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Marketing as an Alternative for Toilet Schemes with a Credit Component in Andhra Pradesh¹

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MANY LOW income neighbourhoods in India lack toilets, which leads to unhealthy living conditions. Initiatives to deliver individual and community latrines to such neighbourhoods are mainly organized by the government. In practice these conventional schemes are highly politicised and financially unsustainable. An alternative model for the delivery of toilets, based on public-private partnership, has been drawn up for UNICEF's regional office in Hyderabad. In order to make the sanitation units affordable for the poor, the government is expected to subsidize the unit costs and the scheme will be implemented by a private agency. The main difference is that the beneficiaries will have to pay for their share by means of a fixed monthly contribution to a lottery-based savings association for the period of one year. Each month a lottery will take place among the participants and the winners will obtain the desired toilet and no longer need to pay their contributions. At the end of the year, the toilets of the remaining participants will be installed. Such an alternative scheme minimizing political interference, is financially sustainable and fits the new Urban Agenda. This article is composed as follows. First, there is a description of sanitation facilities and the main technological solutions. Secondly, attention will be paid to the provision of basic facilities in relation to an increasingly liberalised Indian economy. Thirdly, specific attention will be given to the sanitation schemes in the Indian state of Andhra Pradesh. Fourthly, a marketing alternative for the sanitation schemes, with a credit component, will be presented and finally the article will be wrapped up with a conclusion.

SANITATION FACILITIES

In 1981, 44 per cent of the population of urban Andhra Pradesh had access to a toilet facility within their premises, a figure which is far less than 57 per cent of the urban population in India excluding Assam, and Jammu and Kashmir. In 1991,

¹An earlier version of this article was presented at the 14th Inter-schools Conference on "Global and Local Development: New Agendas, New Partnership", held in Edinburgh on March 24-25, 1997. The material used for this article was gathered as part of a research project on finance for low-income housing and basic facilities in India. The project was funded by the Vrije Universiteit, Amsterdam and the Dutch Ministry of Development Affairs. Furthermore, I am indebted to Peter Kloos, Bart Maas, and Daniel Miguez for their insightful comments on earlier versions of this article.

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these percentages were 55 in urban Andhra Pradesh and 64 in urban India. These figures show that access to latrines on the premises increased during the 1980's,² but also that many Indians still use buckets or dry privies, or defecate in the open. Moreover, drainage facilities are often lacking and where drainage has been installed it mainly consists of open drains. Defecation in the open and overflowing drains and toilets cause environmental pollution and serious health problems, especially during the rainy season when it facilitates the spread of various diseases such as cholera, typhoid, gastroenteritis, and hepatitis.³

Instead of focusing on sewerage dependent sanitation, the attention of this article will be focused upon the major on-site solutions—septic tanks and pit latrines—where treatment and disposal of the sewage take place at or near the toilets. The construction costs of a septic tank (Fig. 1) vary from Rs. 5,000 to 15,000⁴ depending on its size. These amounts are far too high for urban poor with a household income of less than Rs. 1,250 per month. Due to spatial and financial constraints, the soakage pit is often not constructed at all. Consequently, the sewage often flows into storm water drains or open land. Moreover, the septic tank has the disadvantage that during desludgement some excreta, often of a liquid nature, always has to be handled manually.⁵

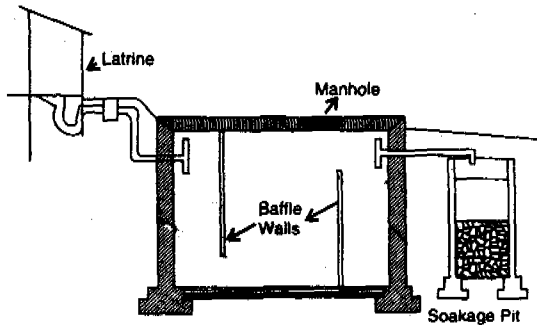


FIG.1 SEPTIC TANK

The other common lavatory is the single-pit latrine which consists of a dug pit, a superstructure and a squatting pan. It can be constructed from various types of locally available materials. The latrine can be directly sited over the dug pit or be off-set. When the pit is full it can be emptied by a scavengers or a new pit has to be dug. Such a process generally takes a couple of days. Furthermore, manual excavation here too seriously endangers the health of the scavengers.⁶

²Government of India, *Housing and Basic Amenities: A Brief Analysis of the Housing Tables of 1991 Census*, New Delhi, Ministry of Home Affairs, 1993, p.23 & 40.

