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PRIVATE SECTOR PARTICIPATION IN URBAN SERVICES: DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN INDIA

Paper 16

by Sanjay K. Gupta¹

Abstract

This paper contrasts various mechanisms for involving the private sector that have been tried in two urban areas in India – Navi Mumbai near Mumbai in Maharashtra and Vishakhapatnam in Andhra Pradesh. The approaches vary in size from a waste collection contractor that employs nearly 400 staff to the 78 small enterprises that sweep the streets of one city. Conventional companies, NGOs, CBOs and municipalities are all involved in these arrangements. These experiences clearly show the huge potential for job creation and the quality of service that can be provided when all stakeholders play their part. Municipalities have key roles in providing equipment and land, and in introducing and monitoring the private sector service providers.

1. Introduction:

The Millennium Development Goals emphasise poverty alleviation and access to sanitation and health services to all. The provision of sanitation services is one of the major obligatory functions of the municipalities in India which impact health, particularly the health of the urban poor. However, this essential service is not efficiently performed by them, owing to lack of resources, institutional weaknesses, improper selection of machinery, inadequate disposal, and the apathy of many citizens towards cleanliness. Also the issue of urban poverty is inextricably linked to sanitation (waste management) in India because nearly 1 million people find livelihood opportunities by engaging in waste collection and recycling, through systems which are well-organised yet informal in nature. If the millennium goals of poverty alleviation and access to adequate sanitation services are to be achieved, waste management must become one of the focus areas, particularly in the haphazardly growing cities where it remains a low priority for municipalities but high on the agenda of the citizens. **Private Sector Participation** is one paradigm which has clearly shown potential in achieving the above-mentioned goals. Proper waste management services have a huge, yet partially dormant, potential for creating not only livelihoods for additional thousands of the urban poor, but also for providing adequate sanitation services for improved health and environment for all.

This research has attempted to discuss **Private Sector Participation** through the use of small and medium enterprise models in solid waste management systems. Engaging the private sector also helps municipalities to implement the MSW Rules 2000² (Municipal Solid Waste Rules, 2000) much easier

¹ The Author has worked extensively work in SWM issues and the informal recycling sector and has documented best practices. His current engagement relates to developing small and micro enterprise models for urban services. He is associated with Growth Oriented Micro Enterprise Development (GMED) Project of USAID and CARE India.

² The MSW Rules 2000 require all municipalities to manage waste in a scientific and systematic manner with mandatory door-to-door collection of waste, either on their own or by engaging other service providing agencies.

and quicker. The inadequacy – because of their limited financial and human resources – of waste management services provided by the concerned municipalities prompted the engaging of external agencies to provide SWM services. In the process they have not only created hundreds of additional jobs for the urban poor but also been able to provide better services at lower cost, because of enhanced efficiency and the use of appropriate equipment. Two municipalities from the states of Maharashtra and Andhra Pradesh of India which have been providing door-to-door collection and other auxiliary services have been selected as case studies. The systems were initiated with only minimal payments by the municipalities to the service providing agencies, the rest of the needed revenue being collected as user fees from the residents. Here it is important to remember that many NGOs (Non-governmental organisations) in India work as service providers and for profit in different sectors and hence in this study they are considered as private sector service providers.

These small service providers have not only replaced the traditional approach of collection and disposal, but have also made local innovations sometime to suit the need and often to increase the efficiency of the system. Basically these are decentralised waste management interventions to improve services. This has also led to enhanced recovery of recyclables and in some cases to composting of organic waste where land has been made available by the municipality.

