

# 18 "Money down the pan?" Community level models for financing sanitation in rural Nepal<sup>1</sup>

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## **Abstract**

*A range of different actors are engaged in promoting sustainable sanitation coverage in Nepal. The lack of knowledge and understanding within the sector of the different approaches to financing sanitation at a community level has prompted this sector review. The document reviews the various financing models used by sanitation programmes in Nepal, which include hardware subsidy, loans and sole support for community awareness.*

*The research considers the impact of providing diverse levels of financial and material support, and the manner in which resources are targeted and allocated in communities. The broad financing models are reviewed using multi-criteria analysis*

*looking at social, economic and sustainability dimensions. The paper looks in-depth at the impact of the diversity of financing models on sector efficiency. It also addresses how the sector as a whole can operate more effectively to ensure financial resources are better targeted and coordinated to achieve the ambitious sanitation targets in Nepal.*

## **Introduction**

### **Background**

Sanitation is often given low priority at international, state and local levels. In South Asia, more than half of the population has no access to improved sanitation (WHO and UNICEF, 2004).

Nepalese sanitation coverage targets are ambitious, particularly the national goal to achieve 100%

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sanitation coverage by 2017. National sanitation figures are often disputed but are estimated between 20 and 40%. However, what is clear is the gap between the rural and the urban areas: access to improved sanitation in urban areas is almost double that in rural areas (36.9% vs. 19.8%) (NDHS, 2006).

In order to advance sanitation conditions in the country, numerous programmes are launched in Nepal every year. They have common aspirations, but different implementation models. These sometimes results in overlapping and inefficient distribution of available resources.

In view of both low sanitation figures in rural Nepal and a much higher percentage of Nepalese residing in rural areas, achieving total sanitation in rural Nepal in the near future appears to be a very challenging task, requiring compromise and coordination in the sector.

### Aims and objectives

Approaches to deliver sanitation are diverse and multi-dimensional. One of the critical areas where it is perceived that the widest range of approaches are being adopted is financing sanitation at the community level. It's also an area of which is currently little known across the sector. Thus, this research centred on the sources and means to finance sanitation in rural Nepal. The main aims of this research are summarised as:

- To deepen the understanding of various approaches to financing of sanitation in rural communities of Nepal.
- To compare the effectiveness of main financing approaches, especially in terms of ensuring sustainable services to the very poor and marginalised.

- To identify the main challenges and barriers created by the diversity in models.
- To make recommendations on national sanitation policy based on research findings.

### Methodology

The main approaches to financing sanitation were evaluated by reviewing policies and guidelines put together by main agencies in the sector and the assessment of various case studies, including projects in both the tarai and hills. Case studies were developed through interviews with:

- donor agencies
- national NGOs
- local NGOs
- government bodies and members of the users committee
- group discussion with community people
- household interviews
- child interviews
- community observations

Three dimensions were considered: every project was evaluated from the economic, social and sustainable total sanitation perspective. A Multi Criteria Analysis (MCA) was selected as a suitable decision-making tool to integrate the data belonging to these three dimensions and to obtain a ranking of the models. In this study, seven financing models were included in the multi-criteria framework and each alternative was evaluated through several predefined criteria.

Novel Approach to Imprecise Assessment and Decision Environments (NAIADE) (JRC, 1996) was selected as the appropriate multi criteria model to compare the different financial models studied. An explicit relative weighting of the different alternatives was obtained at the end of the MCA.

This study does not try to look at the total cost of implementing sanitation programmes, instead it focuses on the allocation and distribution of resources at a community level. We have therefore not looked at the administrative costs of designing and implementing sanitation programmes. These would vary depending on the scale and type of organisation implementing the programme.

## Key players in the sanitation sector

### Sector stakeholders

It is important to understand the dynamic of the sector in Nepal. There are a large number of stakeholders involved in sanitation and hygiene promotion activities. Partnership models and bilateral relationships among donors, government agencies, INGOs, national NGOs and local NGOs are diverse. Some organisations implement programmes unilaterally and others work in a wide range of partnerships, cooperative and contractual relationships with a varying number of parties. This means that financial support for sanitation goes through a wide number of channels, both within and outside official government budget lines.

The Department of Water Supply and Sewerage (DWSS), under the Ministry of Physical Planning and Works (MPPW), is the main government agency responsible for delivering water supply and sanitation services in Nepal. In rural areas of the country, the Ministry of Local Development (MLD) also plays a relevant role.

The two largest programmes of the sector, the Rural Water Supply and Sanitation Fund Development Board Programme-II and the Community-Based Water Supply and Sanitation Project, are run by autonomous governmental institutions, with the

support of the World Bank and the ADB respectively. International development agencies such as DFID, Helvetas, Finnish Development Agency, UNICEF and WHO and INGOs, such as Care, Plan and WaterAid Nepal, are supporting the sanitation sector both through and independently of the government.