³S. Sarma and M. Jansen, "Sanitation in India—Is there Still Hope?" in K. Singh and F. Steinberg (eds.), *Urban India in Crisis*, New Delhi, New Age International, 1996, p.133.

⁴One Indian Rupee (Rs.)=0.033 US \$ (1993-94)

⁵S. Sarma and S. Jansen, *op. cit.*, pp.135-36

⁶*Ibid.*, p.136.

A cheap on-site sanitation alternative is the two-pit-pour-flush-waterseal latrine which is relatively easy to construct, to operate and to maintain. Moreover, it economises on the use of water. This type of latrine consists of a squatting pan which is connected to a junction box outside the latrine, further leading to two underground leaching pits, which is used one after another. When one pit is full, its outlet is closed and the second pit is used thereafter. In the closed pit an anaerobic process turns the excreta into a dry powder, which can be removed without causing serious health problems. When the new pit is full and its outlet closed, the first pit will be taken into use again. This process of changing normally repeats over time. For a technological overview see Fig. 2.⁷

BASIC FACILITIES AND THE NEW URBAN AGENDA

During recent decades a process of gradual liberalisation has taken place in India, which has been boosted by its New Economic Policy of 1991, which offers a framework for the privatisation of basic facilities and public-private partnerships in the urban economy, by means of deregulation, decentralisation, and facilitating and enabling the private sector and NGOs to invest in basic amenities such as sanitation schemes.⁸ Prior to these attempts towards liberalisation, India was a centrally planned economy and resources were allocated according to planning priority with minimal attention to the urban sector. The supply of basic services, which was considered a social welfare service, resulted in inadequate cost recovery, all round revenue expenditure mis-matches and financial losses by public agencies. Tariffs for various services did not generate enough revenue and the non-involvement of the private sector restricted the availability of capital. In order to survive, these public agencies became increasingly dependent on grants and subsidies. Moreover, there was a serious disequilibrium between the supply of and demand for services and a serious mis-match between institutional capacities and the needs of urban areas.⁹

It was expected that private sector agencies would be able to do it better than the public institutions, which faced problems of inefficiency, bureaucratization and a low rate of return on capital. As a consequence of the macro economic reforms, the government budgets and grants for the para-statal organizations declined dramatically in the 1980s and 1990s. Government bodies still rely mainly on funds from public agencies such as the Housing and Urban Development Corporation (HUDCO) for their infrastructural projects because funds in the private market are more expensive. Furthermore, direct and indirect subsidies given through public agencies to the urban dwellers are declining. The private sector and the NGOs are increasingly encouraged to step into the provision of basic facilities, but the gradually rising cost of borrowing has obstructed many of them from implementing

⁷S. Sarma and S. Jansen, *op. cit.*, p.137.

⁸Mulk Raj, "Privatisation of Urban Infrastructure—Latent Potential", in K. Singh and F. Steinberg (eds.), *Ibid.*, p.335; A. Kundu, "Access of Urban Poor to Basic Services—the Changing Perspective", in K. Singh and F. Steinberg (eds.), *Ibid.*

⁹Mulk Raj, *Ibid.*, pp.334-35.

financially unremunerative sanitation projects in slums and other low-income neighbourhoods.¹⁰ As a result, beneficiaries are increasingly encouraged to pay their share. It appears, however, that the urban poor are willing to pay for sanitation services, which can be illustrated by, for example, a survey in the Indian city of Baroda.¹¹

TOILET SCHEMES IN ANDHRA PRADESH

In order to abandon the practice of the manual handling of excreta, to improve the living conditions of scavengers and to improve the urban environment, low-cost sanitation schemes were introduced in India from 1982 onwards. The first scheme was the scavenging elimination programme, which was followed by the Vimukthi Scheme and the Integrated Low-Cost Sanitation (ILCS) Stages I and II. All sanitation schemes are replaced by the next one in succession. At present, the ILCS Stage II is the only scheme under implementation.¹²

