



WATER.ORG IN INDIA

An evaluation of Water.org's activities in India finds that it was a credible knowledge partner advocating for repayable water supply and sanitation (WSS) finance to help overcome the challenges inherent in massive flagship programs and accelerate access to water and sanitation.

Context

The Constitution of India guarantees the right to safe water and sanitation. Although implementation is the responsibility of states, flagship national programs such as the Swachh Bharat Mission for sanitation and Jal Jeevan Mission for water supply have driven impressive gains in access. Basic sanitation coverage increased from 46.6% in 2012 to 59.5% in 2017 and according to the Ministry of Jal Shakti, reached 100% in 2019. Safe drinking water coverage is estimated to have increased steadily to almost 93% in 2017, although the target of universal piped water by 2024 is ambitious given present coverage of 36%.

The building blocks for WSS are in place in India, in terms of guidelines for states and public infrastructure investment. This is complemented by household contributions for privately owned assets such as toilets. However, repayable finance has emerged as a possibility for banks interested in providing loans to households and entrepreneurs that could accelerate WSS access and help achieve national goals. In 2015, the Reserve Bank of India (RBI) included WSS within Priority Sector Lending (PSL). In 2017, the Ministry of Rural Development made toilet construction and access to water an eligible category for preferential interest rates within its flagship program for Self Help Groups, the National Rural Livelihoods Mission (NRLM). These initiatives hold great promise in resolving the bottlenecks that exist in the provision and flow of public funds, and in promoting and incentivizing household investment in WSS assets.

KEY HIGHLIGHTS

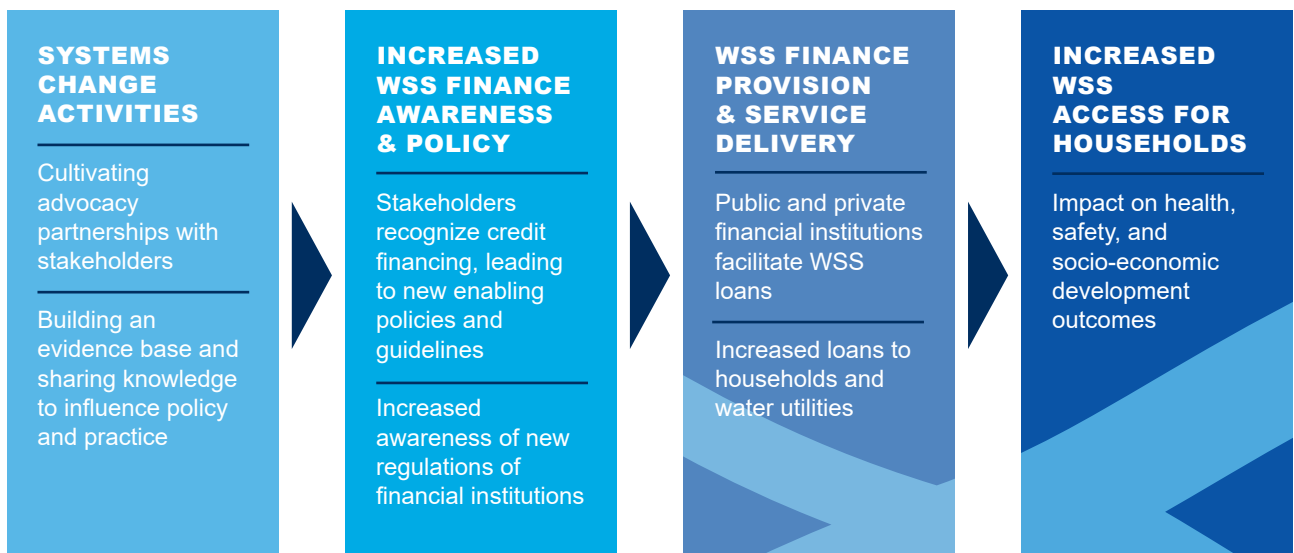
- The WaterCredit program is now implemented across 23 states and has disbursed over 3.4 million loans worth \$744 million, reaching over 15 million people.
- Water.org’s advocacy efforts contributed to the Reserve Bank of India’s decision to include water supply and sanitation within its Priority Sector Lending designation.
- Water.org helped the Ministry of Rural Development see the value of including loans for sanitation infrastructure within the National Rural Livelihoods Mission.
- Water.org collaborated with the National Bank for Agriculture and Rural Development in developing schematic refinancing for WSS.
- Strong political commitment is key for WSS, since the slow flow of subsidies can create bottlenecks in delivering to people in need. Repayable finance, especially through apex bodies, can streamline the process.
- State-specific systems and service chains analyses should be carried out, accompanied by an advocacy strategy, to ensure that all households have access to WSS credit.

