

Entrepreneurial ecosystems: strengthening the WASH sector in Kenya

WSUP is working to promote entrepreneurial activity in the Kenyan WASH sector. This Piece sets out a way forward, arguing that the introduction of a WASH-sector forum is essential for creating a thriving ecosystem.



How advanced is the WASH ecosystem in Kenya?

The WASH ecosystem in Kenya is still in its infancy, and remains much less developed than other impact sectors in the country. Nonetheless, there has been significant activity in the sector: over 200 water companies are listed in Kenya's major business directory (Yellow.co.ke), with services ranging from bottling and supply to provision of water purification and treatment equipment; over 50 sanitation companies offer services ranging from sewerage disposal to provision of sanitary goods (e.g. sanitary pads), wares and fittings (e.g. toilets and sinks). Significantly, the sector is yet to produce success stories of brands built and sold on, and solutions taken to full market penetration.

What are the barriers to growth?

A key issue affecting the WASH ecosystem in Kenya is the lack of an umbrella association. The more developed impact sectors in Kenya have industry associations to support ecosystem activity; these associations provide a forum for companies to interact with investors and new customers, while providing a focal point for engaging with government to address policy and regulatory issues. Deprived of such a resource, WASH entrepreneurs are left to operate largely in isolation, making it harder to establish and maintain a viable business and leverage economies of scale. In addition, the ecosystem lacks solid ties between WASH-related academic programmes and business incubation centres, and interaction between small-scale businesses and larger corporates. A survey of WASH-sector entrepreneurs revealed that securing access to finance is the greatest challenge they face, followed by human resources and government policy (see Figure 1); despite the systemic problems underpinning these challenges, entrepreneurs were not observed to be actively seeking solutions at the ecosystem level. In this regard, alongside the emergence of a WASH association, a breakthrough success story is badly needed to lead and inspire confidence in the sector, attract angel investment to earlier stage ventures, and create a basis to develop mentor networks comprising of more experienced WASH-sector entrepreneurs.

Figure 1. Business challenges faced by WASH-sector entrepreneurs in Kenya.
Source. Survey by ViKtoria Solutions (2014).



Is WASH a public good?

A number of entrepreneurs in our survey suggested the ecosystem has been held back by the perception, widespread in Kenya, that WASH services are exclusively a 'public good'. In the more developed impact sectors in Kenya, goods and services are expected to be delivered by the private sector; the product concerned is available at a price (as in the case of energy), and/or could be income-generating in its own right (as in the case of financial services and agriculture). In the WASH sector, potential entrepreneurs view services as the exclusive domain of government and NGOs, and fail to see the opportunities that exist. WSUP strongly believes that governments are responsible for ensuring universal service provision; however getting to scale in urban sanitation is complex, and both governments and private sector providers have vital and complementary roles to play. We explore how WSUP plans to support Kenyan WASH entrepreneurs on the next page.

