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SANITATION ENTREPRENEUR SHOWCASES HIS PREFABRICATED TOILET AT HIS SHOP-CÔTE D'IVOIRE © MUNIWASH

PERFORMANCE OF PRIVATE SANITATION SERVICE PROVIDERS IN BENIN AND CÔTE D'IVOIRE

SUMMARY

The Municipal Water, Sanitation and Hygiene (MuniWASH) Activity in West Africa is providing technical support to improve the governance and management of municipal water and sanitation services in 16 municipalities in Benin and Côte d'Ivoire. Funded by the United States Agency for International Development (USAID), MuniWASH is also collaborating with the African Water Association (AfWA) as a learning partner to capture lessons and help guide urban WASH programming.

As part of this support, USAID MuniWASH facilitated a self-assessment of ninety-three private sanitation service providers in March 2022, largely composed of Micro, Small and Medium Enterprises (MSMEs), operating in the 16 municipalities. The two principal types of MSMEs include providers of sanitation products, largely manufacturing and construction companies, and providers of sanitation services, or sludge-emptying companies. The Enterprise Capacity Building Tool (ECBT) was used to assess the performance of service providers in the functional areas of a) Administration; b) Human resources management; c) Production and services; d) Supply, inventory management, and logistics; e) Marketing; and f) Accounting and financial management.

The results of the self-evaluations showed that the sanitation MSMEs had significant gaps to fill in the identified functional areas. Higher performance was noted in marketing; supply, inventory management, and logistics; and production and services, while there were considerable shortcomings in the remaining areas of administration; human resources management; and accounting and financial management.

BACKGROUND

In the Benin and Côte d'Ivoire water and sanitation sectors, well diggers, artisan masons, and vacuum truck operators (VTO) are examples of actors who constitute an important link in the supply chain of WASH services for households in West Africa. Despite working in the informal sector, these actors are recognized for their important contributions to the achievement of national development objectives on social aspects (e.g., improvement of rates of access to water and sanitation) and economic development (e.g., job creation and contribution to Gross Domestic Product). Particularly in the sanitation sector, they are increasingly the target of support of technical and financial partners, including both government and donor agencies.

Among these partners, USAID through the MuniWASH Activity is working to improve the operational reliability of private service providers. Following the launch of MuniWASH, the team worked to identify WASH sector MSMEs and determined that the majority of entrepreneurs worked in the sanitation sector with very few operating in the water sector, which was dominated by public utilities.

Furthermore, MuniWASH worked to understand the current capacity of these service providers. MuniWASH invited MSMEs operating in target municipalities to participate in a self-assessment of their organizational performance known as the ECBT. The purpose of this exercise was to identify the strengths and weaknesses of these companies and to develop targeted support for improvement actions to close the performance gaps among sanitation service providers.

This learning note describes the endogenous factors supporting and limiting the performance of private sanitation providers in Benin and Côte d'Ivoire. This note presents the evaluation approach, the results obtained, and the lessons learned.

ECBT SELF-ASSESSMENT PROCESS

The ECBT is a self-assessment tool designed to allow individual enterprises to evaluate their own work or behavior in defined areas (Cox, 2009). The exercise is an opportunity for the MSMEs to evaluate their strengths and weaknesses. A self-assessment allows entrepreneurs to better understand their business and to realistically and holistically assess the business. It allows them to determine how to reach their objectives, what skills they need and what behaviors they must learn to be more efficient. The self-assessment helps the entrepreneur to better understand and further develop themselves and their business.