Water.org in India

In 2004, Water.org began partnering with financial institutions in India. This included providing technical assistance and resources to encourage microfinance institutions and banks to include WSS loan products (e.g. toilet loans, water connection loans) in their portfolios. Water.org also built an evidence base around the efficacy of the WaterCredit model and worked collaboratively with key stakeholders to advocate for repayable finance for WSS. The organization was thus well placed to understand the challenges in helping households access credit for WSS, particularly following the launch of the Swachh Bharat Mission in 2014. Though this flagship program was backed by strong political commitment and a public sector focused on WSS infrastructure, Water.org’s activities contributed to accelerating WSS access, especially for ‘last mile’ households.



THEORY OF CHANGE FOR WSS SYSTEMS STRENGTHENING



Evaluating impact

An evaluation of Water.org's work in India reviewed activities, outputs, and the resulting outcomes. Specifically, it focused on three groups of activities undertaken as part of systems strengthening efforts:

- Water.org engaged with state and national level institutions to build relationships, provide technical expertise on development of manuals and guidelines, and advocate for specific WSS inclusion in national initiatives such as PSL and NRLM. Through these collaborative efforts, national and state level actors updated policies to build a more enabling environment favorable to repayable finance for WSS.
- Water.org influenced the practice of lending for WSS by financial institutions. It continually engaged with banks and financial institutions, including helping them to develop new products. It also worked with public institutions such as the Department of Financial Services and development partners to reiterate messaging on the value of WSS finance to banks. By engaging with agencies such as UNICEF and the World Bank, Water.org gained a platform to advocate for credit finance with state and national institutions. In Maharashtra, Water.org mobilized Self Help Group networks to work with the State Rural Livelihoods Mission on repayable finance, and its field team worked hard to build relationships with and supply evidence to key contacts in the pilot districts. An operational memorandum of understanding was subsequently signed to partner on WSS financing in six districts.
- Water.org has shared progress and learning with stakeholders to influence their approaches as well as national policy. It regularly shares updates on its work with relevant institutions, for instance during its meetings with ministry officials. Water.org also produces newsletters, organizes conferences (including in partnership with the Department of Drinking Water and Sanitation), and presents at sector events, such as its WaterCredit Forum. Water.org is a member of the India Sanitation Coalition, where it helps keep the issue of WSS finance visible, and also actively collaborates with like-minded peers across various states to ensure increased awareness of WSS financing at the community level.

The WaterCredit model is now implemented across 23 states and, as of September 2021, has disbursed over 3.4 million loans worth \$744 million, reaching over 15 million people. Impressive results have been achieved at state level: the Maharashtra State Rural Livelihoods Mission disbursed 6,426 loans in 2017, mobilizing \$744,000, and Sa-Dhan, an apex association of community development finance institutions, has reached 234,023 people with loans worth \$18.4 million.

In terms of systems strengthening, the evaluation found that Water.org's promotion of WSS finance contributed to the decision, in 2015, to include water and sanitation within PSL. With this inclusion, financiers could lend for WSS and have it count towards their 40% minimum social lending requirement – a critical incentive to mobilize additional lending. In 2017, lending for toilet construction was included in the NRLM, which meant that participating individuals (i.e. rural women) could obtain much cheaper interest rates. While not as internationally recognized as the Swachh Bharat Mission, NRLM is a high-level program that has the potential to impact the access and affordability of finance for WSS on a massive scale: 32.2 million rural households are linked to it.

In 2020, the National Bank for Agriculture and Rural Development (NABARD) launched schematic refinancing for WSS. This allows banks and financial institutions to access cheaper rates of interest for wholesale lending. Under schematic refinancing, a total of \$114 million was allocated for WSS lending. Water.org's consistent engagement with NABARD officials, including support on the model scheme for WSS, contributed to this achievement.