Users' committees and local communities are mobilized to be the main implementers, managers and operators of sanitation programmes. Responsibility is bestowed on Local Government Bodies (LGBs) and local communities to play a growing role in coordinating and facilitating sanitation delivery. However, LGBs' role is still very weak in many districts, partially due to the conflict troubling the country since 1996 and the impact this has had at building and retaining capacity at the district level and below.

### Geographic distribution of agencies and sanitation programmes

The geographic distribution of agencies and sanitation programmes shows how external assistance is not necessarily higher in the least covered districts (Figure 1). Although sanitation coverage, remoteness and conflict are likely to determine partially the distribution of the sanitation programmes, it is clear that sector investments do not necessarily flow to those areas most in need of support.

The lack of planning, coordination and guidance at a central and local level is probably behind this unequal distribution of available resources. Moreover, it appears that agencies sometimes select their project areas according to accessibility, rather than the lack of water and sanitation coverage.

## Overview of main approaches to financing sanitation in rural Nepal

As mentioned above, a wide variety of approaches to financing sanitation at a community level have and are being used across Nepal. Every implementing agency has its own specific policy and interpretation of each model.

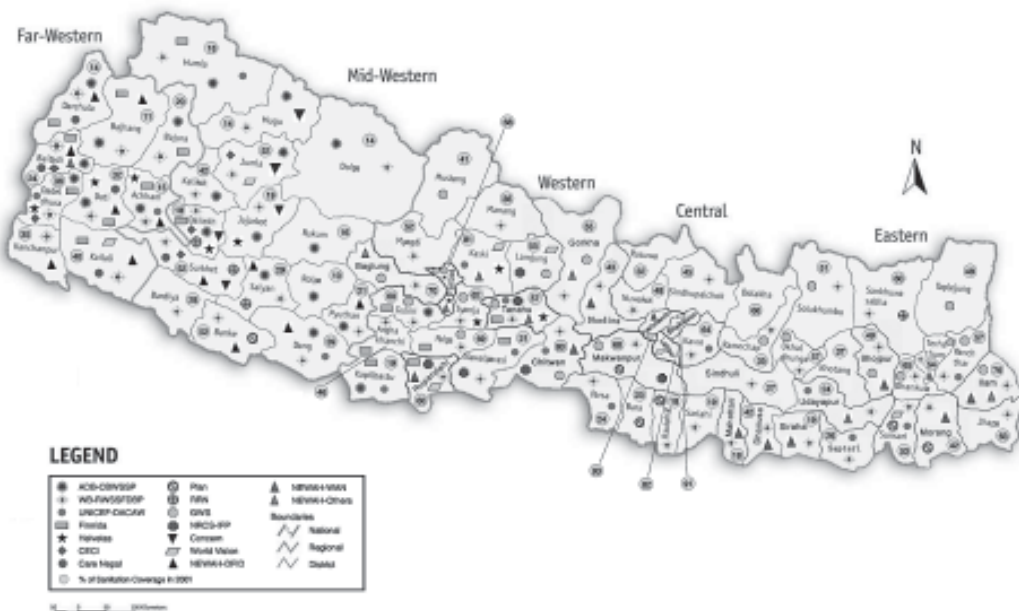
Within this document we have tried to group the wide range of approaches under a number of broad headings to aid understanding and analysis. The main financing models identified include: hardware subsidies, loans, software subsidies (here referred to as community awareness) and rewards. It must

be appreciated that many sanitation programmes incorporate more than one of these components in their approaches. Therefore, the inclusion of the programme in one or another heading was not always obvious.

### Hardware subsidies

Traditionally, subsidies have been used by most agencies to support construction of latrines. While everybody accepts the need to provide software subsidies to communities, debate is currently centred on effectiveness and capacity of *hardware* subsidies. The amount and procedure for distributing hardware subsidies to a community has been changing because of lessons learned.

FIGURE 1 Distribution of main agencies of the sanitation sector in rural Nepal



Currently, subsidies are rarely handed in cash to the households, since chances of misuse are too high. Full hardware subsidies to build latrines are also rare nowadays. On the one hand, the cost of the programme increases enormously if all households are to receive full subsidies. On the other hand, grants often stop households from using their own initiative and prevent personal ownership. In the rural areas, it is not rare to find high quality latrines built with grant money that are not in use and fall into disrepair or are used for other purposes, such as storerooms.

In Nepal, there are programmes which still give high subsidies to construct latrines. This is the case of multi-components programmes responding to community demands in order to reduce poverty. Subsidy given in these programmes ranged from NRs. 4,000 to NRs. 10,000 per household.

However, even though many agencies still have a hardware subsidy policy for latrine construction, there's a tendency towards reducing the amount. Today, it is a common practice to **subsidise latrines only up to pan level** or to provide **graded subsidies**.

