

Workshop: “Implementing the SDGs in the Post-2015 Development Agenda”

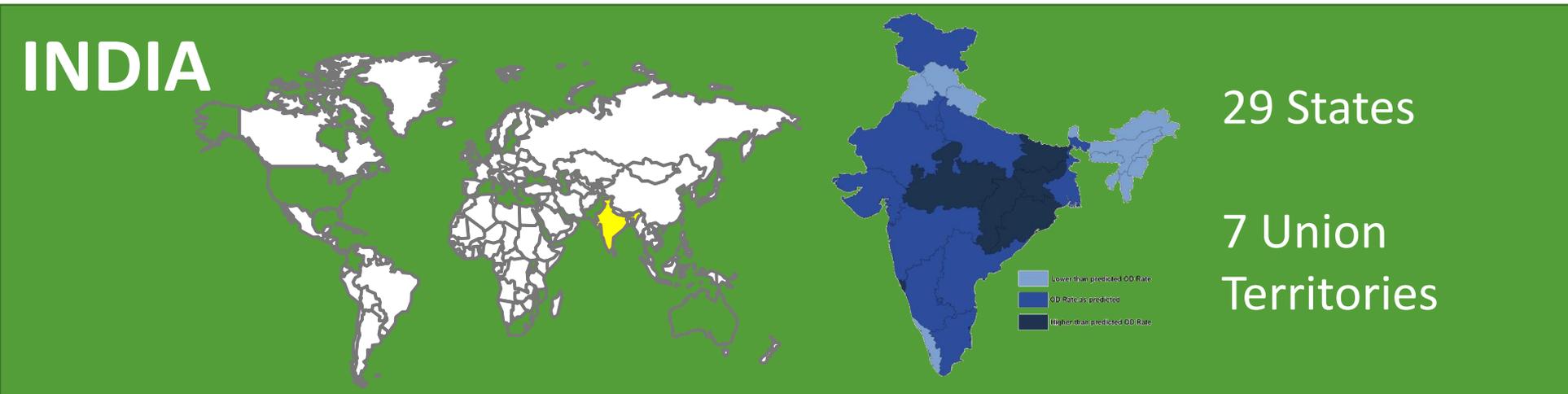


INNOVATIVE SANITATION FINANCING

**TO MAKE INDIAN CITIES
OPEN DEFECATION FREE**

**23RD AUGUST 2015
STOCKHOLM WORLD WATER WEEK**

Sustainable Development Goals



Significant public health impacts of open defecation
– stunting, outbreaks of diseases: **higher in urban areas due to density**

12.6% OF HHs RESORT TO **Open Defecation**

Situation is worse in smaller towns with OD rates of 22%

Increasing priority of Government of India

National Urban Sanitation Policy, 2008

Access

- **Providing 100% access to improved sanitation in urban India by 2025 to make cities open defecation free**

Collection and Conveyance

- Extending coverage and ensuring proper functioning of sewerage systems
- **Promoting proper disposal and treatment of sludge from on site installations**

