

PREFACE

The Royal Government of Cambodia has promoted a strategic vision for achieving 100% sanitation coverage by 2025. To join concerted efforts for achieving this strategic vision, the Ministry of Rural Development (MRD), in collaboration with development partners, has developed a National Action Plan for Rural Water Supply, Sanitation and Hygiene (RWSSH) 2014-2018. Primary data from the National Action Plan 2013 demonstrated that the rate of receiving improved sanitation among rural, poor, populations had a significant gap compared to medium wealthy populations and urban dwellers. In general, this gap was marked by less than half of rural areas receiving improved sanitation, as by 2013 only 19% of rural poor populations had accessed to improved sanitation. The rate of sanitation and hygiene coverage in rural areas on average reached 46% in 2014.

To achieve universal coverage, in alignment with the Sustainable Development Goals (SDGs), the Government, with the MRD as a key responsible body, has developed a strategy to invest in improved sanitation and hygiene for the poor as defining two result indicators in the NAP in accelerating the rate of improving access to improved sanitation among the poor up to 53% by 2018.

To support the implementation of the NAP effectively, efficiently and collaboratively, the MRD along with development partners in sectors, have developed national guiding principles for a subsidy for poor families in rural areas to promote sanitation and hygiene in Cambodia. The MRD sincerely thanks development partners and relevant NGOs in providing their opinions, inputs, technical support, and financial support in establishing this guiding principles in response to the situation and activities for promoting sanitation in Cambodia, to meet the demand at rural communities. Therefore, the MRD is pleased to encourage and appeal to development partners, relevant NGOs, and implementers in promoting sanitation in Cambodia to use this national guiding principles on implementing hardware subsidy for poor populations to accelerate the rate of achieving sanitation and coverage for all by 2025.

Phnom Penh, December 01, 2016
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National Guiding Principles on Hardware Subsidies for Rural Household Sanitation

1. Introduction

The Royal Government of Cambodia is committed to achieving 100 percent rural sanitation coverage by 2025. A National Action Plan for Rural Water Supply, Sanitation and Hygiene 2014-2018 (NAP) has been developed to coordinate action to reach this goal. The NAP is accompanied by a set of national guidelines, including this guidance on hardware subsidies for rural household sanitation.

Achieving universal access to sanitation requires a significant increase in uptake amongst the poor. Sanitation coverage in the bottom wealth quintile in rural Cambodia is 19% (CSES, 2012) compared to the national average of 48% (CSES, 2014). Subsidies can be used to reduce the financial barriers to accessing sanitation by bridging the gap between the cost of a latrine (sub-structure) and the ability to pay. However, when implemented poorly, sanitation subsidies can have an adverse effect on access rates and sustainability.

2. Purpose of these Guiding Principles

The purpose of this document is to elaborate on the guidance provided in the National Strategy for Rural Water Supply, Sanitation and Hygiene 2011 to 2025, and provide further guidance on how sanitation hardware subsidies should be implemented in Cambodia. The aim is to promote a more coordinated and consistent approach to help increase access and usage of improved sanitation amongst the poorest households. These principles apply to national and local government bodies, non-governmental organizations and private sector organizations that currently, or are planning to, include hardware subsidies for rural sanitation in their programs.

3. Definition of effective hardware subsidies

An effective hardware subsidy is defined as one which; (1) is based on a good understanding of the local context and consumer preferences, (2) targets the poorest households, (3) has clearly defined eligibility criteria, (4) is transparent, (5) is easy to administer, (6) is monitored, and (7) is not a standalone intervention. An effective hardware subsidy avoids the risks of distorting the existing and potential market, not being financially sound, stifling innovation, creating dependence, and supplying latrines in areas where there is not sufficient demand.

4. Guiding Principles

3.1 Who is eligible to receive sanitation subsidies?

Principle: Sanitation subsidies will be targeted at and limited to only ID-Poor 1 and ID-Poor 2 households without an improved latrine.

Rationale: Clear eligibility criteria are needed to ensure that subsidies reach intended targets and not to disincentivize other households from constructing sanitation facilities in the hope of later receiving a subsidy.¹ Narrow targeting is necessary to ensure that sanitation subsidies are financially sustainable. The Identification of Poor Households (ID-Poor) system is the best available and most widely accepted mechanism for determining subsidy eligibility.

¹ WSP, EMW (2016), *The Effect of OBA Subsidies Combined with Sanitation Marketing (Sanmark) on Latrine Uptake Among Rural Populations in Cambodia*.

3.2 What is subsidized?

Principle: Sanitation subsidies will be applied towards the costs of a latrine sub-structure² only. The only exception to this guiding principle is for ID-Poor households with a person with a disability where accessibility features are required that are beyond the household's ability to pay.