The scavenging elimination scheme was launched in 1982-83 with the aim of converting dry type latrines into water-seal-pour-flush latrines. The scheme was for Rs. 34,384,000 to be subsidized by the Government of India and for Rs.42,757,000 to be borrowed by the municipal bodies as an interest-free loan from the State Government of Andhra Pradesh. This scheme, with a budget of Rs. 77,141,000, was implemented by 12 municipal bodies in Andhra Pradesh, but has only been completed in six municipal bodies. The scheme is still in progress in Rajahmundry, Kurnool, Adoni, Jangaon, Eluru and Siddipet. Out of the available fund Rs. 687,000 was diverted in two municipalities (Adoni and Jangaon). The amount utilized so far is Rs. 71,830,000, resulting in a balance of Rs. 5,311,000 of the State Government loans, which is available to the municipalities where the scheme is still in progress.¹³

The funds for the Vimukti Scheme, which started in 1983-84, encompassed a grant of Rs. 213,986,000 from the State Government and a loan of Rs. 39,958,000 which the municipal bodies obtained from the HUDCO. An amount of Rs.253,944,000 was released under the programme and of the 74 municipalities where the scheme was started only 35 have completed the scheme. The 39 municipalities in which the scheme was not completed have a positive balance of Rs. 35,522,000 consisting of Rs. 29,993,000 state government subsidy and Rs.5,529,000 HUDCO loans. Furthermore, an amount of Rs. 3,972,000 was diverted by 10 municipalities, that still have to recoup this amount.¹⁴

In 1989-90, the ILCS Stage I was implemented to combat manual scavenging and convert dry type latrines into two-pit-pour-flush latrines. In the ILCS Stage I

¹⁰A. Kundu, *op. cit.*, p.194.

¹¹C. Vaidya, "Urban Poor's Willingness to Pay for Water and Sanitation Services—A Case Study", *Nagarlok*, Vol. XXVII, No.4, October-December 1995, pp.60-71.

¹²Government of Andhra Pradesh, *Note on L.C.S. Scheme Implementation*, Hyderabad, Municipal Administration and Urban Development Department, November 10, 1995, p.1.

¹³*Ibid.*, p.1-2, 13.

¹⁴*Ibid.*, pp.2-3, 13.

an income-dependent beneficiary contribution was introduced. The schemes are funded with a subsidy from the Central Government and loans from HUDCO. The scheme was started in 21 municipalities, for which an amount of Rs. 32,656,000 was required. This amount consisted of a Central Government subsidy of Rs.13,107,000, a HUDCO loan of Rs. 16,948,000 and beneficiary contributions of Rs. 2,601,000. Of the amount required for the implementation of the scheme Rs.19,360,000 were released (Rs. 13,113,000 Central Government subsidy and Rs.6,247,000 HUDCO loan). In reality only Rs. 16,690,000 were used by 10 municipalities. The other municipalities have not completed the scheme, leaving a balance of Rs. 2,670,000, consisting of Rs. 5,256,000 subsidy and Rs. 10,701,000 credit. Moreover, two municipalities (Yellandu and Ramachandrapuram) diverted an amount of Rs. 464,000.¹⁵

The ILCS Stage II, which started in 1993-94, aims at the construction of new latrines in all latrineless households in the municipalities by adoption of the low-cost leach pit system. The unit costs in the ILCS Stage II differ per income group and the number of users. For example, the unit costs may not exceed Rs.2500 per unit up to plinth level for five users. The unit costs are covered by a loan, subsidy and beneficiary contribution. The interest rate is 10.5 per cent p.a. and will be adjusted to the HUDCO rates from time to time. After completion of the latrine and payment of the contractor, the credit has to be repaid in 20 quarterly installments over a period of five years. Delayed payments of installments will be penalised by an additional interest of nine per cent. In case of default, the municipal commissioner can collect the outstanding amount as arrears of property tax. Of the unit costs 45 per cent is granted by the government to the Economically Weaker Section (EWS) and 25 per cent to the Low Income Group (LIG). The beneficiary contribution is five per cent of the unit costs for the EWS, 15 per cent for the LIG and for the Middle Income Group (MIG) and the High Income Group (HIG) 25 per cent.¹⁶ This beneficiary contribution can also be made as a labour component. Apart from the subsidy and beneficiary contribution, credit will be provided as shown in Table 1.¹⁷

The funds required for the ILCS Stage II encompass subsidy from the Central Government, credit from HUDCO, and beneficiary contributions. In this scheme 34 municipalities are included, with a total cost of Rs. 654,333,000, to be funded by a subsidy of Rs. 157,975,000 from the Central Government and beneficiary contributions of Rs. 70,802,000 in total. The remaining amount required is

¹⁵Government of Andhra Pradesh, pp.3-4, 13.