The Navi Mumbai Municipality has privatised its road sweeping work to 78 small enterprises while the Vishakhapatnam Municipality has outsourced its door-to-door collection of waste and street sweeping to CBOs (Community-based organisations) and NGOs working as service providing agencies. In the case of the Navi Mumbai, the Municipality invited tenders for door-to-door collection and street sweeping. It also made it clear that for street sweeping it would engage small contractors. For door-to-door collection, the contract was awarded to only one agency for better coordination of secondary transport. This was done through a bid and the agency which quoted the minimum amount was awarded the contract. The Vishakhapatnam Municipality initially entered into a Memorandum of Understanding (MoU) with Janchaitnya Exnora, an NGO with several years of experience in waste management in Andhra Pradesh State, that works as a service providing agency. The results of the first six months were satisfactory and so the Municipality decided to sign a similar MoU with CBOs. The CBO engages either a waste collector who is already working informally with few households, or a labourer, to carry out door-to-door collection. Generally the CBO collects the user fee and pays the waste collector, but in some cases the waste collector is allowed to collect the user fee fixed by the CBO. In the case of the Janchaitnya Exnora, it is the NGO which collects the user fee and the collection rate is over 70%. The houses where no payment is collected are either not occupied or occupied by households which simply refuse to pay. However, the waste is collected from all households.

2. The case studies

2.1 The Navi Mumbai Municipality:

Navi Mumbai has been developed by the City and Industrial Development Corporation (CIDCO) of the state of Maharashtra, as a well planned, fully self-contained metro city- a counter magnet for Mumbai. The Navi Mumbai Municipal Corporation (NMMC) came in to existence in 1992. The fundamental objectives of outsourcing solid waste management to small enterprises were to increase efficiency and save on costs. Having permanent employees under a municipality not only brings inefficiency and absenteeism but also results in inadequate services. These services provided by small enterprises started in 1992 on a small scale but expanded to cover the entire city by 2001. The municipality pays the small enterprises according to their on inputs of equipment and labour.

2.2 The Vishakhapattanam Municipality:

Vishakhapattanam Municipality has contracted out some residential areas to Janchaitnya Exnora, a service providing agency registered as an NGO. The Janchaitnya Exnora works in Wards No 25 and 26, and areas that fall under the Murlinagar and Postal and Telegraph colony (or housing estate). The municipality has been instrumental in initiating the work. Initially it started operating by serving 600 households in the year 2003, but today the organization manages waste generated by approximately 12000 households. After successfully outsourcing a small area of the town, the Municipality has now distributed 600 tricycles for door-to-door collection to the urban poor, particularly the people who have been listed in the below the poverty line (BPL) list of the Municipality. Some of them have been rag pickers. The tricycles have been given free of cost and the maintenance cost has to be borne by the operator. The rag pickers have been identified with the help of municipal supervisors or the CBOs. These people are now engaged in door-to-door collection of waste which has not only led to regular work but also helped them to shake off the stigma of ragpicking. The Municipality initiated another scheme called the Subhram Scheme under which the Municipality asked Resident Associations and Community Associations to engage labourers for road sweeping or door-to-door collection – or both – and pays monthly Rs 1000 (US\$ 22) per sweeper to the association, the rest of the salaries being collected from the households as a service or user fee which ranges from Rs 5 to 15 (US\$ 0.1 to 0.3) depending upon income levels. The monitoring of the work is done by the municipal supervisors and assisted by the volunteers from the CBOs. Since the CBOs have engaged waste collectors and road sweepers, the sanitation workers primarily report to the heads of the CBOs. Whenever a worker does not attend for work, either due to sickness or for any other reason, the work is often not carried out during such absences as replacements are not easily available. This does not happen in the case of Janchaitnya Exnora which has a pool of additional labours available for such situations.

2.3 Comparisons of City Profiles

Urban local body or municipal authority	Navi Mumbai Municipal Corporation	Vishakhapattanam Municipal Corporation
Electoral wards	90	50
Area of town (sq.km.)	162.5	117
Population (2001 census)	0.75 million	1.05 million
Percentage of roads cleaned daily	95 % of 353.94 km on contract basis by 78 private agencies with approximately 2100 sweepers.	45-50 % of roads swept under Subhram Scheme of the Municipality. 1150 people employed
System used (Door-to-door collection or community bins)	door- to-door: 40 %, community bins: 60 %	door-to-door: 45-50 %, rest community bins,
Percentage of waste picked up daily	Nearly 100 % by a private agency on contract. 398 People Employed	Nearly 100 % by Janchaitnya Exnora, CBOs and Municipality, 650 people employed
Extent of waste processing/composting	25 tons/day is being processed by Stree Mukti Sangathana, an NGO Recyclables worth Rs 1,30000 (US\$ 3000) recovered by waste collectors	4 tons/day are being processed by Janchaitnya Exnora, Recyclables worth Rs 20000/ (US\$ 445) recovered by Janchaitnya Exnora

