

A close-up photograph of a woman's hand holding a red plastic water container. She is wearing a red sari and a gold bangle. The background is a plain, light-colored wall.

# Blended finance for SDG 6: Indian financial innovations around SBM and beyond

3<sup>rd</sup> SuSanA Indian Chapter Meeting  
21 February, 2018

# Agenda

- Review of the SDGs
  - What they are
  - Differences between SDGs and MDGs
- The numbers and math
  - Projected costs
  - Finance gap
- Innovative approaches in India
  - Government initiatives
  - Methods under use
  - Results to date
  - Potential / what is still needed
- Q&A



**Review of the SDGs**

Sust



**BY 2030, EVERYONE  
WILL HAVE ACCESS  
TO CLEAN AND SAFE  
DRINKING WATER**

**GOAL 6 CLEAN WATER AND SANITATION**



**THE GLOBAL GOALS**  
For Sustainable Development



**SU  
DE**

**1** NO  
POVERTY



**10** REDUCED  
INEQUALITIES



**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**SUSTAINABLE  
DEVELOPMENT  
GOALS**

## A complete view of SDG 6



# Monitoring water and sanitation in the 2030 Agenda (global level)



# “Basic” is the new “Improved”

## JMP (THEN)

JMP classification of improved and unimproved facility types

	DRINKING WATER <sup>2</sup>	SANITATION
<b>Improved facilities</b>	Piped supplies <ul style="list-style-type: none"> <li>• Tap water in the dwelling, yard or plot</li> <li>• Public standposts</li> </ul> Non-piped supplies <ul style="list-style-type: none"> <li>• Boreholes/tubewells</li> <li>• Protected wells and springs</li> <li>• Rainwater</li> <li>• Packaged water, including bottled water and sachet water</li> <li>• Delivered water, including tanker trucks and small carts</li> </ul>	Networked sanitation <ul style="list-style-type: none"> <li>• Flush and pour flush toilets connected to sewers</li> </ul> On-site sanitation <ul style="list-style-type: none"> <li>• Flush and pour flush toilets or latrines connected to septic tanks or pits</li> <li>• Ventilated improved pit latrines</li> <li>• Pit latrines with slabs</li> <li>• Composting toilets, including twin pit latrines and container-based systems</li> </ul>
<b>Unimproved facilities</b>	Non-piped supplies <ul style="list-style-type: none"> <li>• Unprotected wells and springs</li> </ul>	On-site sanitation <ul style="list-style-type: none"> <li>• Pit latrines without slabs</li> <li>• Hanging latrines</li> <li>• Bucket latrines</li> </ul>
<b>No facilities</b>	Surface water	Open defecation

Table 1-1

## SDG (NOW)

SERVICE LEVEL	DEFINITION
<b>SAFELY MANAGED</b>	Drinking water from an improved water source that is located on premises, available when needed and free from faecal and priority chemical contamination
<b>BASIC</b>	Drinking water from an improved source, provided collection time is not more than 30 minutes for a round trip, including queuing
<b>LIMITED</b>	Drinking water from an improved source for which collection time exceeds 30 minutes for a round trip, including queuing
<b>UNIMPROVED</b>	Drinking water from an unprotected dug well or unprotected spring
<b>SURFACE WATER</b>	Drinking water directly from a river, dam, lake, pond, stream, canal or irrigation canal

*Note: Improved sources include: piped water, boreholes or tubewells, protected dug wells, protected springs, and packaged or delivered water.*