¹⁶Economically Weaker Sections (EWS) cover the income group with a household income of less than Rs.1,250 a month, Low Income Groups have an income from Rs.1,251 up to Rs.2,650 per month, Middle Income Groups encompass the households with a monthly income of Rs.2,651-4,450, and the High Income Groups have a monthly household income above Rs.4,450.

¹⁷GAP (n.a.), Integrated Low Cost Sanitation-cum-Liberation of Scavengers Programme Stage II, Guidelines, Municipal Administration Department and A.P. Urban Finance and Infrastructure Development Corporation Ltd., Hyderabad, p.6; Government of India, Centrally-sponsored schemes for urban development 1993-94, Ministry of Urban Development, New Delhi, 1993, pp.17-19 (see Government of Andhra Pradesh (GAP), *op. cit.*, p.10.

TABLE 1 FINANCIAL ASPECTS OF THE ILCS STAGE II

Beneficiary category	Monthly income	Loan (per cent)	Subsidy (per cent)	Beneficiary contribution (per cent)	Interest (per cent)
EWS	< Rs.1,250	50	45	5	10.5
LIG	Rs.1,251-2,650	60	25	15	10.5
MIG	Rs.2,651-4,450	75	Nil	25	10.5
HIG	> Rs.4,450	75	Nil	25	10.5

SOURCE: GOI (1993a: 17-19); GAP (n.a.: 6)

available from credit. However, in order to avoid accumulating HUDCO loans which are not used within the planned period HUDCO released only Rs. 6,247,000. This scheme was implemented in all 34 municipalities, where a total of Rs.55,542,000 was spent. The outstanding balance of Rs. 598,791,000 was enlarged by the balances from the Scavenging Elimination Scheme, the Vimukthi Scheme and the ILCS Stage I, resulting in an amount of Rs. 73,759,000. A standstill caused by delayed releases of subsidies and loans was solved when the Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited was willing to advance Rs. 2,400,000.¹⁸

Out of the total amount of Rs. 1,018,074,000 available for low-cost sanitation, so far only Rs. 362,484,000 have been used. The fund balance is Rs. 655,590,000, which should be used for the construction of 300,000 household latrines in 75 municipal towns within one year. In order to facilitate effective implementation of the low-cost sanitation under the ILCS Stage II, a linkage is sought with schemes under the Government Urban Poverty Alleviation Programmes such as the Scheme of Urban Micro Enterprises (SUME), the Scheme of Urban Wage Employment (SUWE), Training and Infrastructure, the Scheme of Housing and Shelter Upgradation (SHASHU), the Environmental Improvement of Urban Slums (EIUS), the Urban Basic Services (UBS), the Urban Basic Services for the Poor (UBSP) and the Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP).¹⁹

The financial aspects of the four different schemes are put together in Tables 2 and 3. It is apparent that the way of funding the schemes has changed over time. The Scavenging Elimination Scheme and the ILCS Stages I and II obtain subsidies from the Central Government, while the Vimukthi Scheme was subsidized by the Government of Andhra Pradesh. Interest-free credit from the Central Government in the Scavenging Elimination Scheme, which is implicitly a kind of subsidy, was replaced by interest-bearing HUDCO loans in the other schemes. Only from the ILCS schemes onwards beneficiaries were asked to contribute a share of the costs. In the Scavenging Elimination Scheme and Vimukthi the credit and subsidy were released for the complete scheme, but in reality not all the amounts were used,

¹⁸Government of Andhra Pradesh, *op. cit.*, pp.4-5, 13.

¹⁹*Ibid.*, pp.5-20.

consequently not all the loans for the ILCS Stages I and II have been released and not all the subsidies for the ILCS Stage II. Due to a lack of information among the target group and the amount of paperwork involved, large amounts are still lying idle waiting to be utilized for the installation of latrines through the ILCS Stage II.

