



SMALL remains BEAUTIFUL

PRIVATE SECTOR PARTICIPATION
IN FAECAL SLUDGE & SEPTAGE
MANAGEMENT

2020

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SMALL remains BEAUTIFUL



ABOUT THE POLICY BRIEFS

During the first phase of the Swachh Bharat Mission–Urban (SBM-U) in 2014-2019, toilet construction increased manifold. Resultantly, almost all households in India now have access to a toilet. However, the large-scale toilet construction under the SBM-U has not been matched with a concomitant expansion of the sewerage network, that currently caters to about merely one-third of the Indian households. The remaining households are dependent on On-Site Sanitation (OSS) systems such as septic tanks and pits, that are prone to overflow and require timely desludging. Further, instances of direct disposal of faecal sludge into open drains, either directly from toilets lacking an OSS system, or from malfunctioning OSS systems, manifest adverse environmental and public health impacts. Against this background, Faecal Sludge and Septage Management (FSSM) emerges as a fundamental need to manage the problems associated with collection, treatment and disposal of faecal waste.

Over the past few years, under AMRUT and SBM, the state governments have set up a number of treatment facilities or FSTPs (Faecal Sludge Treatment Plants) to address the issues related to treatment of faecal sludge. However, much less attention has been attributed to the collection and conveyance part of the FSSM value chain, creating a significant service gap, that is unviable to be solely addressed by the public sector. To address the service disparities, a host of private enterprises providing FSSM services has emerged in India, predominantly through an informal, small-scale operation. With an increasing recognition of the fundamental role of the private sector in bridging the gap between the availability and requirement of FSSM services, the launch of the National Faecal Sludge and Septage Management (NFSSM) Policy in 2017 further emphasised the need to redress the informality associated with the sector.

As a part of its research programme on urban sanitation, SCI-FI has been researching the nature and scope of private sector participation in urban sanitation services. Based on SCI-FI's interventions and research, a series of five Policy Briefs has been prepared in an effort to summarise the sector characteristics and the gamut of private participation in the collection, conveyance and treatment part of the FSSM sector. The five policy briefs in the series are titled as follows:



1. **PPP experiences of Key Infrastructure Sectors: Learnings for FSSM**
2. **Designing a Framework to Facilitate Private Investments in FSSM**
3. **Characteristics of the FSSM Sector**
4. **Business Needs and Good Practices in the FSSM Sector**
5. **Framework for Finance Flows in the FSSM Value Chain**

POLICY BRIEF 5



FRAMEWORK FOR FINANCE FLOWS IN THE FSSM VALUE CHAIN





1 BACKGROUND

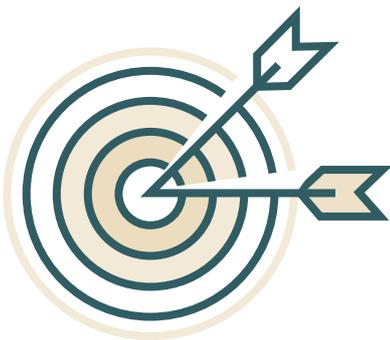
Thus far, we have established that the size of the businesses engaged in Faecal Sludge and Septage Management (FSSM) is relatively small, in comparison to other key infrastructure sectors such as roads, electricity, water and municipal solid waste. The scale of the FSSM sector also makes it evident that mobilising resources at a scale similar to larger infrastructure projects may be unfeasible in this sector. In the previous policy brief, we have attempted to understand the types

of private sector models available in FSSM, and outlined 5 key models – public service, subsidised, CSR, evolved PPP or business. In this policy brief, we introduce a sixth model – the direct benefits transfer (DBT) model – that enables subsidisation of FSSM services while ensuring market determined pricing strategies.

This policy brief focuses on the financial flows between the stakeholders of each model, and

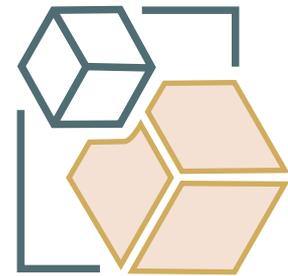
subsequently places each model on a spectrum of accountability. In doing so, it is ensured that the scope for optimal business opportunities is not ruled out, resources can be sourced from financiers/investors, and accountability of service delivery is ensured at each step of the value chain. This assessment also discloses the bottlenecks in the planning process and helps in determining the optimal channel for flow of funds.

2 OBJECTIVE



This policy brief aims to outline the financial flows of the selected models of private sector participation in FSSM, to determine the accountability in each model while ensuring business profitability.

3 BASIC FRAMEWORK



1. The FSSM Value Chain:

- **Access:** Access refers to households having an access to toilets, and it also includes setting up of new toilets.
- **Storage and Emptying:** Storage represents the on-site containment of faecal sludge before it is collected and

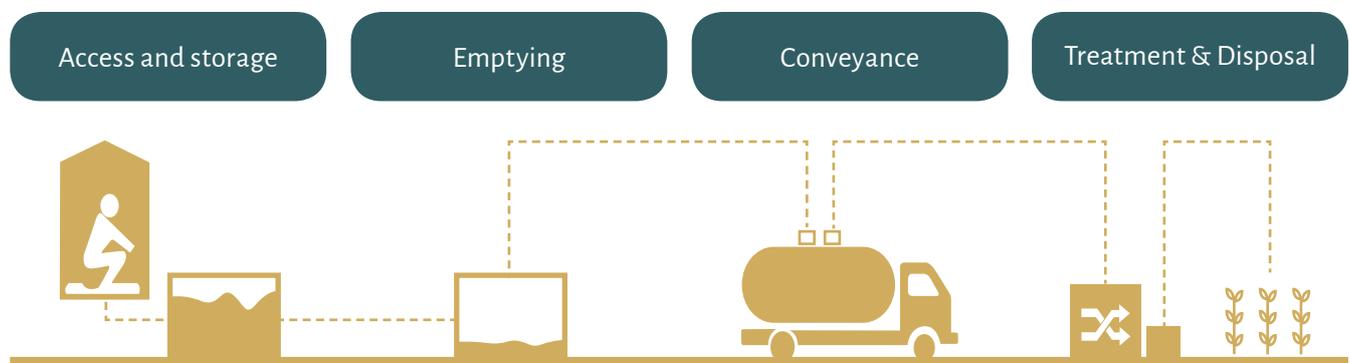
transported to a treatment plant. The emptying is done through a vacuum truck or a tanker equipped with a pump and a storage tank, and in some cases, it is even done manually.

- **Conveyance:** Conveyance includes transporting the faecal sludge to a treatment plant or a disposal site.

• **Treatment and Disposal:**

Treatment of faecal sludge at a centralised treatment facility or dumping the faecal sludge at a disposal site.