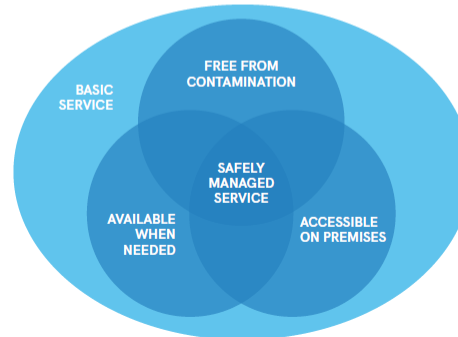


Fig. 11 The new JMP ladder for drinking water services

SERVICE LEVEL	DEFINITION
<b>SAFELY MANAGED</b>	Use of improved facilities that are not shared with other households and where excreta are safely disposed of in situ or transported and treated offsite
<b>BASIC</b>	Use of improved facilities that are not shared with other households
<b>LIMITED</b>	Use of improved facilities shared between two or more households
<b>UNIMPROVED</b>	Use of pit latrines without a slab or platform, hanging latrines or bucket latrines
<b>OPEN DEFECACTION</b>	Disposal of human faeces in fields, forests, bushes, open bodies of water, beaches or other open spaces, or with solid waste

*Note: improved facilities include flush/pour flush to piped sewer systems, septic tanks or pit latrines; ventilated improved pit latrines, composting toilets or pit latrines with slabs.*

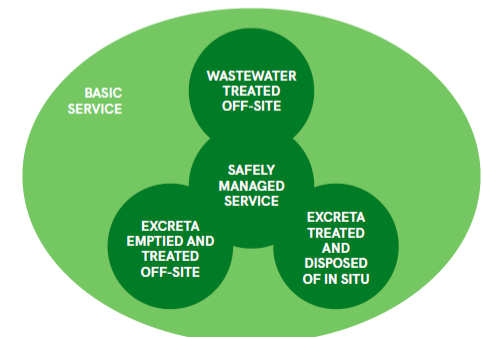


Fig. 12 The new JMP ladder for sanitation services

# The numbers and math



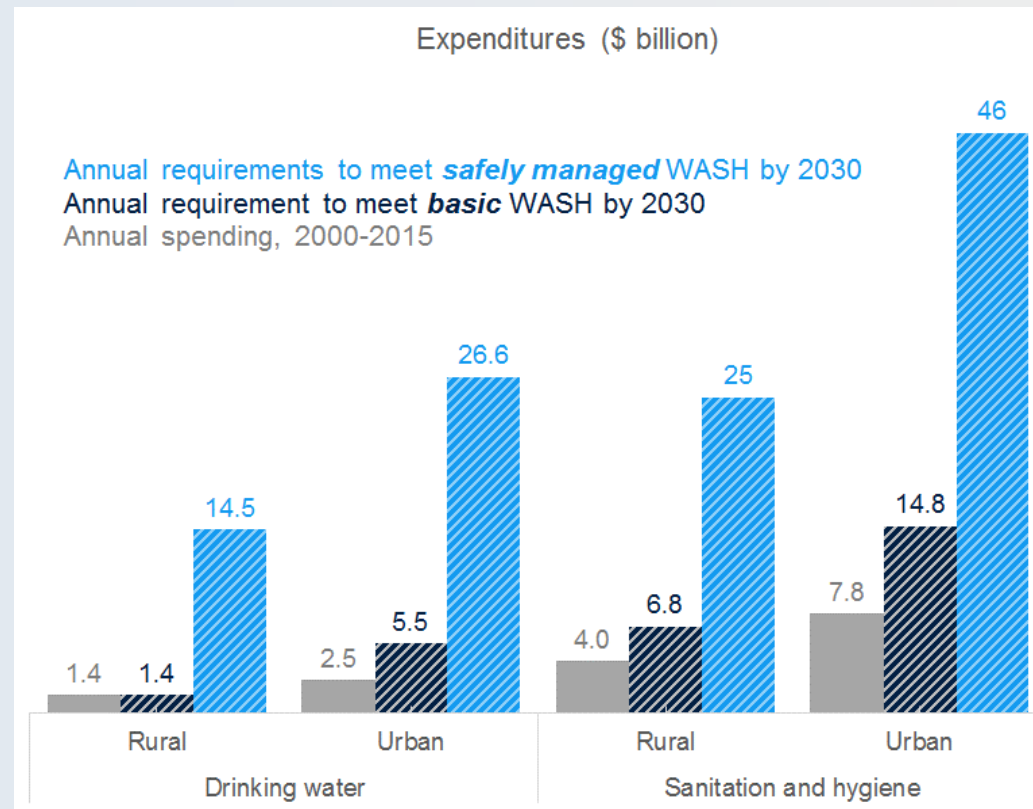


# Reaching universal access will require at least tripling investments compared to MDG period

Approximately \$16 billion were invested per year to expand access between 2000-2015