As shown above, large amounts of money have been channeled to the sanitation sector with the aim of eliminating manual scavenging. However, the concern to quickly solve the problem through mass implementation rather than through individual market driven approaches has made the sector completely addicted to subsidy financing.²⁰ As a result there have been several instances where beneficiaries—rich and poor—quietly wait for a government programme to arrive, thus effectively blocking the emergence of a more cost effective mechanism of self provision. The programme has also led to such excesses as funds just being applied to the construction of a second or third toilet for servants outside the house by those owners who could very easily pay for them.²¹

The introduction of beneficiary contributions in the sanitation schemes facilitates its implementation and puts less burden on the financial means available. The schemes also furnish subsidy and encourage bad repayment of the credit provided, which tend to suppress the development of a healthy self-financing sanitation market and delivery mechanism. The installation of latrines, which is very supply driven, without taking the specific needs of the beneficiaries into account, results in bad maintenance and rapid degradation of the sanitation units. Moreover, people who are used to defecating in the open experience the use of an enclosed space as unnatural and confining. They consider most latrines not practical and inconvenient, resulting in non use.²²

The implementation of the low-cost sanitation schemes in Andhra Pradesh faced several problems. Political leaders interfere in the allocation of the sanitation units, and try to please their political followers and clients. Moreover, the real costs of a latrine unit are higher than the estimated costs. Finance (subsidy and credit) allocated is not used for the determined purpose and credit taken out for the toilets is often partly used for other purposes by the municipalities. If the loans are provided to the beneficiaries its repayment rate is rather poor.²³ Political leaders encourage beneficiaries to refrain from repayment by anticipating the writing off of outstanding debts, which has mainly occurred with agricultural debts. The last large debt clearance was in 1990. Contractors, who usually implement the programme, are not very eager to do so, due to the small profit margins. Furthermore, monitoring of the schemes is rather ineffective.

In practice, it appears that the public is not very eager to participate in the low-cost sanitation schemes. It might be thought that an involvement of NGO's

²⁰Subsidy financing refers to subsidy on units and the interest rate on loans.

²¹S. Sarma and M. Jansen, *op. cit.*, p.140.

²²*Ibid.*, pp.140-41.

²³During the stay in Andhra Pradesh in 1996, the author could not lay hands on reliable recovery rates of the loans provided. Officials of the State Government institutions ensured him that it was very low but refrained from providing any figure in this respect.

TABLE 2 SCHEME COMPONENTS AND AMOUNTS RELEASED FOR TOILET SCHEMES IN ANDHRA PRADESH

	<i>Scheme components (in million Rs.)</i>						<i>Amount released (in million Rs.)</i>				
	<i>GOI subsidy</i>	<i>GAP subsidy</i>	<i>GAP loan</i>	<i>HUDCO loan</i>	<i>Beneficiary contribution</i>	<i>Total</i>	<i>GOI subsidy</i>	<i>GAP subsidy</i>	<i>GAP loan</i>	<i>HUDCO loan</i>	<i>Total</i>
Scavenging elimination scheme	34.384	nil	42.757	nil	nil	77.141	34.384	nil	42.757	nil	77.141
Vimukhti	nil	213.986	nil	39.958	nil	253.944	nil	213.986	nil	39.958	253.944
ILCS I	13.107	nil	nil	16.948	2.601	32.656	15.113	nil	nil	6.247	19.360
ILCS II	157.975	nil	nil	425.556	70.802	654.333	39.887	nil	nil	45.911	85.798
	205.466	213.986	42.757	482.462	73.403	1018.74	87.384	213.986	42.757	92.116	436.243

SOURCE: Government of Andhra Pradesh, 1997, p.13

TABLE 3 PROGRESS TOILET SCHEMES IN ANDHRA PRADESH

	<i>Amount utilised (in million Rs.)</i>						<i>Balance fund (in million Rs.)</i>					
	<i>GOI subsidy</i>	<i>GAP subsidy</i>	<i>GAP loan</i>	<i>HUDCO loan</i>	<i>Beneficiary contribution</i>	<i>Total</i>	<i>GOI subsidy</i>	<i>GAP subsidy</i>	<i>GAP loan</i>	<i>HUDCO loan</i>	<i>Total</i>	<i>Balance available with municipalities</i>
Scavenging elimination scheme	34.884	nil	37.446	nil	nil	71.830	nil	nil	5.311	nil	5.311	5.311
Vimukhti	nil	183.992	nil	34.30	nil	218.422	nil	29.993	nil	5.529	35.522	35.522
ILCS I	7.842	nil	nil	6.247	2.601	16.690	5.265	nil	nil	10.701	15.966	2.670
ILCS II	15.070	nil	nil	34.538	5.934	55.542	142.905	nil	nil	391.017	598.791	30.256
	57.296	183.992	37.446	75.215	8.535	362.484	148.170	29.993	5.311	407.247	655.590	73.759

SOURCE: Government of Andhra Pradesh, *op. cit.*, 1995, p.13.

along with elected representatives would improve the operation and maintenance of toilet schemes. Furthermore, the space problem in urban areas points to group latrines in slums. Other options are community latrines on a pay and use basis,²⁴ or an alternative that will be discussed in the next section.