After defining the value chain, the next step is to identify the customers for FSSM. Here, the primary customers for FSSM are:



- **Businesses and bulk customers:** Includes offices, hotels, etc. who require FSSM services. They require frequent emptying; and the service is akin to wastewater emptying rather than septic tank cleaning.
- **Households:** Households that are not connected to sewerage systems and are dependent on on-site sanitation systems.
- **ULBs:** Often, a ULB itself could function as a customer for FSSM,

for example, when it performs the task of emptying public toilets or community toilets. The primary **fundors** for the FSSM chain, in addition to the customers, are – ULBs, State, Centre, Donors. The funding may come through different instruments, however, these are the funding agencies.

The **service providers** of the FSSM value chain work for a salary/fee/ payment for material or services. They include.

- **Employees:** Those workers directly working on the FSSM value chain. E.g. are vehicle drivers, tank emptiers, treatment plant operators; assistants who operate the pump and pipes in vehicles etc.
- **Vendors/Contractors:** Those who provide material, for example, truck drivers or truck providers, etc. and they could also be contractors for a facility.

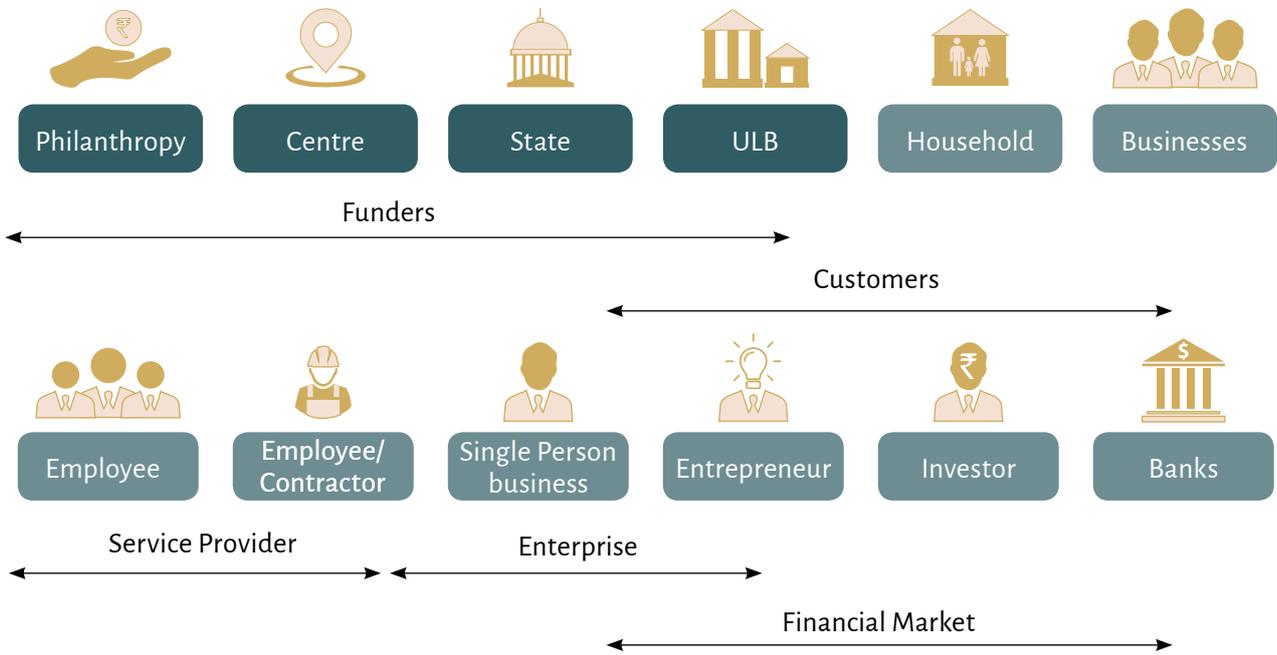
The **enterprise** segment consists of two levels:

- **Owner/Operator:** This is the person who, for example, may be operating a truck. This individual may be facilitated by a helper, however, this is mainly an owner driven operation. This is also prevalent in a treatment plant, wherein one person takes charge of operations and may be facilitated by a helper, but this is mostly a family driven/owner driven operation.
- **Entrepreneur:** The primary difference between an

entrepreneur and an owner/operator is that the entrepreneur is trying to run the operation like a business, and is interested in scaling it up to include different facilities. For example, he may increase the number of trucks operating under him or may try to get more people employed under him or sign more contracts to increase the customer base. An owner/operator, on the other hand, may be satisfied with a small-scaled operation.

In the **financial markets** segment, there are three main types of funders:

- **Entrepreneur:** Often, the entrepreneur may put his own money into the FSSM business.
- **Investor:** The investors who choose to put money in the FSSM value chain.
- **Banks:** May provide loans to upcoming entrepreneurs and investors.



2. Establishing Models for Financing for the FSSM Value Chain

There are different models working across the FSSM value chain. The primary models have been elucidated here.

1. Public Service Model

As per the framework of the public service model, the provision of FSSM services is the responsibility of the state or the ULB. Here, the households may pay the ULB for the service indirectly by way of tax, which could be used for the provision of FSSM services. Some features of this model are.