“Swachh Bharat Mission”, 2014

Aims to become Open Defecation Free by 2019



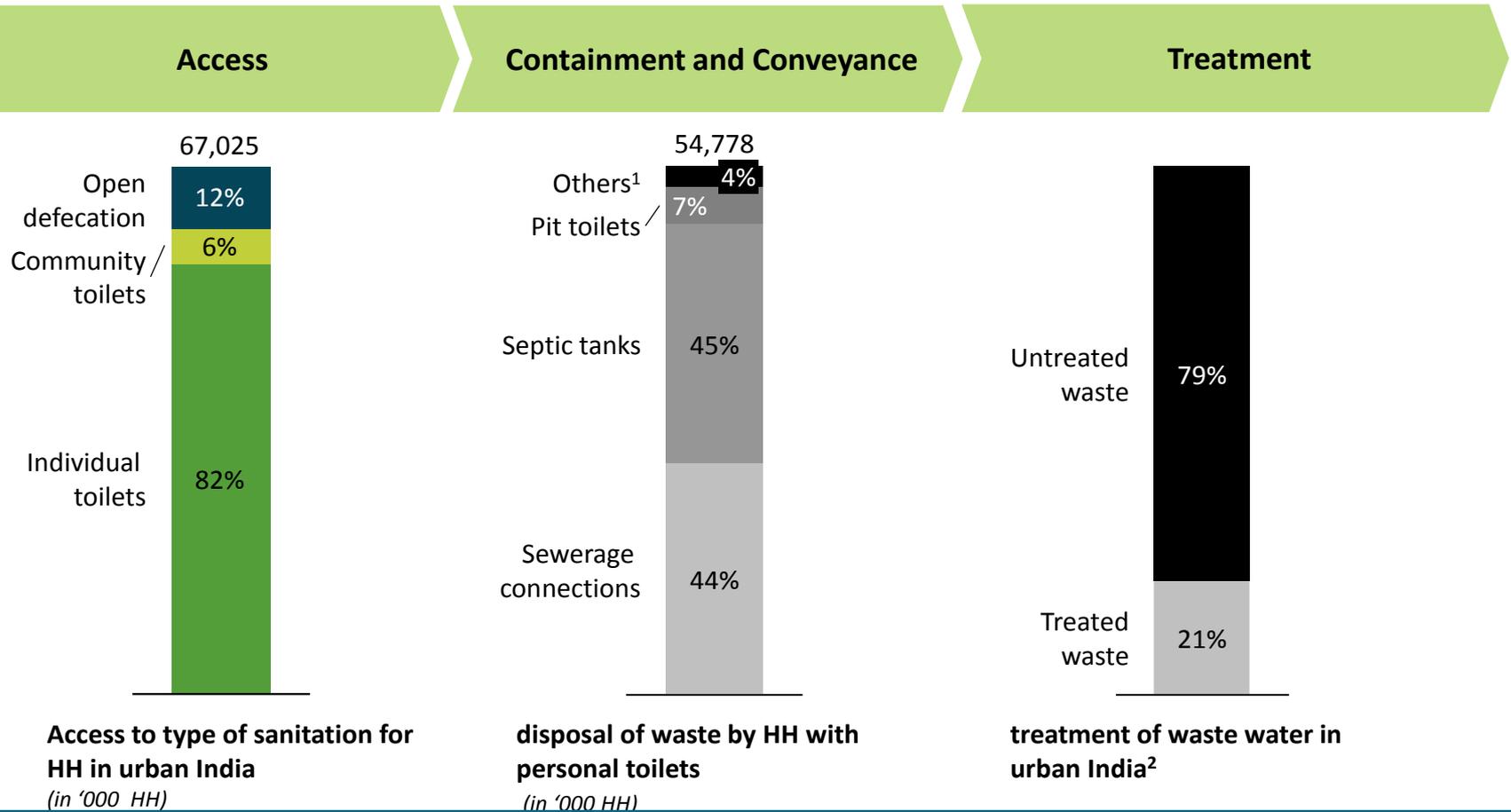
“Pehle shauchalaya, phir devalaya...”

(First toilets, then temples...)

Narendra Modi, Prime Minister of India

At a function organized in New Delhi for the youth, October, 2013

There are large gaps in urban sanitation service chain



We are working in cities of Maharashtra State
Where dependency on community toilets is highest (21%) in the country

Note: (1) Others category includes census categories of “pour flush toilets-other systems, night soil disposed into open drain and latrines serviced by humans and animals”, (2) based on “Status of Sewage Treatment in India” report by Central Pollution Control Board of India (CPCB), 2005

Source: Analysis of access, and containment and conveyance is based on information from Census of India 2011

Development in the last decade- Maharashtra

Maharashtra : HHs having no latrine facility : **41.9%** (census 2001)



Maharashtra : HHs having no latrine facility : **28.7%** (census 2011)



What are the challenges?

Lack of space



Land tenure issues



Lack of funds



Partial incentive
subsidy from
Central and State
Governments under
SBM for HHs
defecating in open

Block costs for toilets are
very high in urban areas

How to meet the further
gap?