Total capital investment to deliver universal access to safely managed WASH: around \$114 billion per year

Sanitation accounts for 60% of estimated costs, including 40% for urban sanitation alone



Source: Hutton and Varughese. 2016. The Costs of Meeting the 2030 Sustainable Development Goal Targets on Drinking Water, Sanitation, and Hygiene. Washington, DC. World Bank.

# All countries, regardless of their state of development, need repayable financing

Water service provider's finances

## Costs

Capital maintenance
Financial costs
Operation and maintenance
Investment costs

## Funding

Financing gap
Transfers
Taxes
Tariffs

## REPAYABLE FINANCING

Concessional finance
Commercial finance
Funding
PUBLIC
PRIVATE

Traditionally, bulk of repayable finance for water came from concessional finance, i.e. from development finance institutions with a grant element

To meet the SDGs, commercial finance needs to be leveraged with a particular focus on *domestic commercial finance*



**Innovative, blended  
financial solutions**

# India is already ahead of the game

- SBM guidelines recommend microfinance
- Water and Sanitation is included under *Social Infrastructure* category of Priority Sector Lending by banks (July 2015)
- Toilet construction eligible for financing through SHGs under National Rural Livelihoods Mission (July 2017)



## How is this happening on the ground?

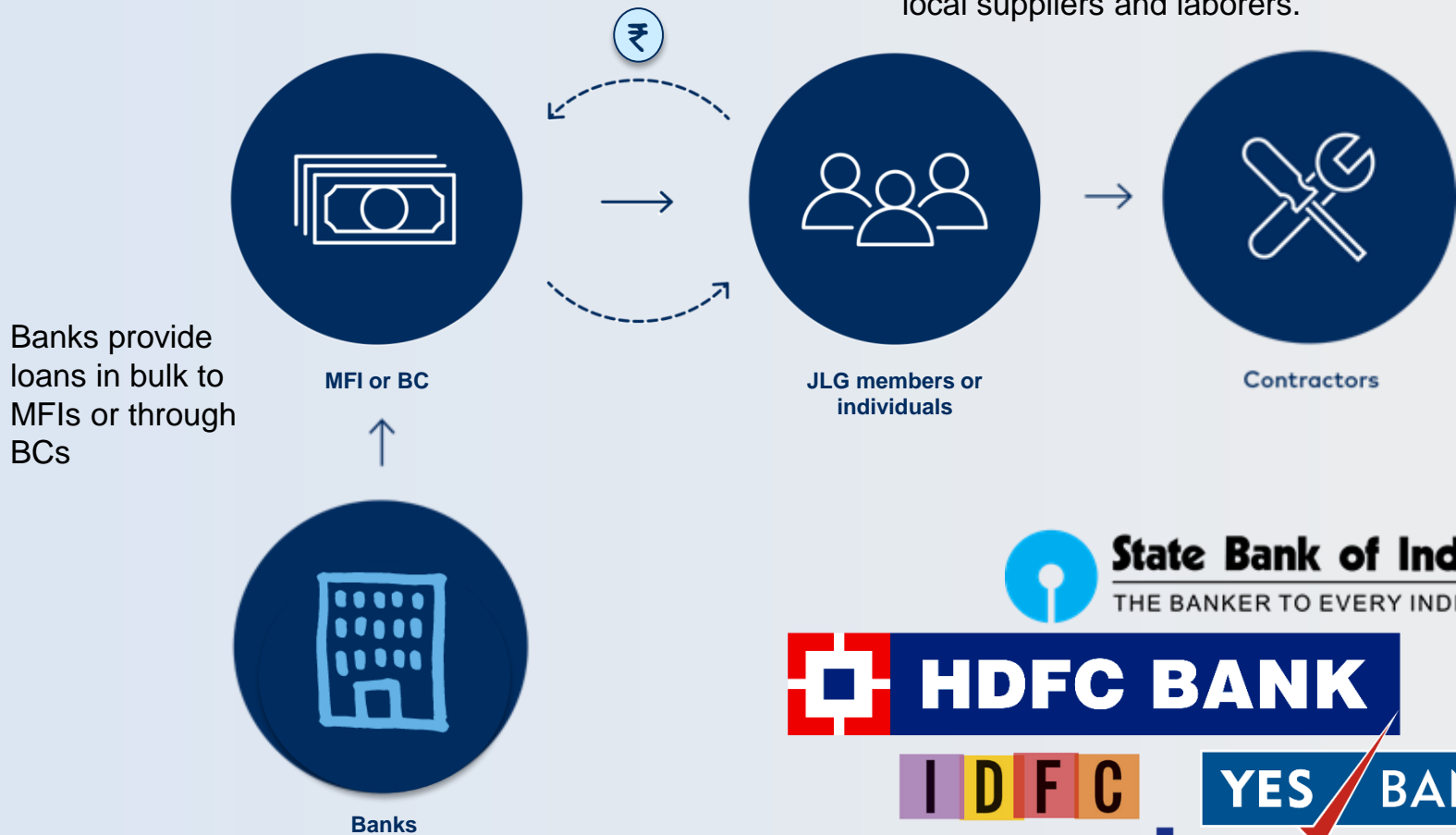
- Credit linkage with Government SHGs
- Credit linkage with non-Govt SHGS through BCs / BFs
- Direct lending through own JLGs, SHGs, or individual loans
- Bulk lending to MFIs



# What does this look like?

## Bank-BC model

JLG or individual borrowers use these small, loans to put a toilet or tap in their homes, paying local suppliers and laborers.



# What does this look like?

## Bank- SHG model



Banks provide credit to SHGs for sanitation or water, either directly or through SHPIs

SHG Borrowers use these small loans to put a toilet or tap in their homes, paying local suppliers and laborers.



*Relationships beyond banking.*

# Blended finance at work in India



SBM incentives and other government schemes (NRLM, PSL) act as a catalyst for private finance



Approx  $\frac{3}{4}$  of sanitation borrowers (78%) paid an average additional ₹12,000 above the loan amount to construct the toilet they desired.\*



When a household takes a loan to construct their toilet, that is money that the government did not have to spend (excepting SBM-eligible HHs)



When a MFI or private bank provides the loan, that is money that the government did not have to spend