(a) FSSM as a traditional public service: It has been observed that

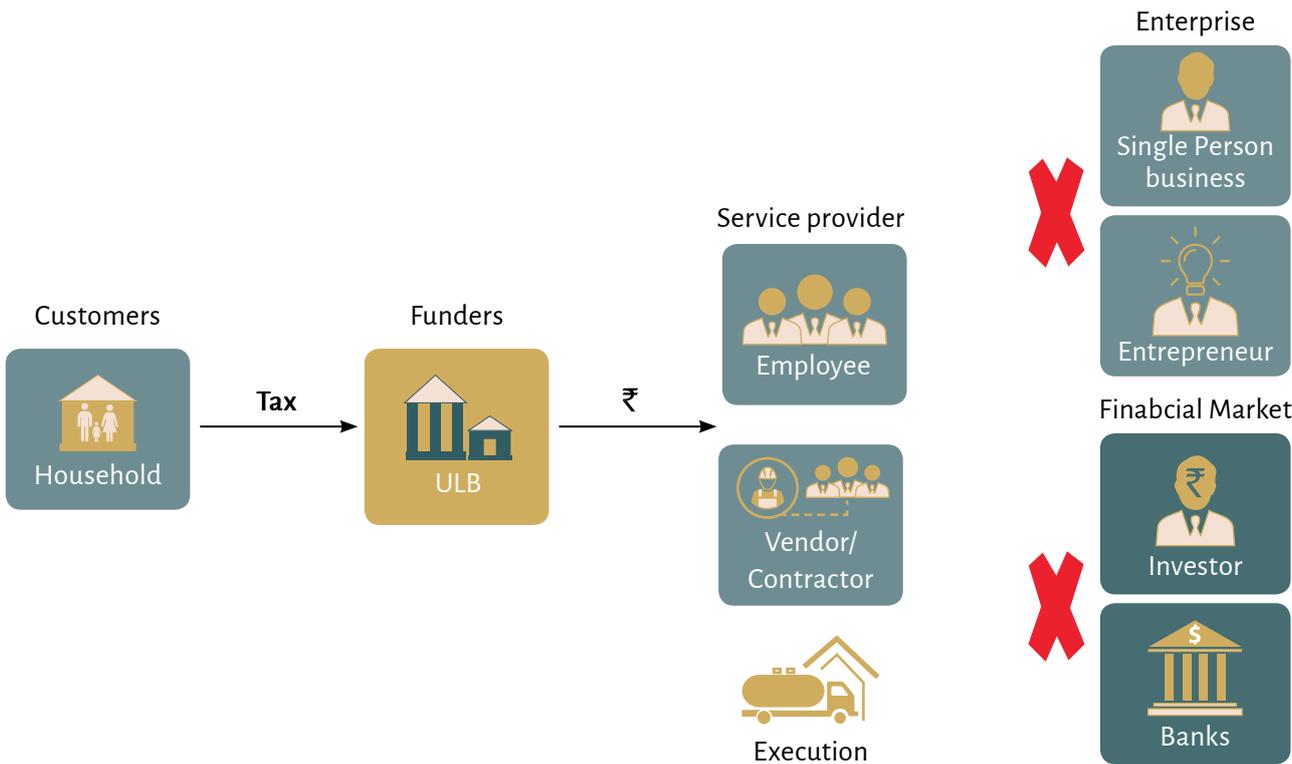
FSSM has traditionally worked as a public service, for example, like water supply. It is the responsibility of the state or the ULB to ensure adequate provision of the

(b) Households may pay indirectly through taxes: The households may not be required to pay directly for the service to the service provider or the ULB. It is possible that the ULB may levy an indirect tax on the households, and such tax revenue may be used to facilitate the FSSM services undertaken by the ULBs.

(c) ULB raises resources, provides service through employees, contractors and vendors: The ULB may employ people like vendors or contractors who provide the service. These agencies are not

working for the customers, but for the ULBs who have employed them. The ULB receives money from the customers, which it can use, along with pooling its own money, to pay these employees.

(d) Accountability is traditionally low: It is observed that the accountability in the FSSM service sector is traditionally low as all the service providers are reporting to the ULBs, which is not ideal as the ULB may not always monitor their activities and check for standardised provisioning of services.



2. Subsidy Model

Under the subsidy model, the activities are entirely financed through a grant by the state. Operations are also subsidised by the ULB and there is little payment by customers for the service. Unlike the public service model, the entire responsibility for service may be contracted to a single party.

Some features of the subsidy model are:

(a) What is being talked about as PPP is actually a subsidy mode:

Typically, it is perceived that in the case of PPPs, businesses work with more efficiency. However, these are merely a slightly different form of public service. Here, the ULBs may enter into contracts with entrepreneurs. Such contracts may be more complex and could pertain

to a large amount as the ULBs bring entrepreneurs into the picture.

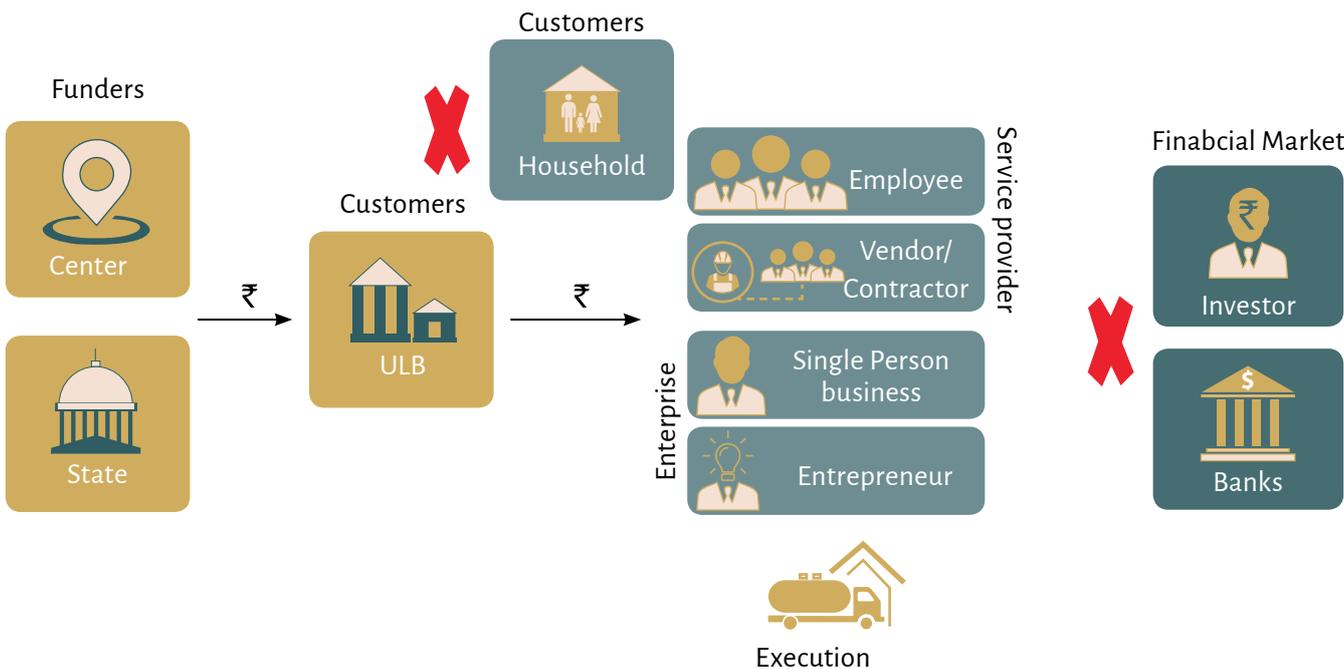
(b) Lesser reliance on households to pay: Here, the customers or the households are not paying to the ULBs for the provision of FSSM services, but the ULBs and the State are subsidising the provision of such services. Hence, these services could continue to be provided even if the households are reluctant in paying.

(c) ULB and Government(s) subsidise the sector far more: Since the customers are reluctant to pay for these services and investors are reluctant in investing in this sector, this sector receives a considerable amount of subsidy from the ULBs and the State Governments.