Some agencies like NEWAH and Helvetas have adopted the graded subsidy approach. In this household cash and labour contribution are graded depending on the category of household well-being, physical ability, technological choice and geographical location (hill/tarai). Moreover, households are requested to deposit a nominal amount in the users' committee bank account in order to create a sense of ownership.

Other organisations such as Rural Reconstruction Nepal (RRN), Community Forest and some Village

Development Committees (VDC) give the so called **“minimum subsidy”** or **“encouraging subsidy”**. This means providing only a few essential, non-local materials to support latrine construction. The remaining materials and required labour are contributed by the community and individual households.

## Loans

Taking loans to build latrines is a common practice in Nepal. Money is generally borrowed from

### BOX 1 Rural Water Supply and Sanitation Fund Development Board Programme in Jutpani

#### The ultra poor are unable to take loans

The Fund Board makes available a revolving loan fund for latrine construction, which is calculated by multiplying 25% of the total number of households without latrine by NRs. 2,000.

In Nayatole community (Jutpani), out of 69 households without a latrine, only 14 made use of the revolving loan, 10 households borrowed NRs. 2,000 in a first round and recently, in a second round four further households received NRs. 2,000 to build their latrine. There are still three households in the community without latrines. Yet in the bank account of the users' committee there is NRs. 13,000 still available to be revolved. The three households without latrine are female-headed households, which cannot build a latrine, unless they receive some additional support.

#### Duplication of approaches creates problems

In addition to the Fund Board, the Bote Society, supported by Nepal Aadiwasi Janajati Sangh, was also promoting latrine construction in Nayatole. Janajati households received hardware subsidy in cash to build their latrines. Duplication of programmes divided the community and reduced participation of Janajati households in the Fund Board Programme.

informal sources, such as relatives or private moneylenders, which can involve very high interest rates. However, today, borrowing from institutional sources is also becoming increasingly popular through saving and credit groups and revolving loans.

The Rural Water Supply and Sanitation Fund Development Board Programme (RWSSFDBP-I), implemented between 1996 and 2003, was the first programme to promote revolving loans to finance sanitation. Currently, besides the Fund Board, several other programmes, such as School Led Total Sanitation and Community-Based Water Supply and Sanitation Programme, incorporate revolving loans to support construction of latrines.

### Community awareness

Experience shows that the construction of latrines only, without software activities, so called “latrinisation”, frequently results in poor long-term sustainability of latrines and the lack of use and adoption of safe hygiene practises.

In the long-term, an understanding of the links between sanitation and health is essential. As a result, nowadays most sanitation programmes incorporate hygiene and health education packages. Building an awareness of the convenience, shame and prestige related to sanitation has also been identified as an effective means of stimulating latrine construction within a community.

Some programmes provide only software support, whereas others combine software activities with financial assistance to promote latrine construction. The main organisations relying on software activities

to promote sanitation include Nepal Water for Health (NEWAH), UNICEF, Ghurkha Welfare Scheme (GWS), Plan and Nepal Red Cross Society (NRCS). These organisations are implementing relatively new models such as **School Sanitation and Health Education (SSHE) Programme, School Led Total Sanitation (SLTS)** and **Community Led Total Sanitation (CLTS)**.

The above mentioned models firstly create demand and raise awareness within communities and later, they promote hardware construction.

Sanitation in CLTS is understood as a public good and not as an individual task and therefore, all community members, including children, work closely together to achieve the common objective of Total Sanitation.

In the CLTS modality, no financial support is provided to the community.

In SSHE and SLTS, schools are used as the main entry point to bring about hygiene and health awareness to communities. The main aims of the SSHE programme are to raise awareness among children of the importance of following proper hygiene and health practices and to ensure basic sanitation in the school through provision of water supply and sanitation facilities (DWSS and UNICEF, 2006-A).

UNICEF have merged both CLTS and SSHE in one single approach. This has developed the SLTS programme in Nepal with encouraging results (DWSS and UNICEF, 2006-B). As in CLTS, the SLTS programme aims to stop open defecation but uses the catchments area of the school, rather than a single community, to define its target area.

## BOX 2 SLTS in Shree Sindhu Primary School (NRCS-UNICEF), Byas Municipality, Tanahu.

SLTS was introduced in Shree Sindhu Primary School by the Nepal Red Cross Society, with the financial support of UNICEF, at the end of 2005. In Shree Sindhu Primary School there are 82 students. In its catchments area, there are 112 households, the majority of whom are poor Janajati households.

Prior to programme implementation, 21 households had latrines, but only half of households were using them. The Junior Red Cross Circle (JRCC) and the Sanitation Committee organised numerous activities to mobilize the community and raise sanitation awareness. Members of JRCC used whistling and flags as an effective means to dissuade open defecation.

After 18 months of project activities, all except ten households have built latrines. The catchment area has already been declared an open defecation free zone since all households are using latrines, albeit not their own in a few cases.