As stated above, the assessment focused on enterprise performance in the areas of a) Administration, b) Human resources management; c) Production and services; d) Supply, inventory management, and logistics; e) Marketing; and f) Accounting and financial management. Each evaluation category comprises several sub-categories that provide a more granular view of performance. The scores vary between 1 and 4 and are defined below:

SCORING GUIDE

- | | |
|---|---|
| 1 | Very little in place / requires a lot of support |
| 2 | Some are in place / needs support to begin filling gaps |
| 3 | A lot is in place / needs for targeted support |
| 4 | Fully in place / does not need assistance |

The ideal enterprise would score 4 in every category. It would have elements in place such as a formal registration (have a Trade Register), written and formal recruitment practice and job descriptions, a regularly updated marketing strategy, clear and up-to-date accounts (record keeping, recording of financial flows), and a bank account or MFI account. For the collection of information, MuniWASH facilitated one-to-one interactions between the interviewee (MSME) and the interviewer (MuniWASH staff). The self-assigned score is argued, explained, and proven, if necessary. The interviewer also records and transcribes the justifications to facilitate understanding and documentation of the score. The score is based, when possible, on directly measured indicators that MuniWASH collects for each function (rather than relying exclusively on self-reported data). For example, when the entrepreneur indicates they are formalized, they must provide a trade register. When they indicate they have a headquarters, MuniWASH visits and takes the GPS coordinates.

OBSERVED FINDINGS

TARGETS COVERED AND CHARACTERISTICS

With the application of ECBT in Benin and Côte d'Ivoire, the Activity targets two categories of private sanitation providers, or MSMEs: sanitation product providers and sanitation service providers. The enterprises providing sanitation products are companies that work in the manufacturing, marketing, and construction of sanitation products – namely latrines. Enterprises providing sanitation services are principally made up of emptying companies, called VTOs. A total of 93 companies conducted self-assessments in 16 municipalities. The breakdown is as follows:

COUNTRY	SANITATION PRODUCT PROVIDERS	SANITATION SERVICES PROVIDERS	TOTAL
Benin	18	46	64
Côte d'Ivoire	23	6	29
Total	41	52	93

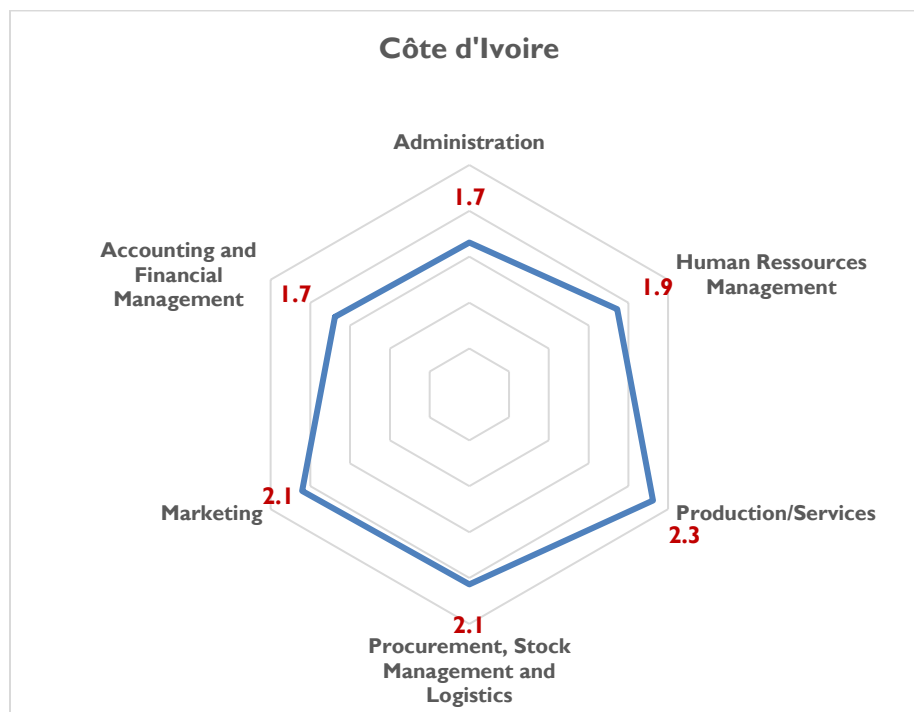
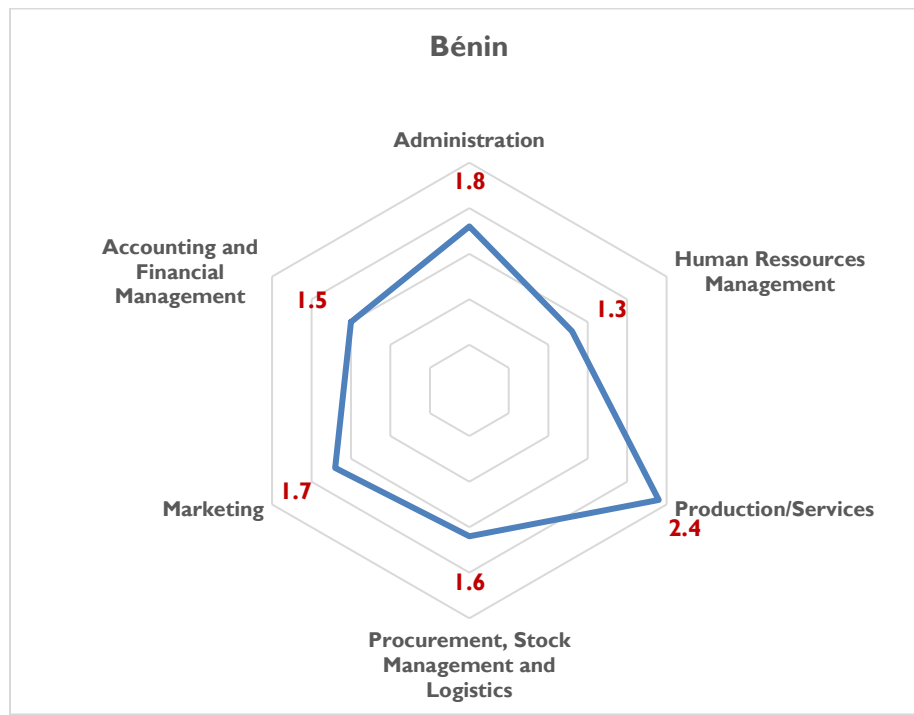
To gain a better understanding of the operating environment of these service providers, USAID MuniWASH documented the legal status and size (i.e. number of employees) of the enterprise and gender and age of the MSME managers.

