

Challenges of Fecal Sludge Management —Financing FSM—

Experts Dialogue on Challenges in Designing and
Implementing City-Wide Inclusive Sanitation (CWIS) Projects
(Session 2)

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Financial challenges for CWIS

[Challenge 1]	High cost for the desludging services. US\$ 50/HH in Asia. It is more expensive in Africa. It is a substantial financial burden for average HH, particularly if he/she needs to pay in full at once.
[Challenge 2]	Limited willingness/affordability to pay for sanitation services of HH users. In SEA countries, average HH pay US\$ 2/HH/month as the sewerage user charge which is cross-subsidized by the commercial users who pay 5 times higher tariff. Will such cross-subsidization work for the FSM services?
[Challenge 3]	In many countries, the desludging vendors are asked to pay the sludge treatment fee to the FSTP. Such practice induces illegal dumping of the on-site sludge to the public water bodies.

Three (3) financial options

Options	Who pay the cost?	Country
Option 1	The user of the sewerage system pays the sewerage charge to the utility.	Japan
	Each user of the on-site facility pays the FSM cost to the private O/M vendor and desludging vendor.	
	Sludge treatment cost is covered by the municipality.	
Option 2	<u>Sanitation Surcharge</u> : All the customers of the water and sanitation utility pay certain percentage of the water bill as the sanitation surcharge, which is separate from the sewerage charge which only the customers connected to the sewerage system pay. Sanitation Surcharge will be used for sludge treatment cost, etc. But the users of on-site system must pay, separately, the desludging fee to the private desludging vendors.	Some African countries
Option 3	<u>Environmental Charge</u> : All the customers of the water and sanitation utility pay certain percentage of the water bill as the environmental charge which covers all the FSM cost.	Manila, The Philippines

(Example of Option 3) Environmental Charge and Sewerage Charge of Manila Water Company (2026)

2. A. ENVIRONMENTAL CHARGE (EC)

Residential / Semi Business 25 % (of Water Charge)

Business Group I and II 25 %

B. SEWERAGE CHARGE (SC)

Residential and Semi Business 0%

Business Group I and II customers 32.85%

- All the customers (inclusive of the commercial customers connected to the sewerage system) shall pay Environmental Charge which is 25% of Water Charge.
- Commercial customers connected to the sewer shall pay Sewerage Charge which is 32.85% of Water Charge, in addition to Environmental Charge, in total 57.85% of Water Charge.
- The residential customers, who are not connected to the sewer and are using on-site system, are provided the desludging service free of charge, as far as he/she pays the Environmental Charge, 25% of the Water Charge, which is cross-subsidized by the commercial customers.

Comparison of 3 financial options

		[Option 1]	[Option 2]	[Option 3]
		Japan	Sanitation Surcharge	Environmental Charge
Challenge 1	High cost for the desludging services, if HH needs to pay full at once.	X	X	○
Challenge 2	Limited willingness/affordability to pay of HH.	X	X	○
Challenge 3	Sludge Treatment Cost will induce illegal dumping.	○	○	○

Option 3 works the best when the same utility manages both water supply services and FSM services including the desludging services, as is the case in Manila and other cities in The Philippines such as Dumaguete City.