Perspectives of small-scale water enterprises: Motivations, drivers and barriers

Stockholm, 2015
Key messages

1. Small-scale enterprises offer one pathway to support sustainable, inclusive rural piped-water services

2. Motivations of enterprises extend beyond profit, and often include social goals, taking us into the emerging field of ‘social enterprise’

3. Careful design of instruments and incentives combined with clear regulatory processes is needed to support the most effective service provider types and to achieve access to all
Literature since the late 1990’s suggested the need to move beyond solely community management of rural water services...

“continued delivery and uptake of services, is threatened by numerous attitudinal, institutional and economic factors, and community participation approaches alone are no guarantee of success” (Carter, 1999)
Small-scale enterprises have emerged amongst other types of service provider…

- Informal water user groups
- Line agency managed (pCERWASS)
- Multipurpose cooperatives
- Local authority managed (CPC/DPC)
- State-owned enterprises
  - Private water enterprises

Vietnam

- Informal CBOs
  - Water cooperatives
  - Village owned enterprises
  - Limited liability company
  - Not-for-profit enterprise

Indonesia
Small-scale enterprises in Vietnam and Indonesia

What dynamics shape their role? What are their motivations and drivers? What challenges do they face?

Vietnam (n = 20): male and female led, serving 130-3000 households, 2-10 employees

Indonesia (n = 21): male-led, serving 180-2800 households, mostly 6-10 employees
Motivations included a sense of social responsibility…

“I have compassion for local people who haven't got enough clean water to use.”

“I feel happy when I'm doing something good for the community.”

“I get a good feeling from serving the society”

“Because they need help, the very poor families will be given the service free”

“the salary for this business is low so I do not do it because of financial concerns”.

85% Vietnam, 76% Indonesia demonstrated medium or strong pro-social traits
And (some) actions to include the poor followed…

70% offer payment by instalments

Higher levels of pro-social traits → Higher percentages of low-income customers

69% reported that they served the poor
38% offer payment by instalments, and of these, one-third reported that more than half of their customers paid in instalments.
In both countries, amongst diverse challenges, operational challenges (particularly cost recovery) dominated…

- high cost of materials and equipment
- high fixed expenses (e.g. high-energy costs, high maintenance and repair costs, and management of water storage)

“The piping system is relatively old, this causes high repair and operating costs, and leads to huge water losses”

[Vietnam water enterprise]
Entering the complex territory of social enterprise…

Adapted from Defourny and Nyssens, 2012
Incentives for private sector participation in Vietnam

- Central budget support and preferential credit
- Land allocation
- Income tax preferences and exemptions
- Support to management and operation
- Subsidies from the province where cost recovery isn’t possible

Emerging focus on village-owned enterprises in Indonesia
Incentives for private sector participation in Vietnam

Subsidies from the province where cost recovery isn’t possible

Central budget support and preferential credit

Incentives

Land allocation

Support to management and operation

Exemptions

But which service provider types should be preferenced?
How can strengthened regulatory measures ensure the poor are reached and service levels are achieved?
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Thank you!

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Defourny , J and Nyssens, M. 2012The EMES approach of social enterprise in a comparative perspective WP no. 12/03