

# ➤ Crowdfunding for Sanitation

*Overview*

*CEPT University With support from Dalberg Global Development Advisors*

# Executive Summary (1/4)

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## Background

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- Our previous work in Maharashtra highlighted significant gaps in the sanitation value chain in the towns of Wai and Sinnar. Specifically, access to “own toilets<sup>1</sup>” and treatment of septage remains a challenge in both the towns
- Furthermore, existing funding under government schemes is unlikely to meet investment requirements to achieve universal sanitation
- There is high need for external financing support to improve access to sanitation services in these two towns – ~INR 72.8 M is required to provide 100% coverage of toilets at the households, ~INR 33.6 M to provide toilets in schools, and ~INR 7.3 M required to build Sludge Drying Beds (SDBs) to treat 100% household waste
- Various financing sources could be leveraged to support these projects - crowdfunding is an emerging tool in development sector financing, and could play a catalytic role in generating financial support for these households. Going forward, this project could also help create awareness on the issues of urban sanitation in the broader community
- The primary objective of this study is to assess crowdfunding as a financing option for sanitation needs in Wai and Sinnar

## About crowdfunding

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- The global crowdfunding industry is expected to raise ~USD 34.5 B in 2015, with the Asian market being the fastest growing geography. Within India, the crowdfunding space is still at a nascent stage, and will raise an estimated ~USD 5-12 M in 2015, with social causes comprising ~30% - 40% of crowdfunding contributions
- A crowdfunding campaign involves a central crowdfunding platform, a primary organizing agency, and a field partner. The campaign is typically run over 5 stages – (i) campaign design, (ii) funder identification, (iii) field partner identification, (iv) campaign roll-out, and (v) on-the ground project execution
- There are three broad categories of financial instruments that are used to raise funds for crowdfunding campaigns
  - Investment (81.4%) : This includes **equity investments** (~7.5%), **loans** (~72.8%), and **royalties** (~1.1%)
  - Donations (16.2%) : This includes **pure grants** (~8.4%), and **rewards** ( 7.8%)
  - Hybrid (2.4%): This include a **combination** of two or more of the above instruments

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## Executive Summary (2/4)

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- Recently, various crowdfunding platforms have emerged globally (and in India), and allow contributions across a broad spectrum of financing instruments. 4 platforms have been instrumental in raising funds for sanitation projects in India – GlobalGiving, Indiegogo, Kiva, and Milaap.

### Campaign design

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- **Project ideas:** CEPT has identified 3 potential project ideas for crowdfunding campaigns – (i) building toilets for households, (ii) building toilets in schools, and (iii) constructing STFs (e.g. SDBs) to treat household waste
- Preliminary discussions with CF platforms suggest that these are viable ideas, and that their success would depend upon the design of the campaign materials, and their appeal to potential funders
- **Fund sizing:** These projects have varying financing requirements, and potential for impact:
  - Toilets for households: Unit cost of INR 40 K; potential to impact 3-4 households per unit
  - Toilets at schools: Unit cost of INR 300 K; potential to impact 40 children per unit
  - SDBs: Unit cost of INR 250 K; potential to impact 750 households per unit

Based on our analysis, we recommend a target fund size of ~INR 400 K for a campaign to build household toilets, ~INR 600 K to build toilets in schools, and ~INR 1.25 M to build SDBs. We further recommend loans for building household toilets, and grants for building toilets at schools, and construction of SDBs.

Considering the small scale of campaigns possible, crowdfunding can not be the primary source for funding the entire sanitation infrastructure, but can be a short term initiative to help raise capital and contribute towards improving sanitation services in the towns of Wai and Sinnar.

- **Organizing agency and field partners:** Based on the global experience, and the context of the proposed projects, we reviewed 7 potential actors who can post and run the campaigns – (i) individuals, (ii) self-help groups (SHGs), (iii) MFIs, (iv) businesses (local and corporates), (v) local NGOs, (vi) ULB, and (vii) institutions (e.g. foundations, schools). We evaluated these actors from three lenses –
  - Eligibility requirements of the crowdfunding platform
  - Ability to activate potential funders, and
  - Ability to liaise with beneficiaries based on project design

## Executive Summary (3/4)

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- Based on our high level analysis, our preliminary recommendation is that:
  - An SHG along with an NGO or an MFI run the campaign for toilets at the household level
  - An external marketing agency run a campaign on behalf of a school to build toilets for students
  - An NGO run the campaign for the SDBs, and a ULB would oversee the implementation of the work
- **Funders:** We considered 3 broad categories of funders for the proposed crowdfunding campaigns –
  - Individuals: Individuals are further classified into two networks – (i) active, which includes individuals within the three degrees of separation from the agency, and (ii) passive, which includes those beyond the three degrees of separation. Based on past experience, active network typically contributes ticket sizes between ~INR 5,000 – 6,000, while passive network contributes between ~INR 3,500 – 5,000. Funders in India have a preference towards contributions in grants, whereas the global preference is towards loans
  - Businesses: Business include - (i) small scale businesses, which are primarily expected to be local based, and (ii) medium – large businesses which would be larger corporates either active in the sanitation space, or with operations in Wai and Sinnar. Business are likely to have a preference for grants, with variable ticket sizes depending on the nature of the relationship with the organizing agency
  - Institutions: This includes foundations who work in the sanitation space in India. They are likely to be agnostic to the choice of financial instrument.
- **Outreach:** Experts interviewed highlighted the importance of developing a strong personal narrative in designing a successful crowdfunding campaign. There are various outreach instruments available to organizers – however, these must be used in a staggered manner depending on the phase of the campaign, and the target audience. The launch, and inception phases should be dominated by personal outreach tools such as email and phone calls to activate the active network of individuals, and local businesses. Subsequent phases of the campaign should be dominated by a strong presence on social network (for example, Twitter, Facebook, and WhatsApp) to activate the network of passive funders.

## Executive Summary (4/4)

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- **Fundraising:** The ideal length of a crowdfunding campaign is 4-6 weeks, with another ~4 weeks of pre-launch work. Typically, a campaign is expected to have three phases of equal duration and should raise ~35% in the first phase (first week), ~30% in the second (second and third weeks) and ~35% in the final phase (fourth week). Individuals in the active network of the agency drive contributions in the inception phase, small businesses and fundraisers in the middle phase, and individuals in the passive network in the final stages of the campaign

### Next steps

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#### As next steps, the organizing agency should:

- **Conduct stakeholder discussions:** Hold a round of discussions with the relevant stakeholders – SHGs, MFIs, NGOs, local businesses in Wai/ Sinnar, schools, and the ULB to understand their willingness and capacity to participate in a crowdfunding initiative
- **Shortlist specific campaign ideas.** Identify and shortlist projects to be taken forward based on stakeholder discussions, and an assessment of capabilities available

# Acronyms

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BOD	Biochemical Oxygen Demand
BOP	Base of the Pyramid
CF	Crowdfunding
COD	Chemical Oxygen Demand
CSR	Corporate Social Responsibility
FCRA	Foreign Currency Regulation Act
HH	Household
INR	Indian Rupees
MFI	Microfinance Institution
MLD	Million Liters per day
NBFC	Non-Banking Financial Company
NGO	Non Governmental Organization
O&M	Operations and Maintenance
PAS	Performance Assessment System
SDB	Sludge Drying Beds
SHG	Self Help Group
STF	Sludge Treatment Facility
TSS	Total Suspended Solids
ULB	Urban Local Body
USD	US Dollars

## List of interviewees

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<b>Name</b>	<b>Organization</b>	<b>Title</b>
Anshulika Dubey	Wishberry	Co-founder
Akash Trivedi	Kiva	Program Manager
Saheba Sahni	Kiva	Portfolio Manager, South Asia and Middle East
Sourabh Sharma	Milaap	CEO and Co-founder
Alisa Cordesius	Indiegogo	Manager of Social Innovation & Design
Piyush Jain	Impact Guru	Founder and CEO



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- 1 Background and context
- 2 Overview of crowdfunding
- 3 Designing the crowdfunding campaign
- 4 Next steps

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# Our previous work in Maharashtra highlighted significant gaps in the sanitation value chain

Access

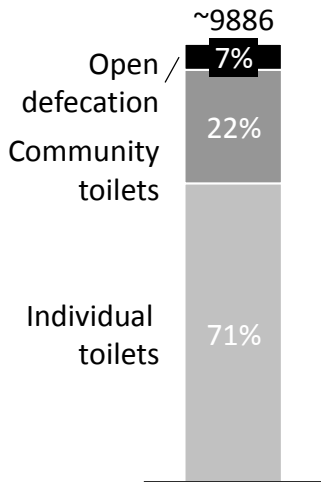
Collection

Conveyance

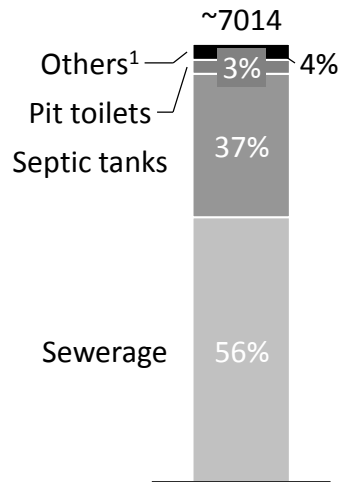
Treatment

Disposal/Reuse

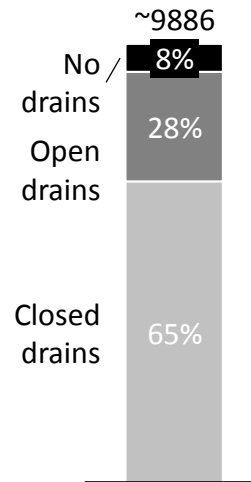
Access to type of sanitation  
(‘000s of HH)<sup>1</sup>



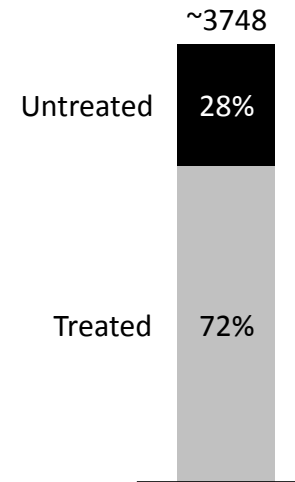
Method of collection of waste<sup>2,3</sup>  
(‘000s of HH)



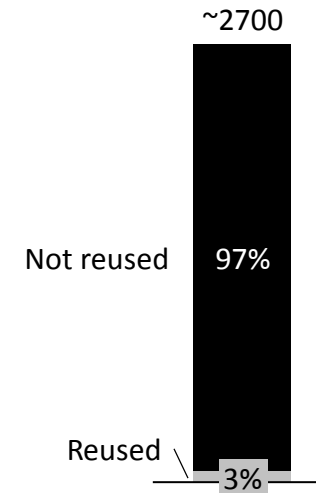
Methods of conveyance of waste<sup>3</sup>  
(‘000s of HH)



Treatment of wastewater<sup>3</sup>  
(in MLD)



Disposal of waste<sup>3</sup>  
(in MLD)



~690,000 HH practice open defecation and ~1/5<sup>th</sup> of HH depend on community toilets, even in non-slum areas

~250,000 HH with personal toilets use other method of waste collection

~730,000 HH have no drains for conveyance of wastewater

~1,050 MLD of wastewater is left untreated every day

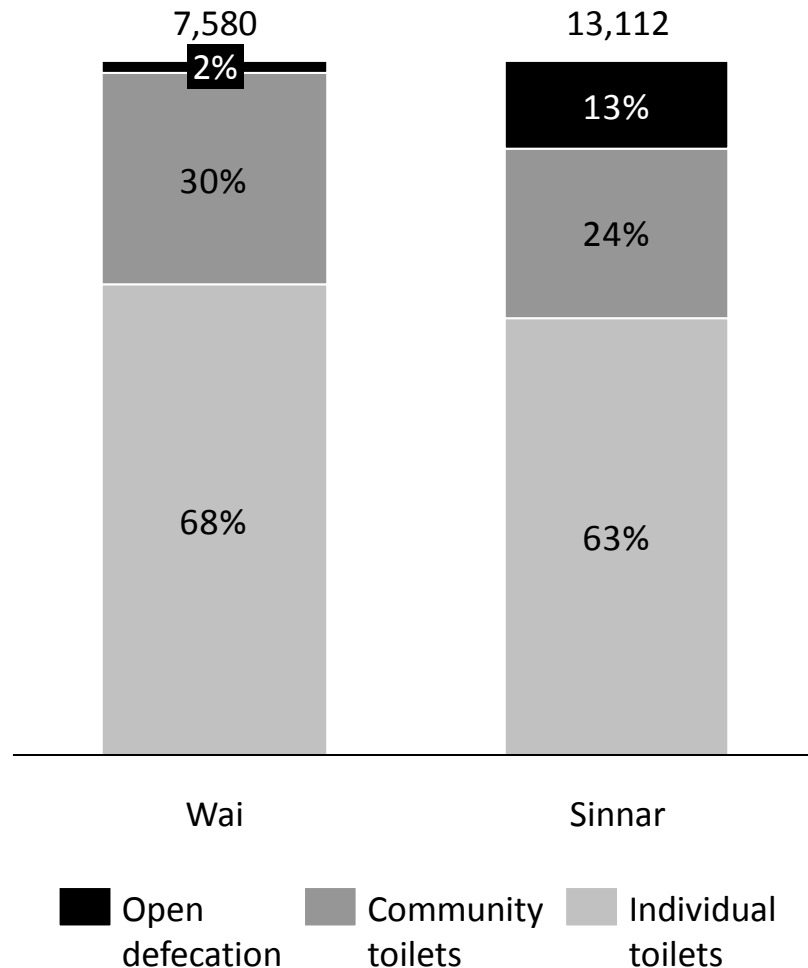
~2,600 MLD of treated wastewater is disposed off without being reused

Note: (1) Includes other methods of disposal such as basic pour flush latrines, night soil disposed in open drains and latrines serviced by humans/animals; (2) Analysis for personal toilets only (data not available for method of disposal of waste by community toilets) across 249 Urban Local Bodies in Maharashtra; (3) Analysis for 249 Urban Local Bodies (ULBs) in Maharashtra

Source: CEPT PAS data 2011, Census of India 2011

# Specifically, "access" to toilets remains a challenge in the towns of Wai, and Sinnar

## Access to types of sanitation facility (Number of HH)

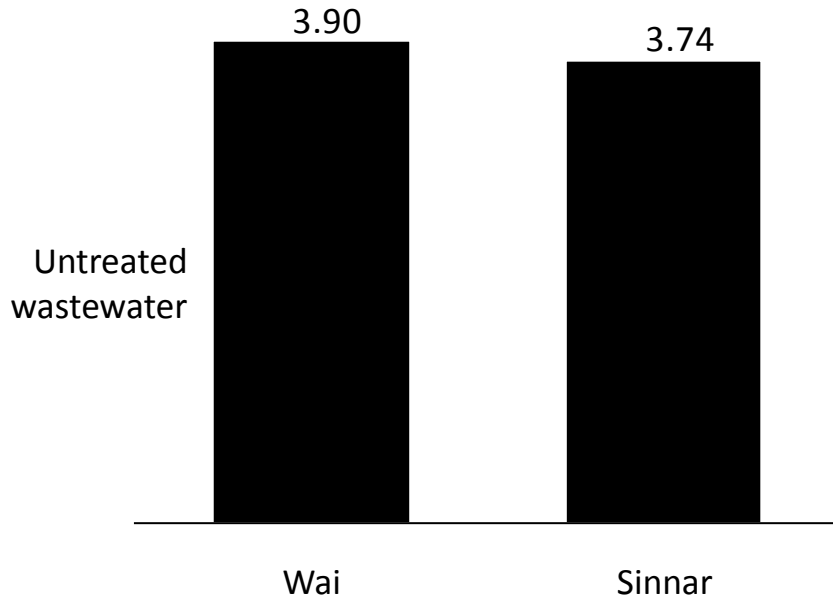


## Key issues in access

- **Wai**
  - The prevalence of **open defecation is low**, but ~30% or ~2,400 households lack individual toilets, and are dependent on community toilets, even among non-slum households
  - **Community toilets are in fair condition**
- **Sinnar**
  - ~13% or ~1700 households practice open defecation, and another ~24% rely on community toilets, even among non-slum households
  - **Community toilets are in poor condition**, and 13% of seats we surveyed were non-functional

# Furthermore, all wastewater is dumped without treatment into the rivers, while untreated septage is disposed off in the open