There is no doubt that the Swachh Bharat Mission provided an overall impetus that Water.org leveraged to boost public investments in sanitation. Willingness to include WSS within PSL was certainly strengthened by the alignment with national objectives to eradicate open defecation, and the same overlap with national priorities was likely a major influencing factor in the decision to include toilet construction as eligible within the NRLM. Above all, the perception by state and national officials of Water.org as a thought leader for alternative financing for WSS, backed by evidence and experiences from the field, opened doors to new possibilities for collaboration.

Lessons learned

Efforts to influence policy and practice are much more effective within a context of strong political commitment:

The unprecedented backing provided at the national level through the Swachh Bharat Mission and, later, the Jal Jeevan Mission, motivated states to implement their own WSS activities. This provided a fruitful work context for Water.org, particularly since it had been cultivating relationships with key stakeholders in India and advocating for repayable WSS finance since 2004. Gradually the reverse has also started to take place, wherein various modifications, amendments, and ground-level experiences at state level are now finding their way into national policy and planning.

Public and repayable finance should be combined:

Massive public investment in WSS infrastructure notwithstanding, the sheer scale and complexity of providing WSS access across states motivated many public and private institutions to be open to innovative approaches to expedite WSS finance, including options such as credit, despite some initial concerns that encouraging private and household-led solutions could trigger perceptions that the government was not taking full responsibility for WSS provision. However, the combination

of government subsidy and the access to loans not only accelerated WSS access in alignment with ambitious national targets for success, it also complemented these efforts by enabling governments to more effectively target their levels of investment to those who were most in need.

The support of apex bodies is crucial to effect systems change within both the WSS sector and the finance sector:

Support from apex bodies like Sa-Dhan, Access India, and M-CRIL, as well as NABARD's schematic refinancing, validated the role of repayable WSS finance within their respective sectors, and helped overcome commonly-held perceptions that WSS is high risk. Endorsement from these leaders and normalization via the NABARD scheme contributed to making WSS credit more easily available to households.

Credible knowledge partners and platforms are essential to advancing the agenda of repayable WSS finance:

Water.org and its development partners were able to fill the gap in technical expertise on credit finance and banking that existed within public institutions and development partners. UNICEF, for example, has been a valuable partner in establishing state-level WSS financing programs in three states.



Recommendations

The evaluation found that Water.org successfully engaged with public institutions in the WSS sector and financial institutions at the national and state level, putting itself in a position to leverage the momentum of the Swachh Bharat Mission and contribute to carving out a visible and valuable niche for repayable WSS finance. In order to better service the sector, the evaluation recommends the following.

Conduct a WSS systems analysis: While Water.org was very effective at leveraging openings to impact policy change, this appeared to be opportunistic rather than planned in advance. Water.org should carry out a state-specific WSS systems analysis, focused on finance and service delivery models that make it easier to identify bottlenecks and other challenges that should be prioritized. Water.org should also develop a position paper that delineates the stakeholders and their roles in repayable finance, especially with respect to reaching 'last mile' households.

Identify the best entry points for repayable finance along the WSS service chains: Access, for example to a toilet or a tap at household level, is not the only entry point for WSS credit. Water.org should carry out an analysis to identify all the points along the WSS service chains at which repayable finance may prove effective.

Develop an advocacy strategy: The WSS systems analysis should guide a flexible advocacy strategy for systems change. This should include targeted advocacy, for example for sub-targets for WSS loans provided by banks and other financial institutions, determined by the RBI. Advocacy should also raise WSS awareness among financial institutions.



Deepen the link to government initiatives: As with the Swachh Bharat Mission, Water.org should leverage the flagship scheme for water supply, the Jal Jeevan Mission, as it begins to gain traction. However, it should be careful to also retain its focus on sanitation services.

Monitoring: Water.org should motivate the government to set up a WSS loan reporting system against which progress can be monitored, through follow-up with financial institutions on WSS loans provided under PSL, and also by following up with State Rural Livelihoods Missions in its priority states. This will provide a more complete picture of the impact of the systems change achieved at the intersection of WSS and repayable finance.