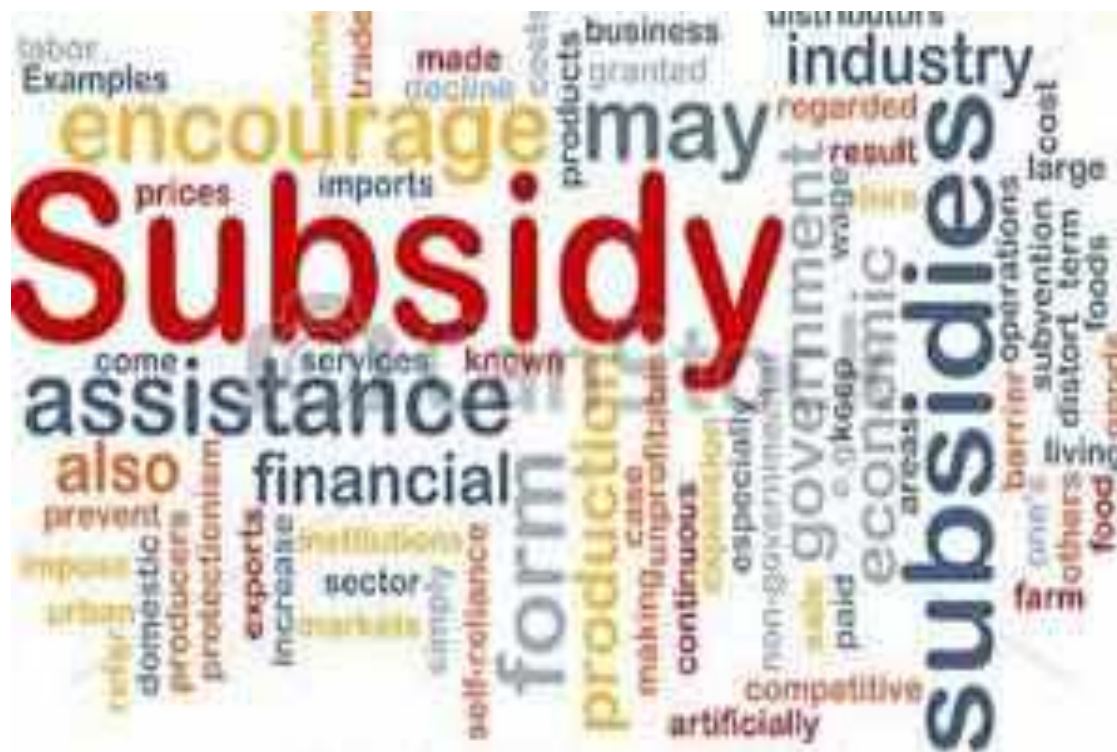




WATER SECTOR TRUST FUND & GIZ

Up-scaling Basic Sanitation for the Urban Poor (UBSUP)

Change of Reference Name from Subsidy to Post Construction Incentive



Prepared by the UBSUP Team

INTRODUCTION

Definition of subsidy

A **subsidy** is a form of financial aid or support extended to an economic sector (or institution, business, or individual) generally with the aim of promoting economic and social policy.

According to the Oxford dictionary, subsidy is defined as a sum of money granted by the state or public bodies to help an industry or business keep the price of a commodity or service low. More often than not, the money is given in advance and the beneficiaries only have to chip in a small percentage.

Use of term subsidy in the UBSUP context

In the UBSUP programme, the term subsidy is used to represent the money that is given back to the clients once the SafiSan toilet has been constructed. The money (subsidy) given back acts as an incentive for the house owners and the landlords to invest in improved sanitation. If the toilet is new it is Kshs 20,000 and a rehabilitated toilet is Kshs 15,000. The subsidy is only given once the toilet has been constructed, inspected and approved by the relevant parties involved.

Environmental hygiene and sanitation policy opinion on subsidy

According to the KESH policy among the guiding policy principles, it is noted that in section i, 'Demand creation and responsiveness: Through awareness creation, sanitation and hygiene promotion and education, community mobilization, enforcement and appropriate incentives for improved sanitation and hygiene, households and communities shall be empowered to demand for improved sanitation. Household innovation will be encouraged.'

The term subsidy is only encouraged in the rural aspect. Incentive is what is encouraged in the urban setting and therefore acts as one of the ways in which the uptake of sanitation can be encouraged.

International recognition of subsidy in promoting improved sanitation

Subsidy is acknowledged as a way of promoting the uptake of sanitation.

According to Darren Saywell and Caroline Hunt (1999) in their WELL study which was on "Sanitation Programmes Revisited ", the sanitation programmes all had subsidies as part of ways in which the programme could be able to reach many people.

The Kumasi Strategic Sanitation Project (KSP) (January 1989 and March 1994) was funded by the United Nations Development Programme and in part by the Government of Ghana. It comprised the development of a Strategic Sanitation Plan (SSP) for Kumasi, including three types of pilot project that classified sanitation technology by housing type. The KMA (Kumasi

National Assembly) and the World Bank together provided a 50 per cent subsidy for each KVIP (Kumasi Ventilated Pit Latrine). Households then paid the remaining fifty percent of the costs up front. This was preferably paid in kind (materials rather than in cash) to the small scale contractors.

The National Programme for Low Cost Sanitation (PNSBC) in Mozambique was considered internationally and nationally as a successful programme. Operating through a centralized management system, with well-established production units in all provinces in the country, the PNSBC (National Low Cost Sanitation Programme) gave poor, peri-urban communities access to low-cost improved latrines ('latrinas melhoradas'). Communities paid a percentage of production costs through sales of improved latrines. The cost to the consumer was kept at an 'affordable' level by the policy of subsidy which was applied to the Programme.

These two examples go to show that subsidy is recognized as a means of improving the uptake of sanitation. However, subsidy, in these cases, is characterized by its provision during the construction of the sanitation facilities and not after.

Background for change of name

Various other names have been suggested to substitute the use of subsidy. This is because, other agencies involved in the sanitation industry, have not been able to achieve much with the subsidy approach. The health sector for instance uses the Community Led Total Sanitation (CLTS) which up to now has no documented positive results in the urban areas. In most cases it has proven very costly to be able to offer subsidies to assist in the construction of the sanitation infrastructure.

Proposed name

The term post construction incentive has been suggested. This is because, given the factors that have been listed above, the money is given to the client after the toilet has been completely constructed, inspected and approved. Subsidy is only recognized if advanced before a project or initiative begins. It will therefore be prudent if in the UBSUP programme we use the term incentive and not subsidy so as to avoid any miscommunication. So far, most of the stakeholders that have interacted in the programme get the impression that we are issuing the subsidy before the construction which is not the case. The term post construction incentive fully defines what is being done in the programme.

Conclusion

The use of post construction incentive with the initials PCI are therefore recommended for use in the programme to replace the word subsidy.

References

<https://en.wikipedia.org/wiki/Subsidy>

<http://www.ircwash.org/sites/default/files/Saywell-1999-Sanitation.pdf>