(d) Brings entrepreneurs and business into the picture: In sectors like FSSM, the ULBs may agree on

different terms with the contractors, for example, they may be willing to finance the entire construction of a treatment plant and may appoint an agency to build and operate it.

(e) Typically, not necessarily, crowds out financial market: Financial market could potentially be crowded out in this case as the project is being financed by the ULB or the State and raising funds through investors or banks may not be required. Also, in a subsidy model, partial funding from the market can be availed, which is rare, as the tendency remains to then carry out FSSM services on an EPC cum O&M (Engineering Procurement Construction cum Operation and Maintenance) basis. Hence, investors and banks are effectively ruled out.



3. Evolved PPPs

The Evolved PPP model is where the customer pays for the service. The ULB does not subsidise the service entirely. The households may channel their payments through the ULB. The enterprises (businesses) may bring in their own investments or at least take some risk of business like not enough volumes in the FSTP. Some features of the PPP Model are:

(a) Good PPPs will rely on households for revenue: Similar to a public service model, the households pay for the service, but they may pay through a ULB. Here, the enterprises are included in the model, which bring in their own investment. This investment can be mobilised through their own resources, or there could also be some investors or banks supporting them. Therefore, the customers are funding the expenditure in this sector, along with the State and the ULBs.

(b) It may be routed through ULB for facilities like treatment:

The resources may be mobilised through ULBs for the treatment of sludge. The size of the agencies involved in this process can be different from employer or vendor and single person businesses or entrepreneurs can also contribute to the sector and bring in resources.

(c) It is a challenge to involve financial markets, but possible:

The enterprises may seek financial assistance from banks and investors.

4. CSR Model

Under the CSR model, the activities are undertaken as a part of a company's CSR initiatives. The companies act as donors to fund the activities undertaken in the FSSM sector. Some features of the CSR model are:

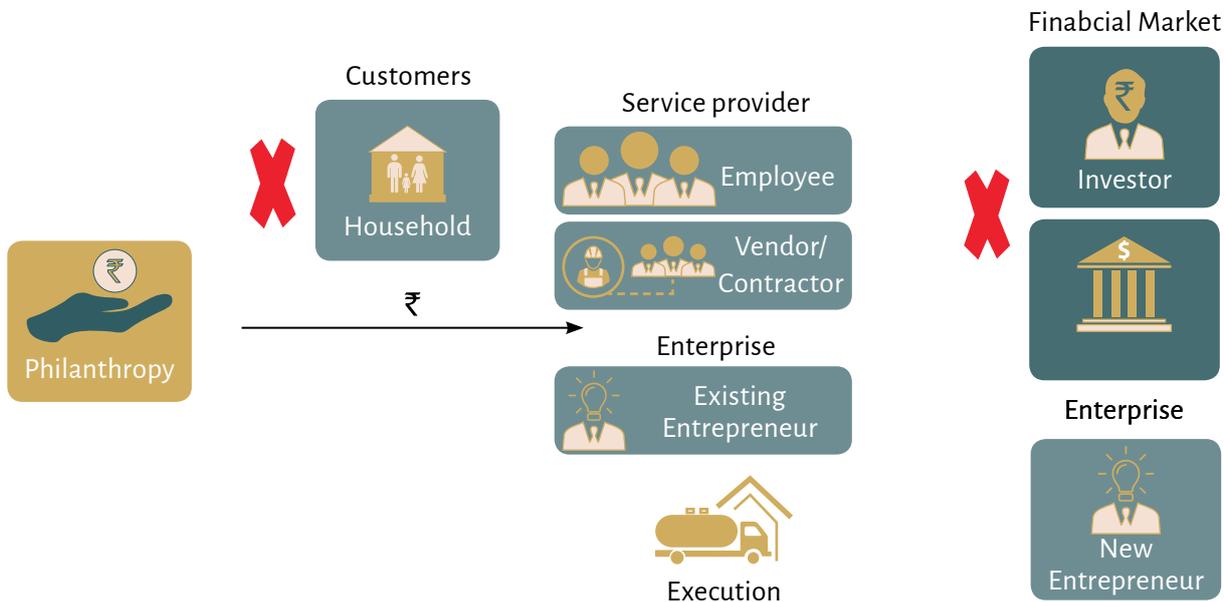
(a) CSR model has as very little accountability: The CSR model operates on the extreme end of accountability as their intention or objective is to merely demonstrate

their presence in the sector without making significant contributions or working towards achieving efficiency.

(b) Build, Show and Exit: The CSR initiatives build a new project and display it and then proceed to exit. They do not have the intention to sustain the project on a long-term basis and the primary benefit is that they provide money.

(c) Neither the customers nor the ULB has a stake: The involvement of the customers is less as here, the company is not dependent on the customers to pay. In such a scenario, the customers become distant and indifferent.

(d) Unlikely to bring in financial markets or even entrepreneurs: These initiatives are donor driven and have little incentive to bring in financial markets or entrepreneurs. Therefore, the existent contractors or vendors might grow larger in size and become the operators for a facility.



5. FSSM as a Business Model

When FSSM activities are undertaken as a business, there is usually an entrepreneur or a contractor involved, who provide FSSM services as a business, with the objective of earning profits. Some features of the business model are:

- (a) FSSM as business relies on households for finances (substantially):** As in a typical business model, in this case, the customers pay to the service providers. Here, the households (customers) pay directly to the service providers.
- (b) Encourages direct interaction between service providers and households:** The primary interaction is between the service providers and the customers.

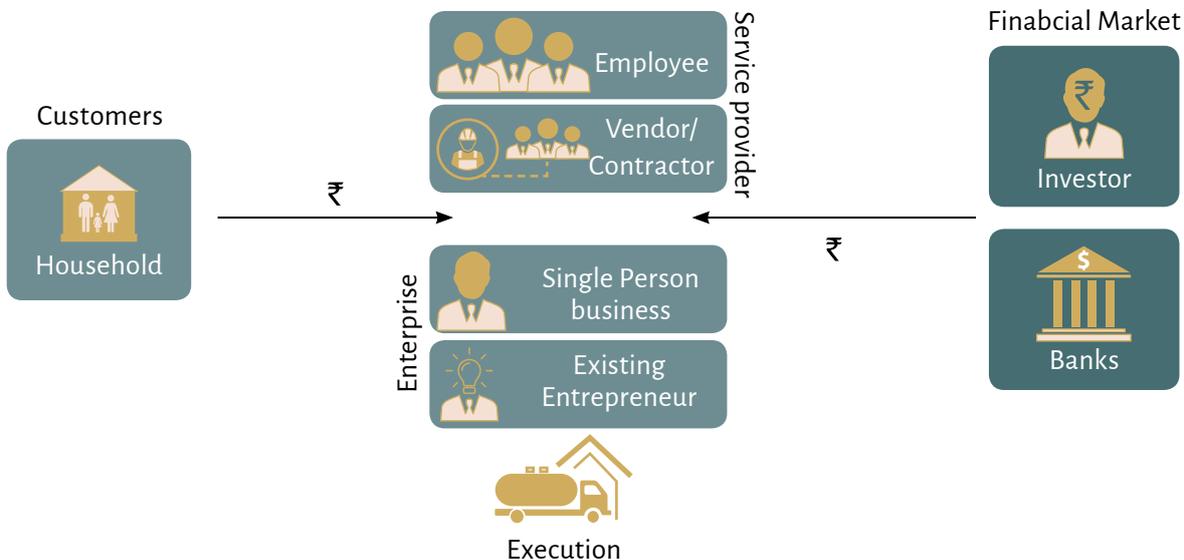
The ULB or the State may impose some price controls, licensing etc. However, on a regular basis the customers directly contact the service providers, who deliver the service and receive payment directly from the customers, without a layer of government control or supervision.