## Quantity of untreated wastewater (in MLD)





















- **There are no centralized or decentralized** treatment facilities in these towns
- The towns slope towards the rivers, and due to lack of soak-pits and treatment facilities, **all the wastewater drains into the river**
- Collected septage is directly disposed off without treatment in a **dumping ground on the outskirts of the city**

## Wastewater pollution levels

Average		BOD (mg/l)	COD (mg/l)	TSS (mg/l)	pH count
1	Wai	92.4	160.0	117.3	7.0
2	Sinnar	276.6	432.0	233.2	7.0
<b>Permissible Limits</b>		<b>30</b>	<b>250</b>	<b>600</b>	<b>6.5-8.5</b>

- Samples of wastewater collected from various locations in Wai and Sinnar show far higher levels of **Biochemical Oxygen Demand (BOD)** than the prescribed limits set by the Central Pollution Control Board

# Access to toilets can be provided by providing Individual, Group, or Community Toilets

Criteria	Type of toilet facility			Advantages of individual and group toilets
	Individual toilets	Group toilets	Community toilets	
Space efficiency				<ul style="list-style-type: none"> <li>Group toilets require less space on a per HH basis</li> </ul>
Cost effectiveness for household				<ul style="list-style-type: none"> <li>Since 2-4 HH pool their resources, group toilets are more cost effective than individual toilets</li> </ul>
Level of cleanliness				<ul style="list-style-type: none"> <li>As households feel more ownership over individual and group toilets, they are likely to keep them cleaner than community toilets</li> </ul>
Cost savings for the ULB				<ul style="list-style-type: none"> <li>Group and individual toilets are privately owned and the burden of O&amp;M costs shifts from the ULB to the households</li> </ul>
Ease of Access				<ul style="list-style-type: none"> <li>Group and individual toilets are likely to be located closer to households than community toilets</li> </ul>
Safety and User friendly				<ul style="list-style-type: none"> <li>Group and individual toilets are safer for the elderly, women and children as compared to community toilets, that are often located at a distance and lack electricity</li> </ul>

While individual toilets are the most preferred solution, in situations where space and affordability pose serious constraints, group toilets may be a cost and space efficient way of providing improved sanitation facilities in Wai and Sinnar

# Sludge drying beds are a non-mechanical and low-cost method for treatment of fecal sludge

Rationale for selecting sludge drying beds – based on a review /assessment of treatment options

Technology Option	Input	Output	Energy requirement	Land required	Capital cost	O & M cost
Unplanted Sludge drying bed (SDB)	<ul style="list-style-type: none"> <li>Fecal sludge</li> </ul>	<ul style="list-style-type: none"> <li>Treated sludge</li> </ul>	Non-mechanical			
Planted Sludge drying bed	<ul style="list-style-type: none"> <li>Fecal sludge</li> </ul>	<ul style="list-style-type: none"> <li>Treated sludge</li> <li>Forage</li> </ul>	Non-mechanical			
High Rate Sludge digester	<ul style="list-style-type: none"> <li>Fecal sludge</li> </ul>	<ul style="list-style-type: none"> <li>Treated sludge</li> <li>Biogas</li> </ul>	Mechanical			
Mechanical Dewatering of sludge	<ul style="list-style-type: none"> <li>Fecal sludge</li> </ul>	<ul style="list-style-type: none"> <li>Treated sludge</li> </ul>	Mechanical			
Co-Composting	<ul style="list-style-type: none"> <li>Fecal Sludge</li> <li>Organic waste</li> </ul>	<ul style="list-style-type: none"> <li>Compost</li> </ul>	Non-mechanical			
Anaerobic bio-gas reactor	<ul style="list-style-type: none"> <li>Fecal sludge</li> <li>Black water</li> <li>Organic waste</li> </ul>	<ul style="list-style-type: none"> <li>Treated sludge</li> <li>Biogas</li> </ul>	Mechanical			

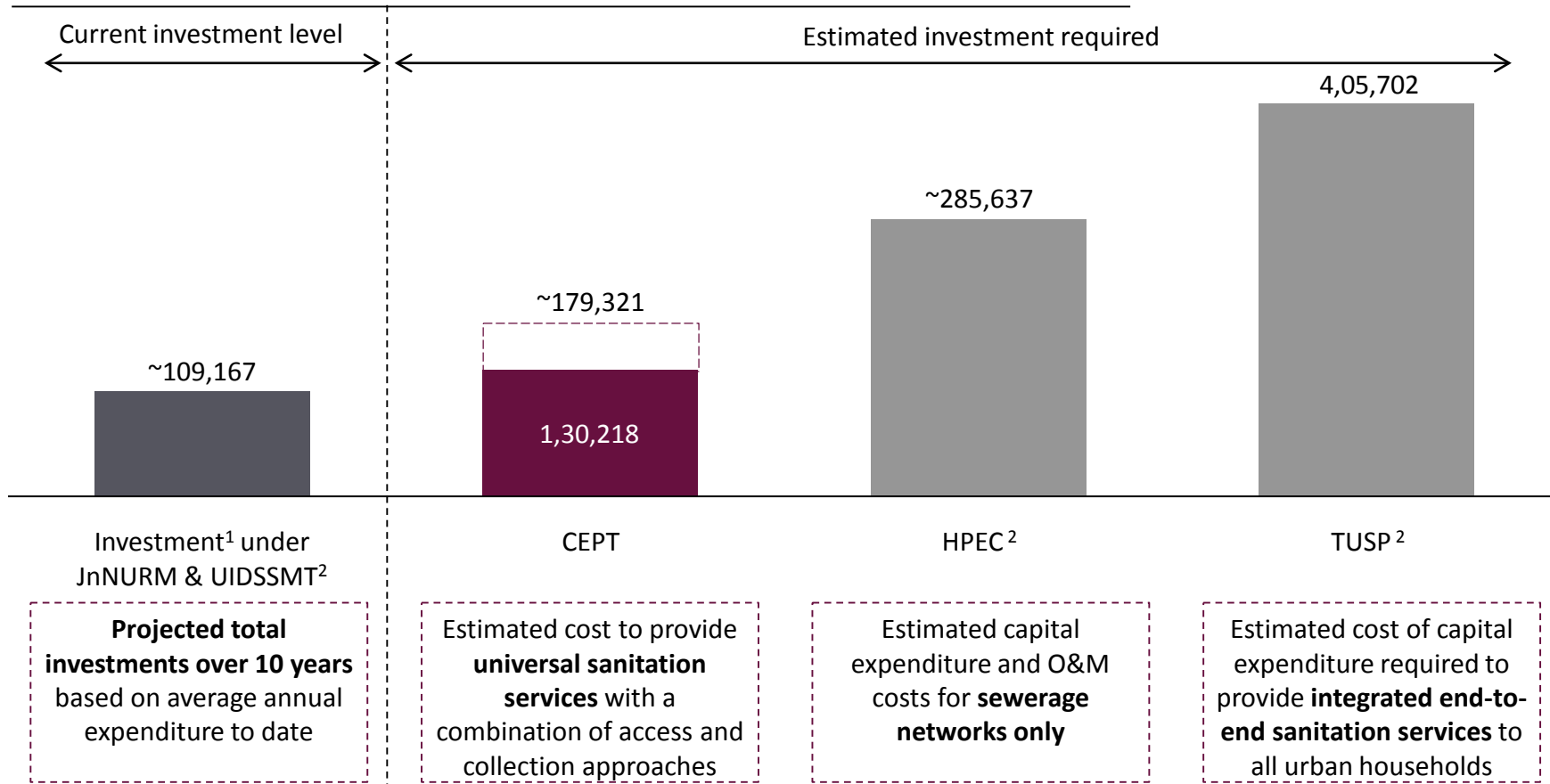
Unplanted sludge drying beds are an efficient method for the treatment of fecal sludge and require low investment in upfront capex and O&M<sup>1</sup>

Note: (1) SDBs is opted as the Sludge Treatment Facility (STF) for the purpose of this study only, and the project can be executed with a superior and cost-effective technology, if identified.

Source: Presentation on septage management plan, CEPT University

# Existing funding under government schemes is unlikely to meet investment requirements to achieve universal sanitation

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



*Flagship government schemes such as JnNURM and UIDSSMT have invested heavily in sewerage projects, however yearly investments will need to be much higher in order to meet requirements*

Note: (1)JnNURM: Jawaharlal Nehru National Urban Renewal Mission; HPEC: High Powered Executive Committee for estimating the investment requirements for urban infrastructure services; TUSP: Total Urban Sanitation Policy; (2) Projected investments under JnNURM and UIDSSMT estimated by using the average annual expenditure from 2006-13 and calculating the expenditure for the next ten years based on it

Source: CEPT data



# Specifically, significant financing support is also required to address prevailing gaps in sanitation services in Wai and Sinnar

**~INR 72.8<sup>1</sup> M**

required to provide

**100% access** to

toilets at the

**household level**

**~INR 33.6<sup>2</sup> M**

required to provide

**100% access** to

toilets in **schools**

**~INR 7.3 M**

required to provide

**100% coverage**

**through SDBs**

Note: (1) (Total HHs in Wai and Sinnar, 7580 and 13112 respectively) x (HHs that need own toilets in Wai and Sinnar, 32% and 37% respectively, assuming 4 HH/ own toilet) x (cost of each toilet, assumed INR 40,000); (2) (# of school going children in Wai and Sinnar, assumed 3790 and 6556 respectively) x (proportion of toilets/children, 1 for 40 children) x (proportion of dysfunctional toilets, 50%) x (Cost of each toilet, INR 260 K);

Source: Report on town diagnostics for sanitation services and nature of capacity building support needed

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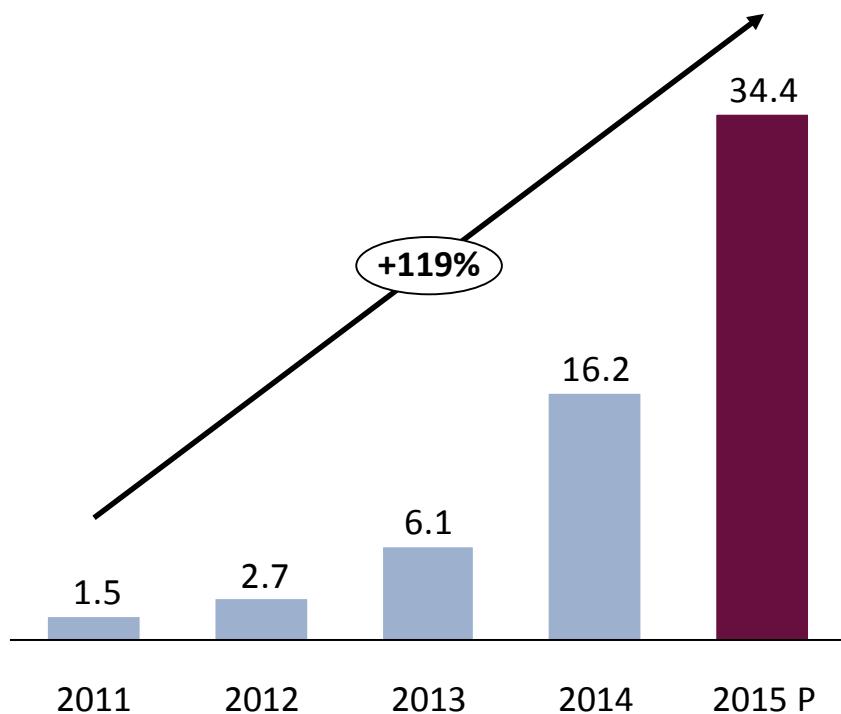
3 Designing the crowdfunding campaign

4 Next steps

# Crowdfunding is rapidly emerging as a source of capital for financing projects in the development sector

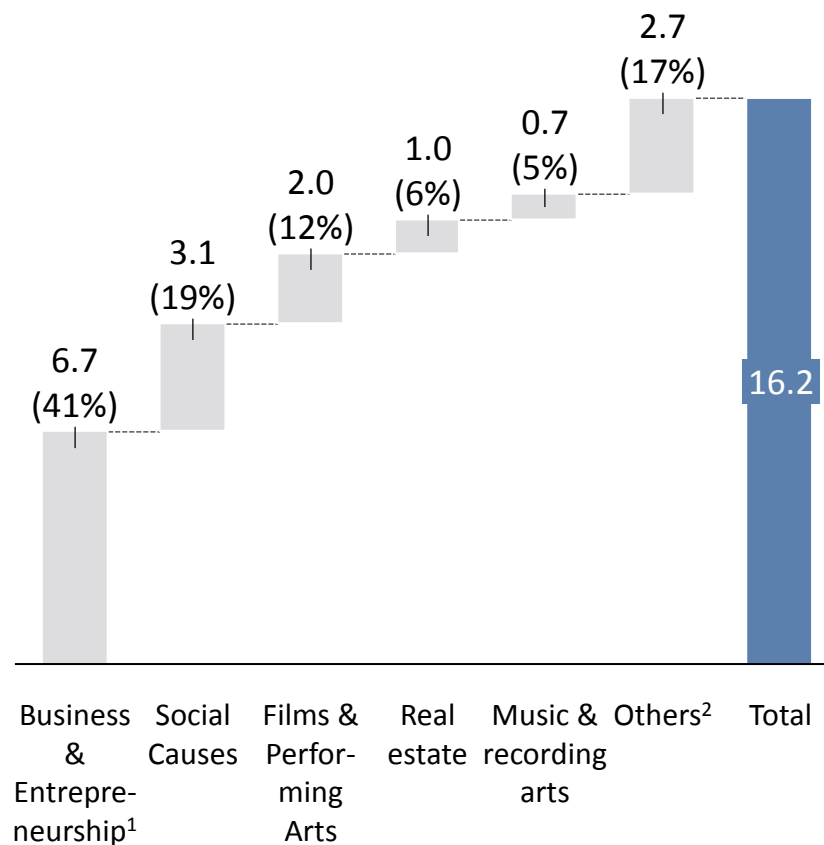
## Global crowdfunding – size and growth

All figures in USD B, (2011-2015)



## Classification by use of funds

All figures in USD B, 2014



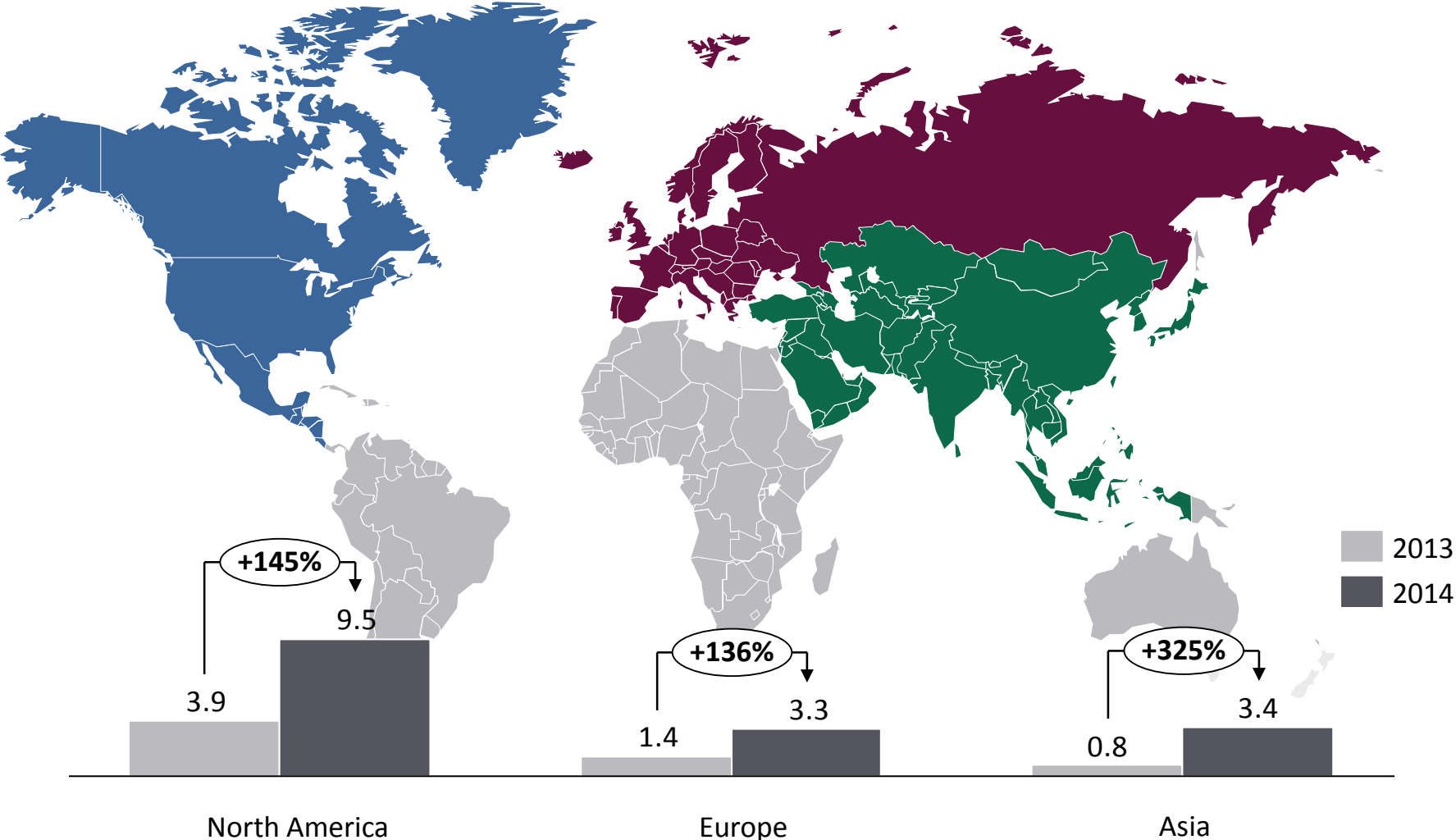
Note: (1) Business and Entrepreneurship refers to projects that seek funds for new ventures or set up new business units; (2) Others include categories such as Education, Food, Games, Politics, etc.

