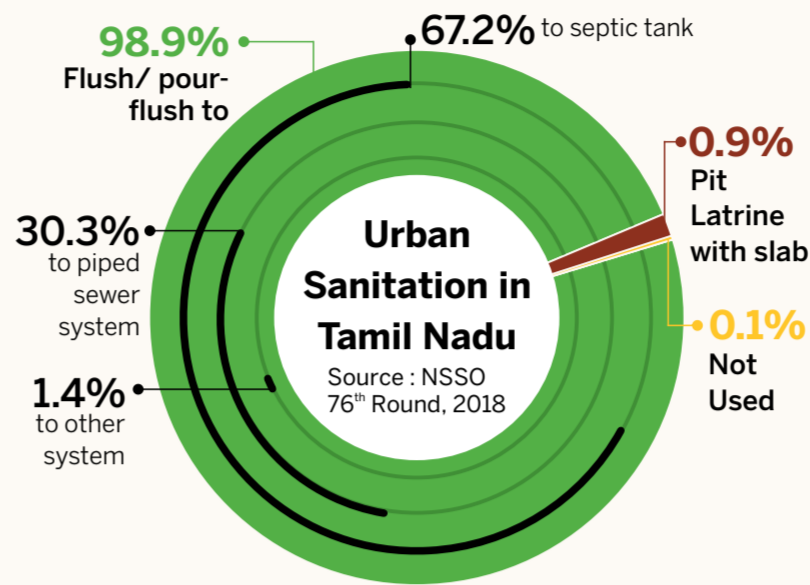


A Systematic Approach to Securing Capital and O&M Funds for Scaling FSM

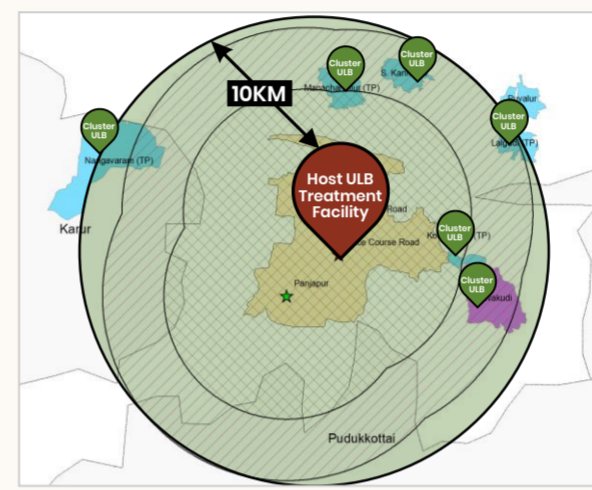
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Context

- 69% of urban households in Tamil Nadu, India are connected to on-site sanitation systems.
- A dearth of treatment / disposal facilities drove de-sludging service providers to resort to unsafe disposal.
- The need for adequately located treatment facilities to reduce unsafe disposal led to adoption of a State Investment Plan (SIP).
- Tamil Nadu has recognised Fecal Sludge Management (FSM) as a stand-alone and viable complementary solution to networked sanitation systems to scale up across the state.
- The Government of Tamil Nadu (GoTN), with support from the Tamil Nadu Urban Sanitation Support Programme (TNUSSP), framed a SIP to secure capital funds to provide treatment facilities for an estimated population of 25 million across 663 Urban Local Bodies (ULBs) (excluding Chennai).
- The Plan is based on a cluster approach, where ULBs are clustered around Fecal Sludge Treatment Plants (FSTPs) or Sewage Treatment Plants (STPs) for co-treatment.



