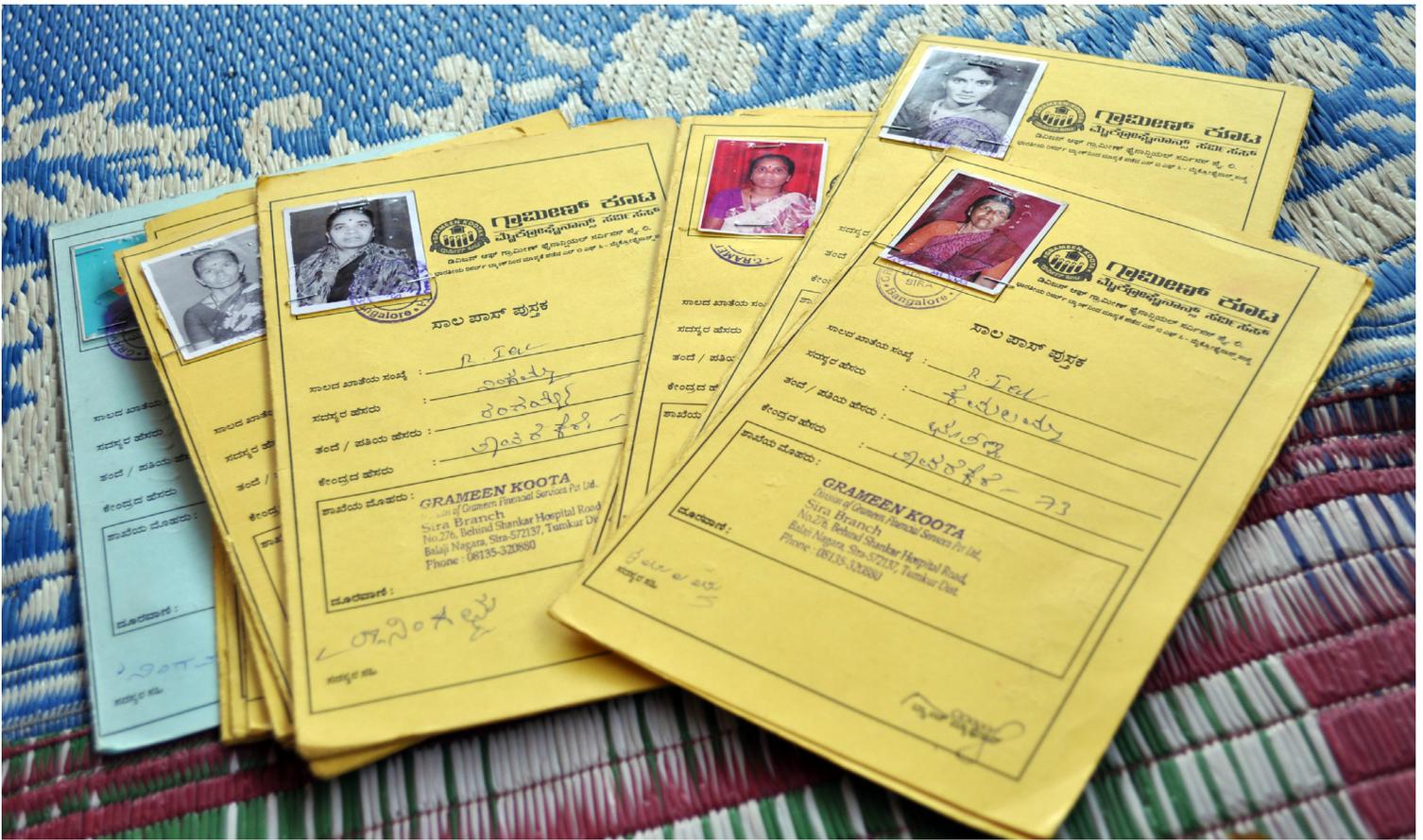




# Helping India become open defecation free

Swachh Bharat Abhiyan and [Water.org](http://Water.org)



