

The Effect of OBA Subsidies Combined with Sanitation Marketing (SanMark) on Latrine Uptake Among Rural Populations in Cambodia

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Research Question

What is the proper role of subsidy in the delivery of improved sanitation to the poor?



CONTEXT

Carefully designed subsidy programs demonstrably increase sanitation uptake among the poor in both experimental and scaled field programs. In an experiment in Bangladesh, **subsidies to the majority of the landless poor increased latrine ownership among subsidized households (+22.0 pp) and their unsubsidized neighbors (+8.5 pp)**. Guiteras *et al*, 2015. *Science* 348(6237): 903–906. Meanwhile, in Vietnam and Cambodia, **Thrive / EMW's output-based aid (OBA) subsidy program delivered as much as 10,000 latrines/ month to the poor**, with impressive leverage ratios on the donor dollar

Together with the Water and Sanitation Program (WSP), we have generated evidence to inform the debate on hypothesized market-distorting effects of sanitation subsidies.

We ask: **do subsidies pose risks to demand for latrines in geographically close markets and among the better-off population segments for whom subsidies are not available?** In areas where a sanitation marketing (SanMark) approach is employed to foster local supply chains and demand for sanitation goods and services, does the introduction of time-limited poor-targeted consumer rebates dampen sales of latrines to other income groups?

OUR RESEARCH OBJECTIVE

Do subsidies interfere with, or instead, complement SanMark? We examine differences in latrine uptake in Cambodia across different income levels in villages exposed to an OBA subsidy (rebate and discount), SanMark alone, or both combined.

Background on the Interventions

SANITATION MARKETING (SANMARK)

Nurturing of existing sanitation product and service supply chains

- Marketing support. Example: sanitation business owners are trained in the “4P mix”: product, price, place, and promotion
- Village-level sales agents are linked with local sanitation business owners on a commission basis
- Support on product design (affordable, aspirational, upgradeable—like the EZ latrine offset pit design from iDE)

TARGETED OBA SUBSIDY (CHOBA)

Multi-level results-based incentives targeting poor HHs

- CLTS “light” for demand creation
- Local mobilizers earn performance-based payments after each verified installation by a low-income household
- Low-income households benefit from a small (\$18) subsidy (in Cambodia, this was a discount to HHs and a rebate to suppliers)
- Full OBA costs for the program, including rebate/discount, is ~\$41 per latrine built by the poor

VILLAGES WERE SELECTED TO MINIMIZE BIAS VIA PROPENSITY SCORE-MATCHING (PSM), AS THE INTERVENTIONS WERE PRE-EXISTING AND RANDOM ASSIGNMENT WAS IMPOSSIBLE.

Villages employing SanMark and OBA subsidies either independently or in combination were matched on 40 census variables at baseline in 2012. The match process resulted in comparable levels of latrine coverage and poverty at baseline.

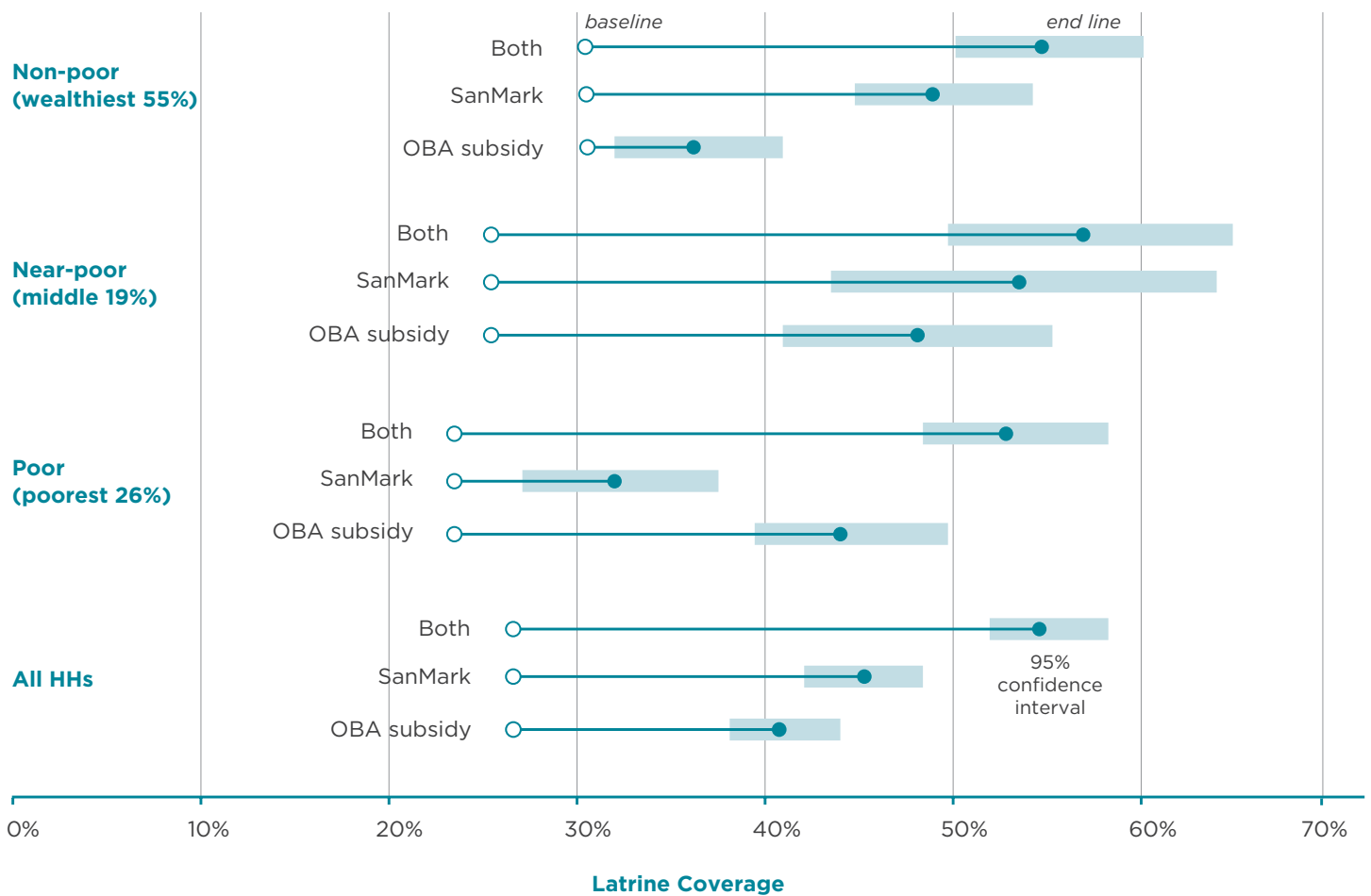
Original 2216 Villages, At Baseline

Indicator	OBA Subsidy	SanMark	Both
Latrine Coverage	34%	46%	32%
Poverty Rate	22%	24%	28%

120 Villages, Post-Matching, At Baseline

Indicator	OBA Subsidy	SanMark	Both
Latrine Coverage	26%	26%	26%
Poverty Rate	24%	24%	24%

Main Results



CONCLUSIONS

Our results are consistent with those of Guiteras *et al*, in the observation of the positive spillover effects of subsidy. The availability of subsidy to poor households resulted in increased latrine adoption among all households. Meanwhile there was no evidence of pro-poor subsidies acting as a disincentive to wealthier households to purchase and build latrines.

OBA subsidies and Sanitation Marketing must be recognized as complementary interventions, each targeting a particular income group within the population.