FSTP at Kangeyam District



Clustering to optimise ULB capacity & investment requirements

Governance Mechanisms Enabling Cluster Approach

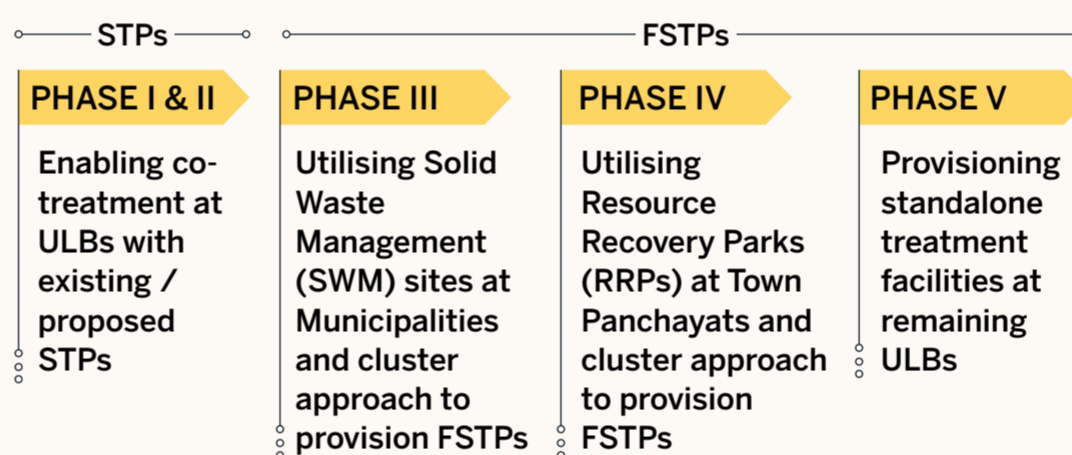
Memorandum of Understanding (MoU): It mandates ULBs within clusters to share O&M costs proportionate to their respective populations.

Standard License Agreement (SLA): It mandates de-sludging operators to dispose fecal sludge and septage at designated treatment/disposal facilities.

Capital Investments

- The investment requirements for toilets (including containment systems), and de-sludging vehicles are borne by households and private enterprises, respectively.
- The State Government is responsible for the capital investment requirements for construction of treatment facilities (for STPs and FSTPs).
- The SIP presented a comprehensive plan for scaling FSM through the state and estimated the investment required to scale treatment infrastructure. Key Features of State Investment Plan include:
 - Implementation in a phase-wise manner
 - Utilisation of existing treatment facilities (STPs) for co-treatment.
 - Incremental approach using modular FSTPs
- In 2018, the GoTN adopted the SIP and allocated a budget of USD 31 million for 60 FSTPs.

Phased Approach of State Investment Plan



Population Coverage under State Investment Plan				
Details	P1 & P2	P3	P4 & P5	Total
Total cities covered (excluding Chennai)	155	110	398	663
Urban Population Coverage	15 million	4 million	6 million	25 million
Cumulative population coverage	60%	75%	100%	100%

Operation and Maintenance Costs

Desludging Cost

The cost of de-sludging is borne by households and the rates charged are reasonable. Providing services at discounted rates for the urban poor is being considered.

Potential Sources of Funds for FSTP O&M Costs



Option 1: Existing Tax

Earmarking a proportion of the existing Water and Sanitation Tax, which is a component of the Property Tax currently paid by households.



Option 2: New User Charge

Levying a new user charge, which has been estimated at USD 50 cents-USD 2 per household per year (based on O & M costs and population served).

While the State Government's preference is to utilise existing tax sources over new user charges to cover O&M costs, initial assessments suggest that even earmarking 50% of the existing water and sanitation tax will not be sufficient to cover the O&M costs in most ULBs.

FSTP O&M Cost

The ULBs will finance the O&M costs of FSTPs:

- Estimated investment requirement is between USD 15,000 and 20,000 per year (or USD 500-800 per Kilo Litre per Day (KLD)) for the upcoming FSTPs with capacities of 20, 30 and 40 KLD.

Key Considerations for a Way Forward

- Need for improvements to ULBs' financial health in general, as they face financial constraints arising from lower revenues and higher costs, which have been exacerbated by the recent public health crisis.
- Need for clarity and commitment from ULBs on budget allocations for overall sanitation activities and FSM in particular.

Learnings

- The SIP provided a systematic and incremental approach to scale treatment infrastructure, with an initial focus on larger ULBs to ensure higher population coverage with minimal investment.
- The adoption of the SIP provided impetus to other interventions along the full cycle of sanitation and affecting better sanitation outcomes through generation of greater awareness of FSM and WASH practices across urban communities in the State.

- Securing O&M funds is likely to remain a larger challenge compared to capital investments.
- The GoTN's state-wide cluster approach promoted ULBs to share treatment facilities – a significant step towards optimising both Capex and Opex investments, while simultaneously securing the financial sustainability of treatment facilities.