## Highlights:

- On October 2, 2014, Prime Minister Narendra Modi launched the Clean India Mission (SBM) to achieve an Open Defecation Free (ODF) India by 2019 and invited civil society, corporate businesses and individual citizens to partner with the government.
- Water.org, through its extensive experience, recognized the role of micro-lending to achieve SBM goals, engaged with stakeholders and presented this practice as a mechanism which could support the government's vision and address financing gaps.
- With the support of the Government of India, Water.org has subsequently partnered with various government agencies at the state and central level to scale up water and sanitation lending over the past three years.
- The overall objective has been to:
  - Strategically provide a disruption to the entire water supply and sanitation (WSS) finance ecosystem – recognize micro-lending for water and sanitation as an innovation that is already included in government guidelines
  - Showcase the opportunity for WSS lending to multiple stakeholders through advocacy gatherings
  - Increase the flow of funds into the sector
  - Create additional mechanisms for last-mile loan delivery



## What is the Clean India Mission?

Swachh Bharat Abhiyan (SBM, or “Clean India Mission”) is a national cleanliness campaign launched by the Government of India to achieve its vision of a ‘Clean India’ by 2019. Officially launched on October 2, 2014 by Prime Minister Narendra Modi, this comprehensive program builds upon and expands the mandate of its predecessors. Designed as a citizen’s campaign, its mission is to enlist civil society, corporate businesses and individual citizens as partners to supplement public sector investment with a multi-stakeholder approach<sup>1</sup>. The objectives of the Swachh Bharat Mission are to promote a clean India through several initiatives that have been divided into urban and rural work-streams.

### The rural component - Swachh Bharat (Gramin):

- Swachh Bharat (Gramin), strives to achieve Open Defecation Free (ODF) status through emphasis upon behavior change and flexible delivery mechanisms that take into account local cultures, practices, sensibilities and demands. It also seeks to address solid and liquid waste management. Swachh Bharat (Gramin) is administered by the Ministry of Drinking Water and Sanitation. Goals of the Swachh Bharat (Gramin) program are to: (i) promote cleanliness, hygiene and eliminate open defecation; (ii) accelerate sanitation coverage in rural areas; (iii) motivate communities and Panchayati Raj Institutions (local government bodies) to adopt sustainable sanitation practices; and facilities through awareness creation and health education; (iv) encourage cost-effective and appropriate technologies for ecologically safe and sustainable sanitation; and (v) wherever required, develop community-managed sanitation systems focusing on scientific solid and liquid waste management systems for overall cleanliness.

### The urban component – Swachh Bharat (Urban):

- Swachh Bharat (Urban), is focused on building individual toilets, community toilets and solid waste management. Swachh Bharat (Urban) is administered through the Ministry of Urban Development. This program aims at (i) elimination of open defecation; (ii) eradication of manual scavenging; (iii) modern and scientific municipal solid waste management; (iv) to affect behavioral change regarding healthy sanitation practices; (v) generate awareness about sanitation and its linkage with public health; (vi) capacity augmentation of Urban Local Bodies; and (vii) to create an enabling environment for private sector participation in capital and operation and maintenance expenditure. The components of the mission include construction of household toilets, community and public toilets; solid waste management; Informational Education Communication, public awareness and capacity-building<sup>2</sup>.

<sup>1</sup> NITI Aayog. Report of the Sub-Group of Chief Ministers on Swachh Bharat Abhiyaan (October 2015).

<sup>2</sup> Ibid.

## Financing the Swachh Bharat Abhiyan (SBM)

The government aims to achieve an Open Defecation Free (ODF) India by October 2, 2019, the 150th anniversary of the birth of Mahatma Gandhi, at a projected cost of ₹1.34 lakh crore (US\$20.84 billion<sup>3</sup>)<sup>4</sup>.

In addition to a large information and education campaign to increase awareness about the value of safe sanitation, a major component of the SBM is the provision of an incentive (₹12,000 for rural areas and ₹4,000 for urban areas) for the construction of individual household latrines to eligible households. While beneficiaries are not required to spend any additional funds above the incentive amount, the incentive was designed to encourage additional household contributions that would bolster a sense of ownership households felt in relation to their new toilets.

States have a high degree of autonomy in developing and structuring the most effective methods of achieving SBM targets. The Government of Uttar Pradesh, for example, recently announced that an additional sum of ₹12,000 (US\$186.86) would be given per toilet constructed in urban areas<sup>5</sup>.