2.4 Sweeping of public roads and cleaning of public spaces

353 kilometres of roads of Navi Mumbai are being cleaned by 78 different contractors. They have engaged in all approximately 2100 labourers. On an average 3 to 5 km of roads are assigned to each contractor and on an average 27 (ranging from 11 to 46 labours) persons are deployed by each one. The workers in this service area are generally PAP (project affected urban poor people) and the migrant urban poor. In Vishakhapattanam 1150 people have been employed by the CBOs to carry out the work. The MoU has been signed based on the electoral wards.

2.5 Door-to-door collection of solid waste

A door-to-door collection service in Navi Mumbai has been introduced to cover around 40% of the total waste generated. A private agency has been awarded the service contract to provide labour, equipment, vehicles and materials. The contractor deploys around 32 manually loaded closed trucks. The generators of large quantities of waste, such as hotels, restaurants and institutions are also given a door-to-door collection service for collecting biodegradable and recyclable waste. In contrast, in the case of the Vishakhapattanam it started with an NGO and subsequently it signed MoUs with CBOs to carry out the work. The Municipality provided tricycles to all CBOs at no cost on the understanding that the cost of their maintenance would be borne by the CBOs.

2.6 Processing of waste:

In Navi Mumbai, 25 tons of recyclables are sorted and removed by an NGO, Stree Mukti Sangathana, from the dumpsite. The NGO has organized 37 women rag pickers for this work. In Vishakhapattanam, there is some amount of primary segregation but the bulk of the waste is sorted at a Resource Recovery Centre, a place given to Janchaitnya by the municipality. Janchaitnya has employed 20 people for sorting of waste.

2.7 Summary of Existing Contracts

2.7.1 Navi Mumbai contract

Most of the work of public road sweeping has been privatised and contracts have been given to SMEs. The labour engaged for street sweeping work part-time (for 4 hours a day) on a regular basis and get half a day's wage while the supervisors are engaged for a full day and get nearly Rs 200 (US\$ 4.5) a day. The work of door-to-door collection was given to one agency called Ramarao T Patil for easier accountability. The agency has its own vehicles for door-to-door collection and collectors ring bells as they enter each road. People come out of the houses and hand over their waste. But in many smaller lanes motor vehicles cannot enter. In such areas the waste is not collected from the door step, and this difference in service level has caused some complaints of inadequate service. Here the daily wage was fixed by the Municipality though the agency has to pay. The Municipality explains that monitoring has become easier for them. The Municipality has also stated that how many labourers should be deployed and the payment is made based on this input. The firm engaged for door to door collection of waste though does not qualify as an SME.

As mentioned earlier, the status of privatisation of Solid Waste Management services in the city is as described in the following chart:

Type of service	Type of Private Organization	No of Contracts	No of Labourers Deployed	Wages paid to workers Rs/day
Public Roads Sweeping	Small Contracts to SMEs	78	2159	Rs. 50 to 197 USD 1.1 to 4
Door to door collection and Transport from Community Bins	Larger contractor (M/s Ramarao T. Patil)	One for entire Navi Mumbai	398	110 to 116 (US\$ 2.5)
House Keeping & Cleaning Services	Private Agencies	2	67	97 to 110 (US\$ 2-2.5)
Sorting of Recyclable waste	Stree Mukti Sangathana, an NGO	1	37	Minimum wages earned. (Rs. 110, US\$ 2.4)

The work units (contiguous areas) allocated to each micro-enterprise have been clearly defined, based on road length and work details, and each with its own manpower requirement. The Municipality has decided which the work units were to be privatised. An SME can be given a maximum of 3 to 4 work units. The process of outsourcing included a pre-qualification stage to shortlist prospective bidders based on work experience, financial capability, and capacity to engage manpower etc. Nearly 120 small enterprises applied for the bidding for 78 contracts. A set of standards of performance and evaluation criteria have been defined for the work, but they are not strictly followed.