Out of the 93 self-assessed MSMEs in Benin and Côte d'Ivoire, there were 41 sanitation product providers and 52 sanitation service providers. Among these MSMEs, 67 were formalized (i.e., had a business registration) and 26 operated informally. MuniWASH also noted a higher number of VTOs in Benin whereas sanitation product providers outnumbered VTOs in Côte d'Ivoire.

The results also showed that 95% of MSMEs assessed were led by men compared to 5% led by women. Most often, women hold administrative positions, including secretarial or assistance roles. In Benin, there is a sole female-led sanitation product provider. On average, each MSME employed three people.

SELF-ASSESSMENT SCORE

The sanitation provider self-assessment scores by country are summarized in the figures below:



The results show that significant effort is required for MSMEs to bring them to an adequate level of performance. The average score achieved by MSMEs is similar for the two countries (1.9 in Côte d'Ivoire and 1.8 in Benin).

In Benin, production/services was the only category where MSMEs scored higher than two, an indication of moderate need, while other categories indicated a need for significant support. In Côte d'Ivoire, the MSMEs, on average, scored above two in the categories of marketing, supply and stock management, and products/services. However, considerable shortcomings were identified in the functions of administration, financial management, and human resource management.

SERVICE PROVIDER STRENGTHS

The results of ECBT show that MSMEs performed most strongly in the areas of 1) Production and services; 2) Procurement, inventory management and logistics; and 3) Marketing.

Production and service defines the way enterprises transform inputs (raw materials) into outputs (goods or services). The score of 2 indicates that from the available inputs, MSMEs can provide quality goods and services to customers. The providers of sanitation products have a good knowledge of the technical processes for manufacturing the products and the providers of emptying services correctly apply secure emptying.