### **Water.org identified three gaps in the financing mechanism based on its own experiences in India:**

- Households need additional funds to construct toilets of their choice: The average Water.org toilet loan size over the preceding 12 months was ₹26,820 (US\$417; based on 103,615 toilet loans disbursed), which is already substantially more than the ₹12,000 incentive provided by the government. Moreover, Water.org monitoring conducted among a sample of 135 sanitation borrowers during that same period of time revealed that 44.9% of borrowers invested their own funds in addition to the loan received, strongly suggesting that access to credit will be critical for empowering households to construct the kind of toilet that they want and would actually use.
- Households need start-up funds: Incentives are typically paid to households after they have constructed their toilet and filed the appropriate paperwork and photographic evidence. While some states provide incentives up-front, most states provide them after the facility has been constructed, which is often a barrier to a poor household with limited cash reserves.
- Some households were not eligible for incentives: Among other criteria, eligibility for the incentive is predicated on a household's inclusion in the baseline survey of toilet coverage and never having received a similar incentive. While the SBM baseline survey was extensive, not all households were covered. Moreover, there were also households which had received incentives under earlier government programs to construct toilets which are now dysfunctional.

<sup>3</sup> All INR to USD conversions use the exchange rate as of September 18, 2017: 1 USD = 64.2180 INR

<sup>4</sup> Official GoI Press Release 25 September 2014 <http://pib.nic.in/newsite/PrintRelease.aspx?relid=110036>

<sup>5</sup> Press Trust of India. "Additional assistance Rs 12K for construction of toilets in." India Today, India Today, 1 Sept. 2017



## Collaboration on the Swachh Bharat Abhiyan (SBM)

Water.org initiated engagement with the Ministry of Drinking Water and Sanitation (MDWS) in 2014 to support Prime Minister Narendra Modi's vision and collaborate on the SBM. Through this engagement, Water.org highlighted the natural alignment between the achievement of SBM priorities and water and sanitation lending - a complementary mechanism which can provide private sector funds to address the financing gaps identified above. Both entities recognized that micro-lending, already included in the official SBM Guidelines, was a valuable tool for achieving Open Defecation Free (ODF). The result was the establishment of a long-term partnership. Since 2014, with the support of the MDWS as a 'champion', Water.org has achieved success through a series of initiatives designed to provide a disruption to the water and sanitation ecosystem, as described below.

## Recognition as an innovative mechanism and best practice

In 2015, Water.org reached out to National Institution for Transforming India (NITI) Aayog, the government's newly established policy think tank. NITI Aayog was charged with developing a set of recommendations to all state governments on innovative mechanisms to achieve SBM goals by the campaign's end date. As a result, Water.org's model for micro-lending to households and mobilizing domestic resources was highlighted as a best practice in innovative financing strategies that ought to be encouraged by all state governments to achieve SBM targets. This recognition further helped establish Water.org's status among government stakeholders as an expert and thought leader in financing for water and sanitation.

## Convening multi-stakeholder gatherings to promote water and sanitation lending

Under the aegis of Ministry of Drinking Water and Sanitation (MDWS), Water.org was invited to serve as the Nodal Agency to convene a multi-stakeholder gathering to discuss financing for Swachh Bharat Abhiyan (SBM) and promote the need for private capital to complement government efforts to achieve an Open Defecation Free (ODF) India by 2019. The conference, co-convened by the MDWS, Water.org, the World Bank's Water and Sanitation Program and UNICEF, took place on February 9, 2016, with an audience full of representatives from the finance sector, as well as national media. The conference highlighted the role that micro-lending and the involvement of non-state actors are encouraged to play as outlined in the SBM guidelines. Conference participants were additionally informed of the recent inclusion of water and sanitation in the latest Priority Sector Lending (PSL) guidelines - a regulatory method of encouraging micro-lending for water and sanitation that is explained in more detail below.

## Increasing supply of financing capital for water and sanitation

Since the 1970s, India has sought to ensure certain sectors that it sees as critical for development (education, housing, etc.) receive adequate financing from commercial banks. To facilitate these flows of financing, banks are mandated by the Reserve Bank of India to allocate 40% of their overall portfolio towards Priority Sector Lending (PSL).