Source: Excerpts from Massolution's 2015CF – Crowdfunding Industry Report from [crowdsourcing.org](http://crowdsourcing.org); 2013CF The crowdfunding industry report from [massolution.com](http://massolution.com)

# At present, while North America has the highest market size, Asia has the highest growth rate

## Crowdfunding capital raised by geography

All figures in USD B, 2013-2014



Source: Excerpts from Massolution's 2015CF – Crowdfunding Industry Report from [crowdsourcing.org](http://crowdsourcing.org);

# Expert discussions suggest that India's crowdfunding market ranges between USD 5 - 12 M, and social sector campaigns constitute 30 – 50%



The ***crowdfunding space in India is very***

***nascent*** and estimates on the size of the industry vary significantly. Estimated aggregate capital raised

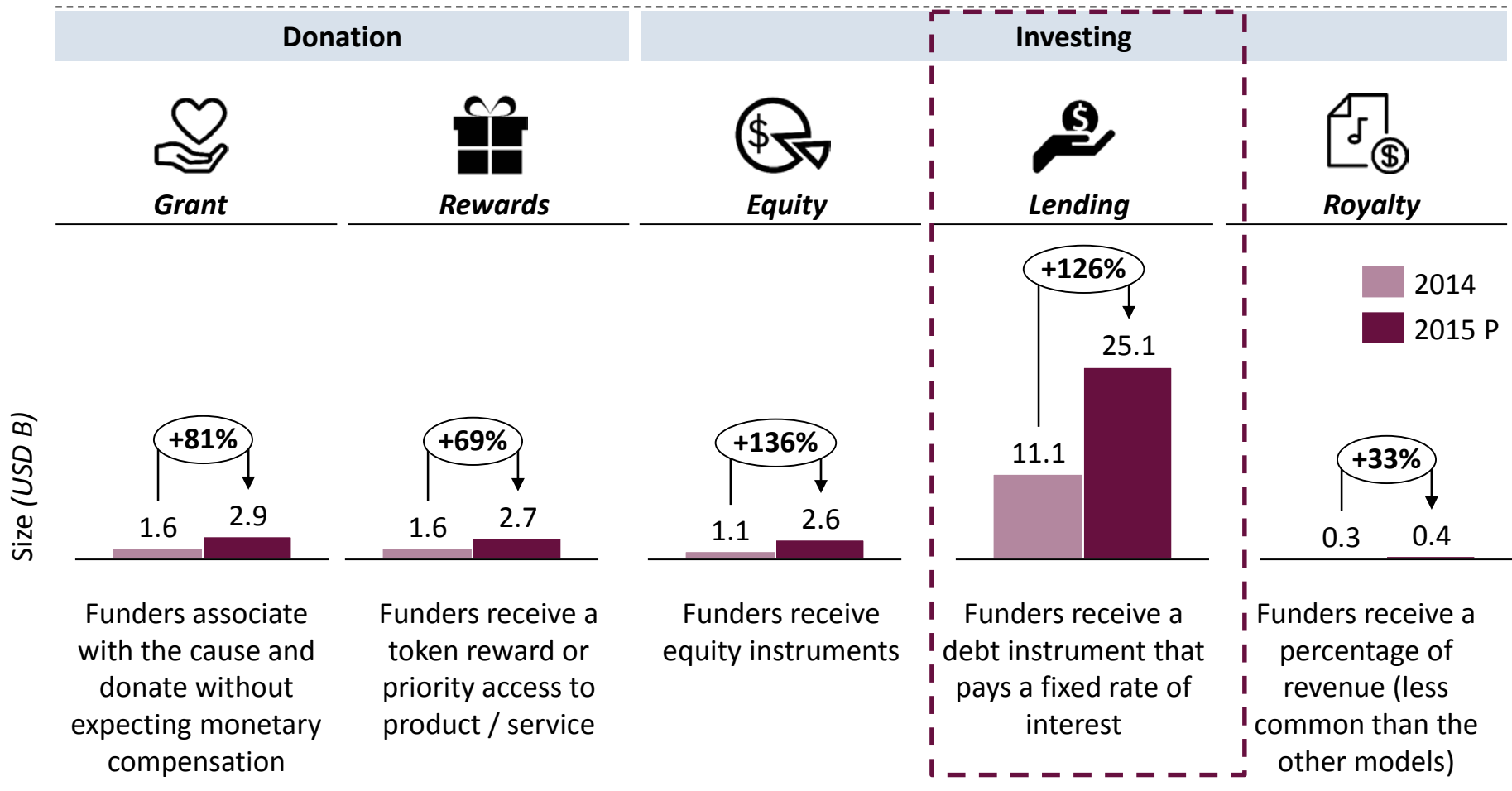
- Total funds raised through crowdfunding ***~USD 5 – 12 M***
- Share of crowdfunding for social causes: ***~USD 2 – 4 M***

# Typically, crowdfunding is a five step process involving three key actors

Steps	Key Actors	Description
<p>1</p> <p><b>Design campaign</b></p>	<p>Organizing Agency</p>	<ul style="list-style-type: none"> <li>Identify the cause, the target beneficiaries, and the amount of capital required to be raised as part of the campaign</li> </ul>
<p>2</p> <p><b>Identify funders</b></p>	<p>Organizing Agency</p>	<ul style="list-style-type: none"> <li>Identify potential individuals / organizations who will fund the campaign</li> <li>Understand funders' motivation, and triggers to enable their engagement</li> </ul>
<p>3</p> <p><b>Identify partners</b></p>	<p>Organizing Agency</p>	<ul style="list-style-type: none"> <li>Shortlist and select local field partners by mapping capabilities to campaign needs</li> <li>Select CF platform by understanding service offerings and requirements</li> </ul>
<p>4</p> <p><b>Design and roll-out campaign</b></p>	<p>Organizing Agency, Funders</p>	<ul style="list-style-type: none"> <li>Design a marketing plan to reach out to potential funders</li> <li>Launch campaign across media channels</li> </ul>
<p>5</p> <p><b>Implement on-ground activities</b></p>	<p>Organizing Agency, Field Partner<sup>1</sup></p>	<ul style="list-style-type: none"> <li>Disburse funds to the field partner, and track project implementation on the ground</li> </ul>

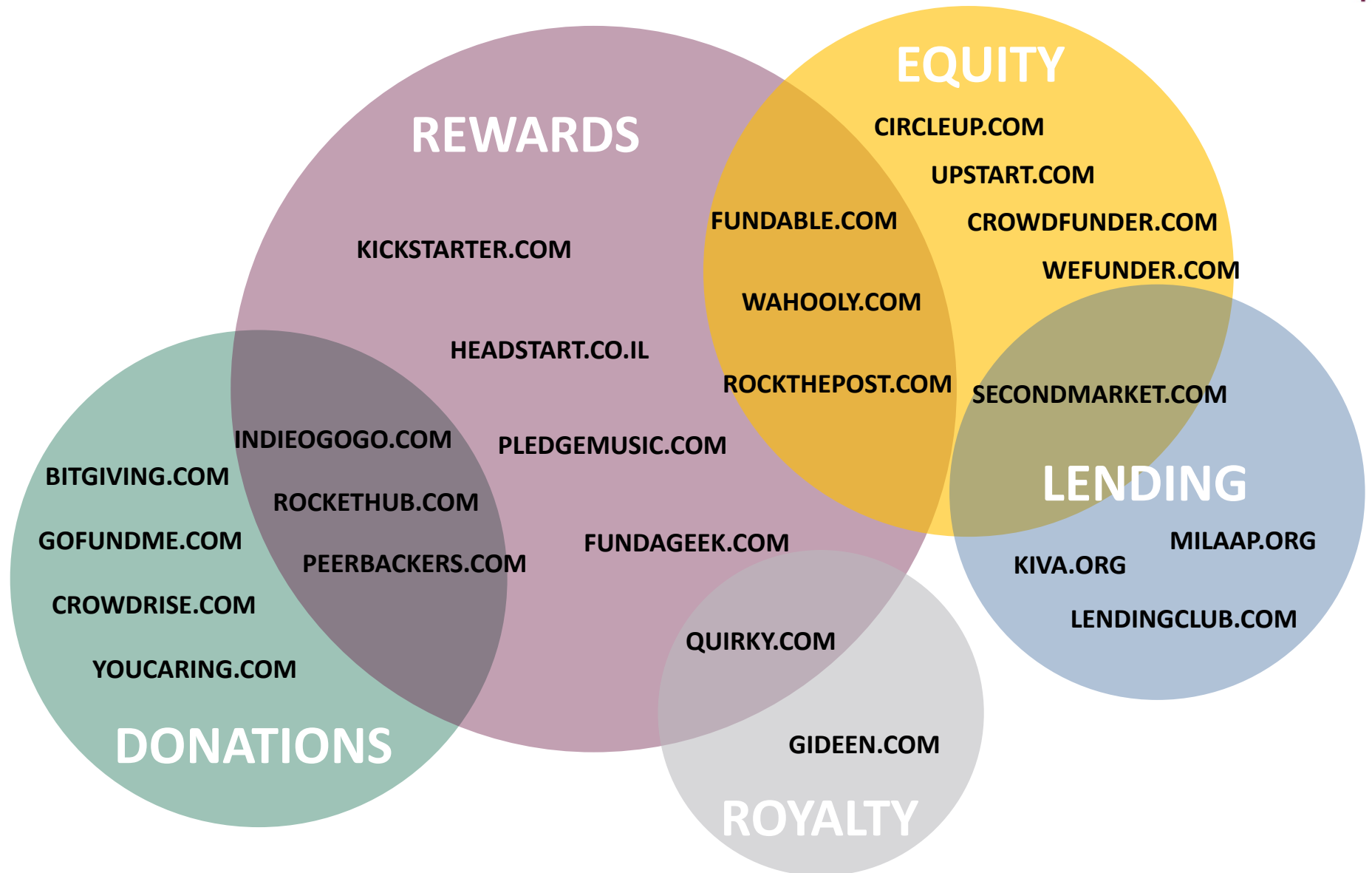
Note: (1) Field Partner is the agency, such as MFI / SHG / NGO, identified to implement the campaign on the ground

# Funds can be raised through five different financial instruments; loans comprise the biggest share in past campaigns



Several campaigns also use a **hybrid approach**, where in two or more of the above are combined. These are projected to contribute \$0.8 B (2%) in 2015 to overall capital raised.

# Various CF platforms have emerged in the last 15 years globally, leveraging different financial instruments to raise funds





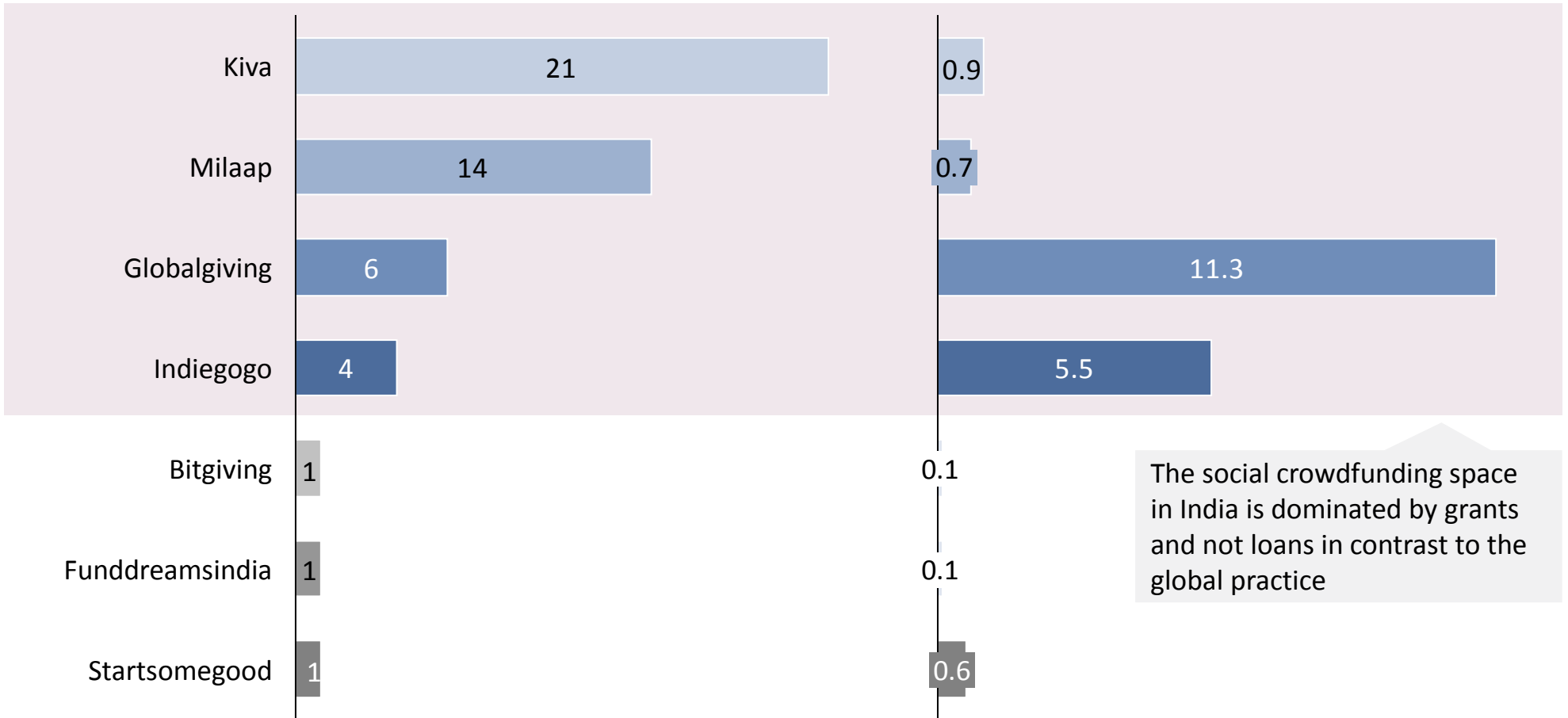
# Four platforms have been primarily engaged in raising capital through crowdfunding for sanitation projects in India

Number of sanitation projects in India

All figures in numbers

Cumulative goal of sanitation projects in India

All figures in INR M



The social crowdfunding space in India is dominated by grants and not loans in contrast to the global practice

# Illustrative Campaigns (1/4): Toilets for People! Join the Movement

Launched in 2014, to further access to toilets in developing countries using a new toilet design



The objective of the campaign is to:

- Install toilets in India, Nicaragua, and Peru through pilot programs
- Fabricate the mold to allow mass-production of toilets in these regions

## Organizing Agency

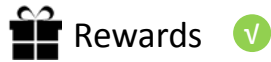
Jason Kass on behalf of **Toilets for People**<sup>1</sup>

A social business that designs, manufactures and sells affordable, portable composting toilets to NGOs working to bring sanitation to communities in the developing world

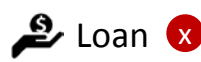
## Financial Instrument



Grant<sup>2</sup>



Rewards



Loan

- Type: One time
- Average Size: \$63
- Median Size: \$25
- # of Grants: 176
- Matching Campaign: No

- Memorabilia such as:
- T-shirts
  - Hats
  - Pictures of beneficiaries

N/A

## Digital and Social Media Employed



551 shares



52 tweets

**USD 10,076 raised**  
by 166 people in 2 months

Goal: USD 10,000

**101% funded**

Status: Completed



Note: (1) Toilets for People is the Field partner (2) Median and Average size calculated only for grant amounts that were disclosed; undisclosed grants are 8% of the total

Source: <https://www.indiegogo.com/projects/toilets-for-people-join-the-movement/x/12285215#/story>; accessed 14/10/15; thenounproject.com

# Illustrative Campaigns (2/4): Saraswathi and Group

Launched in 2015, to help the SHG fund the installation of toilets in their homes



The campaign is designed to help three families in rural India, to construct toilets in their homes

## Organizing Agency

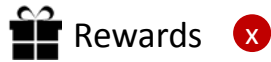
### GUARDIAN

Gramalaya Urban And Rural Development Initiatives (GUARDIAN), is a microfinance institution that exclusively provides micro-credit to build water and sanitation facilities around Trichy, Tamil Nadu

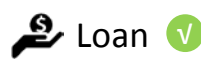
## Financial Instrument



Grant



Rewards



Loan



N/A

N/A

- Interest cost: 11.63%
- Loan Term: 18 months
- Mean and median: N/A

## Digital and Social Media Employed



N/A



N/A

**INR 42,000 raised**  
by 5 people

Goal: INR 42,000

**100% funded**

**Status: Completed**



# Illustrative Campaigns (3/4): Bathroom Facility For Disabled Children

Launched to help fund the construction of disabled friendly toilets



Donations will serve to build a bathroom that will provide disabled children with a bathroom that is accessible, private and secure

## Organizing Agency

### Steaua Calauza NGO for Children with Disabilities

Supports families throughout the Gratiesti town, Republic of Moldova by developing community based social care services for disabled children, changing public attitudes towards the differently abled, and promoting equal opportunities for the development of all community members

## Financial Instrument



Grant



Rewards



Loan



- Mean and median: N/A
- Type: One time, Monthly Recurring, and Gift/In-honour of
- Matching campaign: Yes

N/A

N/A

## Digital and Social Media Employed



130 shares



1 tweet

**USD 6,095 raised**  
by 66 people

Goal: USD 6,000

**101.6% funded**

**Status: Completed**



# Illustrative Campaigns (4/4): Maa Santoshi SHG-B Group

Launched in 2015, to the SHG fund the installation of toilets in their homes



The loan will help two families in rural Odisha to construct toilets in their homes

## Organizing Agency

### People's Forum

Its objective is to strengthen rural economies with local resources and through programs in mental health, elementary education, human trafficking prevention, income restoration, drought mitigation and health and hygiene awareness.