NRCS gave NRs. 20,000 to the sanitation committee to be used as a revolving loan in the community/catchment area. Every household which asked for the revolving loans received up to NRs.500, to be repaid within six months with no interest rate. Even though funds to support construction of latrines were made available, most latrines built as a result of the programme are direct pit latrines with very temporary superstructures. During group discussions, community members stated that: "It would be better if some kind of subsidy was provided to the poorest households to build their toilets."

Most of the households stated that "they would like to build a permanent latrine but they lacked sufficient finance".

## Rewards

Use of rewards is also gaining popularity as an effective tool to encourage achievement of public

outcomes and construction of quality latrines, without providing any kind of hardware subsidy.

Rewards are common in CLTS and SLTS programmes. In a few districts, LGB used rewards to promote sanitation in their areas of influence. Sometimes rewards are given upon the achievement of a community outcome, like "Open Defecation Free" (ODF) status. In other occasions, LGB honour households which have built a permanent latrine.

## Mixed approaches

As mentioned above, at the broadest level the approaches in Nepal can be clustered into three main groups - subsidy, loans and community awareness. However some programmes, although centred around one approach, have included elements of others in their models. Examples of these are:

- CLTS which promotes cross-subsidy
- SLTS which includes some revolving loan support
- Most subsidy approaches which have some level of community awareness.

The **Community-Based Water Supply and Sanitation Programme** (CBWSSP) incorporates key elements of the three main groups. The resulting financial model to promote sanitation is unique and fairly complex. Community awareness is used to encourage households to build their latrines from self-finance. But financial resources are also made available with hardware subsidies for the ultra poor households and revolving loans for the poor and medium income households.

In addition, **Community Led Basic Sanitation for All** (CLBSA) is a new approach developed by NEWAH which incorporates lessons from the organisation's past experience. Implementation of this approach began in 2007 and the model is inspired by CLTS. But unlike CLTS, CLBSA incorporates a Community Fund to support the ultra poor and excluded groups to build latrines, with the provision of certain materials and skilled labour. However funds are transferred to the community at an advanced stage of the programme. The users' committee is encouraged to find alternative ways to support ultra poor households. For example by mobilising their own resources, taking loans from local providers or seeking LGB support. Rewards, both in cash, materials and certificates, are provided to the community as key sanitation outcomes are achieved.

## Findings and emerging issues

### Economic dimension

#### ■ Big variation of programme cost

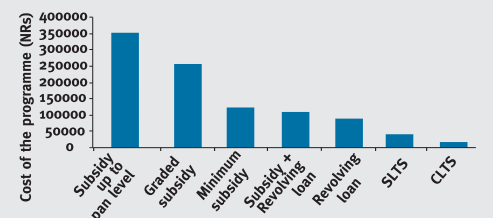
Total cost of sanitation programmes vary enormously depending on the approach adopted. In order to be able to establish comparisons, costs were calculated for an example Nepali community made up of 99 households, with an equal number of medium, poor and ultra poor households (Figure 2). The donor cost at the community level ranged from NRs. 340,000 to NRs. 17,000.<sup>2</sup>

The time taken to construct sanitation hardware, understood in this study as the project duration, varies considerably between approaches and sanitation programmes in Nepal. It can range from a couple of months in CLTS to 24 months in the RWSSFDBP. Mostly as a result of fixed programme

costs, such as project staff salaries, duration is indirectly related to the cost of the programme.

As expected, the provision of hardware subsidies greatly increased the price of the financing model at a community level. Analysis shows that the cost of sanitation interventions is considerably reduced when the community is effectively mobilized, takes ownership and becomes the main contributor to achieving sanitation outcomes. Financing models only involving software support, such as CLTS, require the least financial resources at a community level. As expected, the cost of models making use of revolving loans is in between cost of subsidised programmes and community awareness based programmes.

**FIGURE 2** Total cost of different sanitation financing modalities



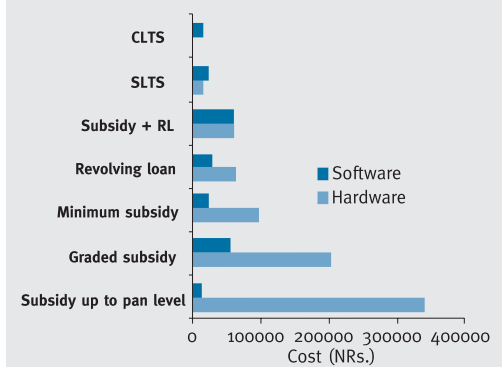
#### ■ Large disparity in hardware cost but minor one in software cost

Balance between software and hardware costs of the main models also varies enormously. Hardware and software costs are calculated only at a community level. That is, the costs borne by the international, national and local agencies were not considered due to difficulties in differentiating the amount spent for a specific project.

In this analysis hardware costs includes materials and labour subsidised by the donor. Software costs

<sup>2</sup> US\$ 1 = NRs 70

**FIGURE 3** Balance between software and hardware cost of main sanitation modalities



includes cost of trainings given to users' committee and community people, IEC materials, salaries for community staff and cash rewards given to committees for sanitation activities.