Kenya's WASH ecosystem: a pathway to success

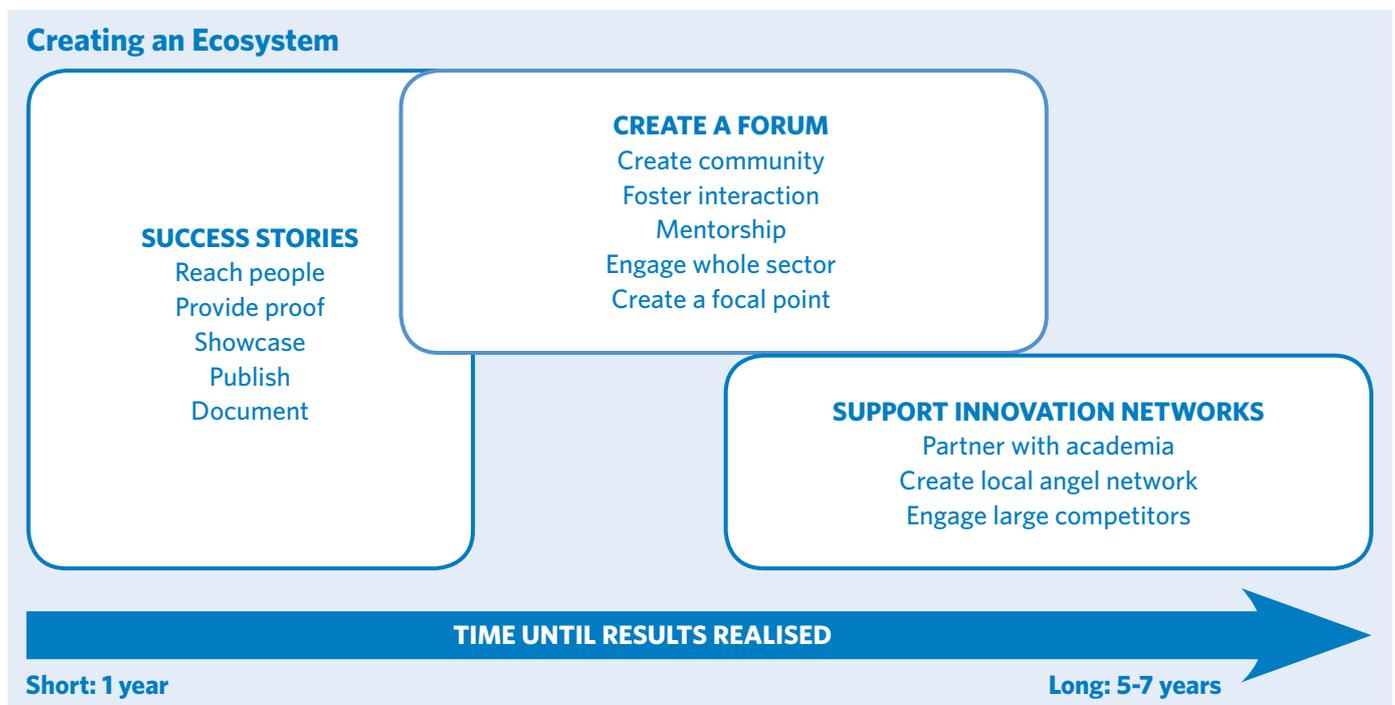
Providing targeted and sustained support to selected SMEs

As detailed in an accompanying perspective piece, one or two success stories can be all that is required to drive whole ecosystems forward and accelerate growth. Donor finance will be most effective if channelled into mechanisms which allow the best entrepreneurs to emerge and get the support they need to succeed; through this success, a path is then created for others to follow. Reflecting this rationale, WSUP will continue to provide sustained support to a select number of small businesses, including SmartLife, a water delivery service in Nairobi.

Creating a WASH-sector forum

A key finding arising from the review of the WASH ecosystem in Kenya is the need for a common forum with the aim of creating more visibility for the sector. Such a forum would enable ecosystem development agents and investors to profile WASH entrepreneurs, build relationships, and select the entrepreneurs they want to support. The forum would allow entrepreneurs to share experiences and knowledge of best practice, and provide a channel through which corporates, academia and government can interact with smaller and earlier stage businesses (in particular, the strong links that exist in some countries between universities and the WASH sector are notably absent in Kenya). By pro-actively disseminating success stories and the positive impacts created by WASH businesses, the forum could also serve to counter perceptions in Kenya that WASH service-provision is exclusively the domain of government and/or NGOs, helping to attract more entrepreneurs into the sector.

Figure 2. Model for creating a WASH ecosystem in Kenya.



Next steps for WSUP in Kenya

WSUP intends to play a pivotal role in strengthening the WASH ecosystem in Kenya in coming years. Key aspects of this strategy will include providing targeted support to selected small businesses (in pursuit of potential 'success stories'); further research and influencing activities to benefit the sector as a whole; facilitating interaction between entrepreneurs to help cultivate cross-company collaboration; and engaging with government to address policy and regulatory challenges.

Credits: This Perspective Piece was written by Yaron Cohen, Rachel Adelman and Sam Drabble, with important inputs from Andy Narracott, Nitida Wongthipkongka and Neil Jeffery. Production Coordinator: Gemma Bastin. Design: AlexMusson.com. [Version 1, May 2015]