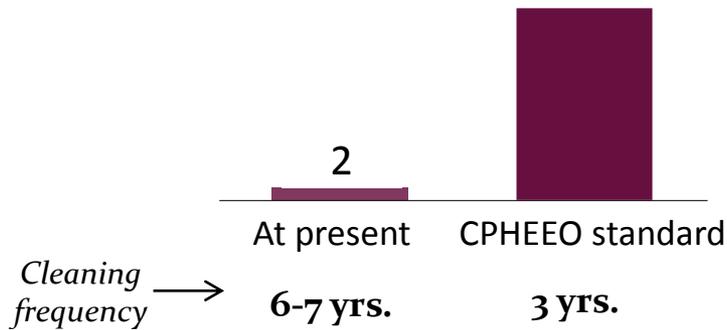
Only construction of toilets in not enough !!!

What about septage ?

Existing septage conveyance mechanism

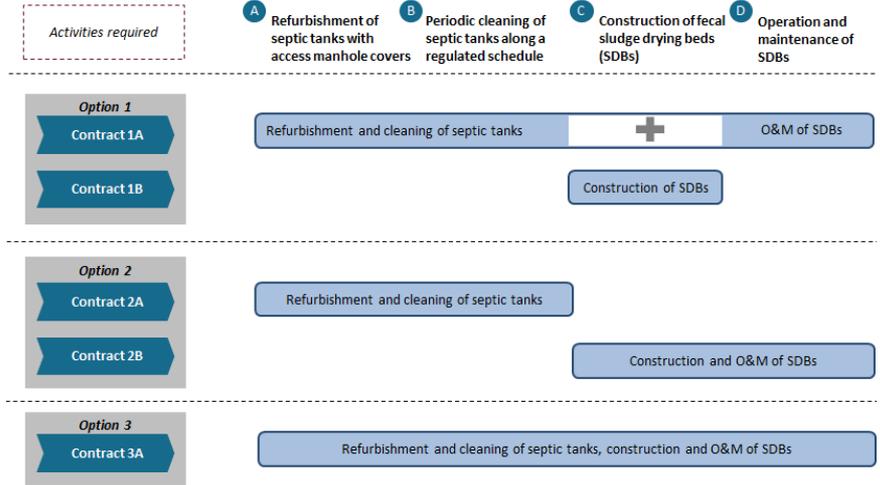
- Demand based cleaning.
- Limited availability of suction emptier.

Number of septic tanks cleaned annually
(As a % of total septic tanks)



Need regulated schedule for cleaning of tanks.
Septage needs to be treated !

IFSM needs PSP- performance based contracts



Recovering O & M costs through special sanitation tax

S. No.	Types of contract	Contract length	Sanitation tax per residential property (INR)	Sanitation tax per non-residential property (INR)	Sanitation tax per residential property (INR)	Sanitation tax per non-residential property (INR)
1A	Refurbishment and regular cleaning of septic tanks with O&M of SDBs	2 - 3 years	~190	~230	~270	~320
1B	Construction of SDBs	Duration of	N.A.	N.A.	N.A.	N.A.

At household level
8 to 10% increase in the existing amount of tax

3A	Refurbishment and regular cleaning of septic tanks with construction and O&M of SDBs	2 - 3 years	~190	~230	~270	~320
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Potential sources of funds

- **Government/ Donors**

- Government of India, state government, donors through **increased allocation to household sanitation**
- **Local governments from their own funds** to meet partial subsidy costs

- **New sources**

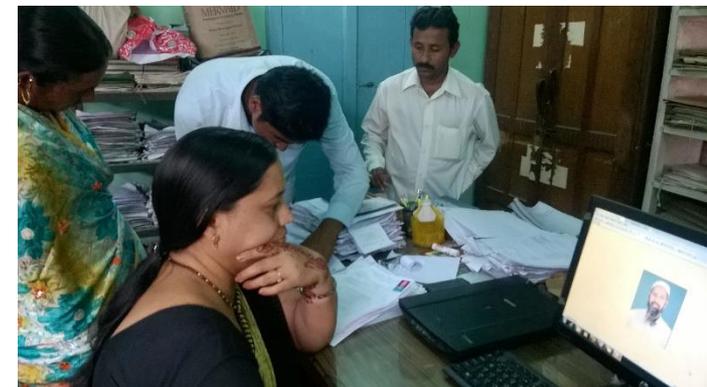
- **CSR** as per the provision in the new Companies Act
- **Social impact investors** emerging as a potential new source..
- **Crowd funding** for defined social causes
- **Debt funds for on-lending** by lenders – MFIs, HFIs, AHFIs, - at affordable and competitive rates

How to tap these sources ??