2.7.2 Vishakhapattanam contract

As mentioned earlier, the status of privatisation of Solid Waste Management services in the city is as follows

Type of service	Type of private organization	No. of contracts	No of labourers deployed	Wages paid to workers per month
Sweeping of public roads	Small Contracts to CBOs under Subharam Scheme	To nearly 200	1150	Rs. 1800-2000 (USD 40 to 45). (Rs 1000 (USD 24) per worker is paid by the Municipality and the rest by CBO)
Door to door collection and collection from community bins	Janchaitnya NGO and other CBOs	One to NGO and nearly 200 to CBOs	650	1600 to 2000 (USD 35 to 40)
Segregation of recyclable waste at Ward no 25-26	Janchaitnya Exnora	1	20	1800 to 2000 (USD 40 to 45)

2.8 The Janchaitnya Exnora:

Under the contract from the municipality, Janchaitnya Exnora has implemented door-to-door collection of wastes and resource recovery from the waste through composting and recycling. It also carries out street sweeping, drain cleaning, the collection of wastes from two vegetable markets, and composting.

The Municipality has provided infrastructural assistance to Janchaitnya Exnora, whose services extend now to approximately 12000 families. The NGO has been provided with 40 tricycle rickshaws of standard size by the Municipality to manage the waste from its project site. Each tricycle is operated by one person. Along with managing the waste that comes from the assigned area, the NGO also

manages waste that comes from nearby vegetable markets. Other facilities, namely a place for sorting and two composting sheds, have been also provided by the Municipality.

On an average, resource recovery in the forms of composting and recycling account for around 4 tons daily, of which 0.5 ton are recyclables in the form of plastic, paper and metals. Therefore a total of 120 tons of wastes are recycled every month by the NGO. The project has been also able to create livelihoods for another 20 workers who sort waste and compost the organic waste at the site. The Medical Officer, an employee of the Municipality and in-charge of the area, visits the site every morning for supervision and monitoring. He checks the daily proceedings at the site, with special emphasis on minimising operational and maintenance problems such as breakdowns of tricycles, equipment replacements and attending to complaints from the residents. The success of the work under this model can be gauged by the fact that property prices and house rental values went up by more than 25% as the area looked neat and cleaner. During the festival times and marriage seasons a lot of additional waste is generated, requiring additional manpower, which municipalities seldom provide. Here the NGO provides these services during such occasions for a fixed service fee.

3. Conclusions

The road for such transitions has been one of many hurdles. Particularly in the Navi Mumbai case, there have been intermittent reports of households not receiving services and failures in monitoring by the Municipality. This has happened particularly with the door-to-door collection services. Lack of vehicle capacity and awareness among the residents are the main reasons. Another reason has also been lack of information about the new systems when they were introduced. In many areas people still prefer to dump the waste at vacant places instead of waiting for the vehicles to pick up the waste outside their front doors.

These cases show that the SME model has been successful both for generating additional employment as well as for improving sanitation services. The table shows that road sweeping alone in both the cities has generated nearly 3200 jobs for the urban poor. And when only 40 - 45% of the population is receiving a door-to-door collection services a further 1100 jobs have been created. A critical point in these initiatives has been that so far private sector participation has been accepted as a result of advocacy by private parties and forums which support privatization. The municipalities alone seldom decide on plans to privatise a service. The municipalities need to be more proactive in engaging the private sector.

Sustainability demands the addressing of components of waste management such as waste segregation, decentralized management and composting for waste reduction, as well as performance-related payments. These two case studies have clearly demonstrated that small and medium enterprise models in sanitation services not only have a huge potential for creating jobs for the urban poor but also make cities look cleaner and reduce the work burden for the municipalities. The impact of these initiatives is clear. SWM services can be provided even to the poor, who earlier depended on the sporadic services of the municipality.