Water.org and local MFI partners identified the inclusion of water and sanitation within PSL to provide a much-needed boost to the funding landscape for water supply and sanitation (WSS). While engagement efforts with the Reserve Bank of India were initiated before SBM, the government initiative for making India ODF and the subsequent support of MDWS in light of their SBM targets provided internal government support. Water and sanitation was officially included within PSL in 2015, the first such change in over three decades.

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## Enabling new channels for loan delivery

Aside from its existing primary mechanism for last-mile loan delivery – microfinance institutions (MFIs) – Water.org also undertook initiatives through assorted government partnerships to encourage new channels for loan delivery in areas where MFI coverage was low.

### India Post and India Post Payments Banks (IPPB)

After the launch of Swachh Bharat Abhiyan (SBM), the World Bank signed a Memorandum of Understanding with the Government of India that included technical assistance towards the achievement of SBM's ambitious goals and specifically highlighted microlending as a tool. The World Bank reached out to Water.org and requested their assistance in the state of Rajasthan, which had been identified by the government as a priority. In response to the request, Water.org deployed a small team to assess the financial ecosystem in that state and develop a plan to introduce water supply and sanitation (WSS) lending. The result of the study, and subsequent follow-up visits, was the discovery of a potential powerful new channel for WSS lending – the India Post Office, which was in the process of transforming into a "payments bank"<sup>6</sup>.

Water.org simultaneously initiated engagement with 1) India Post leadership to introduce water and sanitation lending as a loan product, as well as with 2) the Ministry of Drinking Water and Sanitation (MDWS) to encourage and assist India Post in the execution of the program. The effort resulted in a three-way partnership between Water.org, MDWS and India Post to develop an effective mechanism for delivering water and sanitation loans through the Post Office's extensive footprint of over 150,000 offices across India, many of them rural and in very remote areas. The design process took over a year, but WSS micro-lending via the India Post Payments Bank (IPPB) will shortly be piloted in two states in partnership with Punjab National Bank. This relationship with a leading nationalized commercial bank was brokered to a large degree by Water.org, who emphasized the simultaneous governmental commitments to financial inclusion and SBM. It also worked as an unofficial advisor to all parties to secure buy-in and get to the operational stage in the partnership. Water.org is working with the IPPB to help its staff learn the nuances of lending, as well as ensuring that local SBM teams are up-to-date and understand WSS lending so that they can include information about the availability of loans in their health and hygiene education activities.

### Self-help groups

Excited by the promise demonstrated by the IPPB pilot, Water.org began thinking about other methods to encourage people to finance their household toilet construction. Another channel that was identified was self-help groups (SHGs) that have been developed under the auspices of the National Rural Livelihoods Mission (NRLM), a program operated by the Ministry of Rural Development. The program is designed to build the capacity of rural women by helping them organize into SHGs and facilitate their access to local banks. SHGs that are affiliated with this program receive preferential interest rates.

Through Water.org's evidence-based engagement with the Ministry of Rural Development, supported by the encouragement of MDWS, toilet construction was recently included as an eligible loan product under the NRLM guidelines, which Water.org and the MDWS hope will catalyze increased uptake in toilets. Over 32.2 million rural households are linked to the program; an estimated 11.53 million of those households are currently without toilets.<sup>7</sup>

After this regulatory change was confirmed, Water.org began working in collaboration with the NRLM to establish partnerships with the state governments and state-level implementation agencies, known as State Rural Livelihoods Missions (SRLMs), of two states, Maharashtra and Bihar. The objective of the partnership is to undertake focused pilots which will serve as benchmark models for scaling WSS lending through SRLM bank-SHG linkage.

<sup>6</sup> Payments Banks were introduced by the Reserve Bank of India (RBI) as part of its larger push towards financial inclusion and payments digitization.

<sup>7</sup> Estimates generated by applying India's current rural ODF coverage of 64.18%. In addition, a recent study by Accountability Initiative of the Centre for Policy Research estimated that 36% of toilets previously constructed are now defunct.