## Financial Instrument



Grant



Rewards



Loan



N/A

N/A

- Interest cost: 34% PY
- Loan Term: 43 months
- Mean and median: N/A
- Pre-disbursed loan<sup>1</sup>

## Digital and Social Media Employed



N/A



N/A

**USD 350 raised**  
by 14 people

Goal: USD 475

**73% funded**

Status: In Progress



Note: (1) The loan is disbursed to the beneficiary before the campaign goes live on KIVA; 73% of the goal is funded by individual lenders and the balance 27% has been funded by the field partner (which will be backfilled)

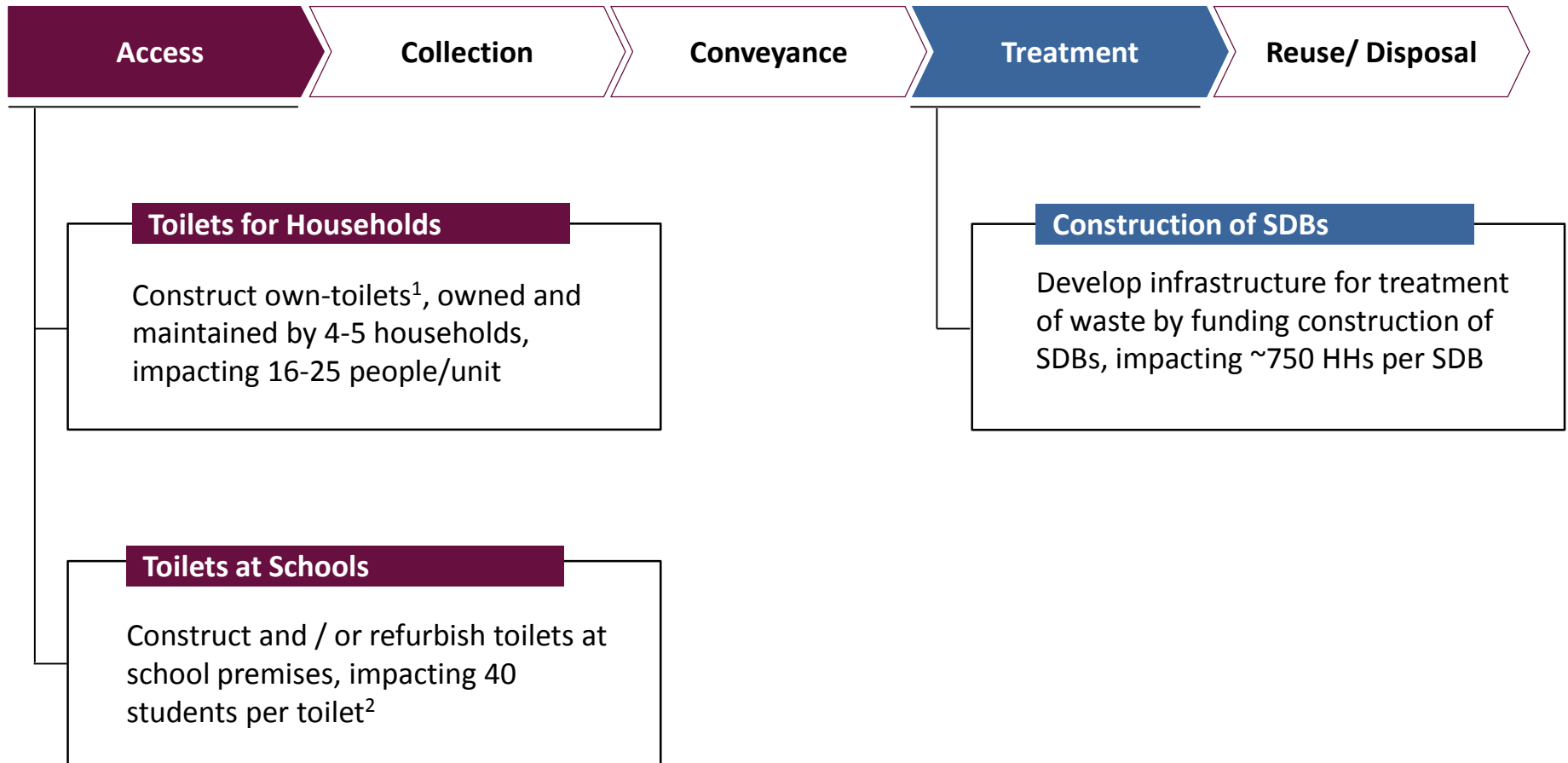
Source: <http://www.kiva.org/lend/947629>, accessed 07/10/15; thenounproject.com

# Contents

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- 1 Background and context
- 2 Overview of crowdfunding
- 3 Designing the crowdfunding campaign
- 4 Next steps

# CEPT has identified 3 potential CF campaigns – Toilets for Households, Toilets for Schools, and Sludge Drying Beds (SDBs)



# While capital can be raised relatively easily in the current supportive environment, sustainability and potential fallouts remain a challenge

## Strength

- Well defined social cause that can be weaved into a compelling story for potential lenders
- Raise capital rapidly, and at lower cost as compared to traditional forms of financing
- Generate awareness about the issue of sanitation along with raising capital



## Weakness

- Only small to medium sums of capital can be raised, limiting impact
- Source of funding unlikely to be sustainable over the long term



## Opportunity

- Growing awareness about sanitation issues in India through government programs, such as the Swachh Bharat Abhiyaan
- Potential to leverage the growing popularity of social media in general, and crowdfunding in particular
- Growing desire among the youth to contribute to social causes



## Threat

- CF works best if the ideas are novel and creative; need to demonstrate additionality of the campaign
- Strong need to establish connect with potential lenders/ donors
- Potential reputational damage if the project fails





# Preliminary discussions with CF platforms suggest that these are viable ideas



All **five crowdfunding platforms** we spoke to

**were interested** in hosting one or all of the campaigns identified.

*“Sanitation does seem to be a popular loan category in the Kiva lender base; many sanitation loans get funded quickly”*



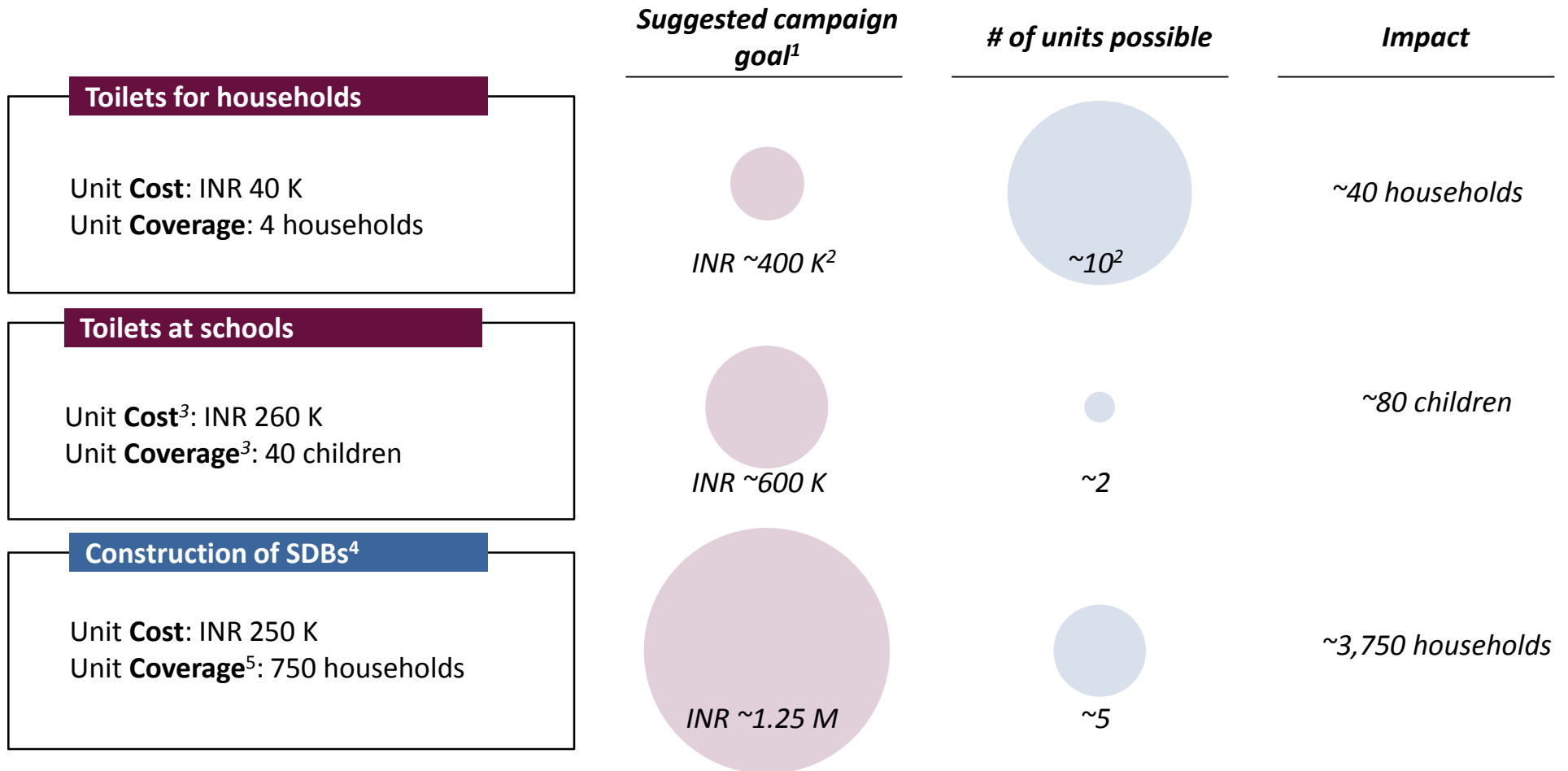
*“Sanitation was the first cause that Milaap took up and we have been successful in raising money for sanitation ideas”*



*“There are so many bleeding causes, that people become insensitive. However, projects like yours are not common and can stand out if projected in the right way”*



# The proposed ideas have varying financing needs, and differ in their scale of impact



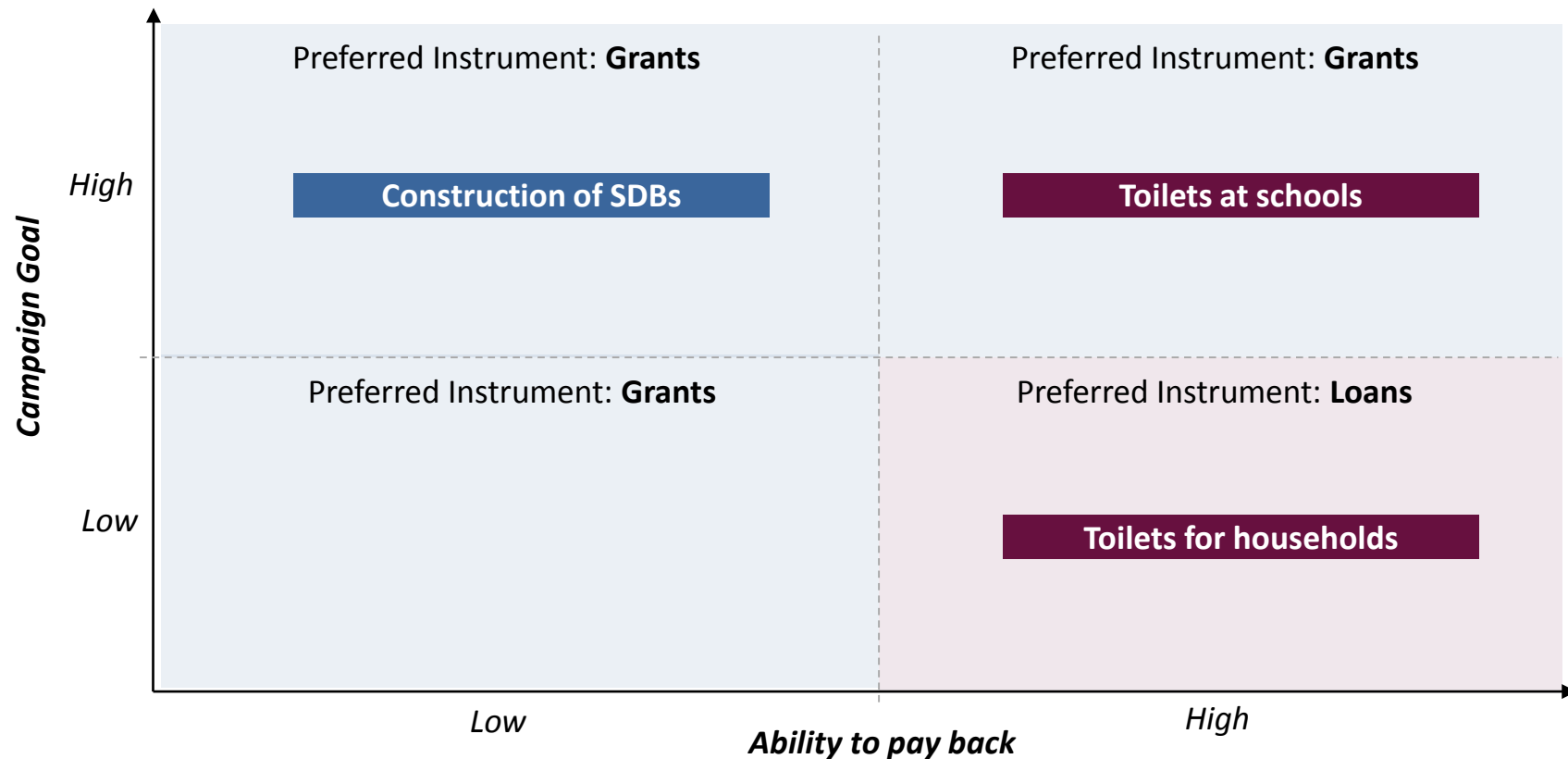
**Given the small scale of campaigns possible, crowdfunding is recommended as an interim solution to help raise capital for small projects, and generate awareness for the cause going forward**

Note: (1) Based on analysis of similar campaigns running on different CF platforms, see annexure for further details; (2) Constitutes 10 campaigns each of INR 40 K goal size; on average, a lender funds 10 campaigns on a loan based CF platform, hence a pool of capital raised once can be rotated approx. 10 times; (3) Estimate as per Swachh Bharat Swachh Vidyalaya report, Government of India; (4) We have considered SDBs as an illustrative case for a sludge treatment facility; the exact technology deployed may be different;

Source: <http://www.kiva.org/about/stats>, accessed 14.10.15

# We recommend that loans be used as the financial instrument for own toilets, and grants for toilets in schools and for SDBs

- While loans increase ownership among beneficiaries as compared to grants, executing a loan campaign is dependent on the following two factors:
  - **Repayment ability of the borrower:** The beneficiary should generate sufficient cash flow to pay back the required loan within 18-24 months<sup>1</sup>.
  - **Campaign goal:** Funders in India typically prefer grant contributions due to cultural norms and tax implications; and hence the potential lender population is small. Hence, only small campaigns are amenable to loan contributions .



