

# LEASE FINANCING MECHANISM FOR SCALING UP- SMALL AND MEDIUM SANITATION ENTREPRISES FOR EXPANSION OF PIT EMPTYING SERVICE DELIVERY IN LOW INCOME AREAS OF LUSAKA: PERSPECTIVES FROM LUSAKA, ZAMBIA

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## Highlights

The paper shares the experience of Lusaka Water Supply and Sanitation Company (LWSC) in implementing the HIRE TO OWN model as a mechanism for financing equipment required to introduce/ or scale up pit emptying services in low income communities (LICs) of Lusaka city in partnership with private operators. The model has assisted private service providers with no capacity to invest in capital expenditure to be equipped with the right tools and equipment to enhance the provision of safe pit emptying services targeting the underserved who reside in the LICs of Lusaka city.

## Key words

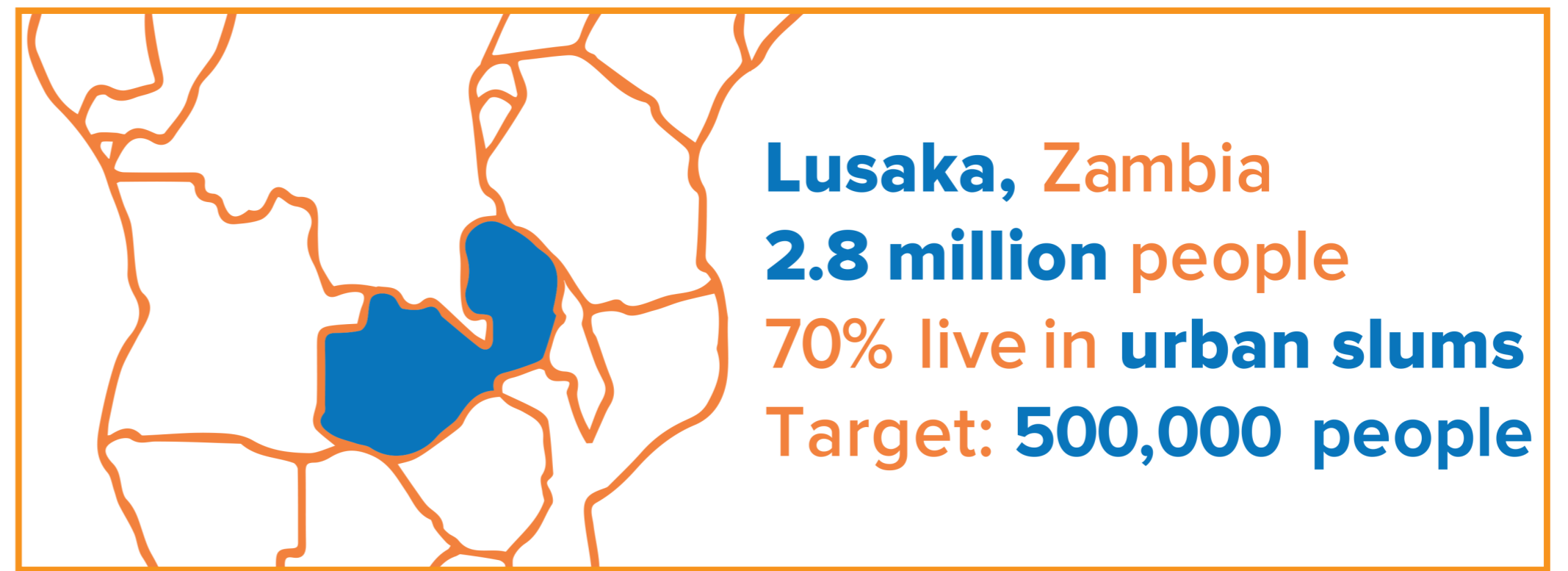
- Financing Equipment for FSM,
- Pit Emptying Services,
- Private Operators,
- Light Trucks

## Methodology

The study uses both primary and secondary data. The designed mechanism for hire to own is used as the framework for this paper. Further secondary data and experiences in implementing this mechanism was used to construct a logical narrative on the designing and implementing the hire to own mechanism for increased access to finance for enhanced service delivery.



Participating in designing and execution of the hire to own mechanism, observations are also used for construction of the narrative and sharing of experiences and lessons.



## Introduction and objectives

Emptying Services in Lusaka are provided through performance based contracts with private operators. The private operators were faced with one challenge of inadequate capacity to empty and transport sufficient volumes of Faecal Sludge (FS) to meet the targets set in the contracts. This was due to the operators using old trucks that frequently broke down as well as the lack of proper tools for emptying pit latrines either manually or mechanically. Thus to improve their operations and expand service provision to all LICs, equipment was procured for them on a Hire to Own agreement based on the contracts with LWSC.

## Analysis and Results

The financing mechanism targeted provider operators who have signed performance based contracts with LWSC to provide pit emptying services in LICs of Lusaka. This was done because the demand for pit emptying services was high in the LICs, however, the lack of sufficient equipment was hampering efficiency and expansion of services. This was mainly due to the operators using old trucks which frequently broke down and in some instances others had no trucks of their own and had to hire trucks from car hire companies. The private operators had no capacity to buy the required equipment to ensure effective service provision. Borrowing was the only option, however, most lending institutions in Zambia are not willing to lend their money to SMEs due high risk of default.



Participating in designing and execution of the hire to own mechanism, observations are also used for construction of the narrative and sharing of experiences and lessons.



## Conclusion and recommendations

Access to finance by small and medium scale private operators involved in sanitation service delivery has the potential to enhance sanitation service delivery and contribute to meeting the sanitation needs of cities. A financing mechanism such as the OWN TO HIRE financing mechanism for investing in equipment for service delivery is essential in addressing the financial access challenges and increase capacities for small scale private operators who cannot access bank guarantees for financing their capital investment. It recommended that such a mechanism is scaled-up to other private operators who have challenges in accessing finance for capital investments.