MARKETING AS AN ALTERNATIVE

The sanitation schemes in India are caught in a vicious cycle of implementing costly schemes, resulting in poorly used and badly maintained units. What is needed is a user friendly marketing strategy which sees sanitation as a commodity rather than as a basic need. In this way the burden on the state budget can be reduced, thereby creating the opportunity of allocating its limited funds to the poor only,²⁵ and clients become more aware of the quality of the goods delivered. This may also result in improved maintenance of the sanitation units.

The factors described above were taken into account while visiting the regional office of UNICEF in Hyderabad in 1993 to discuss their sanitation activities. It appeared that the implementation of their schemes under the Urban Basic Services for the Poor (UBSP) programme in urban Andhra Pradesh was rather unsatisfactory. UNICEF's role in the UBSP includes initiating and financing innovations and pilot projects, such as small scale community latrines for three-four families, cooperation with the Indian NGO Sulabh International, space saving solutions for low-cost sanitation, and awareness raising. Nowadays, UNICEF's focus is shifting from pilot projects to more coordinated city planning, which could facilitate better implementation of the schemes.

As an alternative sanitation scheme a lottery-based savings association was suggested, similar to those used by local shopkeepers and land developers. Participation in a lottery-based savings association (lottery SAVA)²⁶ or locally called prize chit, is made attractive by introducing prizes which can be won by all participants. The prizes consist of a sum of money or a good such as a scooter, house or furniture. The lottery system used differs a regular lottery, which encompasses winners and participants who will lose their entire input. In a lottery SAVA all participants obtain a prize, but their input may differ. The operation of a lottery SAVA can be summarized as follows:

(...) a certain number of draws is predetermined. In every draw one winner is determined and immediately releases from the obligation to pay subscriptions any longer. Every participant who does not win pays his subscription rate per period. After the full circle plus one or two additional periods, depending on the regulations, those who were no

²⁴Government of Andhra Pradesh, 1995, *op.cit.*

²⁵S. Sarma and M. Jansen, *op. cit.*

²⁶Part of this section in which the term lottery SAVA is introduced and the phenomenon is explained is taken from P. Smets, *Informal Housing Finance in Hyderabad, India*, Urban Research Working Papers, No.40, 1996, Amsterdam, Vrije Universiteit, pp.55-58.

winners receive the prize by the foreman. The amount of each prize is the product of the number of periods and the amount of instalment.²⁷

The organizer of a lottery SAVA collects a large sum of money during the cycle, but at the end of the cycle he/she has to pay out to the participants who have not yet obtained a prize. The savings accumulated by a member can be enlarged by providing a certain percentage of interest and/or a present. In lottery SAVA participants have to pay their contribution until they have received the prize, which reduces the problem of default. Furthermore, members are also encouraged to deposit their savings in time, otherwise they are excluded from the lucky draw.

Depending on the organisational set-up of a lottery SAVA and its operation, the organizer can make a profit out of the scheme. Profit can be made by putting the total contributions minus the expenditure for the prizes into a savings account, or by using it as working capital.²⁸ In India, in some lottery SAVAs apartments can be won, as will be illustrated by an example from Hyderabad in which the better off participate.

A lottery SAVA with 650 participants who are supposed to deposit Rs. 500 a month to a common fund has a cycle of 20 months. Every month a lucky draw takes place. Only the people who have paid their monthly payment before the 15th of the month are allowed to participate in the lottery. The winner of the lottery gets a prize and does not need to make any further payments. In addition to the monthly prize allocated, ceiling fans, scooters, mopeds, TV-sets, and refrigerators can be won. In the 19th month the only prize is a single-bedroom flat. Ultimately, all participants have won a prize during the cycle.