- (c) Reliability of revenues can bring in financial markets, but not necessarily:** Entrepreneurs may receive support from the financial markets, but it is not always the case as the customers are the primary source of revenue for a business in the FSSM sector.
- (d) The transition may require ULB and others to support investments:** Ideally, a business is comprised of different agents like single person owner/operators, entrepreneurs

etc., and money would be sourced from different sources. The transition from public provision of FSSM service to private provision may require the support of ULBs initially, before it is able to function as a self-sustaining market.

- (e) There are solutions for some challenges, like financing treatment:** Owners/operators or entrepreneurs mobilise their own funds to facilitate the business but may also borrow from banks or seek investors' support. For financing the treatment through the business model, the customers deal directly with the employees, who in turn deal with entrepreneurs or single person owner/operator.

Therefore, the revenue in the sector does not necessarily have to flow through a ULB.



6. The DBT Approach

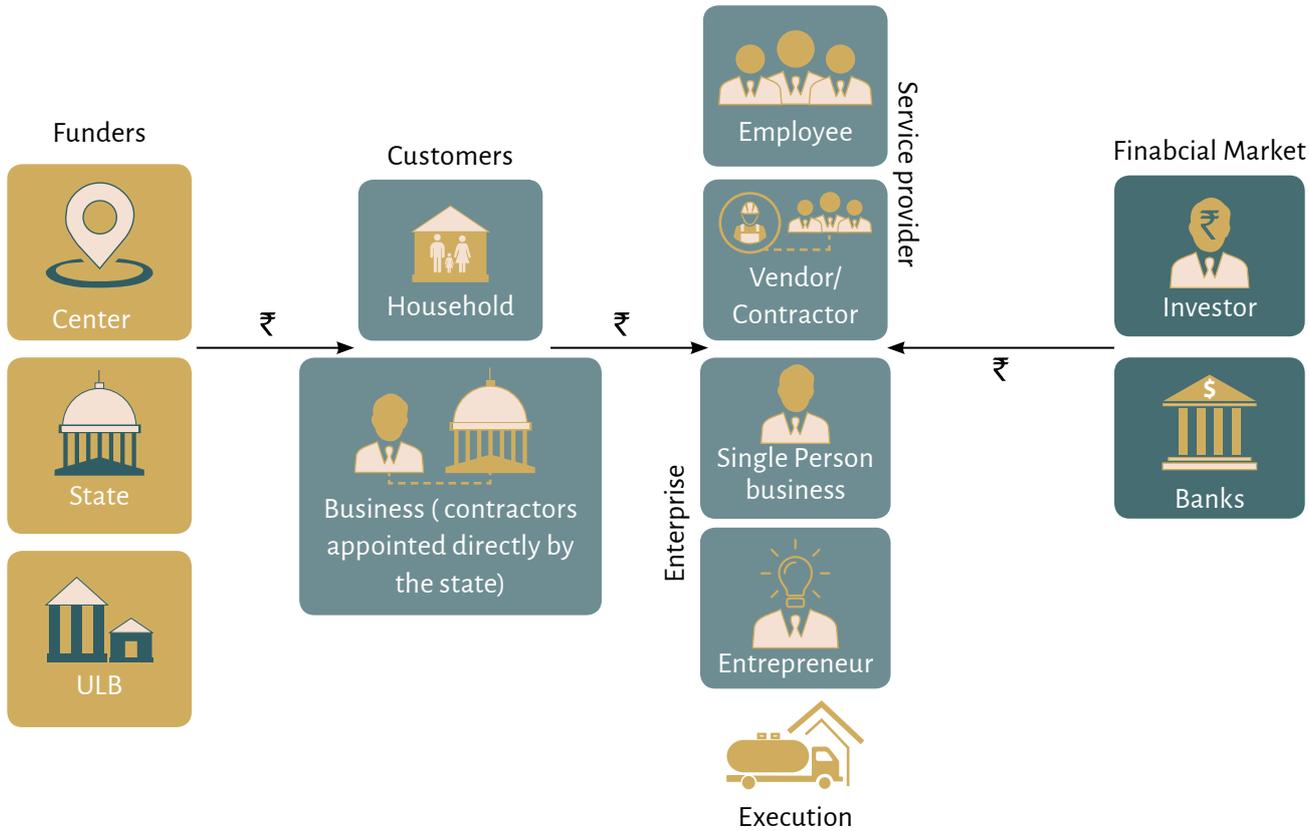
Through the Direct Benefits Transfer Model, the ULBs partly finance the FSSM activities, thereby subsidising the sector. Here, if the households are not able to make the full payment to the service provider, the ULBs subsidise it by paying the remaining amount. For example, if cleaning a septic tank costs 1000, and the customers are only able to (or willing to) pay 500, the ULB can

pay the remaining 500 directly to the service provider, who will then execute the services.

The primary difference between the subsidy model and the DBT model is that the latter does not disrupt the business. In the subsidy model, the ULB is also controlling and supervising the activities, which is not the case in the DBT model. For example, under the subsidy Model, a ULB may want to carry

out scheduled desludging for fixed localities, and may also appoint a certain number of contractors for the same. Since the ULB is funding the sector, it also wishes to operate and supervise the sector, thus eliminating the role of business.

In the DBT Model, the role of the business remains relevant. Customers and businesses continue to interact and any shortfall in payment is covered by the ULB.



3. Evaluating Efficiencies across Different Models

The **business, PPP and DBT** models lie on the higher spectrum of accountability. This is because among these models, the scope for business opportunities is not entirely ruled out. The customers are still paying some amount for FSSM services and the service providers are liable to deliver the service.

