Optimising civil society, private enterprise and public sector roles
Insights from a political economy analysis in three Southeast Asian nations

Juliet Willetts and Janina Murta
Key messages of this presentation…

1. Every actor needs an **incentive or reason** to act – we should be careful about what we assume!

2. The concept of **social enterprise** may provide a new avenue to support services

3. Public sector needs to **subsidise/support** services for the poor one way or another – focus on how to do this whilst maximising what the market can offer

4. Donors need to provide incentives for implementing agencies to work in new ways, **valuing different types of outcomes**
Why examine incentives shaping the role of enterprise in WASH?

- Many agencies supporting enterprise roles
- Evidence is mixed on effectiveness and outcomes for the poor
- Unquestioned assumptions about enterprise roles

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Why examine incentives shaping the role of enterprise in WASH?

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Unquestioned assumptions about enterprise roles

Many agencies supporting enterprise roles

We’re taking enterprise in the broad sense of the word - including both private and social enterprise
A short note on methodology…

• Three countries
• Political economy analysis (Harris et al. 2011, Ostrom 2011)
• Country and sector context
• Interactions between types of organisations
• 120 organisations and agencies interviewed
The importance of history and the macro-level political economy

- Helps explain *mismatches* between official policy priorities and the goals of political and administrative actors
- Helps explain *attitudes* towards the ‘private sector’
- Helps explain whether ‘social enterprise’ exist and how they are *perceived*
The importance of history and the macro-level political economy

State provides Market economy

Vietnam

Government support to private sector

Government response to need – free goods

Timor-Leste
Motivations of enterprises

Motivations

Material benefits

Purposive goals

Solidary benefits

Increased status

“[repayments] can take one week, one month, one year, one-and-a half years… we’re not only about business, it is a social purpose.”

“We don’t offer discounts. No matter what, it’s purely business.”

“every member agreed that every challenge that they will face in future we will try facing together because in [the association] we have the principle of kinship, solidarity, and mutual cooperation.”

“I saw the need of the people so I extended the water system. They thank me and respect me for that”

“I would like to be well known by people. This is a reason beyond profit.”

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Incentives can be constructed that act upon these motivations
Creative ways of working around available formal business types – forms of social enterprise

![Diagram showing CBO, Cooperative, and their interactions with households through loans and water supply/charges.]

- CBO
- Cooperative
- Water supply
- Water charges
- Households

$ Loans
Creative ways of working around available formal business types – forms of social enterprise

Donor projects

NGO

Govt projects

Selling products and services

Business org

Business org

(% of profit)
Entrepreneurism

“there’s a lack of entrepreneurial culture, most perform the contracted work but don't re-invest”

“Vietnam has always had entrepreneurs – people bargaining and trading – it just was not recognised formally”

“I say I will provide snacks [for a meeting with community]. I have to take a risk. It’s not about money out, it’s an investment. My presentation leads to 13-14 orders. Sometimes others are not brave enough to do that”

“Real entrepreneurs should sacrifice their own money to start a business”
Complex behaviour of users affects enterprise operation

- Users tampering with meters
- Irregular repayment of credit offered by enterprises
- Avoiding using a ‘local’ business out of jealousy
- Using other water sources instead of paid piped water when possible
How are ‘users’ of products and services seen by enterprise? How do users see themselves?

Users

- as customers?
- as beneficiaries?
- as members?
- as rights-holders?
Mediated relationships with users

- promoter
- supplier or entrepreneur
- incentives?
- householder
Local level policy environment

Potential incentives for local government to support enterprise:

- Targets
- Prestige and recognition
- Financial incentives

Barriers:

- Can be considered unacceptable to directly support enterprise
Local level policy environment

• Targets
• Prestige and recognition
• Financial incentives

Barriers:
• Can be considered unacceptable to directly support enterprise

“if [you] say this is private sector, then they respond that this is not their domain, [and that] “they [enterprises] have to survive”… “if you ask them to help, then they say they don’t know how”
Private sector support agencies… mostly missing in action

Focus on highly visible socio-economic outcomes

Patronage relationships

“The national budget system is performance based. If you read their budget system, there is no priority for water and sanitation. It will take time for them to realise”
CSO/NGO engagement with enterprise to support the poor

“The enterprise stay in the location, so we work with them

“NGOs are funded on a project basis. If working with enterprise can turn a project into a business opportunity, then it can continue

“The less you’re dependent on the market, the more you’re independent”

“It’s impossible for us to be with them forever, the most important thing is empowerment of the people… they have to claim their rights

markets

Rights and/or self-sufficiency
Assumptions (and sometimes reality) about donor expectations:

“a lot [of NGOs] say that the funding isn’t flexible. It's not really like that, things are not set in stone but it's the way they think. They say donors won’t accept, but I am the donor”
“It’s difficult for the private sector in remote areas – it’s expensive – they can’t recover costs. How can they invest if they aren’t profitable?”

Donors supporting efforts that may have fewer, or different, ‘tangible’ outputs
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