THE ROLE OF SMALL, LOCAL SERVICE PROVIDERS IN INCLUSIVE CITYWIDE WATER AND SANITATION

SUMMARY

In low- and middle-income country (LMIC) contexts such as Sub-Saharan Africa and South Asia, between **44% to 51% of urban populations are unserved by piped water** and **72% to 84% lack sewered connections**[1,2,3,4,5]. A significant proportion of this population is likely **served by small, local providers (SLPs)**. Despite the ubiquity of SLPs, existing programs and studies largely ignore the impacts these stakeholders have on service delivery. This study aimed to understand the characteristics of SLP service provision and possible approaches for cities to formally leverage SLPs in expanding coverage of drinking water and fecal sludge management (FSM) services in LMICs. A framework was developed that cities can use to implement market transitions and formally leverage SLPs.

WHY THIS MATTERS

Cities must not continue to ignore small, local, and often informal water and sanitation service providers. Small, local providers (SLPs) play a critical role in serving informal settlements, peri-urban areas, and marginalized populations as municipal governments and utilities cannot keep up with rapid urbanization. However, they are often not officially recognized or regulated, leading to expensive and poor-quality services.

This research found that SLPs are prevalent and despite disadvantages, may be preferred by customers as they are perceived to be reliable and accessible. Case studies showed that cities can leverage SLPs to expand and improve citywide service delivery.

By introducing a novel framework that characterizes different ways that cities can engage and potentially leverage SLPs, this research can support stakeholders to formalize the role of SLPs in service delivery, rather than ignoring them as many programs and public institutions currently do.

How does this research connect to USAID's Action Research Initiative?

Under USAID's Global Water Strategy Action Research Initiative, the Urban Resilience by Building Partnerships and Applying New evidence in WASH (URBAN WASH) project is working to identify approaches and key evidence gaps on leveraging small, local providers to expand service provision in cities.

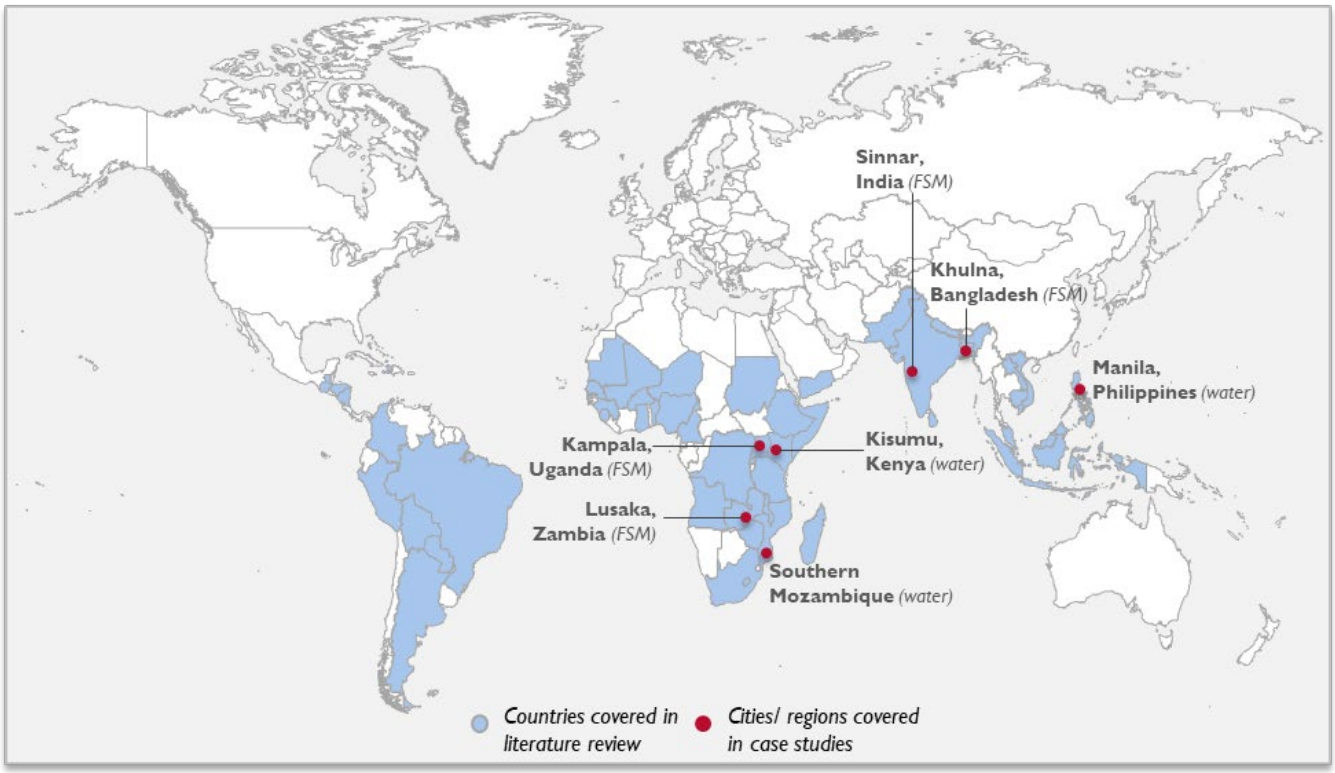
The research addresses Strategic Objective 2 of USAID's Global Water Strategy, which aims to increase equitable access to safe, sustainable, and climate-resilient drinking water and sanitation services. This research contributes to research question 1.1.1 under the USAID Water for the World Implementation Research Agenda on understanding approaches to regulate small and informal service providers that serve the poorest and most vulnerable.