These schemes can also be used as a marketing mechanism by shopkeepers or even land developers. In this way, shopkeepers can increase their sales of items such as clothes, furniture and refrigerators and get access to relatively cheap working capital.²⁹ Land developers sell plots and use the lottery mechanism to attract clients, who are enabled to pay their plots in instalments. Moreover, only participants, who participate in the scheme, can win a prize. An example follows:

In one of the suburbs of the twin city of Hyderabad-Secunderabad a scheme was organized to sell serviced plots of 250 sq yd, which are only allocated after the required sum has been completely paid. A plot costs Rs. 22,500-25,500, which can be paid in a lump sum or in instalments. In addition, an additional membership fee of Rs. 200 is required. For a period of 50 months 2,000 applicants are grouped together in a scheme offering prizes worth Rs. 50,00,000. There is a monthly lucky draw to allocate a free plot, colour television and washing machine to the prize

²⁷H. Schrader, *Rotating Saving and Credit Associations-Institutions in the 'Middle Rung' of Development*, Southeast Asia Programme Working Paper No.148, Bielefeld, University of Bielefeld, Faculty of Sociology, 1991, p.8.

²⁸C.P.S. Nayar, *Chit Finance: An Exploratory Study on the Working of Chit Funds*, Bombay, Vora, 1973, pp.17-20.

²⁹P. Smets, *My Stomach is My Bishi: Savings and Credit Associations in Sangli, India*, Urban Research Working Papers, No.30, Amsterdam, Vrije Universiteit, 1992, p.19.

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winners. Every sixth months the prizes consist of a motor-cycle, refrigerator, a video recorder, and ten times Rs. 1,000. Every year a car, a gold ornament worth Rs. 50,000, a video recorder and 20 consolidation prizes of Rs. 1,000 each are provided. On top of this, there is a mega draw for a car worth Rs. 350,000, gold ornaments (Rs. 100,000), a four door refrigerator and thirty prizes of Rs. 1,000 each.

Returning to the low-cost sanitation scheme, the UNICEF staff hesitated to accept the idea of the lottery SAVA scheme, but later on asked the author to work out a scheme and made a budget reservation for a low-cost sanitation pilot project in 1994 in Andhra Pradesh. According to them:

It would be interesting to introduce a marketing system. Up to now UNICEF has concentrated mainly on community participation. This created problems because the beneficiaries always expect to get things free of charge. The poor are used to receiving things free from the government and NGOs. The idea of marketing services will be promoted and later on action will be taken to start an experiment in Kurnool involving the introduction of a prize chit for sanitation.

The lottery SAVA scheme deals with low-cost sanitation units of the two-pit-pour-flush-waterseal latrine type costing Rs. 1,200 each, which would be provided on a matching grant basis. In the proposed scheme 200 low-income households³⁰ participate and pay Rs. 50 a month. After 12 months each participant has deposited Rs. 600, which is half of the unit costs. In order to encourage payment on time a lottery will be held monthly. Only the persons who have paid their contribution before a specific deadline are allowed to participate in the lottery. In other words, participants who do not pay their contribution on time are excluded from the lottery. Every month two winners get the latrine installed and can stop paying their contributions. In the final month there are also two prize winners, each receiving back their entire contributions paid during the cycle (Rs.600.) This last option is the best that can happen to a participant. For a financial overview of the low-cost sanitation scheme (Table 4).

The government was willing to pay their share of Rs. 300 per unit after implementation of the programme. UNICEF was eager to pay the remaining amount (about Rs. 300 per unit). If the monthly collections are deposited in a savings account, the additional amount can be reduced. If it is deposited at an interest rate of four per cent p.a., about Rs. 1,500 can be gained. For an interest rate five per cent p.a., the figure is roughly Rs. 1,900. These amounts are not very big, and amount to only slightly more than the cost of one sanitation unit. However, if these amounts can be deposited against a higher interest rate the gain will be higher. Table 5 provides a budget proposal. Here, it is assumed that the interest

³⁰For this pilot project it was agreed to start with low-income households and when proven successful the scheme could possibly be extended to the poorest of the poor.

TABLE 4 FINANCIAL OVERVIEW LOW-COST SANITATION SCHEME

Month	Number of participants	Beneficiary contribution	Total contributions	Cost latrines	Collections minus costs
1.	200	50	10,000	2,400	7600
2.	198	50	9,900	2,400	7500
3.	196	50	9,800	2,400	7400
4.	194	50	9,700	2,400	7300
5.	192	50	9,600	2,400	7200
6.	190	50	9,500	2,400	7100
7.	188	50	9,400	2,400	7000
8.	186	50	9,300	2,400	6900
9.	184	50	9,200	2,400	6800
10.	182	50	9,100	2,400	6700
11.	180	50	9,000	2,400	6600
12.	178	50	7,700*	213,600	-205,900
TOTAL			112,200	240,000	-127,800

*This amount is the collected contributions minus the payment of Rs.600 to the two winners each in the last month of the cycle.

obtained is Rs. 1,900, but if this amount is higher or lower, UNICEF's subsidy would have to be adjusted.

