu. If the business expands to other, potentially higher-income areas (which also lack connections to sewerage networks), a target may have to be set to ensure that low-income customers are still served under the current business partnership framework.

A recent economic downturn has dampened demand for emptying services, but WSUP are working to connect Gasia Poa to a micro-finance institution that could provide landlords with a loan to meet pit emptying costs. This could then be paid back in instalments linked to rent payment timelines.

Currently, Gasia Poa use KIWASCO's disposal site free of charge. WSUP recommend that the payment of a dumping fee is introduced in phases, in order to give the SME time to build up the business.

Credits

This publication is produced by WSUP, a not-for-profit company that helps transform cities to benefit the millions who lack access to water and sanitation. We were created in 2005 as a response to the unprecedented urban explosion that has left cities unable to provide basic services to low-income communities. Since inception, we have helped over 10 million people access better water and sanitation services.

The work described in this Perspective Piece is funded by Bill & Melinda Gates Foundation and UK aid from the Department for International Development. Author: Rosie Renouf. With thanks to Emanuel Owako, Stella Nthuni, Kariuki Mugo and Bill Peacock for their important inputs. Coordination and design: Amit Patel. Series editor: Sam Drabble.

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