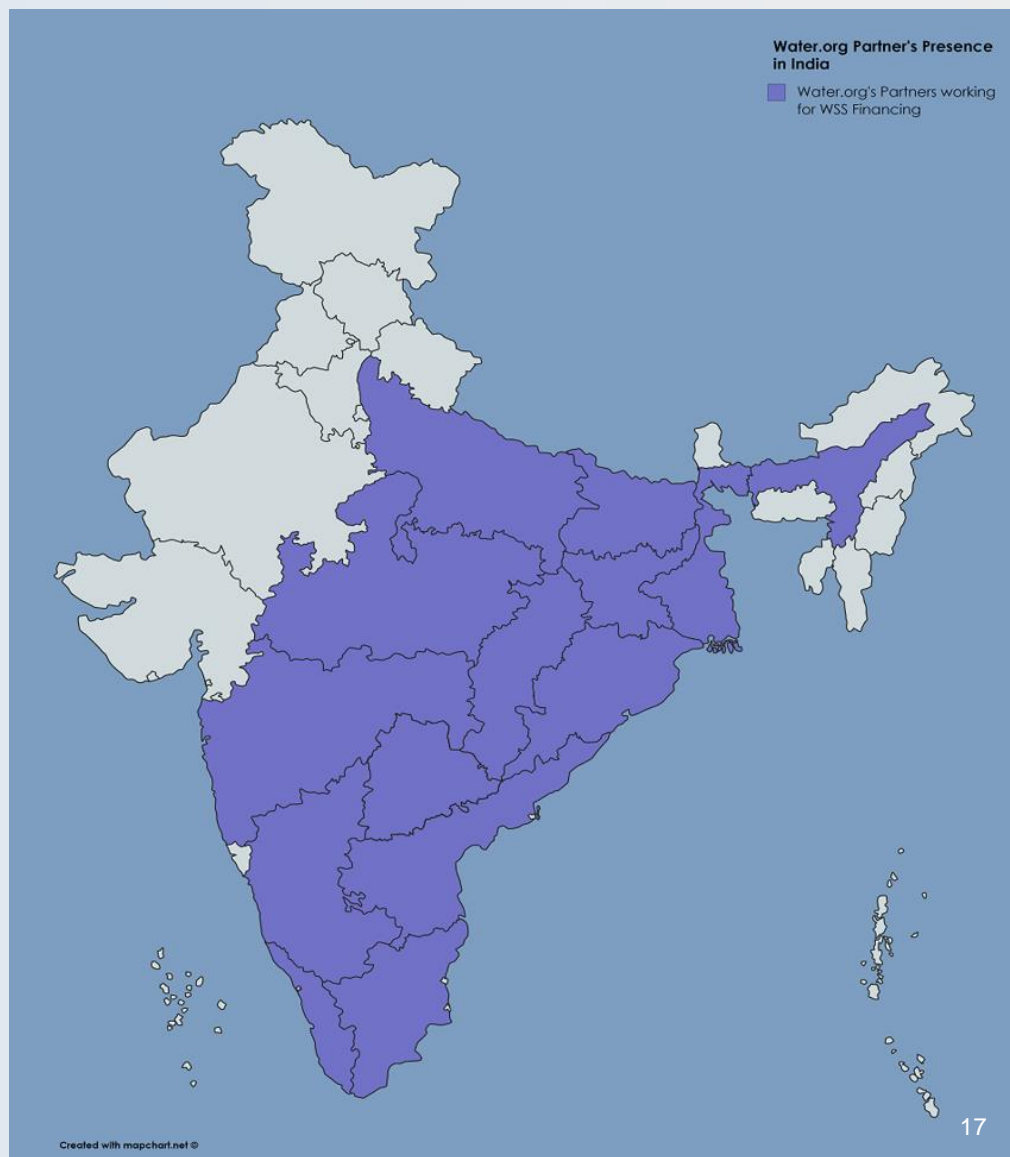


Toilet usage and maintenance improves and is sustained longer when household involved in design and construction



# Lending for WaSH by the numbers

- Over ₹1,865 crores
  - 17 states
  - Over 60 lakh people
  - 8,00,000 loans for toilets
- Close to 100% repayment rate
- 98% women
- 79% rural
- 22 financial partners
- Income-enabling and life-enhancing



## Much more is still needed



Estimated need for HH-level sanitation finance:  
₹51,000-80,000 crores (MDWS)



Estimated need for SBM incentives for uncovered rural households: ₹50,000 crores (MDWS)



Significant need for MSME finance



1% of PSL portfolio of scheduled banks can release between ₹25,000-30,000 crores of credit annually



1% of PSL portfolio of RRBs can release approximately ₹1,200 crores of credit annually



**Thank you!**

Lesley Pories, Senior Sector Analyst

[lpories@water.org](mailto:lpories@water.org)