Awareness generation and application process to tap the demand for toilets



SNO	Ward No.	Received	Verified	Approved	Rejected
1	3	9	0	0	0
2	7	22	2	0	0
3	8	14	0	0	0
4	4	22	0	0	0
5	9	19	0	0	0
6	6	0	0	0	0
7	9	0	0	0	0
8	9	0	0	0	0
9	9	0	0	0	0
10	18	0	0	0	0
11	11	0	0	0	0
12	12	0	0	0	0
13	13	0	0	0	0
14	14	0	0	0	0
15	15	0	0	0	0
16	16	0	0	0	0
17	17	0	0	0	0
18	18	0	0	0	0

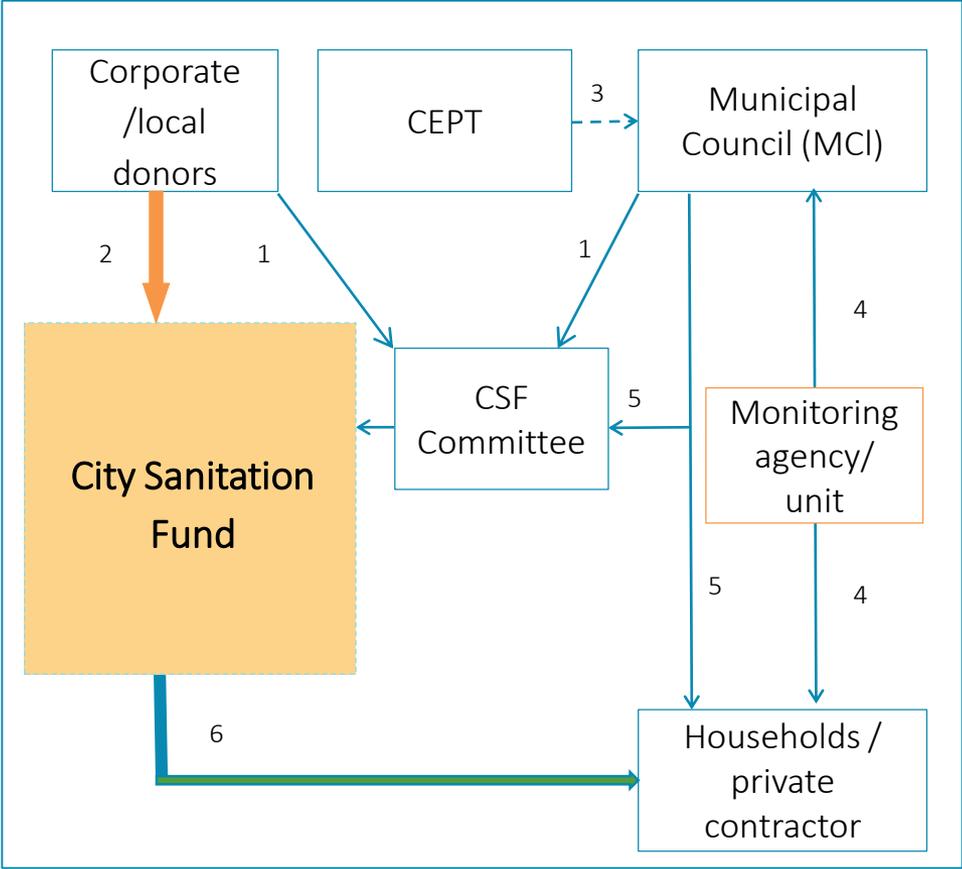


Demand seen through applications received.