Most approaches spend more money on hardware than software. While total hardware cost broadly varies among approaches, software cost differences are not that remarkable. Actually, those programmes relying exclusively on software provision do not show higher investments on software activities compared to other models (Figure 3). The broadly similar total costs can be explained by the fact that most programmes have similar software packages and therefore costs, made up of staff salaries and IEC materials.

However what varies between programmes is the emphasis that different approaches place on software and, therefore, the number and type of software activities undertaken. Those programmes with a lot of hardware support use this as the major tool for motivating communities to build latrines. Those without these financial resources

have to place increased importance and stress on effective mobilisation through software activities.

#### ■ Level of community contribution

In all financing models evaluated in this study, some level of community contribution was required to complete latrine construction. In some models, eg subsidy up to pan level, only construction of superstructure was required. In others, the entire latrine was financed by the benefited households, eg the revolving loan approach of SLTS or CLTS. Moreover, the range of technological options promoted and the availability of materials also determines the level of investment required.

The average amount spent by each household to construct latrines showed strong variations, from NRs. 700 in the SLTS implemented by UNICEF to more than NRs. 7,000 in the Fund Board project. The variation in cost of latrines is directly linked to the amount of subsidy provided or funds in the form of credit, made available to a household. It's also linked to the household's ability and desire to invest in sanitation. Poverty, lack of hygiene awareness and hope to receive subsidy from other programmes may be the cause of reduced household investment in latrine construction.

■ Increase in household debt among latrine owners  
Unable to meet basic needs, borrowing money from outsiders is becoming a common practise, as well as an increased burden, for many households. Among those households interviewed, which had built a latrine recently, 39.7% had taken some form of loan to achieve this. This compares to only 6.9% of households which had taken a revolving loan from the current sanitation programme. In most cases (96.6%) households borrowed money

from private moneylenders, relatives or saving groups, outside of any mechanism established by the sanitation programme.

In the projects visited, those households taking funds from private moneylenders were paying interest rates ranging from 12 to 36%. Saving groups were also found in most of the villages where sanitation programmes had been implemented. Interest rates offered by saving groups were found to be fairly high, ranging from 24 to 36%. As a result, only in very few cases were households borrowing money from saving groups to build latrines.

Raising income is also crucial to enabling households to take and repay loans to build latrines. Partnerships between sanitation programmes and existing saving groups were not found in any of the project sites visited. They could enable some control on high interest rates, more favourable conditions and in doing so increased access to financing.

### Social dimension

#### ■ Additional support for the disadvantaged households

Female headed households, disabled and ultra poor are frequently incapable of building a latrine without assistance. This situation is worsened by the migration pattern found in many areas of Nepal, where males leave their houses to work in urban centres or abroad. Paradoxically, those households requiring and deserving the most support are easily left out of the programmes. This is due to their lower capacity to actively participate in the activities of the programme and their inability to contribute cash or labour to build latrines. Providing affordable latrine options for the poorest

households is essential to enabling them to adopt hygienic sanitation practices. As a result of a lack of latrine options the poor often don't build latrines or they build unhygienic latrines.

Models are becoming increasingly flexible to respond effectively to the needs of disadvantaged households. Pro-poor approaches, eg graded subsidies used by the CBWSSP or CLBSA, give special support to the poor by making additional subsidy available for them.

Cross-subsidy, ie the relatively better off supporting the most disadvantaged households to build their latrines, as promoted by CLTS, is also a valuable and effective form to target the ultra poor and marginalised.

When sanitation is presented as a public good and not as an individual issue, the sanitation programme usually results in enhanced unity among community members. Cross-subsidy brings together community members and therefore, the resulting benefits are far beyond the implementation of the programme. Nevertheless, heterogeneity of communities and caste systems might hinder the successful performance of cross-subsidies.

### Sustainable total sanitation dimension

#### ■ Achieving a common sanitation goal

Public health gains from sanitation are maximised only when all community members use hygienic latrines all the time and when open defecation free status is achieved. Only a few financing approaches, such as SLTS and CLTS, promote achievement of open defecation free status in a short period through rewards and awards. Other

financing approaches do not provide any incentives for community level behaviour change but rather subsidise private household infrastructure resulting in partial coverage, with possible achievement of ODF status but only after a number of years.

■ **Procurement and availability of materials promotes sustainable sanitation outcomes**

In rural villages located far from urban centres and markets, availability of materials may become a significant barrier to build, upgrade or repair latrines. A wide range of initiatives are incorporated in the sanitation programmes to promote availability of materials at a community level. These include a series of latrine designs using available materials, production of certain materials locally, opening sanitation centres or handing over the responsibility of procuring required materials to the users' committee.

Most agencies set up temporary project financed production centres rather than sustainable supply chains through the local private sector. Therefore, the supply side of the sanitation programmes still needs to be improved to ensure sustainable procurement of materials.

