

## Financing Sanitation – Public resources and household subsidies

### Introduction:

The financing sanitation table was moderated by Rebecca Gilsdorf (World Bank) and Doreen Mbalo (GIZ). The discussion was split in two rounds, each round targeting a different question on public resources and on household subsidies.

First round: **Scarce public resources** in the sector are overwhelmingly directed towards networked water supply services. How can sanitation specialists better influence policymakers to shift resources to on-site and/or sewerated sanitation services to ensure SDG 6 is met.

### Summary of the first round – how to redirect scarce public resources to sanitation?

- **Interlinkages**, sanitation experts need to stress the positive externalities and interlinkages that improved sanitation has. For example, environmental impact or health in order to redirect to financial flows that would go to different sectors that can sometimes attract funding more easily.
  - Example health: improved sanitation cuts the health costs through improved health.
  - Example environment: Improved sanitation prevents negative environmental impact and associated mitigation costs.
  - **Ring-fence sanitation funds**, e.g. through sanitation levies, to ensure these funds are really spent on sanitation purposes.
  - It is crucial to **identify the right actors** to tackle the challenges Across the sanitation chain inclusive of service provision
  - Sanitation practitioners need to examine and understand **how politicians (re)prioritize** to find out how sanitation could fit into their agenda.
  - Increase public funds through **improved tax systems** geared towards the sector
  - Example from India: Yearly budgeting for Urban Local Bodies accounts not only for population share but adds a component called “**performance grant**” including criteria for performance in water connectivity and sanitation service levels.
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Second round: The **bias against hardware subsidies** for household infrastructure in urban and rural sanitation: How can policymakers move towards pursuing comprehensive context-specific cost-benefit analyses of all possible subsidy packages for sanitation (rural and urban) in a given locality, which may include hardware subsidies, sanitation marketing, FSM services, etc. and shift away from issuing blanket recommendations such as CLTS?

### Summary of the second round – how to demystify subsidies for household infrastructure

- It is crucial to **talk about subsidies** and the **right mechanisms for subsidies** in order to break the myth and taboo around subsidies and make them impactful.
  - Myth 1: Household sanitation subsidies distort the market and suppress innovation in toilet design.
  - Myth 2: Subsidies are not financially sustainable.
  - Myth 3: Household toilet construction is a private affair and not the responsibility of the government.
- Critics of subsidies often point to a range of unintended negative consequences. **Smart subsidy design** can mitigate most, if not all, of those consequences.

- Sewered sanitation is highly subsidised infrastructure that primarily benefit middle to high income populations. Subsidies for on-site sanitation, on the other hand, are still considered by many as a 'no-go' and are consistently met with negative criticism. While investments in sewer pipes and treatment are certainly necessary, the **sanitation chain cannot work if the first part of the chain, the household facilities, are sub-standard and/or non-existent.**
- It was noted, that if sanitation is a low priority in low-income areas, the pressure often falls down on the utilities.
- Household sanitation subsidies are often ill-targeted and exclude the underserved and marginalised, for example because they often require the individual to make a contribution towards the construction costs. The risk of ill-targeted subsidies can be reduced by smart subsidy design taking into consideration different levels of subsidy approaches
- How can the **ability and willingness to pay** be identified? Identification and communication with the target group and coordination among donors is key.
- The amount of the subsidy has to be carefully determined, as it influences the level of ownership. Clear social marketing campaigns with strong **national mandated institutional back up**, and capacity building can enhance ownership.



Second round of Financing Sanitation World Café Table (from left clockwise): Doreen Mbalo (GIZ), Ison Simbeye (GFA Zambia), Jonathan Maipambe (Lusaka Water), Kennedy Mayumbelo (Lusaka Water)