Learn more | www.globalwaters.org/research

METHODOLOGY

The study sought to understand approaches for formally leveraging SLPs to deliver water and FSM services by conducting a literature review of 127 documents across 48 countries, supplemented by 18 key informant interviews, and case studies of seven cities/regions selected from a database of ~1,400 WASH projects.

Figure 1: Countries and cities covered through literature review and in-depth case studies



FINDINGS

#1. SLPs are prevalent and are preferred by some customers, despite disadvantages

SLPs fill critical service gaps, may be more reliable, and often tailor services to customer-needs, especially for marginalized groups. But their services have low safety and affordability.

#2. Formally leveraging SLPs can improve service delivery

Cities can formally leverage SLPs to expand coverage and improve customer service, reliability and affordability of services in previously unserved areas.

#3. Implementation is nascent, challenging, and can take a decade or more

Implementation to leverage SLPs takes several years and challenges in ensuring safety of services persist. Further implementation research will help build sector-level guidance.

This Learning Brief is based on research conducted by USAID URBAN WASH

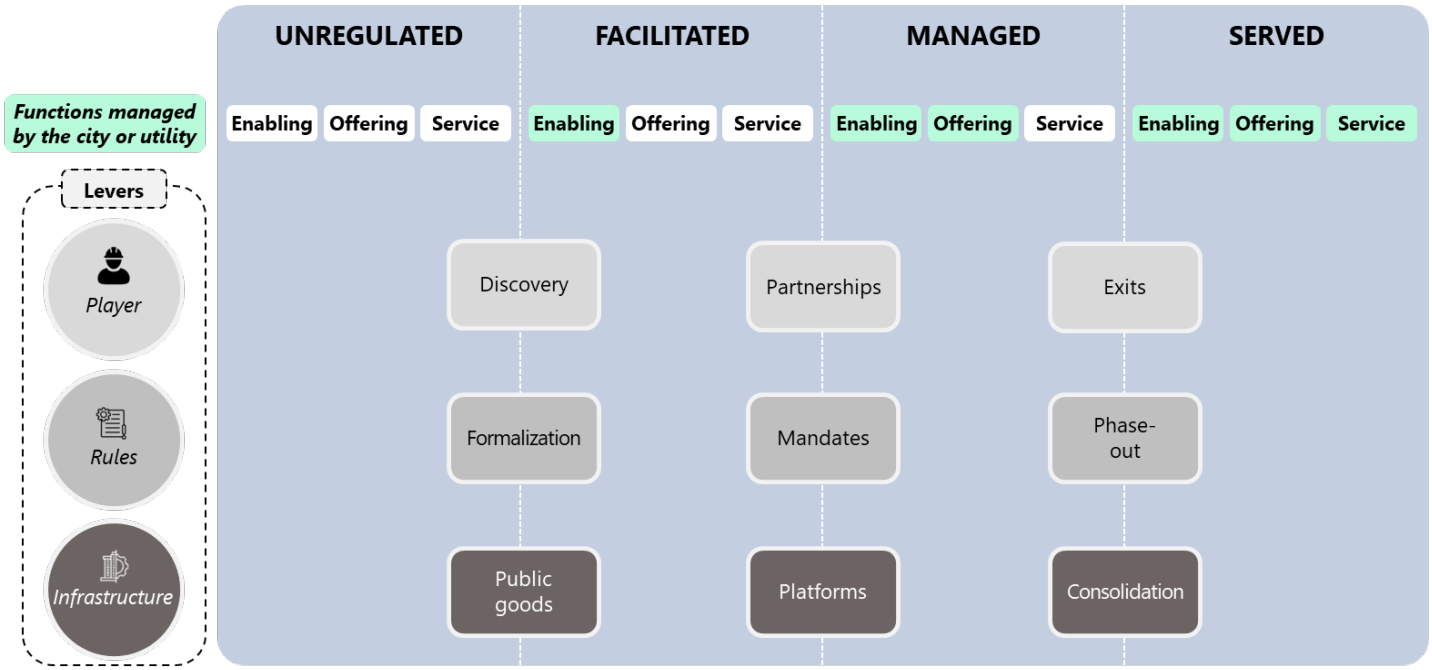
The research led to the development of a framework that can support cities to formally leverage SLPs (see Figure 2).

Where areas in a city are ***unregulated***, cities can formally leverage SLPs by:

- Recognizing them and ***facilitating*** **their participation** (taking on enabling functions like licensing or financing SLPs), or
- ***Managing*** **the market** through actively influencing SLPs' offering functions (such as setting prices or taking on marketing roles).

Transitions to these facilitated or managed market archetypes allow city authories and service providers to expand coverage in areas they cannot ***serve*** **directly** through their own piped or decentralized services**.**

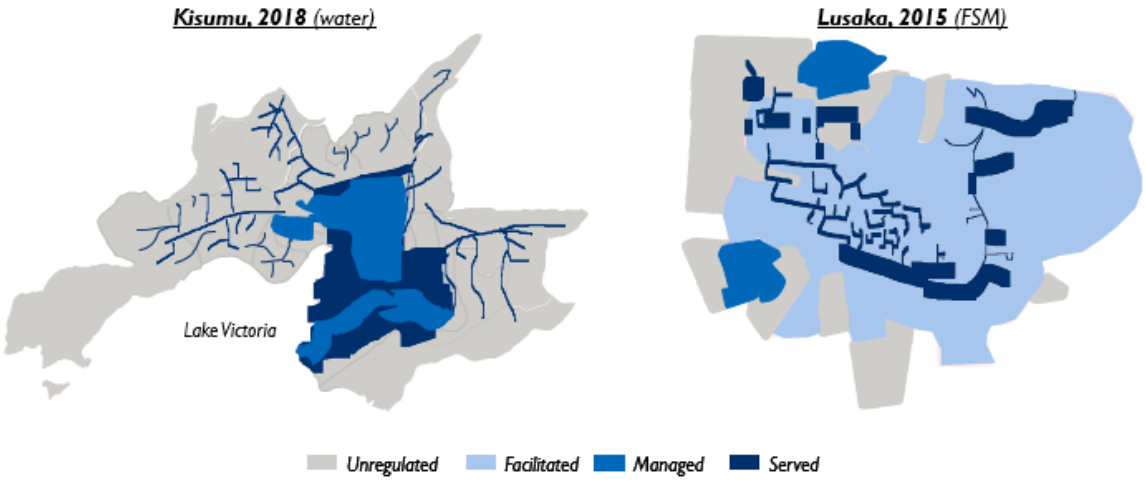
Figure 2: Framework for cities to implement market transitions and formally leverage SLPs