# The campaign would need an organizing agency, and a field partner; we reviewed 7 options based on global experience and the project context



## **Individuals**

Individuals with a clearly defined financing need and purpose



## **SHGs**

A group of 3-4 individuals, usually women, who seek financing for a joint cause



## **MFIs**

MFIs raise some of their capital from CF, and provide credit to their existing customers



## **NGOs**

NGOs supporting their ongoing activities on a particular cause



## **Businesses**

Businesses can raise and contribute capital for a social cause as part of their CSR efforts



## **ULBs**

A local municipal body could augment its existing funds through crowdfunding

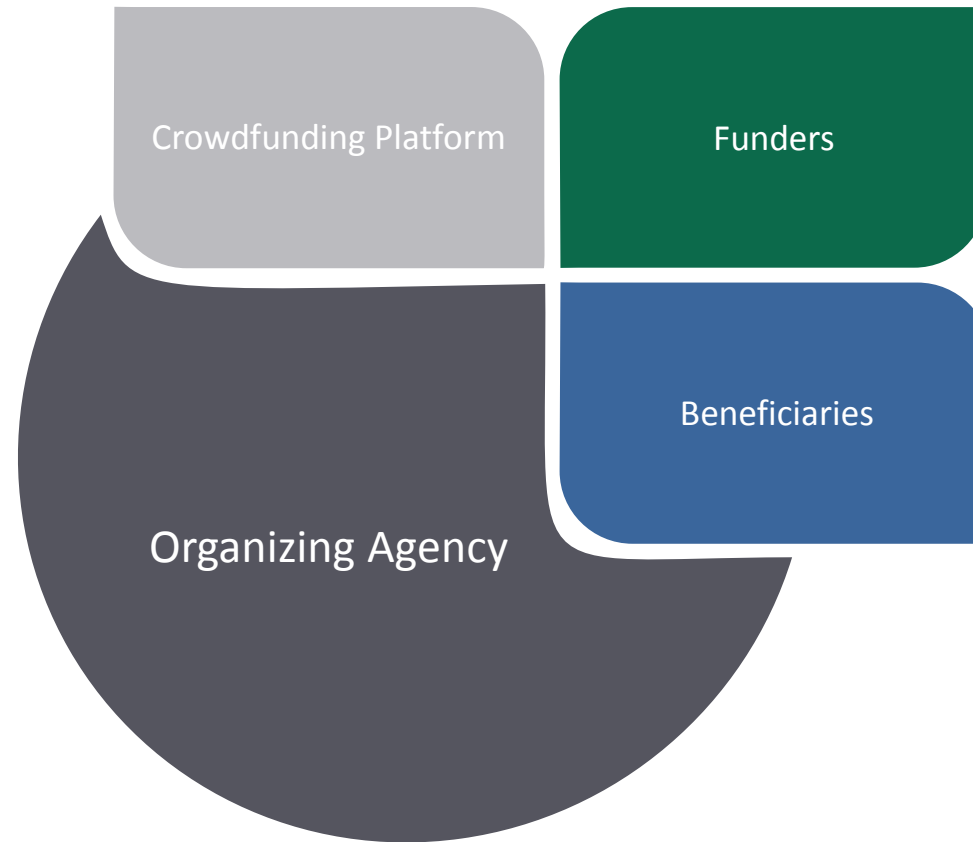


## **Institutions**

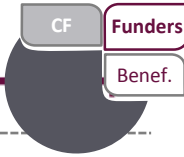
Other institutions such as a foundation or a school can leverage its financing pool through crowdfunding



# The choice of the organizing agency and partner should be evaluated through the lenses of the CF platform, the funders, and the beneficiaries

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# Top crowdfunding platforms have certain eligibility requirements for organizing agencies (1/2)



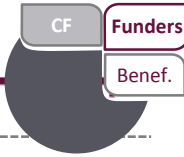
CF Platform	Financial Instrument / Currency	Eligible organizations <sup>1</sup>	Loan portfolio	Annual turnover	Assets	Years in operations	Others
	Loan / USD	MFIs, Social Businesses, Schools, Non profits	> USD 50K in the first 12 months on KIVA	> USD 100K	> USD 100K	-	<ul style="list-style-type: none"> <li>- Be able to legally accept and repay US dollar debt capital<sup>2</sup></li> <li>- Manage currency risk</li> </ul>
	Loan / INR	Not for Profit Society, Not for Profit Trust, Section 25 Company, NBFC, Cooperative Society	-	INR 1 Cr	-	> 3 years	5000+ active borrowers/ 5000+ clients at the BoP



**Given the stringent requirement on size of operations and the ability to accept USD debt capital (by KIVA), it is recommended that the loan based projects be listed on Milaap with an existing field partner**

Note: (1) As stated on the platform websites; (2) Being able to accept USD debt capital implies that the field partner will come under the purview of rules on External Commercial Borrowings by RBI

Source: A Guide to Kiva for Potential Field Partners, May 2015; <https://milaap.org/field-partners/become-a-field-partner>, accessed 14.10.15;

# Top crowdfunding platforms have certain eligibility requirements for organizing agencies... (2/2)







CF Platform	Financial Instrument / Currency	Eligible organizations <sup>1</sup>	Loan portfolio	Annual turnover	Assets	Years in operations	Others
	Grant / USD	Charitable organization	-	-	-	> 2 years	Participate in an Open Challenge; raise at least USD 5,000 from 40 unique donors to become a partner with GlobalGiving
	Grant / USD	Individuals, Non profits					No specific requirements placed by Indiegogo

Accepting grants in USD implies that the transaction comes under the purview of the FCRA. This means that the organizing agency, including the ULB, has to be registered under the FCRA; obtaining FCRA registration specifically for crowdfunding is very difficult<sup>2</sup> and it is recommended that prior FCRA registration be used as a selection criterion for choosing the partner

Note: (1) As stated on the platform websites; (2) Interview with sector expert

Source: <https://www.globalgiving.org/non-profits/join-globalgiving/application.html>, accessed 14.10.15; <https://www.indiegogo.com/about/terms>, accessed 14.10.15; <http://www.fcraforngos.org/>, accessed 14.10.15; <http://mrunal.org/2012/09/econ-fcra.html>, accessed 14.10.15

## ...and have different commission and fees structures

CF Platform	Financial Instrument / Currency	Platform Fees	Payment Gateway charges	Other Charges
	Loan / USD	0%	0%	-
	Loan / INR	5% - Do it yourself campaigns 8% - Assist campaigns	3%	Applicable service tax
	Grant / USD	2%	3%	10% for programs and services for non profits
	Grant / USD	5%	3% plus 30 cents per transaction for credit card, and 3-5% for PayPal	A one-time international wire fee (\$25) to send USD funds to an international bank account.



# From a funder perspective, there are three important criteria for selecting the organizing agency, and the field partner

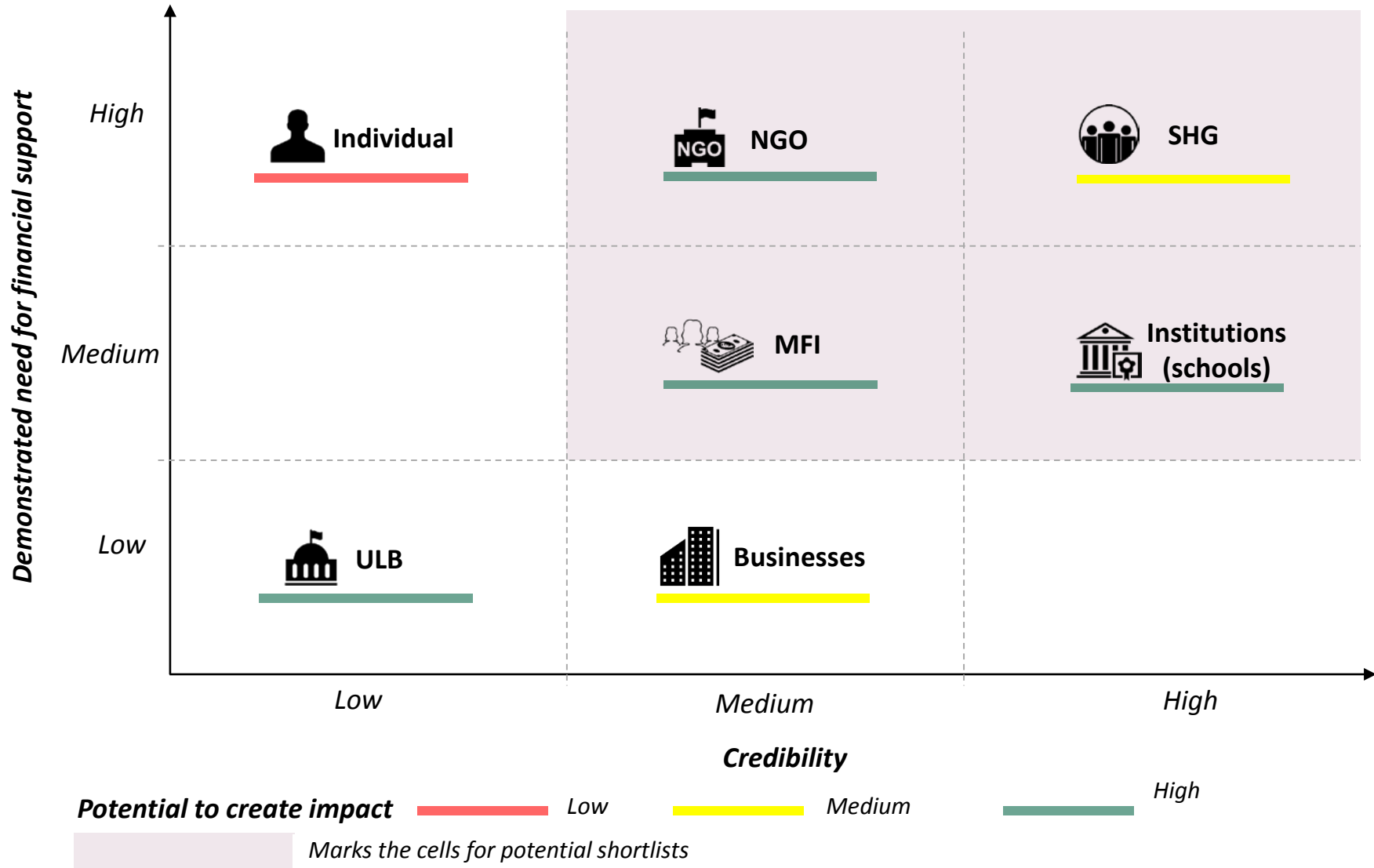
CF

Funders

Benef.

- 1 Credibility.** Track record and reputation of the agencies in implementing similar projects, and ensuring accountability in project delivery
- 2 Need for financial support.** Demonstrated additionality for external financial support; ability to highlight a compelling personal narrative
- 3 Potential to create impact.** Reach of the organizing agency; e.g. from individual household to the population of the town

# Potential funders would see SHGs, MFIs, NGOs and Eco-system institutions as best placed to run the campaign



# From a beneficiary perspective as well, there are three important criteria for selecting an organizing agency, and a field partner

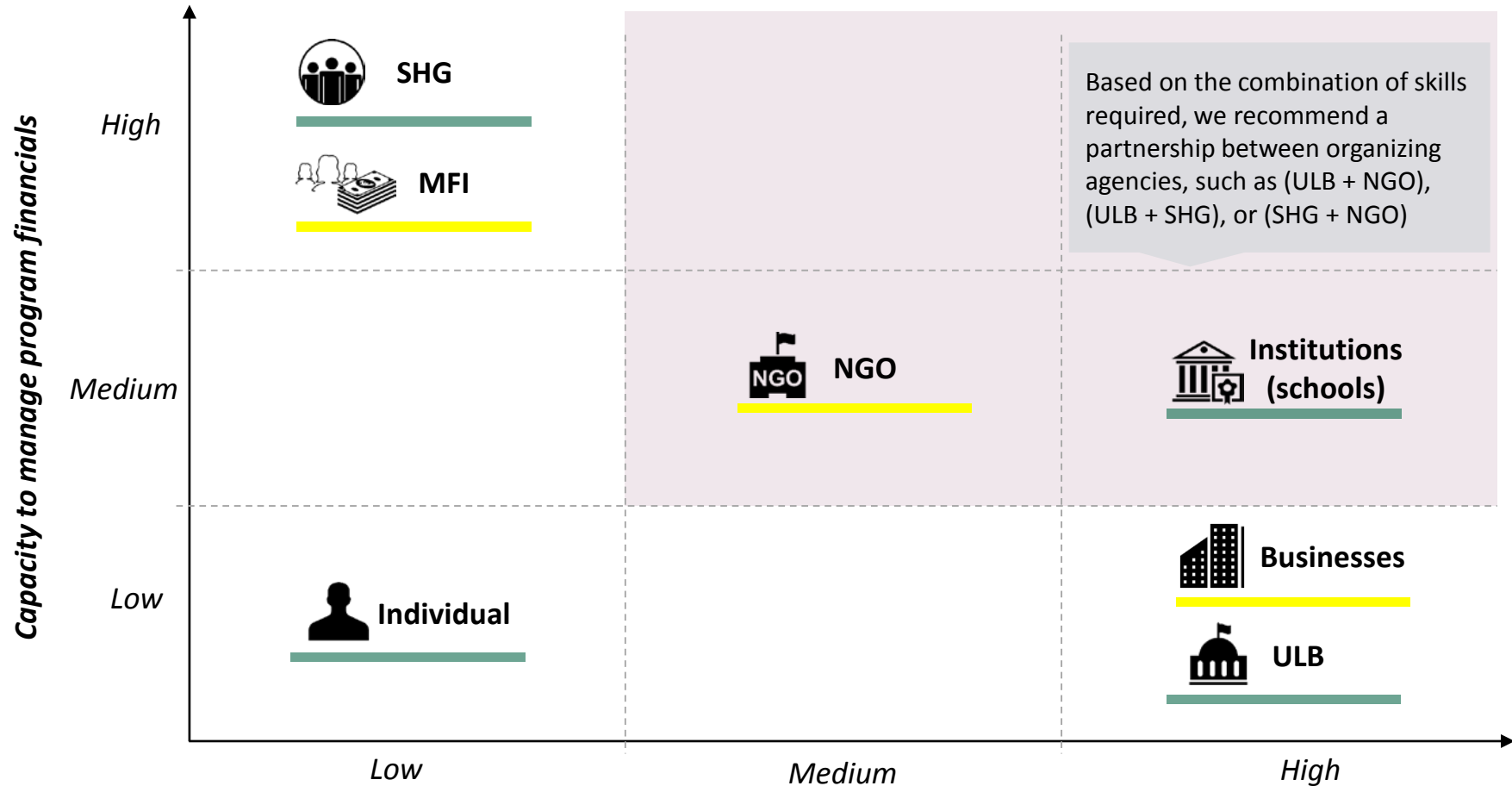
CF

Funders

Benef.