The **public service, subsidy and CSR models** eliminate the involvement of businesses, thereby disrupting potential investment opportunities and participation by banks. As the customers are not paying for the service, they lose the agency to question the extent and the quality of the services being provided, hence rendering lower accountability to services provided through these models.

The models discussed here exhibit a decreasing order of accountability. Elaborating the inherited **accountability within each model:**

Business model: The business model is the most efficient in accountability since in this model, the households pay directly to the service providers/enterprises and there is direct interaction between them. The enterprises are liable to provide the service the households have paid for. There is no involvement of Centre/State/ULB happening with the customers.

PPP model: This model relies on households for revenue and limits the ULB's interaction with the households (customers). The households are charged for the service and there is also scope for the involvement of business. Therefore, the accountability is relatively higher as the households are making a payment for the FSSM services.

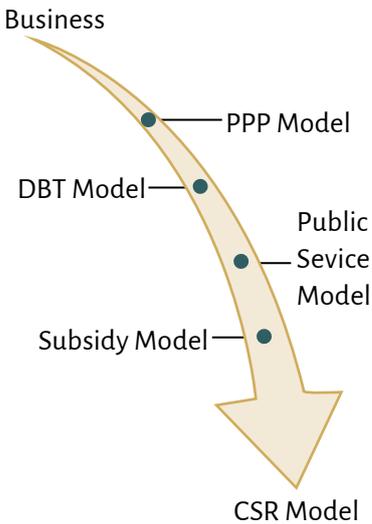
DBT Model: This model also lies on the higher spectrum of accountability as the ULB is only subsidising the service partly, and the household is supposed to pay the remaining amount and appoint service providers. This model also enables direct interaction between the household and the enterprise/ service provider, therefore, accountability is higher.

Public Service Model: Since payment from the households is channelled indirectly through taxes, it becomes a loophole in the situations wherein the households don't pay taxes. Also, there may scope for a breach in the payment made by the ULBs to the service providers. Therefore, households remain distant and ignorant, and accountability remains low.

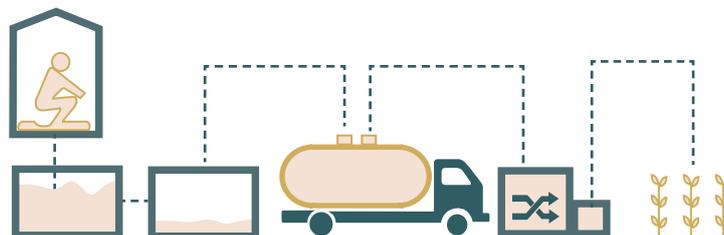
Subsidy Model: In the subsidy model, ULB and Government subsidise the sector far more than Public Service Model and there is lesser reliance on households to pay the cost. The grant is made by the ULB (through funds from Centre and State), and the service providers and the households

remain delinked. Hence, this model also comes at the bottom spectrum of the accountability.

CSR Model: The CSR model has very little accountability since neither the customer (Households) nor the ULB has a stake in the process. The corporates give grants to the service providers and the households do not play a role in the FSSM value chain. Corporates do not have a liability towards any of the stakeholders, and tend to build, show and exit – thus eliminating accountability.



4 THE CURRENT SCENARIO OF MODELS ACROSS THE FSSM VALUE CHAIN



• Access

Attaining access to toilets is a necessary step for the FSSM activities to commence. Building a toilet may cost around 15000, and may be carried out once in 20 years. When the state is involved in building the toilets, it often subsidises the process by providing the households with a portion of the costs involved. For example, the state may give each household a top up of 12000, with the remaining amount to be paid by the households. The state may provide the households other benefits, however, the onus of construction lies on the households. The households are required to appoint a contractor, decide the point and material of construction, and source their own material. When the state gives the households a top up, it is put in the Direct Benefit Transfer (DBT) category. There were some states under exception, where even under the Swachh Bharat Mission, the states appointed their own contractors for construction of toilets. However, as a philosophy, it was supposed to be a DBT model.

• Storage and Emptying

Assessing the status of secondary storage and conveyance shows that the entire operation of emptying is being majorly carried out as a business activity. Trucks are

being operated by truck owners or contractors, who provide the service to the customers after negotiating the price. The truck owners may have acquired financial assistance from a bank towards purchase of the truck. Primarily, this is an activity which needs minimal involvement of the ULB as the market is in operation. If the septic tank is hardened, the process of emptying may also go one step further into decaking. This is also executed by the same service providers, who deliver the service with extra manual assistance and a surcharge. Emptying may cost around 2000, every 5 to 10 years, and an additional cost may be incurred if decaking services are also availed.

• Conveyance

New initiatives are being undertaken in the conveyance and disposal segment. Scheduled desludging also comes under the purview of conveyance, and currently does not work as a market model.

For instance, if the households decide that they will undertake desludging every 2-3 years, they are implicitly agreeing to bear the cost of desludging, irrespective of the cost. The ULB then appoints contractors who provide septic tank emptying services in the designated areas, thus taking the market out of the picture. The efficiency of this model

is uncertain as in case the households are unwilling to carry out desludging activities as per the schedule, they would be unwilling to pay for it; if they are willing to pay for it, the involvement of ULB is unnecessary as the customer would directly contact the vendor. Eventually, scheduled desludging will become a model which distorts business opportunities, leading to the appointment of only 3 or 4 people who know the ULB well and it'll work like a public service model.

• Disposal

The treatment plants generally function on an annuity or DBO (design build operate) basis. A grant is received from the state for the construction of these plants, and a contractor may also be engaged, who then functions as an entrepreneur. In this model, the concessionaires receive grants from the government which cover the construction cost, but they also tend to explore banks and investors as sources of funds. For example, in Andhra Pradesh, there exists a hybrid annuity model, wherein the contractor is supposed to get some investment from the market, and there are a few bidders. In case the cost of construction of the plant is 60 Lakh out of which the contractor has to put 40 Lakh, he/she might project the cost to be 140 Lakh.

The government may grant up to 100 Lakh, and then the contractor may completely fund it.

It is possible that the on-paper requirements for small facilities may

be exaggerated and the construction executed in reality may be much smaller in scale, which is more prevalent when a private sector share is involved. The result of it

is that we're encouraging subsidy models in treatment and emptying, not the market model as desired.



5 NEW INITIATIVES

There are a lot of new initiatives which are needed but are not being undertaken. For example, if an individual/household wants to add a septic tank structure, there are several questions to be answered, like:

- Who will provide the funding for construction?
- How will the quality of the structure constructed be monitored and checked for issues like leakage, overflow, etc.?
- Since there is an expectation that the load taken to the treatment plant should be minimized by increasing digestion within the septic tank itself, how will it be ensured?