**Integrated ranking of financing models**

The results from the Multi Criteria Analysis are presented in Figure 4. The first index shown in Figure 4 is the strength index ( $F_+$ ) which orders the different financing alternatives from the best to the least.

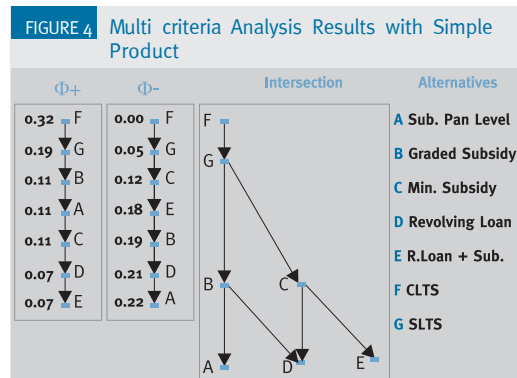
The second index is the weakness index ( $F_-$ ), which orders the alternatives from the least worst to the worst.

The last graph is obtained from the intersection of both indexes. The ranking of alternatives obtained from the aggregation of the analysed criteria shows CLTS is the model that scores highest against the criteria set. This is followed by SLTS.

CLTS and SLTS involve low cost for the donor and enhanced community contribution and mobilisation. Emphasis on stopping open defecation and presenting sanitation as a public good proved to ensure effective behaviour change and improve community unity in addressing sanitation.

Both models encourage the provision of cross subsidies among community members, in order to address the additional support required by the disadvantaged households. Thus, despite financial support not being provided, the disadvantaged households are targeted through collective community action. In addition, sanitation is looked at from a community outcome perspective, not the number of latrines built.

It should be stressed that for CLTS, and any community awareness approach, to be successful skilled local facilitators are needed for effective



community mobilisation. This may be a barrier to scaling-up such an approach. It needs significant investment in human resource development and training.

Graded subsidy models were proved to deliver sanitation services effectively to all members of a community. They also developed a feeling of ownership, partially due to the obligation to contribute a certain sum to receive the hardware subsidy. However, the cost of these programmes is significantly higher than those approaches which maximise community contribution.

The cost of programmes offering subsidies up to pan level is up to 30 times higher than community led interventions and even though latrine coverage is generally good, latrine usage is not always that encouraging. Approaches making use of revolving loans increase community contribution and have resulted in the construction of quality latrines. However, revolving loans often fail to reach the poorest households, with many low-income households unable to afford to take loans and as a result, Open Defecation Free status is rarely achieved.

The mixed approach adopted by the CBWSSP, promoting self-financed latrines, hardware subsidy and revolving loans simultaneously, is relatively new and has yet to be seen at scale. It was observed that community members were having to wait to receive financial support and consequently, they did not come together well or promptly.

A long-term mission when the three financing tools are simultaneously offered to communities is to achieve the public health outcome of stopping open defecation practices.

## Recommendations

### **Outcome focused interventions ensure sustainable sanitation outcomes**

Financing models designed to promote and encourage the achievement of community outcomes, such as Open Defecation Free (ODF) status, are effective in delivering sustainable sanitation coverage in rural communities. Evidence from the field showed that focusing on stopping open defecation, rather than construction of individual latrines, brought about superior use of latrines and therefore, superior health and sanitation benefits to the overall community. From a financing perspective, this means that financial support should reflect this approach. Resources should be targeted at community activities, such as mobilisation and training, and community outcomes, not supporting individual latrine construction but rewarding community sanitation outcomes.

If the whole community is strongly mobilized to achieve the public good of total sanitation, greater involvement and higher contribution, both in cash and kind, from the community is generated. This fosters increased ownership amongst the community, ensuring commitment for everyone to build, use and maintain their latrines in the long term. Financing models that provide rewards and formal recognition of achievements to the entire community, rather than providing upfront support, can be used as valuable motivational tools to achieve sanitation outcomes.

### **Accessing financial support**

**Poor and marginalised groups need additional support:** Households made up of the very poor, marginalised groups, comprising disabled members

or headed by a female, generally require additional support to build their latrines. Most disadvantaged households lack sufficient financial resources and many also lack the skills to undertake latrine construction. As it has been concluded that sanitation is best addressed at a community level, the identification of those households in need of additional help is an essential part of developing an adequate community strategy to target them and achieve a community sanitation outcome. A participatory process, with mechanisms to increase transparency, needs to be encouraged to ensure successful identification of disadvantaged households and allocation of additional support, whether that is in cash or kind.

When sanitation is understood as a public good, cross subsidies become a natural part of any community plan to achieve ODF status. A graded system of support or subsidies can ensure that everybody in the community can construct a hygienic latrine. Flexibility in latrine options promoted will also enable the poorest households to access sanitation facilities. Pushing a single model, often financially and technically out of reach of the poorest households, can result in some groups being excluded from the process. Following some basic principles, hygienic latrines can be built with minimal financial cost and then improved over time once further resources are available.