Process in alignment with **Swachh Bharat Mission**

Setting up “City Sanitation Fund”

Capture CSR or funds from the local donors



City Sanitation Fund mechanism will **enable local industrialists and other donors** to effectively **contribute to development** of improved and **universal sanitation in the city**

City leaders and local industrialists/ donors willing to contribute to the fund

Assessment of possibilities of “toilet loans” in small cities of Maharashtra

Factors

Self help groups (SHGs)

Micro-finance institutions (MFIs)

Credit societies

Commercial banks

Housing finance companies (HFCs)



Chaitanya Credit Cooperative Society

Jalaram Co-Op Credit Society Limited



Income Groups

Very poor / BPL



poor



Other low income group



Middle income group



Informal housing



Formal housing



• Lenders' Workshop for Banks, HFIs, MFIs and City Officials to discuss possibilities and way forward

On Ground Assessment of Demand and Supply

Supply Side Responses

MFIs



“Asmitha extends income generating loans only and our organization observes high loan repayment rate. **Even if people take loans for consumption activities like toilet construction they will repay the loan on time.**” - Branch Manager, Asmitha

“We provide ~200 loans per month, out of these 5-6 loans every month are for construction of toilets. **People take loans and pay back loans on time.**” - Branch Manager, Ujjivan



Credit Coops

“At present we do not provide sanitation loans. Sanitation is a very important issue and should be addressed with appropriate methods. **Loans for construction of toilets should be promoted.** Organization heads should promote sanitation loans.”

- Branch Manager, Sridevnadi Khore Grameen Bigarsheti Patasansta

Com. Banks

“Our **experience in lending to BPL SHGs is poor and we observe many defaulters,** where as our experience in lending to APL SHGs is quite good and loan repayment rates are high.”

-Branch Manager, Union Bank of India

Demand Side Responses

Households

“My daughters have grown up and we needed a toilet at home. Therefore I took a loan from credit co-operative society for constructing an individual toilet”



“ I never thought of taking a loan for constructing a toilet. But yes, that is a good option”

“ I feel the need of constructing a toilet but I don't think any institution will lend me a loan. I do not have a capacity to repay the loan on time.”

“I have taken an internal loan of Rs. 5000/- through SHG for construction of toilet in the year 2009 as we had to walk 20-25 mins. to reach to the community toilet”

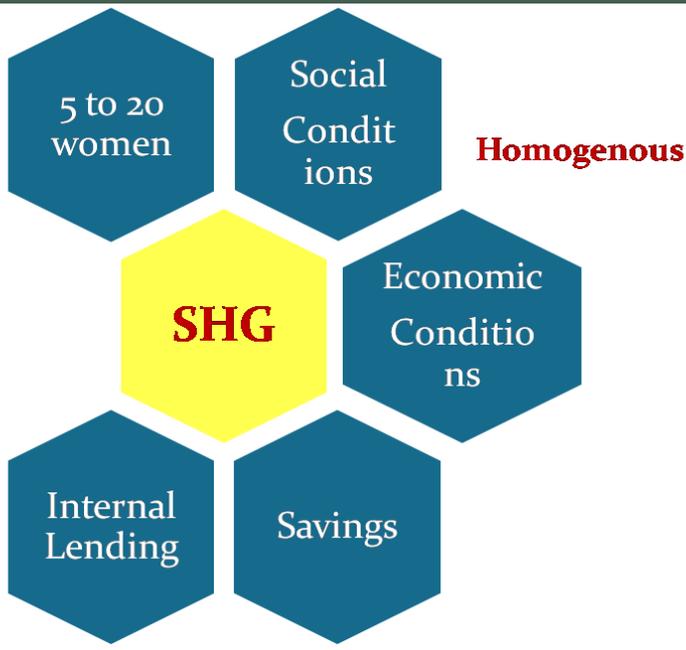
“Toilet Plans” for SHGs

HH level Credit for Toilets



Toilet Cost	Rs. 35,000
WMC Subsidy —	Rs. 10,000
Own contribution —	Rs. 5,000

Credit Requirement: Rs. 20,000



Pilot SHGs are on board to take toilet loans



There is a **demand for 'Toilet Loan'** among SHG women.