TABLE 5 BUDGET PROPOSAL (NOMINAL VALUES)

200 toilet units	Rs.2,40,000	Governmental subsidy (Rs.300 per unit)	Rs. 60,000
Repayments	1,200	Participant contribution	1,13,400
		Interest (4 % p.a.)	1,900
		UNICEF's contribution	65,900
TOTAL	2,41,200	TOTAL	2,41,200

In Kurnool, UNICEF tried to implement the scheme as a pilot project, but local politicians were not eager to cooperate. They rejected the marketing model at first sight. A second attempt in Mahabubnagar also failed, but here it was the field workers who rejected the scheme. At the roots of these refusals are political considerations. In the conventional low-cost sanitation schemes political leaders allocate the toilets. Later on, they tell the beneficiaries that repayment of the loans is not required. So a political leader and his assistants can please the beneficiaries twice and are enabled to create and maintain a vote bank. A low-cost sanitation scheme with a lottery SAVA potentially obstructs these political manipulations. In the lottery SAVA scheme the beneficiaries will not have to take the word of the politicians for granted. If a politician comes and tells the beneficiary that he has taken care of the delivery of the toilets, the beneficiary will probably answer that

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it is none of his business because he has paid for it on a monthly basis. The second opportunity of pleasing (potential) followers is taken away in the lottery SAVA because the beneficiaries do not need to repay a loan after installation of the toilet. Apart from the political reasons, there was sufficient government finance available for sanitation projects in Andhra Pradesh. As a consequence, local bodies were not so interested in alternative schemes such as the lottery SAVA.

To avoid political interference it is of crucial importance that no conventional low-cost sanitation schemes with a credit component are under implementation in the same municipal area where lottery SAVAs are introduced. Beneficiaries will probably choose the loan scheme because personal profit can be gained by means of a loan which is expected to be waved off in the future. To summarize, successful implementation by a private entrepreneur or NGO of a lottery SAVA for sanitation schemes require first, that no competition with politicised loan schemes within the same municipal area; second, that beneficiaries should be free to decide themselves whether to join such a sanitation scheme, third, that the costs of a sanitation unit can be subsidized in order to make the unit affordable for the poorer sections; and fourth, that beneficiaries have to pay their share before the delivery of the toilet takes place.

CONCLUSION

The conventional low-cost sanitation schemes in India are supply driven. A lot of funds are pumped into the schemes in order to deliver toilets, but the targets are not reached or come close to. Available money is not used, while part of the funds are diverted. Scheme improvements are achieved by adjusting the schemes gradually. The credit which was provided by the State Government in the scavenging elimination scheme, was later lent on by the public agency HUDCO. Moreover, a shift from interest free towards interest-bearing soft loans occurred. Initially, the costs of the scheme were met only by loans and government subsidy, but later on the introduction of a beneficiary contribution was expected to enforce the active involvement of the beneficiaries.

Not many changes can be expected from the ILCS Stage II. An increasing amount of money is again being pumped into the scheme as a catalyst for implementation, but the schemes are now also linked with other development programmes. It may be expected that this will not lead to higher productivity and more financially sustainable sanitation schemes. Moreover, the problem of political intervention remains unsolved. Political leaders have access to larger funds and can use them to create more and larger vote banks by means of allocating toilets and telling the beneficiaries to refrain from repayment of the loans. A lottery-based savings association (lottery SAVA), in contrast, is based on a marketing model without loans, but the price per unit for the lowest income groups can still be subsidized. Participants have to pay their monthly contributions for one year. However, a monthly lottery determines which participants get their toilet installed and can refrain from further payment of their contributions. At the end of the cycle, the toilets of the remaining participants will be installed. Beneficiaries are free to decide if they want to participate. Moreover, this marketing scheme

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potentially limits political interference. There is still a weak point in the alternative toilet scheme, which is that it is difficult to exclude relatively well-to-do beneficiaries from the subsidy involved in the scheme, but this can partly be solved by introducing a neighbourhood related subsidy rate. However, lessons have to be learned through implementation of the scheme as to how best to adjust it to the local circumstances. □