Procurement, inventory management, and logistics refers to the management of supplies, stocks, and their delivery. In this category, sanitation product providers produce according to demand while maintaining a minimum safety stock of prefabricated structures in case of unexpected orders; however, they do not project beyond a specific time horizon. Sanitation service providers who recorded a score of 2 perform vehicle maintenance in the event of a drop in truck speed, but they do not perform regular recommended maintenance.

The MSMEs, which operate like private businesses with the goal of generating profits, have effective marketing approaches adapted to their service context. Many sanitation product providers initiate promotional periods and offer after-sales services. The VTO's employ a customer loyalty approach through follow-up efforts like phone calls or visits to customers after service to assess satisfaction. Many MSMEs use social networks and local radios for their promotions.

SERVICE PROVIDER WEAKNESSES

The functional areas of administrative management, human resources, and accounting and finance were the weakest categories for sanitation service providers and must be improved to achieve operational reliability and financial viability. The insufficiencies noted in the performance of sanitation service providers require professional training, which USAID MuniWASH aims to provide.

Strong administrative management of an MSME is essential for sustainably improved enterprise performance. It improves and facilitates the work of staff and allows the MSMEs to operate efficiently. All sanitation product providers and VTOs recognize that they have challenges completing administrative documents quickly and efficiently. MSMEs manage the vast majority of orders by

telephone, and there are usually no documents or receipts (purchase or delivery orders, payment receipts) to track the interaction between the household customer and the MSME.

Human resources management is necessary to ensure that an MSME is sufficiently staffed for operation with motivated staff who have the appropriate skill sets. Among the assessed MSMEs, in administrative areas there was an absence of employment contracts, performance contracts, and employee motivation systems.

Accounting and financial management consists of accounting operations and recording financial transactions and cash flows (sales, purchases, investments, financing, etc.). It facilitates the production of the financial information necessary for decision-making in an enterprise. Good management of financial resources is essential for the sustainability of the company. Within the framework of this self-assessment, the financial and accounting management performance of MSMEs is often deficient; service providers do not record daily transactions, nor can they produce an annual balance sheet. They also have not developed a business or investment plan to guide growth.

LESSONS LEARNED

The self-assessment of sanitation service provider companies in Benin and Côte d'Ivoire has made it possible to understand the reasons that hinder the operational reliability and financial viability of these companies. The Activity identified two important lessons learned:

Formalization differs from professionalization. The analysis of the status of entrepreneurs in Benin shows a formalization rate of more than 70%. However, it cannot be assumed that compliance with the national rules and procedures correlates to a high level of professionalism, defined by high performance on the functional categories outlined in the ECBT. Regardless of the formalization status, the self-assessed enterprises reveal many of the same shortcomings, particularly in the areas of administrative, financial, and human resources management.

Emptying companies were better organized. Among the service providers assessed, there is a better organization of VTOs compared to sanitation product providers. This is largely due to external factors and risk associated with capital investments. In Côte d'Ivoire for example, the regulation of fecal sludge disposal sites by the *Office National de l'Assainissement et du Drainage* along with the adoption and enforcement of coercive measures like municipal by-laws force VTOs to better structure themselves. In Benin, ministry on charge of sanitation, is also on the same way of re-organization. To conduct secure emptying, emptying MSMEs must approach the business more strategically to generate a return on investment. They have significant resource requirements such as the procurement of a specialized truck and employment of a professional driver and assistants. As a result, emptying enterprises, on average, show better organization than the sanitation product providers who do not face the same risks and needs for planning.

CONCLUSION

The results of the sanitation service providers' self-assessments in the 16 municipalities supported by USAID MuniWASH in Benin and Côte d'Ivoire reveal shortcomings that will impact the sustainability of these businesses. The MSMEs' managerial systems largely fail to produce professional-level performance despite the fact that many of these enterprises have a business registration and operate in the formal sector. Performance in the areas of marketing, supply-stock management, and product/services functions is more promising, but still requires strengthening. The functional areas of administration, human resources, and accounting and financial management reveal a critical need for improvement. In the upcoming years of the Activity, MuniWASH will implement performance improvement plans with many of these sanitation MSMEs to address these gaps.

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Learning partner

African Water Association

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