- 1 Local presence.** Strong local network, with a deep understanding of the specific context, its requirements, and existing relationship with the end beneficiaries
- 2 Capacity to implement infrastructure projects.** Institutional capacity, and ability to mobilize resource for project execution as per stipulated timelines, and expected quality of project delivery
- 3 Capacity to manage program financials.** Prior experience in funds disbursement, and collection of loan repayments (if applicable)

# Partnerships between different organizing agencies is required to successfully implement the campaigns

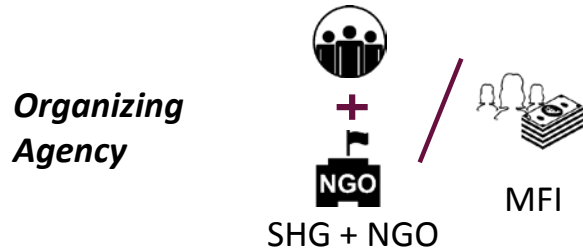


**Local presence** ——— Low ——— Medium ——— High

————— Marks the cells for potential shortlists

# Organizing agency will differ based on the context and requirement of each campaign

## Toilets for households



## Rationale

- Meets regulatory and CF platform restrictions
- (SHG+NGO)/ MFI recommended as the organizing agency given their track record of handling program financials for loans
- Capacity to implement is not required as the toilet will be constructed by the HH

## Toilets at schools



- Meets regulatory and CF platform restrictions depending on the institution's legal structure
- Schools are capable of raising funds, and overseeing implementation (construction of toilets by external contractors)
- Will need external support to design and run the campaign

## Construction of SDBs



- Although ULBs are best placed to execute the project, they are likely to lack credibility with funders or be able to demonstrate the need for external financial support (given available govt. funding)
- It is recommended that the NGO be the face of the campaign, which raises and then routes the funds to the contractor(s). ULB and an NGO jointly oversee the implementation

# Financing for the proposed campaigns is likely to come from 3 categories of funders

1



## *Individuals<sup>1</sup>*

Individuals who identify with the cause and have the means, fund CF campaigns

### **Active**

Individuals within the network of the organizing agency (i.e. within 3 degree of separation from the agency)

### **Passive**

Individuals beyond the network of the organizing agency (e.g. donors beyond 3 degrees of separation from the agency)

2



## *Businesses*

Businesses contribute to CF campaigns as part of their CSR mandate and/or local interests

### **Small scale**

SMEs that operate locally in the identified geography and contribute for visibility, social status, and philanthropy

### **Medium & large scale**

Large corporations could contribute voluntarily or as part of mandates (e.g. 2% CSR mandate under The Companies Act)






3



## *Institutions*

A university/ a foundation could support a CF campaign by large donations or running a matching drive

# Interviews with experts suggest that different funder categories have their varied motivations, and preference for financial instruments

		Motivation	Average Expected contribution (INR)	Preference for financial instrument	Population Size
Individuals	Active network	Philanthropy	1,000 - 5,000	Grants for Indians; Loans for foreign nationals	
	Passive network	Philanthropy			
Businesses	Small	Philanthropy, Reputation	[TBC] <sup>2</sup>	Grants	
	Medium - Large	CSR, brand building	Lump sum donations	Grants	
Institutions	-	Philanthropy	Undertake matching grants	Agnostic	

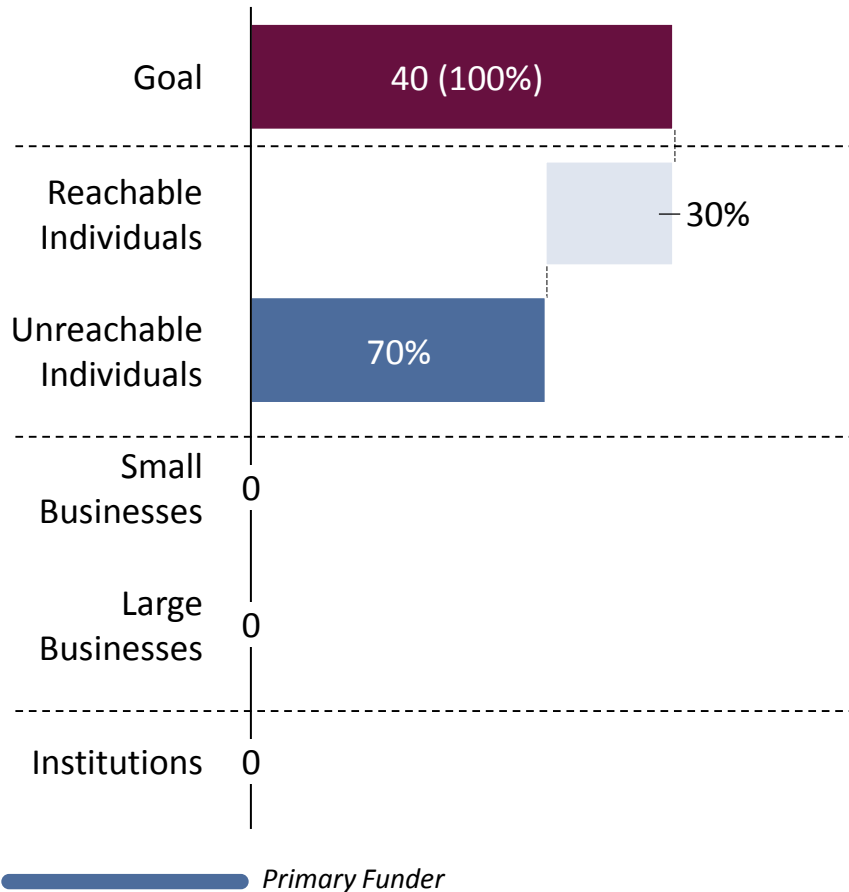
Note: (1) In a matching grant, the money donated / lent by an individual is matched by the institution; (2) The average expected contribution of small businesses in Wai and Sinnar was not assessed as part of this exercise

Source: Interviews with sector experts

# Individuals in the passive network are expected to be the primary funders for the campaign on household level toilets

## Guidelines for expected contribution from each donor/lender segment for Individual Toilets

All numbers in INR K (% wherever mentioned)



## Preliminary assumptions based on interviews

- Typically, CF campaigns are initially funded by the individuals in the active network. It is recommended that the first 30% be raised from within friends and family.
- The CF (loan) platform creates the necessary outreach as well as 'cross-funds<sup>1</sup>' such campaigns
- Unlikely to be interested in funding an individual toilet
- Although large businesses might be interested, it is recommended that they be leveraged for the larger toilets for school campaign
- Although institutions might be interested, it is recommended that they be leveraged for the SDB campaign

Note: (1) As campaigns pay back, loan platforms develop a pool of capital. Usually the lender permits the CF platform to re-lend that money to other worthy causes. CF platforms then allocate the capital to other campaigns based on need and several other criteria

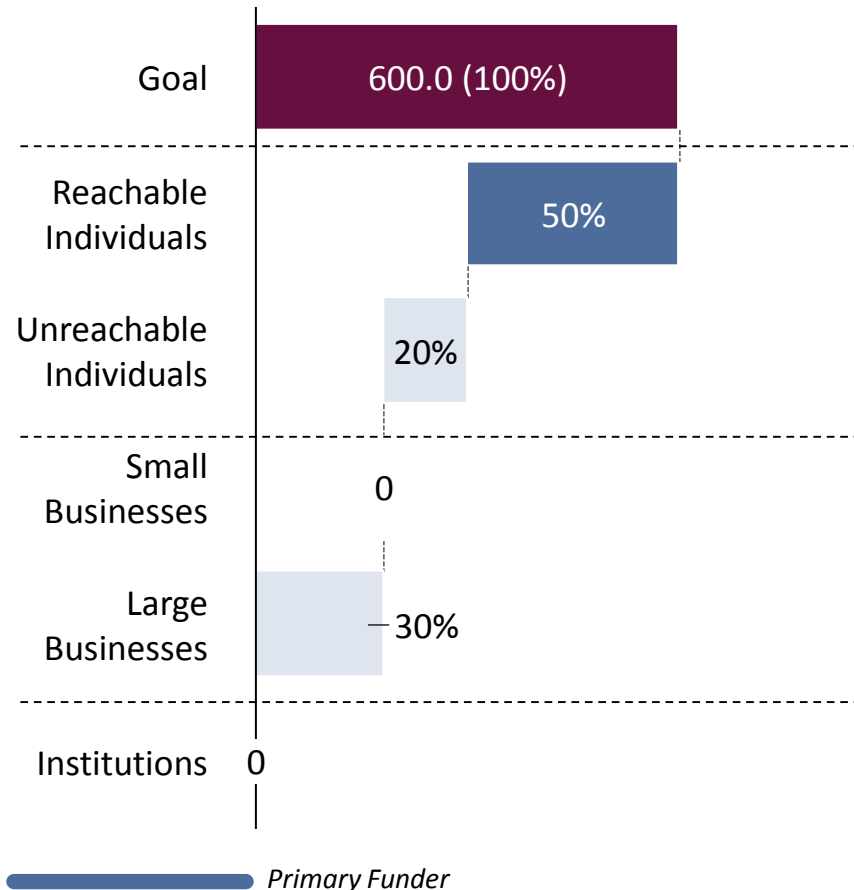
Source: Interviews with sector experts



# Individuals in the active network are expected to be the primary source of funding for the campaign to build toilets at schools

## Guidelines for expected contribution from each donor/lender segment for Toilets for Schools

All numbers in INR K (% wherever mentioned)



## Preliminary assumptions based on interviews

- Likely to establish a connect with the cause and will result in spreading the message in the immediate network
- Will contribute towards the end of the campaign as a result of the 'herding<sup>1</sup>' behaviour
- Although small businesses may be interested, it is recommended that they be leveraged for the SDB campaign
- High potential alignment with the CSR mission; building toilets in schools can be leveraged for brand building
- Although institutions might be interested, it is recommended that they be leveraged for the SDB campaign

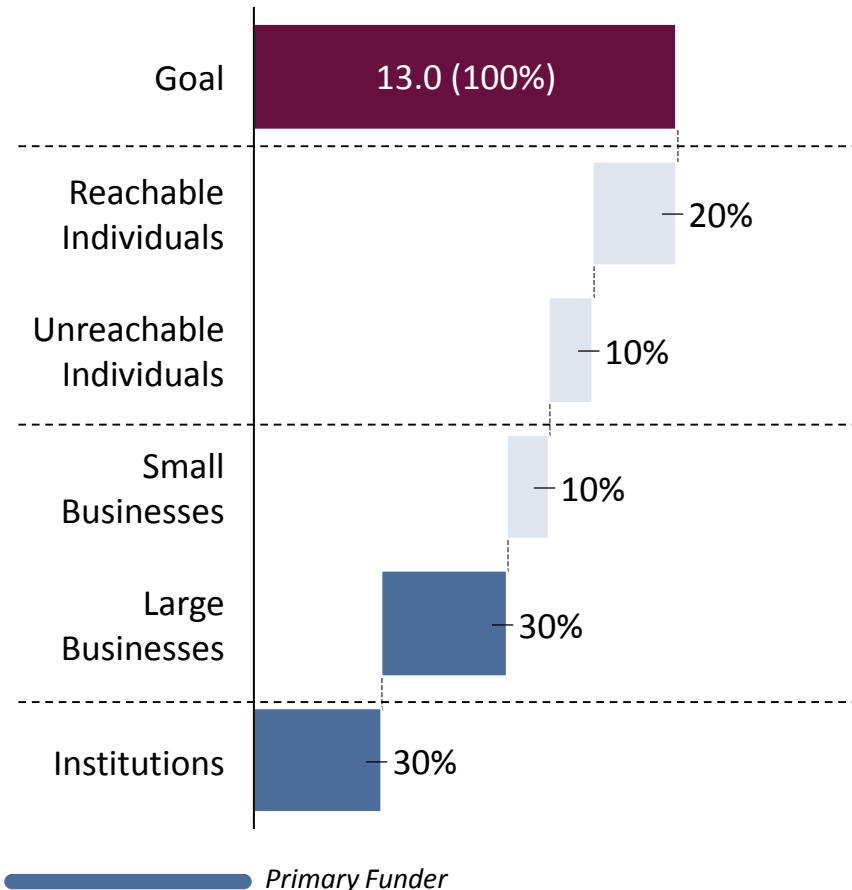
Note: (1) Tendency of individuals to mimic the actions of a larger group, typically initiated once a substantial amount (~70 - 75%) of the capital is raised

Source: Interviews with sector experts

# Institutions and businesses are expected to be the primary funders for SDBs

## Percentage expected contribution from each donor/lender segment for SDBs

All numbers in INR lacs (% wherever mentioned)










## Preliminary assumptions based on interviews

- Difficult to create an association with the story as it is an infrastructure project for a city; could generate more interest by rebranding the story<sup>1</sup>
- Will contribute towards the end of the campaign as a result of the herding behaviour
- Willingness to create an impact in the local city will drive donations
- The campaign can be leveraged to build brand and reputation among consumers
- Foundations and Institutions that support the cause of sanitation and health are likely to support such campaigns

Note: (1) Could be rebranded from an infrastructure project to something that creates a 'hook', such as "Contribute to make Sinnar diarrhoea free"

Source: Interviews with sector experts

# Recommendation Summary

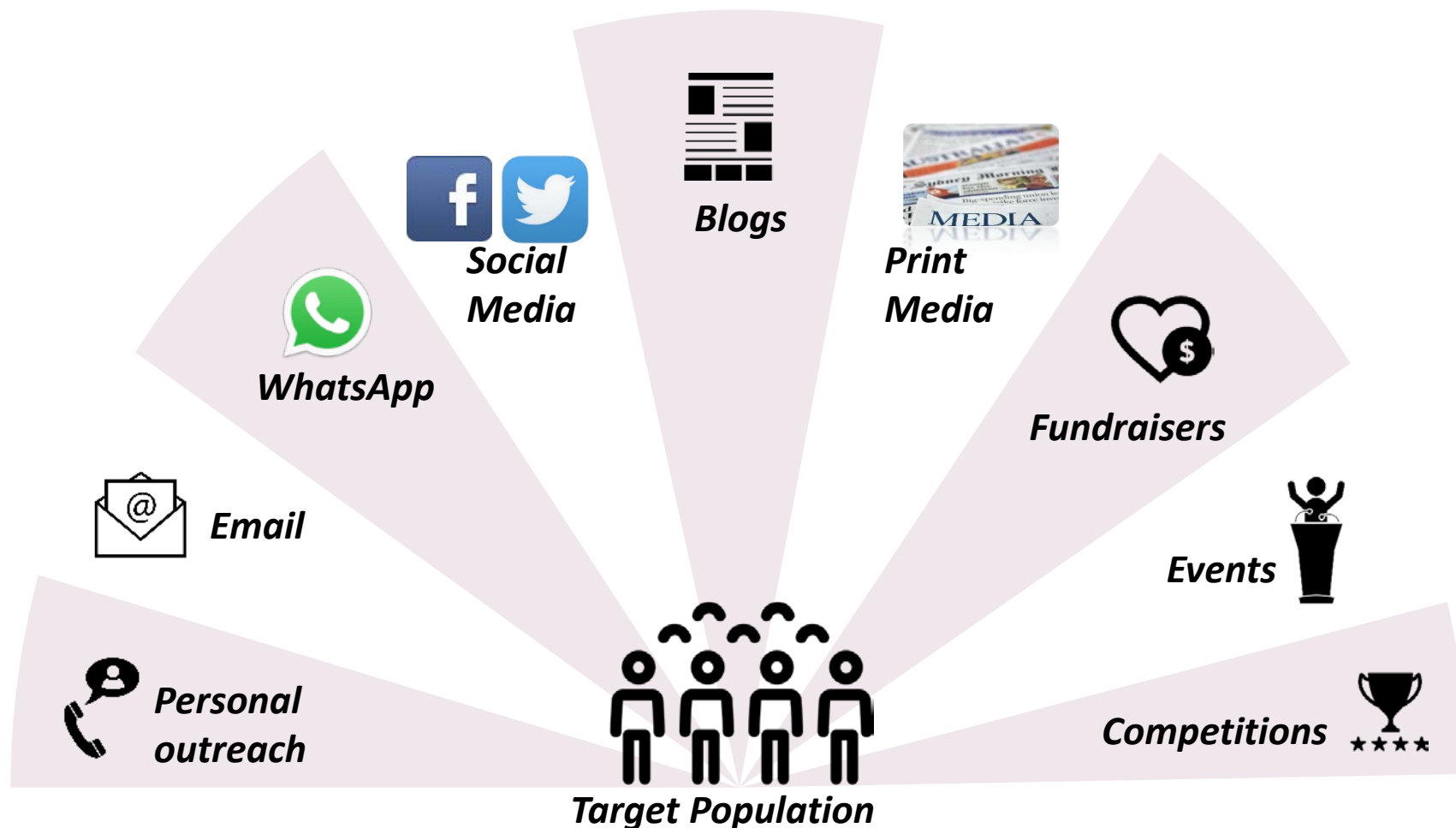
	Individual Toilets	Toilets for Schools	SDBs
<b>Goal</b>	INR ~0.4 M	INR ~0.6 M	INR ~1.25 M
<b>Financial Instrument</b>	 Loan	 Grant	 Grant
<b>Organizing Agency</b>	 SHG + NGO	 School	 NGO Campaign Management +  ULB On ground Implementation
<b>Primary Funder(s)</b>	Individuals in the passive network	Individuals in the active network	Large Businesses + Institutions