At present, these activities are not undertaken systematically, despite not entailing a high cost (except for the construction of a septic tank, especially in a house that has already been built). These activities can be undertaken within a market model, because there exist service providers for this activity and the customers can directly get involved with them. For the purpose of ensuring quality control, which won't happen on its own, there are ways in

which the ULB can fund it and they can get involved an owner-operator or a single person who acts as a service provider.

Examples of Stakeholder led Interventions:

- **Quality Control Service Providers:** An individual/business interested in providing quality control services may take charge of about 1000 households and provide them regular quality control reports along with the recommended upgradations and/or repairs. In this way, he works based on a goal and not as an employee. If the quality control agency finds more houses with a problem, they can employ additional labour for the purpose of corrections and repairs, and generate an additional income. The same methodology can also be deployed in the treatment segment of the FSSM value chain. This is subject to the assumption that the households don't directly pay for treatment and it is possible to convince them to fund this activity. If the treatment plant is efficient, the cost of treatment can be added to the cost of conveyance

itself, thus making the process theoretically possible.

- **Industry led Treatment Plants:**

There is also an option of businesses setting up treatment plants for themselves substantially. If 70-80 per cent of the customers for a treatment plants are businesses (such as hotels, offices, large apartment blocks etc.) it's possible for them to underwrite the setting up of a plant because a business should be willing to do it and then they pay for it. Such a model would also facilitate the entry of banks and investors.

- **Truck Operator/Owner led Treatment Plants:** Another model can be established wherein truck operators commit to treatment of the faecal sludge collected at the specific treatment plant of a cluster. Like a common effluent treatment plant set up for industries, it is also possible to organise trucker operators and help them set foot in the treatment business.

These models are possible and also entail a low cost. They have a substantial chance of involving and deepening the market because they don't necessarily depend on grants from the ULB, and receive minimal intervention from them.

6 BENCHMARKS FOR NEW MODELS



- **Maximize DBT Model for subsidy**

There is ample scope to introduce DBT, for instance, through a tax rebate. There may be a tax rebate for people who clear up their tax, or vouchers which can be exchanged for cash by the truck owners. For example, if emptying is expensive, then the ULB can give one voucher for 2 years to the household and whenever they avail treatment services, they hand over the voucher to the operator. Such a voucher may entitle the customer for a discount, or can entitle the operator to payment from the ULB. Therefore, there are models that can be introduced which provide subsidy, without distorting the business.

- **Create opportunities for single person business** Opportunities should be created for single person businesses to help households in understanding the structural problems with the septic tank or do quality control and repairs.

- **Maximize B2B interactions** Business to business interactions should be maximised by bringing sizeable customers together (like hotels, businesses, etc) and evaluating the possibility of such

customers funding an integrated chain of treatment and transport.

- **Discourage Subsidy Flows** Direct grants through the subsidy mode will suppress business participation in the FSSM sector, therefore, such models should be discouraged. Shifting the subsidy models to B2B or DBT models should be encouraged.

- **Creating opportunities for credit flows** It is probable that the market is saturated for credit for trucks, since the sector already has an ample number of trucks involved, which also receive credit. However, there could be small opportunities for receiving credit in this sector – for example, loans availed through Mudra scheme, interest rates will be lower. If an agency is willing to set up a treatment plant, then the ULB, instead of giving a grant, can provide a guarantee on the number of trucks engaged in the treatment plant or the tariff paid by the trucks to the treatment plant. A direct transfer of benefits or an interest subsidy for small loans can be organised for the septic tanks that have to be repaired at the household level.

7 CONCLUSION



At present, the FSSM market is operating within different models. While some activities are being undertaken under the market model and the DBT model, the new activities are being undertaken in a way that is eliminating markets from the FSSM equation. The bulk of funds is being received through the subsidy model, thus omitting business opportunities.

It can be inferred that while improving access to toilets, emptying services for septic tanks and building capacity for usage of sludge in agricultural activities are the areas which are functioning efficiently in the current form. However, **activities like storage, conveyance and treatment have not been given due attention in terms of the financial models employed to boost market activity in this segment.** Storage of faecal sludge, an essential requirement in the FSSM value chain, needs to be aligned with quality control activities. Exacerbating the situation further, the new initiatives being undertaken are working under the subsidy model or the public service model – reducing accountability by distorting business participation.

There is still scope to streamline the FSSM value chain in a way that extracts maximum profits and

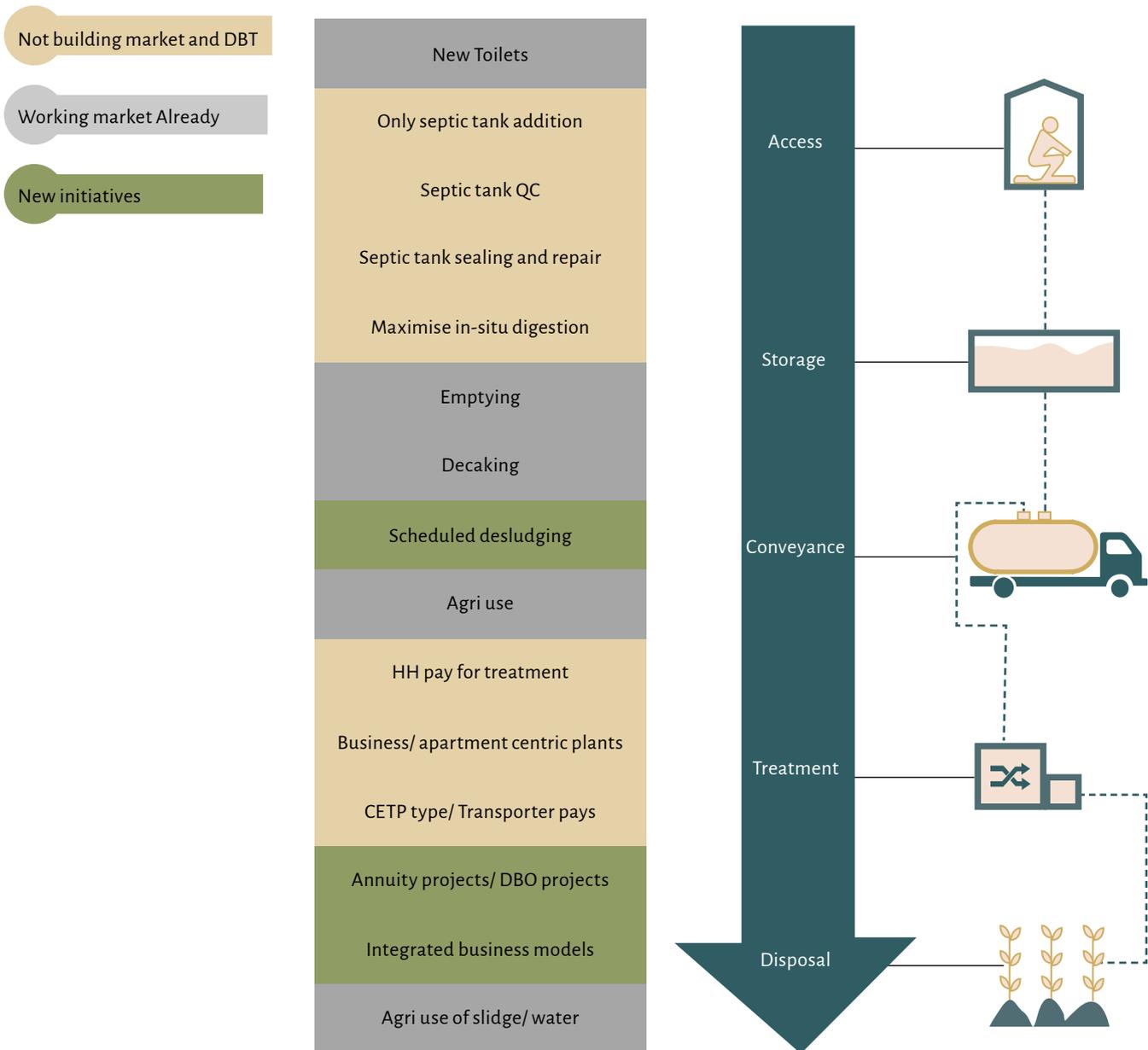
benefits for all the stakeholders.