**Improved access to institutional micro-finance facilities:** There is a need to link sanitation programmes with banks and other institutions, such as saving groups, in order to control moneylenders' high interest rates. This will give everybody the opportunity to access a micro-finance facility. Implementation of sanitation programmes together with other poverty alleviation

activities is also to be encouraged. In the same way, linking sanitation programmes with income generating activities is also likely to have a positive effect on sanitation, as enhanced availability of financial resources is likely to be translated into adoption of more hygienic practices.

### Increased sector coordination

**Reduction in the overlapping of programmes promoting different approaches:** There are many agencies working in the sanitation sector in the country, but their distribution around Nepal does not always respond to actual needs. It is not rare to find two agencies working simultaneously in the same area, which may create positive effects, but also negative ones. In fact, the presence of two agencies in the same area usually means that two different financing models are being implemented. High subsidies given in some programmes usually have a disturbing effect on others intending to reduce or eliminate the amount of hardware subsidy granted to every household. Communities obviously prefer to receive high subsidies. Duality and overlapping of approaches is common in rural Nepal and has been proven to reduce effectiveness of programmes. Available financial resources to promote sanitation are scarce and therefore, sector stakeholders should maximise the limited funds and primarily, avoid programme overlapping.

**Increased local planning and coordination amongst stakeholders:** Coordination of sector stakeholders and proper planning is needed in order to avoid duplication of approaches in one area. The current Rural Water Supply and Sanitation Policy 2004 specifies that "planning will be done in coordination with DDC/VDC to avoid duplication and optimise

the use of limited resources". All organisations implementing sanitation programmes at a community level should seek permission from the District Development Committee (DDC) and VDC to select and implement their programmes. Too frequently, LGBs are not even informed about the implementation of a particular sanitation programme in their area. Communication with LGBs needs to be consolidated and partnership needs to be reinforced. Only a few programmes seek VDC support to implement sanitation activities.

**A National Sanitation Programme should be developed:** The realities in the field show that there is need for greater harmonisation of financing sanitation models and more efficient distribution of available resources. Surprisingly, discrepancy in approaches between the same donor is also common. For example, DFID has been funding NEWAH and GWS, and the World Bank is funding to Fund Board and PAF and they all implement very different approaches.

At a national level, concerned stakeholders should work jointly to prepare a National Sanitation Programme, so all efforts are concentrated in the same direction. According to the Rural Water Supply and Sanitation National Strategy 2004, a Sectoral Stakeholder Group (SSG) coordinated by the Sanitation Coordination Committee is to be formed to formulate sectoral policy and co-ordinate activities. Thus, the SSG appears to be the most appropriate institution to lead the development of the national programme and seek compromises and conformity from all concerned organisations.

A National Sanitation Programme, although coordinated at the national level, could then be facilitated and overseen at a district level by the

District Water and Sanitation Coordination Committee and a clear district plan. As proven by successful experiences in India and Pakistan, the use of incentives by national government for achieving sanitation outcomes at a district, or even VDC level, is effective in stimulating LGBs to coordinate and focus on sanitation activities.

## Conclusion

Numerous agencies are involved in the important task of delivering sanitation services in rural areas of Nepal. The table below sets out the broad approaches that are being implemented currently in Nepal. It represents the wide diversity in approaches and the strength and weakness of each of them.

Hardware subsidies are preferred by most implementing agencies but the provision of heavily subsidised latrines results in limited sustainable sanitation outcomes at a community level in too many cases.

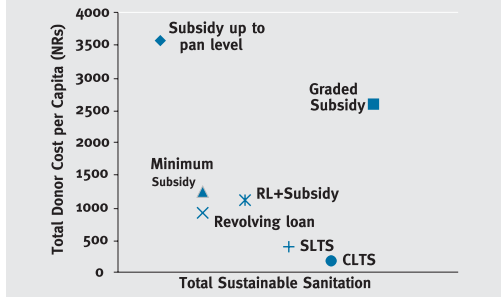
In addition, subsidies have seen cost increase exponentially and local resources are not effectively mobilized. Revolving loans reduce the cost of the intervention to the implementing agencies substantially, but frequently fail to reach the poorest households. They result in debt and take a long time to achieve ODF Status, as they are too often focused on household, not community outcomes.

Financial models that support and promote community sanitation outcomes, such as CLTS and SLTS, have harnessed a very effective strategy to speed up sanitation coverage. They look beyond the individual household latrines and focus resources on encouraging collective action.