Different parts of a city consist of different market archetypes (unregulated, facilitated, managed, served), based on the functions (enabling, offering, service) managed by city authorites/service providers in these areas. Illustrative maps were drafted through meetings with partners for drinking water services in Kisumu in 2018 and FSM services in Lusaka in 2015 (see Figure 32).

In the case studies, transitions to leverage SLPs were triggered by a combination of political directives, economic incentives, and social conditions. Buy-in from multiple government actors and trust between the public sector and private providers was critical for success. Involvement of nongovernmental stakeholders (such as SLP collectives and community organizations) and international development organizations (such as donors and programs) also supported implementation.

Figure 3: Market archetypes in Kisumu, Kenya, and Lusaka, Zambia



Cities implemented transitions using three types of actions or "levers":

(1) managing the engagement with ***players*** (e.g., engaging with SLP collectives, designing partnership agreements)
(2) establishing ***rules*** for the engagement (e.g., issuing licenses, defining prices)
(3) creating ***infrastructure*** to support SLPs to deliver services (e.g., developing treatment facilities or marketing platforms).

The purpose of these levers varied by transition. For example, for transitions to facilitated markets, the focus of the player lever was the ***discovery*** of many unregulated players and providing them with support. For transitions to managed markets, the focus of the player lever was designing ***partnership*** modalities that allowed greater control over the services of a select number of SLPs.

The case studies showed that implementing market transitions allowed cities to positively influence several market outcomes. Transitions led to a significant expansion in the coverage of formal services provided by SLPs, especially in areas with low-income and marginalized populations who would otherwise remain unserved. Customer service and reliability improved as utilities began directly interacting with customers to document their concerns and feedback. Affordability also improved with the implementation of mechanisms to manage SLPs' prices.

However, there were several implementation challenges:

- Implementation of transitions took several years and was done incrementally. Transitions to managed markets began with pilots for a few years, followed by a scale-up period.
- Compliance with safety standards, such as paying for treatment and testing of water or incurring transport and/or disposal fees for safe disposal, increased the cost burden for SLPs.
- Equitable pricing was a challenge due to the need to balance the ability of low-income and marginalized households to pay, viability of SLPs, and the need to cover the full cost of services.
- SLPs from marginalized groups faced barriers to benefiting from transitions, sometimes facing a risk of losing their business.

CASE STUDY – DELEGATED MANAGEMENT IN KISUMU, KENYA

In 2004, only 65% of Kisumu's population received water from the utility, KIWASCO. The rest, mostly residents of low-income areas, relied on water supplied by cartels, who charged customers approximately 10 times more than the utility. Due to theft of water, KIWASCO's non-revenue water rates were as high as 85%.