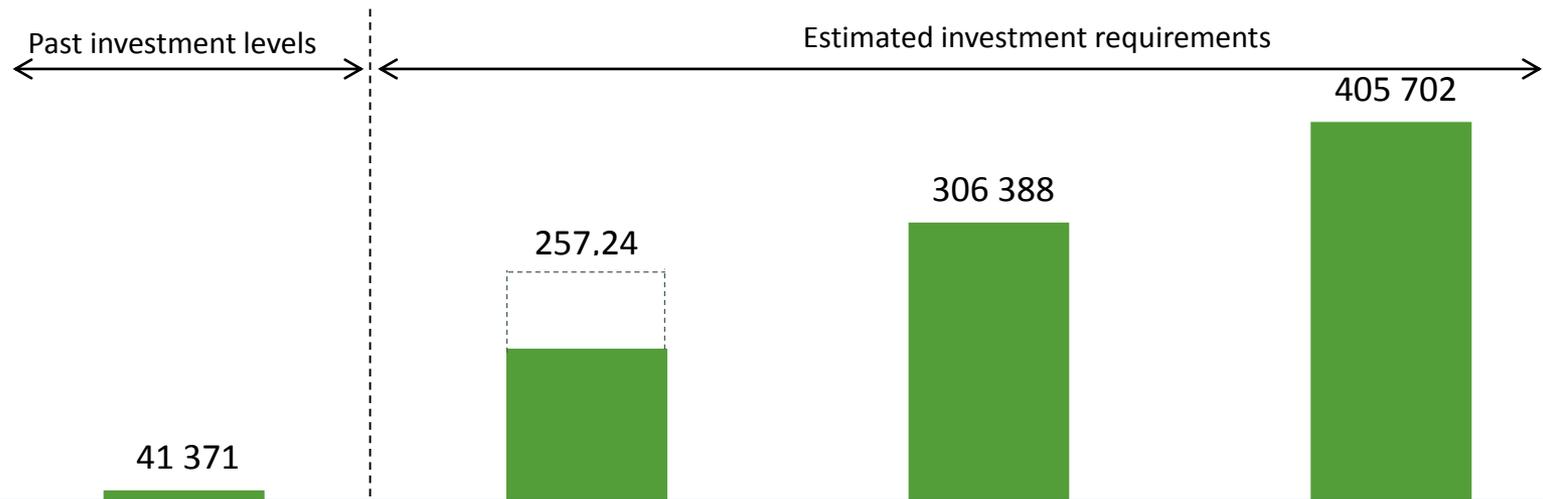
A combination of traditional and innovative financing instruments are potentially available for investment in key sanitation outcomes

Sources of funding

Key Sanitation Outcomes	Possible Funding instruments	Sources of funding								
		Governments	Bi and Multilateral donors	Foundations	Corporate CSR	Commercial banks/ FIs	Infrastructure finance companies	MFIs/SHGs	Impact investors	Potential beneficiaries
Open Defecation Free City/ communities	Social impact bonds		✓	✓					✓	
	Performance based challenge fund for cities/ communities	✓	✓	✓	✓			✓	✓	✓
Fully sanitized city (all waste safely collected, treated and reused)	PPP for integrated or unblundled contracts (FSM, public toilets, settled sewers, STPs)	✓			✓	✓	✓			✓
	Social impact bonds	✓	✓	✓	✓				✓	
	Performance based (output based) grants to cities	✓	✓	✓						✓

At National and State Level: Public funds are unlikely to meet investment requirements

Comparison of planned and required investment in sanitation in urban India for a 10 yr. period (INR. In Cr.)



Need **a framework to capture additional funds** that are potentially available from - CSR (grants), donors, Foundations and social investors ('affordable' debt), local benefactors (HNIs, industrialists, etc.), crowd funding etc

A new version of a development impact fund?

Less than 40% of allocated funds actually disbursed

THANK YOU



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