Rationale: Limited available financing means that subsidies need to be minimized in order to be financially sustainable. Ensuring every household uses a hygienic and sustainable sanitation sub-structure that contains human excreta is the primary public health objective. Households may construct, and upgrade over time, a variety of superstructures based on their ability to pay. Regular follow-up actions should be taken to monitor and motivate households to construct an appropriate superstructure.

3.3 How much is subsidized?

Principle: Subsidies must not exceed US\$ 50.00 per latrine sub-structure. Subsidies must also not reduce ID-Poor household monetary contribution to below US\$ 30.00 (for examples see the table below).

Total cost of sub-structure (US\$)	Minimum ID-Poor household contribution (US\$)	Maximum subsidy (US\$)
\$50	\$30	\$20
\$60	\$30	\$30
\$70	\$30	\$40
\$80	\$30	\$50
\$90	\$40	\$50

Rationale: To build ownership and sustainability, households need to make a significant monetary contribution to the sub-structure. The cost of a sub-structure varies across the country, therefore a minimum fixed amount paid by the household is used, which is set based on the average willingness to pay among ID-Poor households: approximately US\$ 30.00.^{3,4,5} A cap is placed on the amount of the subsidy to limit the ability of suppliers to artificially inflate costs. This allows greater flexibility for the subsidy to respond to local market prices⁶ while limiting market distortion.

3.4 When are subsidies introduced to a commune?

Principle: Sanitation subsidies will be introduced to a commune only where 60 percent or more households in the commune are using an improved latrine.

Rationale: Hardware subsidies should never be used as a stand-alone intervention, but always as a component of programs that prioritize demand generation, supply chain strengthening and financing such as Community Led Total Sanitation, Sanitation Marketing and micro-finance. Sixty percent sanitation use among households is a sign that social norms and behaviors are already changing in the commune and

² 'Latrine sub-structure' refers to the latrine slab and all components at and below the elevation of the slab required to hygienically separate and safely human excreta (i.e. toilet-pan, piping, pit).

³ GSF, Plan, EMC (2016), *Study on Smart Sanitation Interventions in Rural Cambodia*. Ministry of Rural Development. Pg. 12. Pending Publication.

⁴ IDinsight (2013), *Understanding Willingness to Pay for Sanitary Latrines in Rural Cambodia*. Pg.13.

⁵ WSP, EMW (2016), *Study to measure impact of output-based aid and sanitation marketing on sanitation adoption in Cambodia*. Presentation, Slide 79. Pending Publication.

⁶ Tremolet, Kolsky, Perez (2010); *Financing On-Site Sanitation for the Poor, A six Country Comparative Review and Analysis*; WSP, pg. 57.

that supply chain mechanisms are established and producing latrine products that consumers are willing and able to pay for. By first ensuring that there is both demand and supply available, the use of a subsidy can then be used more effectively to increase ID-Poor household motivation and financial ability towards improved sanitation ownership and use.

3.5 Complying with these Guiding Principles

Principle: Rural sanitation programs with a hardware subsidy component are strongly encouraged to seek the endorsement of the Ministry of Rural Development's (MRD) Technical Working Group for Rural Water Supply and Sanitation and Hygiene (TWG-RWSSH) Secretariat. To gain endorsement, compliance with these guiding principles should be reflected within program documentation and submitted to the TWG-RWSSH Secretariat for review and endorsement. Existing programs may submit a memo to the TWG-RWSSH Secretariat describing how the program complies, or how the program will be adapted to comply at a future milestone.

In line with its role and responsibility to provide oversight and monitoring of the implementation of the NAP, the TWG-RWSSH Secretariat will review its project endorsements annually. Programs may be asked by the Secretariat to provide updates or to organize a joint review to ensure compliance with these guiding principles. Programs found to be non-compliant may have the endorsement revoked by the Secretariat.

Rationale: Implementation of guiding principles can be weak and therefore a simple verification of compliance process is needed. Implementation of programs can differ from the intended design, therefore joint monitoring visits and verification of the approaches are necessary.

5. Monitoring and review of these National Guiding Principles

Each year MRD intends to conduct an annual review of NAP implementation. This review will examine the effectiveness of these guidelines and commission assessments and evaluations as required. Guidance on sanitation subsidies include trade-offs, for example between simplicity and complexity, inclusion and financial sustainability. As experiences of implementing this guidance are understood and the rural sanitation situation in Cambodia evolves, these guiding principles will be amended.

The annual Cambodian Social and Economic Survey provides data on sanitation usage by consumption quintile. The bottom quintile approximately equates to ID-Poor households. By observing changes in sanitation usage amongst the bottom quintile, the effectiveness of these guiding principles will be monitored.