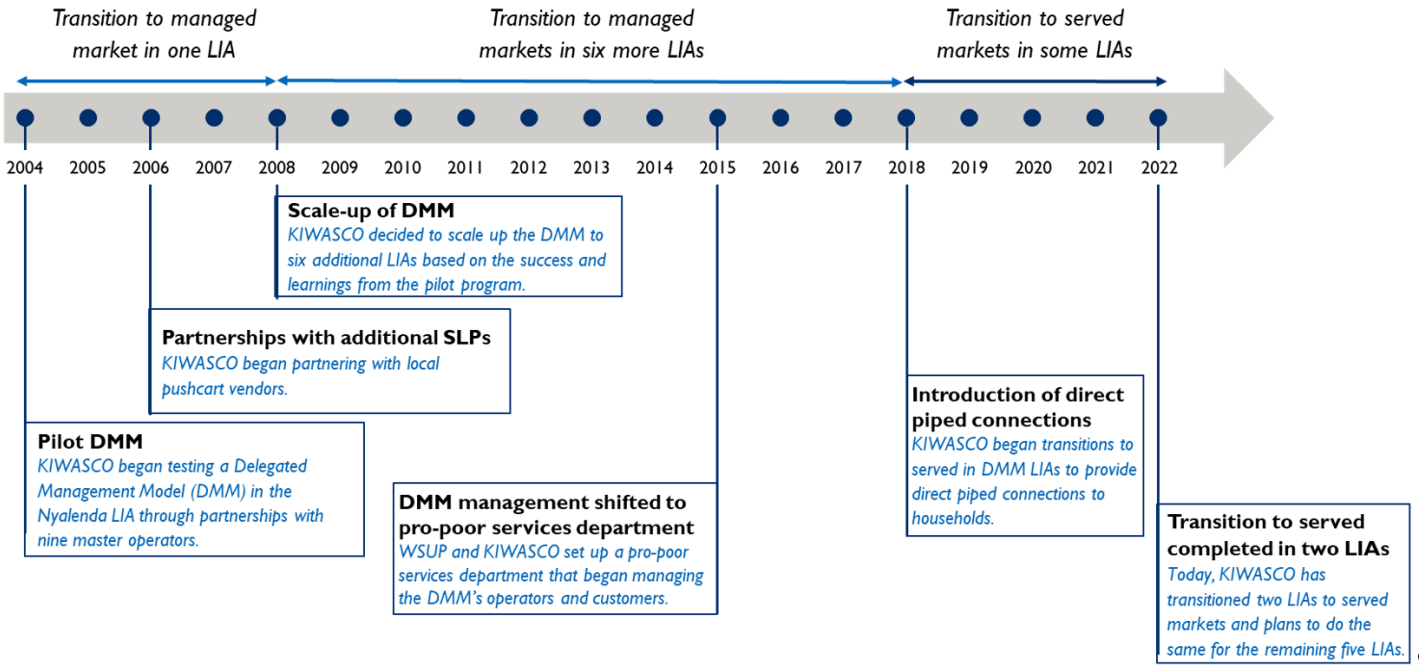
To address these problems, in 2004, KIWASCO began a delegated management model in the Nyalenda area, transitioning it from an *unregulated* to a *managed* market. KIWASCO partnered with nine local water operators, termed master operators. KIWASCO was responsible for supplying bulk, treated water by constructing and maintaining a new network of pipes to the fringes of the low-income area. The master operators were then responsible for delivering the treated water to the households by constructing and maintaining their own network of pipes, paid for by the households that received the connections. The French Embassy in Kenya co-financed the project and the World Bank's Water and Sanitation Program provided KIWASCO with technical support.

In the first two years, KIWASCO faced vandalism from other informal providers who felt threatened by the new model. However, starting in 2006, KIWASCO began employing these informal players to manage kiosks. By 2008, 5,000 households were being served under the delegated management model, tariffs had been reduced, and non-revenue water rates had dropped to 40%.

Between 2008 and 2018, KIWASCO scaled up the program to seven low-income areas, partnering with 23 operators and 200 kiosk operators to deliver water to six more communities, serving approximately 20,000 households (see Figure 2 for a map of the market archetypes in Kisumu in 2018). KIWASCO gathered monthly performance reports to monitor service quality, carry out appraisals, determine eligibility for contract renewals, and identify operators (and areas) for targeted trainings. KIWASCO enforced standards through contracts that it could terminate in case of non-compliance. It also setup a dedicated customer services department to address complaints and acquire new customers.

Today, this program continues in five out of the seven low-income areas. KIWASCO serves ~88% of Kisumu city's population through direct piped connections or via the delegated management model and its non-revenue water has dropped as low as 32%.