Summarising some observations:

- The access and storage segments of the value chain will achieve maximum efficiency by working under the market and the DBT models. This needs to be propagated and practiced.
- While there exists a working market in conveyance, however, by introducing scheduled desludging, we are distorting business opportunities. There is undue emphasis being given to subsidy or grant models, while ignoring models that could promote business participation in this segment.
- We are regressing the treatment segment in the FSSM value chain by not encouraging market models in this segment.

Ideally, the sector should stray away from models that distort business opportunities and adopt models, like the DBT model, which encourage such opportunities. As discussed above, there is a need for interventions in the FSSM sector that enable the customers and the vendors to interact among themselves and manage their own activities. This will further strengthen business participation in the FSSM sector and also incorporate investments and financial markets.

¹ The Indian government has come with loan scheme and named as Pradhan Mantri Mudra Yojana and it is also called as Mudra Loan Yojana. Pradhan Mantri Mudra Yojana is the Indian government scheme to “Fund the unfunded”.



SUMMARISING THE FINDINGS FROM THIS STUDY, WE CAN CATEGORISE INTERVENTIONS IN THE FSSM SECTOR ON THEIR ABILITY TO PROVIDE A CONDUCTIVE ENVIRONMENT FOR BUSINESS OPERATIONS:

Interventions that provide a conducive business environment	Interventions that restrict business operations
1. Promote open competition in emptying and transport. Keep licensing criteria simple and by default an applicant should get a license.	1. Do not overregulate emptying and transport business. Do not be involved in price controls or restricting competition. Private business is already working in this segment more efficiently than what ULB can achieve.
2. Recognise that most operations will be a single person business. Make it easy for an entrepreneur or an individual without a business track record or a formal registered business to participate. Create simple work orders (instead of complex contracts) with a single page service standard. Anything more complex will not work in FSSM sector.	2. Do not restrict the time of operation of an FSTP or restrict the movement of trucks to night time. It will directly increase the cost of emptying business..
3. Promote private FSSM treatment facilities in private land for bulk customers (who can also serve other customers). These can operate without any commercial regulation. Environmental regulation will be applicable just like for bio medical waste or hazardous waste management.	3. Do not promote monopoly practices that make businesses inefficient – Such as ULB paid scheduled de-sludging; ULB subsidised treatment plant operation, etc. They are not conducive for promoting private business.
4. Do not restrict focus to emptying and treatment. Increase ULB attention on containment quality and FSSM systems. Promote opportunities for single person business (septic tank testing and repair/rehabilitation, maintaining databases, IEC including promoting in-situ digestion).	4. Do not seek private investment for public facilities. The risk profile is not suited for such an approach and in any case the size of investments can be supported by the ULB.
5. Make one FSTP a model training facility in each State. Train local sanitation and SWM workers on treatment plant operation/ truck operation. Create incentives for safe operation – both in emptying and treatment.	
6. As far as possible encourage customers to pay the business directly. Provide subsidies to customers directly (DBT to promote emptying septic tanks; incentive in kind for truck drivers to promote sludge delivery to treatment plants). This promotes private business and gradually minimises the role of ULB.	

Way forward

The learnings for the FSSM sector from the policy briefs indicate that there is a need for policy interventions that address the nuances of the sector in the local contexts. To assist the ULBs to undertake and prioritise FSSM

interventions in their jurisdictions, the Scaling City Institutions for India initiative at the Centre for Policy Research has designed a strategic 'Doing Business' tool, for the ULBs. This tool will enable the ULBs to evaluate whether the FSSM sector in their

jurisdictions entails a conducive environment for small-scale businesses engaged in collection, conveyance and treatment of faecal sludge, and further indicate specific points across the value chain that require redressal.

ACKNOWLEDGEMENT

The Policy Brief Series is prepared under the research programme, Scaling City Institutions for India (SCI FI) funded by the Bill and Melinda Gates Foundation (BMGF).

The authors are appreciative of the varied contributions by fellow CPR researchers towards the completion of the Policy Brief. In particular, the authors wish to thank Anindita Mukherjee, Arushi Gupta, Kshitij Jaiswal and Shaurya Gupta for providing comprehensive support on finalization of the series of Policy Briefs.

The series has been designed by Ms. Sristi Bhatt and Atul Verma.

SCI-FI, CPR is responsible for the content of this publication.

SCALING CITY INSTITUTIONS FOR INDIA (SCI-FI)

Sanitation programme at the Centre for Policy Research (CPR) is a multi-disciplinary research, outreach and policy support initiative. The programme seeks to improve the understanding of the reasons for poor sanitation, and to examine how these might be related to technology and service delivery models, institutions, governance and financial issues, and socio-economic dimensions. Based on research findings, it seeks to support national, state and city authorities develop policies and programmes for intervention with the goal of increasing access to inclusive, safe and sustainable sanitation. Initiated in 2013, the programme is primarily funded by the Bill and Melinda Gates Foundation (BMGF).



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