## Past experience highlights the importance of compelling storytelling to gain traction with funders

*During the interviews with various leading crowdfunding platforms, the interviewee was asked to mention the **best practices for designing the story of the campaign**. The word cloud below captures all statements and emphasizes (in bold) terms that were found to be overarching and repeated across interviews*



# Based on the global experience, there are various ways of reaching out to the target population

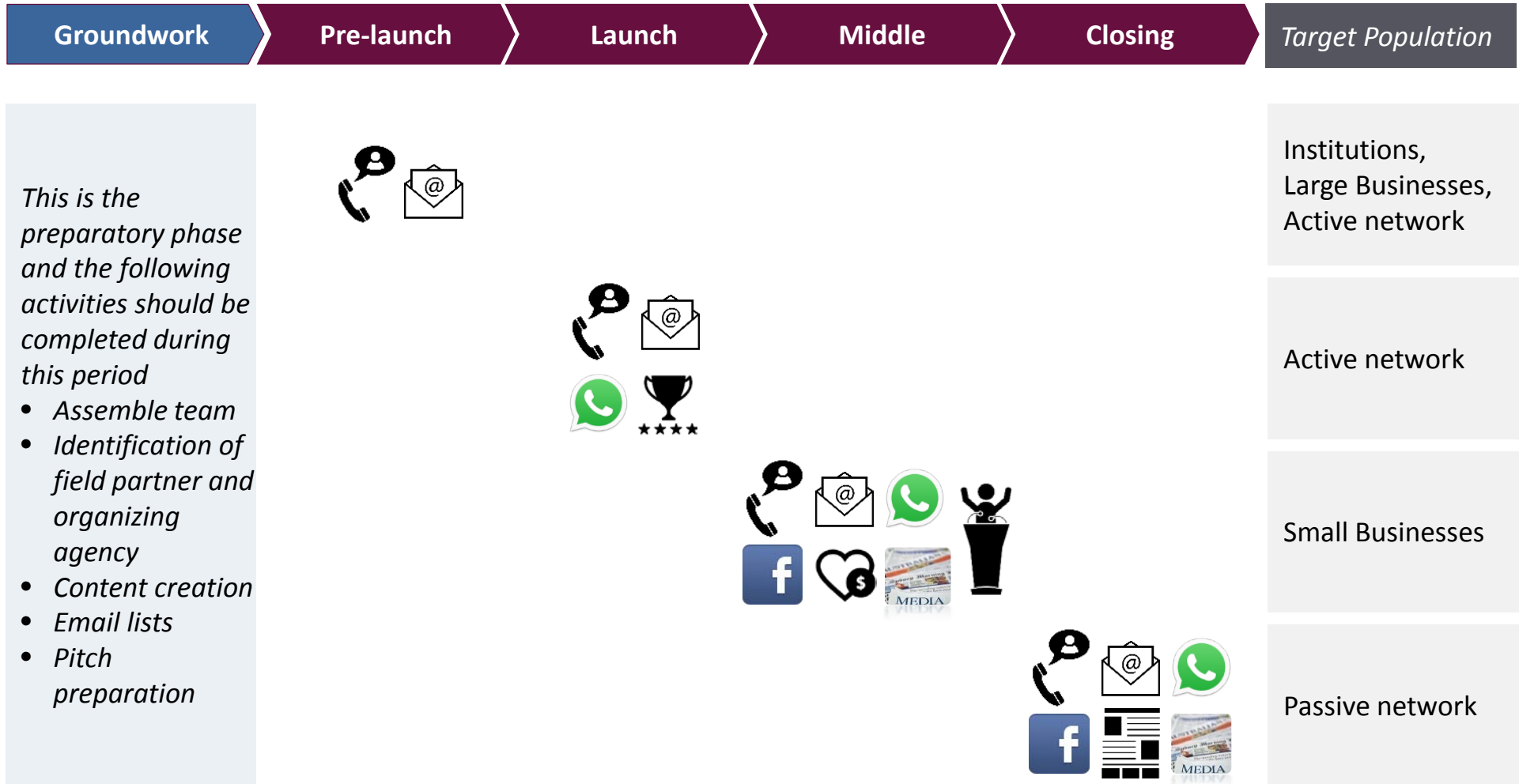


*The average conversion rate<sup>1</sup> of funders is ~1%; assuming a contribution of INR 5,000 per funder, a campaign of INR 1 lakh would require 2,000 unique visitors*

Note: (1) The conversion rate is defined as the ratio of actual funders for a campaign and the number of unique people reached out to

Source: Interviews with sector experts; thenounproject.com

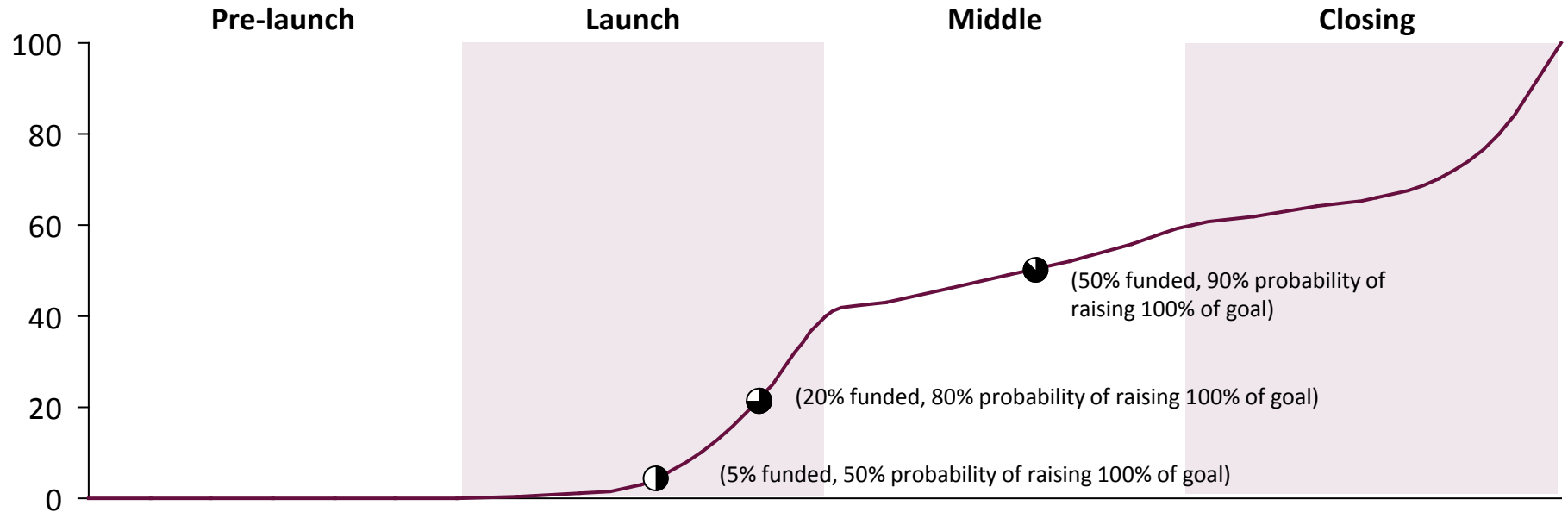
# These tools should be employed at different stages of the campaign to target specific funder groups














# Campaign funding is typically expected to have high momentum in the launch and the closing phase, and slow down in the middle period

Capital raised (as a percentage of the goal) over the duration of the campaign

All numbers in percentages



<b>Target</b>	N/A	30% - 40%	20% - 40%	30% - 40%
<b>Duration</b>	30 days	10 days	10 days	10 days
<b>Primary Funder</b>	N/A	Active network Large Businesses, Institutions	Small Businesses, Institutions	Passive network, Institutions
<b>Primary Reach Out Medium</b>	 	  	  	  

Source: Crowdfunding: Transforming customers into investors through innovative service platforms, Andrea Ordanini, Lucia Miceli, Marta Pizzetti, A. Parasuraman; Inferring the Impacts of Social Media on Crowdfunding, Chun-Ta Lu, Sihong Xie, Xiangnan Kong, and Philip S. Yu; [http://crowdfunding.cmf-fmc.ca/facts\\_and\\_stats/how-likely-is-your-crowdfunding-campaign-to-succeed](http://crowdfunding.cmf-fmc.ca/facts_and_stats/how-likely-is-your-crowdfunding-campaign-to-succeed), accessed 06/10/15; Interviews with sector experts; thenounproject.com

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## Next steps

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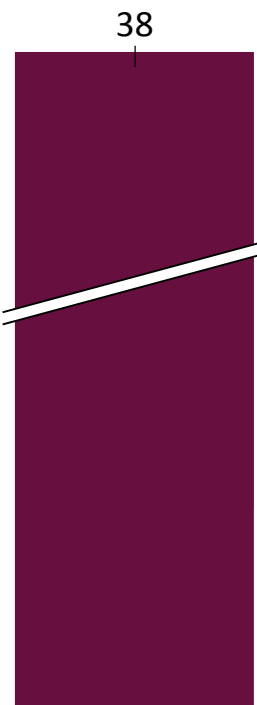
**As next steps, the organizing agency should:**

- 1 Identify and shortlist local stakeholders.** Identify, and conduct discussions with local stakeholders – MFIs, SHGs, NGOs, businesses, schools and ULB to understand their capacity to take up a crowdfunding initiative, and willingness to contribute to the campaign
- 2 Shortlist specific campaign ideas.** Identify and shortlist projects to be taken forward based on stakeholder discussions, and an assessment of capabilities available
- 3 Assess feasibility of available crowdfunding platforms.** Review platform requirements, and interest in supporting the design and launch of the proposed campaign



# On average, sanitation projects which focus on providing access to toilets at the household level look to raise INR 40 K

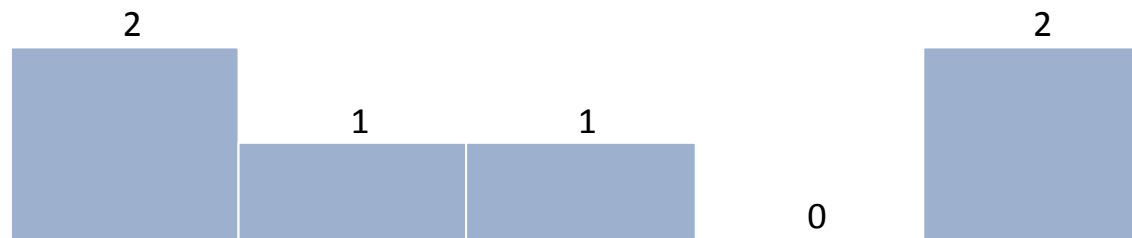
Distribution of campaigns by target goal size for individual toilets



0 - 0.1

Distribution of campaigns by target goal size for multiple individual toilets for a large community

The median target goal size for CF campaigns for individual toilets is INR 40 K



0.1 - 0.5

0.5 - 1.0

1.0 - 1.4

1.4 - 1.8

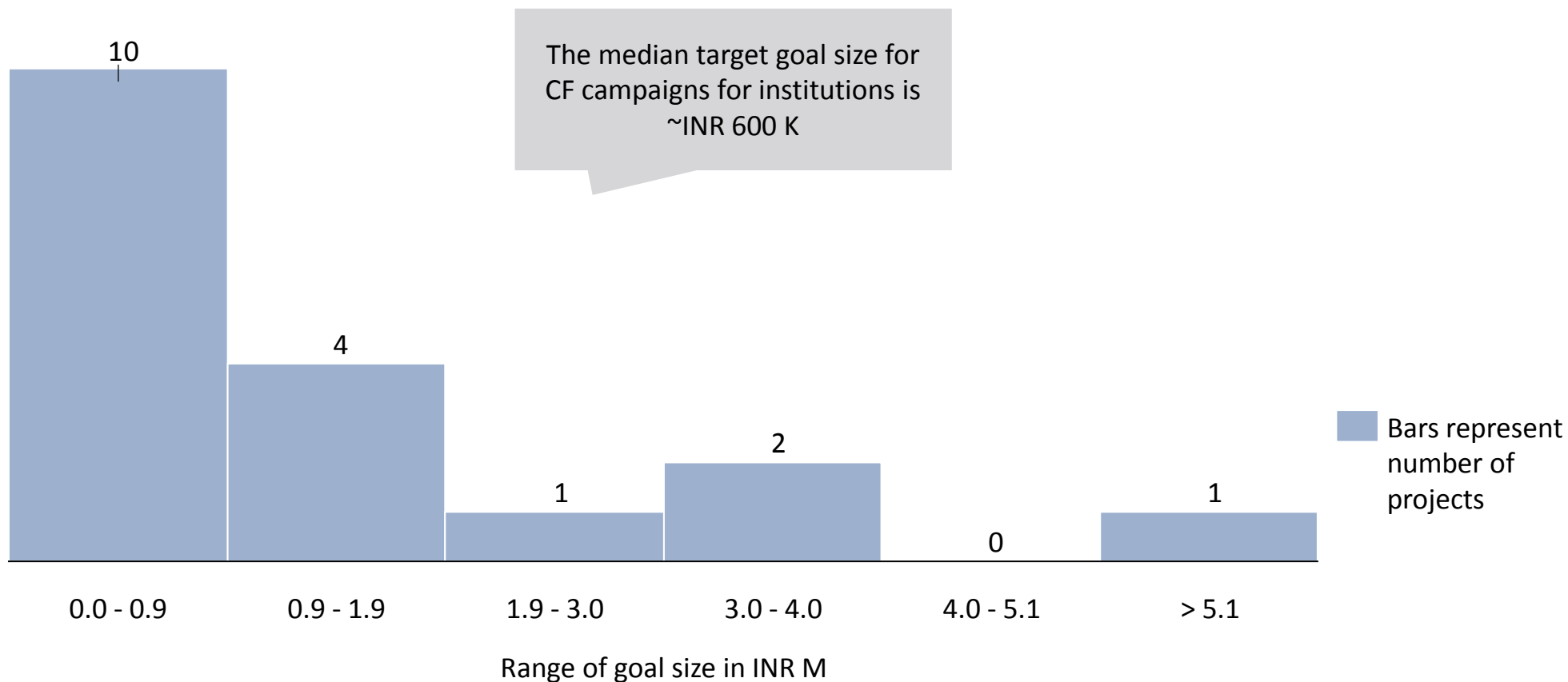
> 1.8

Range of goal size in INR M

Bars represent number of projects

# While, campaigns with beneficiaries as institutions typically look to raise ~INR 600 K...

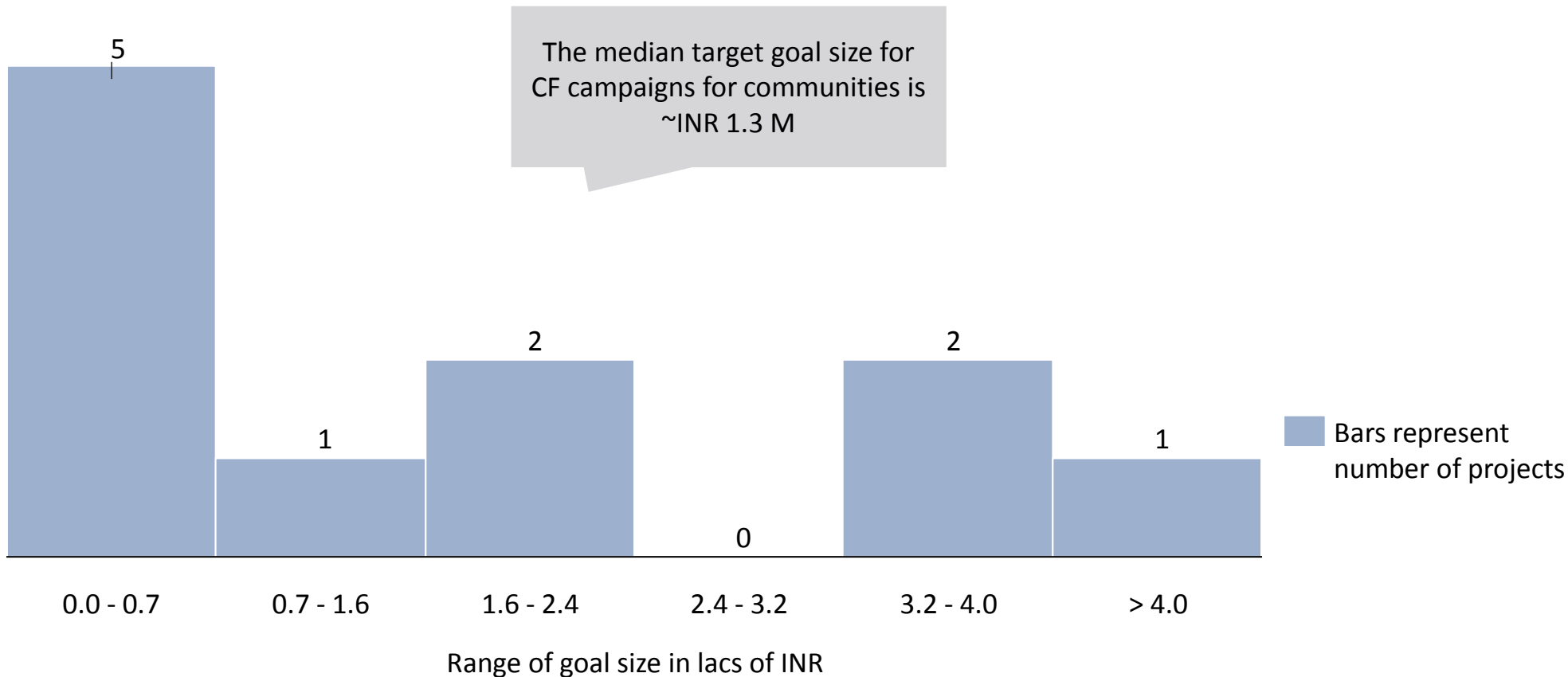
Distribution of campaigns by target goal size for toilets for institutions



Note: (1) Institutions refer to schools, orphanages, community halls, health center etc.