Figure 4: Timeline of transitions in Kisumu, Kenya



This Learning Brief is based on research conducted by USAID URBAN WASH

WAY FORWARD

The research indicated that implementing transitions to formally leverage SLPs can expand coverage of affordable and reliable services. However, the topic is still nascent, with limited examples and documentation. The case study analysis reflects positivity bias as all but one case demonstrated a successful initiative to leverage SLPs. As such, there is limited generalizability on the enabling factors necessary and sufficient for cities to leverage SLPs. The case studies also revealed evidence gaps on using different levers to implement transitions. Finally, the case studies had insufficient data on the impact of transitions on service delivery outcomes, especially on marginalized groups and on the resilience of the urban service delivery system.

Additional research, motivated by the following questions, can help sector funders and stakeholders implement transitions and leverage SLPs for delivering water and FSM services.

1. **Choice of transitions: What choices do cities make to implement transitions with SLPs, and what conditions influence these choices?**

2. **Implementation of transitions: How can stakeholders use the identified levers to successfully implement different transitions with SLPs?**

3. **Impact of transitions: What is the impact of these transitions on service delivery outcomes, marginalized groups, and resilience?**

Understanding the choice of transitions requires an in-depth comparative analysis of the drivers and barriers of different transitions. These can include the social, political, and economic incentives or challenges for leveraging SLPs, characteristics of the areas being transitioned, the viability of transitions, and the impact of these factors on the sequencing and end-goal of transitions. Research on the implementation of transitions can address specific evidence gaps for each lever by transition. This will involve understanding the benefits, challenges, and the costs borne in implementing different levers, and their efficacy in improving service delivery. Finally, further research should also focus on generating evidence on the impact of transitions on affordability, coverage, and quality of services for households, especially those from marginalized groups, and on the resilience of the urban service delivery system.

REFERENCES

1 Eberhard, R. (2019). *Access to Water and Sanitation in Sub-Saharan Africa: Review of Sector Reforms and Investments, Key Findings to Inform Future Support to Sector Development.* Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. https://www.oecd.org/water/GIZ_2018_Access_Study_Part%20I_Synthesis_Report.pdf

2 International Institute for Population Sciences (IIPS) and ICF. (2021). National Family Health Survey (NFHS-5), 2019-21: India Volume1. Mumbai: IIPS. https://dhsprogram.com/pubs/pdf/FR375/FR375.pdf

3 National Institute of Population Research and Training (NIPORT), and ICF. (2020). Bangladesh Demographic and Health Survey 2017-18. Dhaka and Maryland: NIPORT and ICF. https://dhsprogram.com/pubs/pdf/FR344/FR344.pdf

4 National Institute of Population Studies (NIPS) [Pakistan] and ICF. (2020). Pakistan Maternal Mortality Survey 2019. Islamabad and Maryland: NIPS and ICF. https://dhsprogram.com/pubs/pdf/FR366/FR366.pdf

5 World Health Organization (WHO) and the United Nations Children's Fund (UNICEF). (2021). *Progress on household drinking water, sanitation and hygiene 2000-2020: five years into the SDGs.* Geneva: WHO and UNICEF. https://washdata.org/reports/jmp-2021-wash-households

ACKNOWLEDGEMENTS

This publication was produced at the request of the United States Agency for International Development. It was prepared independently by Tetra Tech ARD and FSG Advisory Services under the Urban Resilience by Building Partnerships and Applying New evidence in WASH (URBAN WASH) project, under the GSA's One Acquisition Solicitation for Integrated Services (OASIS Unrestricted) Indefinite Delivery Indefinite Quantity Contract, contract number GS00Q14OADU138, and order number 7200AA21M00012.

This brief summarizes a full-length report:

USAID Urban Resilience by Building and Applying New Evidence in Water, Sanitation, and Hygiene (URBAN WASH). (2023). Building inclusive and resilient citywide water & sanitation services. Washington, D.C.: USAID URBAN WASH Project.

USAID
FROM THE AMERICAN PEOPLE