TABLE 1 Brief description of main sanitation models

Financing model	Description	Strengths and weaknesses
Hardware subsidy up to pan level	<ul style="list-style-type: none"> <li>■ Provision of subsidised materials and skilled labour to all households</li> </ul>	<ul style="list-style-type: none"> <li>■ Inhibits ownership feeling</li> <li>■ Low level of latrine use</li> <li>■ High cost for the donor</li> <li>■ Failure to achieve Community ODF status</li> </ul>
Graded subsidy	<ul style="list-style-type: none"> <li>■ Classification of households in well-being categories</li> <li>■ Provision of materials and skilled labour upon the payment of a predetermined amount based on the well-being categories</li> <li>■ Ultra poor households are exempt to payment</li> </ul>	<ul style="list-style-type: none"> <li>■ Effective in targeting disadvantaged households</li> <li>■ Ownership is somewhat ensured</li> <li>■ High cost for the donor</li> <li>■ Failure to achieve community ODF status</li> </ul>
Minimum subsidy	<ul style="list-style-type: none"> <li>■ Provision of few essential, non-local materials to construct latrines</li> <li>■ Cross subsidies are sometimes encouraged</li> </ul>	<ul style="list-style-type: none"> <li>■ Moderate cost for the donor</li> <li>■ Failure to achieve community ODF status</li> </ul>
Revolving loans	<ul style="list-style-type: none"> <li>■ Community receives a revolving loan fund to be distributed among community members to support latrine construction. The fund is calculated in proportion to the number of households without a latrine</li> <li>■ Only some households can receive the loan in the first round</li> <li>■ The fund is revolved until all households have built their latrine</li> </ul>	<ul style="list-style-type: none"> <li>■ Moderate cost for the donor</li> <li>■ Ownership feeling is ensured</li> <li>■ Fails to reach the poorest, ultra poor households are unable to take the revolving loan</li> <li>■ Long implementation periods</li> <li>■ Failure to achieve community ODF status</li> </ul>
Revolving loans and hardware subsidy	<ul style="list-style-type: none"> <li>■ Community receives a revolving loan fund to be distributed among community members to support latrine construction. The fund is calculated in proportion to the number of households without a latrine.</li> <li>■ The ultra poor households receive hardware subsidy to build latrines</li> <li>■ The rest of the households are expected to build latrines from self-finance</li> </ul>	<ul style="list-style-type: none"> <li>■ Moderate cost for the donor</li> <li>■ Disadvantaged households are targeted</li> <li>■ Disincentives self-initiation latrines</li> <li>■ Failure to achieve community ODF status</li> </ul>
CLTS	<ul style="list-style-type: none"> <li>■ Community is mobilized to achieve the public good of achieving "Open Defecation Free" status</li> <li>■ Strong facilitating and ignition process</li> <li>■ Cross-subsidies are encouraged</li> </ul>	<ul style="list-style-type: none"> <li>■ Low cost for the donor</li> <li>■ Promotion of community union and inclusion of disadvantaged households</li> <li>■ Community ODF status achieved</li> <li>■ High use of latrines</li> </ul>
SLTS	<ul style="list-style-type: none"> <li>■ School is the entry point of the sanitation programme</li> <li>■ Community is also mobilized to achieve the public good of achieving "Open Defecation Free" status</li> <li>■ Cross-subsidies are encouraged</li> <li>■ Rewards or revolving loan fund is made available to promote the achievement of "ODF Status"</li> </ul>	<ul style="list-style-type: none"> <li>■ Moderate cost for the donor</li> <li>■ Promotion of community union and inclusion of disadvantaged households</li> <li>■ High use of latrines</li> <li>■ Continuation of the programme in the long-term</li> </ul>

**FIGURE 5** Total donor cost per capita vs. sustainable sanitation outcomes



Although it is recognised that the context in Nepal is diverse and different approaches may suit specific environments, these last two models, which involve declining subsidies and increasing community contribution, have shown to be the most effective against the socioeconomic and sustainable total sanitation criteria reviewed in this research.

Table 1 provides an overview of the approaches. It does not present the impact of this number of sanitation approaches being implemented in parallel to one another. The financing models each organisation has adopted are diverse and contradictory in their philosophies to achieving sanitation coverage. Despite this they are often implemented alongside each other resulting in conflict between communities and hampering

community initiative and innovation. A more structured approach to the financial support provided to rural communities is required to ensure communities work together to achieve sanitation outcomes, not compete for resources to address individual sanitation needs.

Available financial resources to promote sanitation are limited and therefore, their effective and efficient allocation is crucial to move swiftly towards Total Sanitation in rural Nepal.

One means of increasing coordination in the sector would be for central government to offer incentives to encourage involvement of LGBs in achieving sanitation outcomes, such as “ODF Status”, in their areas of influence. Better planning and coordination, as well as major allocation of resources, are needed to move the country towards Total Sanitation successfully. This would be aided by the joint efforts and increased collaboration of all sector stakeholders, both at the national and local levels.

Thus, the current International Year of Sanitation is a perfect opportunity to bring together all sector stakeholders to develop a credible Sanitation Master Plan and National Sanitation Programme and generate political will from government and donors to raise the required funds to support it.

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