## ...and those with beneficiaries as communities look to raise ~INR 1.3 M

Distribution of campaigns by target goal size for sanitation projects with beneficiaries as communities






# Individual organizers have high potential to develop a connect with potential borrowers, but have a limited impact from an overall project perspective

CF




Funders

Benef.

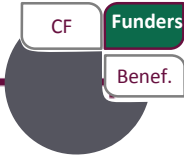
Evaluation criteria	Overall rating	Rationale
Credibility		Often determined by credibility of the CF platform; could be bolstered by sharing previous credit history or other financial information about the borrower (as applicable)
Need for financial support		Highlight lack of external support, while generating interest in the narratives of the potential beneficiaries
Potential to create impact		Immediate impact restricted to individual borrower/ household; could have potential spill over effect in the long run

# SHGs have high credibility with potential funders, need external financing support and increase the immediate scale of impact as they affect a group

CF Funders Benef.

Evaluation criteria	Overall rating	Rationale
Credibility		Typically high credibility due to past repayment history, and potential linkages with a formal financing institution (e.g. bank or MFI)
Need for financial support		Highlight lack of sufficient savings within the SHG
Potential to create impact		Contribution from lender likely to impact a group of households (represented on the group)

# MFIs have high potential to create impact, but have a limited capacity to demonstrate need for financing support



Evaluation criteria	Overall rating	Rationale
Credibility		Often determined by credibility of the CF platform; Variable based on reputation, key activities, and repayment rates of their overall portfolio
Need for financial support		Limited as MFIs are perceived to have access to traditional financing channels; limited additionality of funds raised through crowdfunding
Potential to create impact		High outreach within existing customer base






# NGOs have very high potential for impact, but need to build credibility with funders by demonstrating accountability and impact created

CF

Funders

Benef.




Evaluation criteria	Overall rating	Rationale
Credibility		Determined by the NGO's overall track record, and reputation; can be improved by demonstrating transparency, and accountability
Need for financial support		Strong potential to establish the need for financing support in case of low external financing support
Potential to create impact		High outreach within existing beneficiary base

# ULBs would face issues in establishing credibility, demonstrating the need for external support, but can have high impact

CF

Funders

Benef.




Evaluation criteria	Overall rating	Rationale
Credibility		Potential lenders likely to be wary of the “bang for buck” given the role of a government agency as an organizing agency
Need for financial support		Limited as ULBs are expected to receive funding from the government, and as such not required to move to other channels to secure additional funding
Potential to create impact		High potential to create impact with their presence as a key institutional authority in the area

# Institutions (schools) will enjoy high credibility, but will have to demonstrate need for external financial support

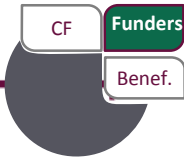
CF

Funders

Benef.

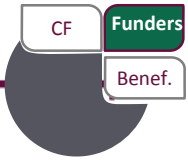
Evaluation criteria	Overall rating	Rationale
Credibility		Establish credibility by sharing of past work, results and a transparent plan of action
Need for financial support		Limited as institutions (schools) are expected to be funded from private or government resources
Potential to create impact		High potential to create impact within their eco-system

# Businesses are unlikely to get financial support from external funders due to their existing corpus of funds
























Evaluation criteria	Overall rating	Rationale
Credibility	●	Limited ability to gain traction with potential lenders due to perception of profit making entities
Need for financial support	●	Limited as corporations are viewed as profit maximizing, and as such, not expected to raise external funds for CSR activities
Potential to create impact	●	Impact likely to be determined by choice of field partner; lack of local expertise likely to restrict impact

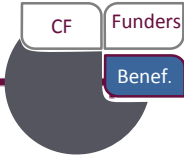
# Summary






	 Individual	 SHG	 MFI	 NGO	 ULB	 Institutions (schools)	 Businesses
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Credibility with potential funders							
Demonstrated need for financial support							
Expected scale of impact							

# Individual organizers have high local presence, however lack capacity to manage loans or implement infrastructure projects






<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		Lack capacity to make loans and collect instalments
Capacity to implement infrastructure projects		Can implement infrastructure projects only in partnerships with local contractors and/or businesses; questionable ability to oversee the implementation
Local presence		An individual of prominence in the local geography would be considered

# SHGs have a strong local presence, and can manage program financials but lack expertise to undertake large infrastructure projects

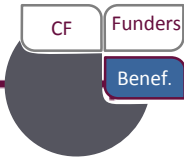
CF




Funders

Benef.

<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		Prior experience in disbursement of loans and collection of instalments
Capacity to implement infrastructure projects		Can implement infrastructure projects only in partnerships with local contractors and/or businesses
Local presence		There are over 100 SHGs active in Wai, reaching ~500 - 1000 households and ~290 SHGs in Sinnar, reaching ~1500 – 3000 households

# MFIs have the necessary experience to manage program financials, but have a limited local presence



<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		Prior experience in disbursement of loans and collection of instalments
Capacity to implement infrastructure projects		Can implement infrastructure projects only in partnerships with local contractors and/or businesses
Local presence		No MFI operation in Wai and About 6 MFIs have operations in Sinnar. Of the 7 MFIs interviewed in Nasik, most are willing to consider operations in Sinnar






# NGOs have limited local presence, and have moderate capacity to manage program financials as well as implement infrastructure projects

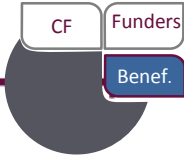
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Benef.

<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		Likely to have some experience managing financials for their own programs within their beneficiaries
Capacity to implement infrastructure projects		NGOs active in the sanitation space will have the necessary expertise to undertake an infrastructure project
Local presence		TBC

# ULBs are best placed in the local community to oversee infrastructure projects, but lack experience of handling loans






<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		No capacity or expertise to execute loans
Capacity to implement infrastructure projects		Best placed to mobilize resources for large sanitation infrastructure projects such as the Sludge Treatment Facilities (STFs)
Local presence		ULBs oversee the installation, operation and maintenance of local infrastructure

# Institutions (schools) are best placed to execute infrastructure projects within their premises

CF

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<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		Although an institution is not expected to disburse loans, it will have the capacity to manage funding as a loan for its own use
Capacity to implement infrastructure projects		A local institution, such as a school, will have the necessary resources to oversee the implementation of an infrastructure project within their premises
Local presence		Schools and other local institutions are bound to have an understanding of the local context and relationships with key stakeholders

# Local businesses, active in the sanitation space, are best placed to oversee infrastructure projects

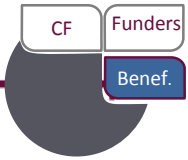
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Benef.

<u>Evaluation criteria</u>	<u>Overall rating</u>	<u>Rationale</u>
Capacity to manage program financials		No expertise to execute loans
Capacity to implement infrastructure projects		Businesses active in the sanitation space are well placed to mobilize resources for large sanitation infrastructure projects
Local presence		Only businesses operating in the towns of Wai and Sinnar will have a deep understanding of the context

# Summary



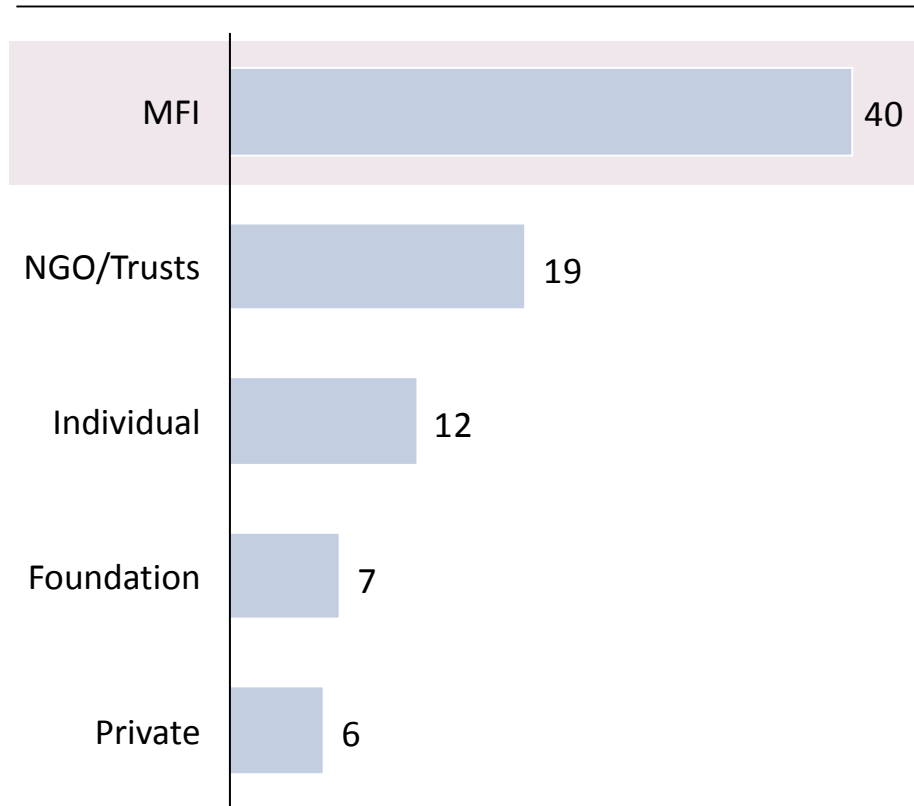
	 Individual	 SHG	 MFI	 NGO	 ULB	 Institutions (schools)	 Businesses
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Capacity to manage program financials							
Capacity to implement infrastructure projects							
Local presence							

# Most CF projects on sanitation have been posted by MFIs and target group borrowers

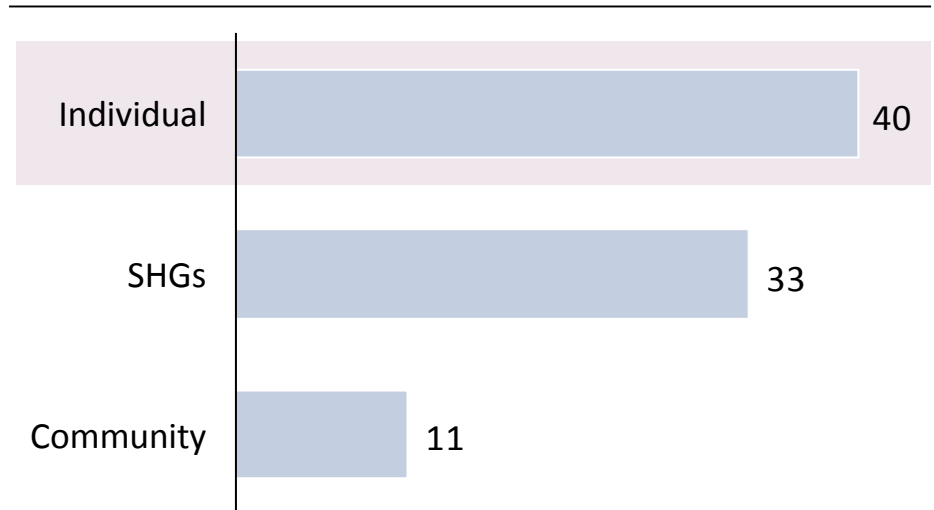
## Number of projects by initiator

All figures in numbers



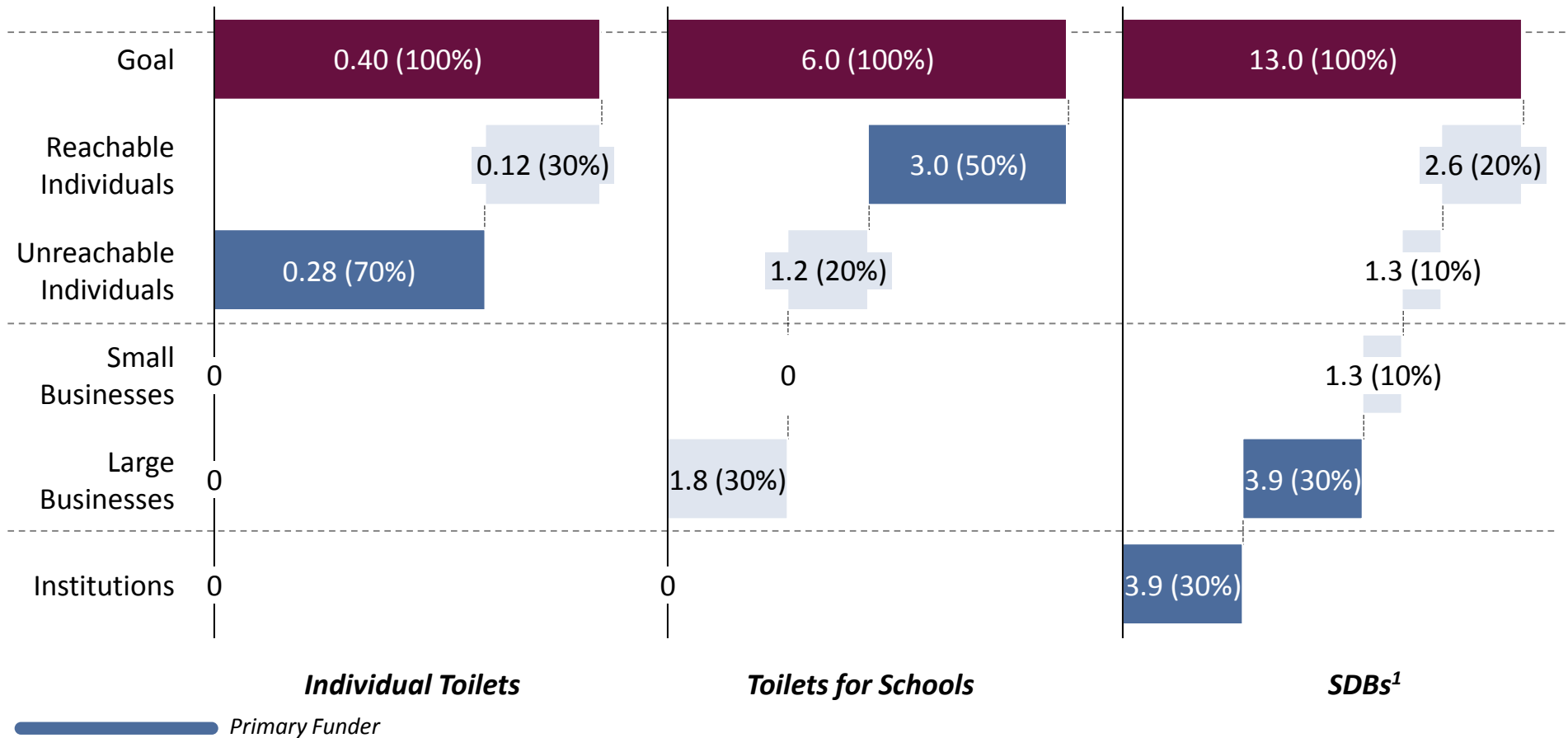
## Number of projects by target beneficiary

All figures in numbers



# In summary, different funder groups are expected to play an important role depending on the specific campaign under consideration

**Percentage expected contribution from each donor/lender segment**  
*All numbers in INR lacs (% wherever mentioned)*



Note: (1) SDBs have been considered as an illustrative case for a sludge treatment facility

# Our analysis of the listed projects suggests that there is no correlation between the size of the campaign and its success rate

Scatter plot of campaign goals on the X axis and % funded on the Y axis

*All numbers in INR, unless otherwise specified*

