

Workshop on Household Credit for Urban Sanitation

Workshop Report



Organised by:
CEPT University, Ahmedabad
AIIILSG, Mumbai

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Mumbai

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Background

Despite significant public investment in urban sanitation over the past decade, over 46 million people in Indian cities resort to open defecation. Another 22 million people lack access to on-premise toilets. The situation is far worse in smaller cities (population less than 100,000) with Open Defecation (OD) rates of 22% and another 5% use common public facilities.¹ Though significantly less prevalent than in rural India, OD in urban settings poses more serious challenges. With higher densities and a lack of safe spaces, OD affords little dignity and poses grave security risks for women. Moreover, recent literature suggests adverse health impact of OD to be worse in more dense urban areas.² There is thus an urgent need to improve access to on-premise toilets in our cities.

Over 15 million urban households that do not have on-premise toilets represent potential demand for toilets. The general notion is that it is largely the slum dwellers that do not have an on-premise toilet. However, in fact of those households that do not have on-premise toilet, two-thirds of them do not live in slums.³ This is also supported by data from the field that suggests wide-spread latent demand for private on-premise toilets in urban India. CEPT University's Performance Assessment Project (PAS) carried out a major household survey in Gujarat and Maharashtra in 2010. It suggests that there is significant latent demand for toilets from those who lack on-premise toilets. The two main reasons cited by households for not having their own toilets are lack of space and affordability.⁴ Access to finance for households along with local solutions to overcome space constraints can convert this to

¹ Based on analysis using data from Census of India 2011.

² See for example Ghosh et al. (2014) "Are Children in West Bengal Shorter Than Children in Bangladesh?", *Economic and Political Weekly*, February 22, vol xlix no 8, pp. 21-24. Also see Rheingans R, O Cumming, J Anderson and J Showalter (n.d.), "Estimating inequities in sanitation-related disease burden and estimating the potential impacts of pro-poor targeting", unpublished research report for SHARE Project, London School of Hygiene and Tropical Medicine.

³ The potential demand for toilet is probably higher. The definition used for 'on-premise' toilet by census includes common latrines. In its instruction manual it says, "It may be noted that several households may be sharing a common latrine. All such common latrines cannot be treated as public latrines. In such cases the latrine will be treated as available within the premises and Code 1 should be given." (p. 49).

⁴ Mehta and Mehta (2014), "Eliminating open defecation in Indian cities: Assessing priorities and options", column for Ideas for India. The two state-wide surveys with a total sample size of 15,000 households were done in 2010 under the Performance Assessment (PAS) Project to assess access and quality of urban water supply and sanitation services.

effective demand. This will result in increased sanitation access and help Indian cities to move towards an OD-free status.

In January 2014, a workshop on urban sanitation financing organised by Ministry of Urban Development with support from CEPT University and Centre for Policy Research (CPR) emphasized the need to explore the possibilities of using microfinance for financing urban sanitation.⁵ This was explored further at a meeting organized by the National Housing Bank with CEPT University in New Delhi in April 2014. Subsequent to this, the National Housing Bank set up a working group on Financing Sanitation with membership from Ministry of Urban Development, Ministry of Housing and Urban Poverty Alleviation, National Housing Bank, CEPT University, DFID, IFC and Sa-Dhan. One of its terms of reference is to “examine and identify a local level business model that could lead to city/ state level programmes for efficiently and sustainably implementing household level urban sanitation”.

Workshop Deliberations

It is in this background that a 1-day workshop was organized in Mumbai by CEPT University and All India Institute of Local Self Governments (AIILSG). The workshop focused on need and opportunities for household level sanitation finance. The deliberations aimed to provide inputs to the national policies and programmes, as well help develop concrete action plan for city level sanitation programmes. The deliberations were based on two presentations and lessons from ongoing experience of lending for sanitation by participants. Both opportunities and constraints in scaling-up lending for urban sanitation were discussed.

Opportunities for household sanitation financing

The workshop presentations focused on financing of individual sanitation facilities. It was highlighted that 20% of the urban population does not have access to individual toilet facility. It was also noted that two-thirds of them live in non-slum areas. Thus these households can be looked at also as an opportunity for sanitation credit. This opportunity will be enhanced further with the Swachh Bharat Mission for Urban Areas (SBMUA) as it has decided to provide only a partial incentive subsidy of INR 5300 to households that want to build their own toilets.

Based on the surveys conducted by PAS Project in Maharashtra and Gujarat, lack of space and affordability appear as the major constraints for access to individual sanitation facility. It was suggested that the space constraint can be overcome by a shared/group toilet that is shared by 2 to 3 households residing in the close proximity. Such a toilet will be owned and maintained by households themselves. The affordability issue can be handled by developing a programme that provides partial subsidy. In addition, preliminary surveys in the two cities of Wai and Sinnar suggest that most households that lack own toilets will require access to

3. Report of MOUD meeting on “Financing urban sanitation” held in January 2014 is available at <http://www.pas.org.in/web/ceptpas/home>

credit to build a toilet even after partial subsidy is provided. There is willingness to take a loan to build a toilet amongst some of these households. It was felt that innovative products for "toilet credit" can be developed to supplement partial subsidy for urban households.

Demand for "toilet credit" in Maharashtra

Presentation of CEPT/AIILSG work in the towns of Wai and Sinnar highlighted that a large number of non-slum households in these cities are dependent on community toilets. While lack of funds, space and tenure issues were the main constraints identified for absence of toilets, the city councils have become proactive. In Wai and Sinnar, the city councils have decided to launch a pilot scheme in which households lacking access to own toilets will be provided with a subsidy of Rs. 5000 per household for individual toilets or toilets shared by two to three households. Based on preliminary surveys, some households have shown willingness to take loans for construction of toilets, and can also contribute Rs. 4000 to Rs. 6000 from their own savings. As the scheme expands in these cities, there is likely to be considerable demand for sanitation finance from households.

Workshop Deliberations

Participants shared their experiences on lending for sanitation. Most MFIs have had significant lending for sanitation in rural areas. However, even in the urban areas, through support of institutions like water.org, there has been some effort. Several MFIs such as Grameen Koota and ESAF have been engaged in sanitation finance. As an apex institution FWFB has also provided sanitation loans to their members.

The two Housing Finance Institutions (HFIs), GRUH and Dewan Housing Finance, also showed interest in sanitation loans, though they haven't done this so far. This can possibly be as a part of their housing improvement loan products. During the discussions it was recognised that despite the potential for household sanitation loans, some concerns will need to be addressed to enable HFIs to take up lending for sanitation in a big way. These include a concern related to the 'collateral' requirements, legal tenure of residents and proper documentation available for the property for old houses. It was agreed that it would be good to do an on-the-ground assessment of potential households to ascertain these aspects.

It was suggested that lenders may require some 'comfort' through refinance and possibly through credit guarantee mechanisms. In Maharashtra, the Municipal Councils of Wai and Sinnar have approved schemes to provide a subsidy of Rs 5000 per household in their pilot schemes. Under the SBMUA also a similar partial subsidy is envisaged. Some participants suggested that both MFIs and HFIs can also explore mechanisms to keep this subsidy as a "guarantee" and so that it can be adjusted for loan repayment.

There was some discussion on the interest rates charged by MFIs and the HFIs. However it was felt that given that the loan amount for toilet construction will be very small (INR 15,000 to 25,000), the interest rates may not have major effect on demand for loan. Rather, it will be the ease of availability of loan, demand for paper work, comfort with collateral offered and the tenor of the loan, which may be more important. In any case, for microfinance institutions interest rates are already way capped by policies.

On the policy front, a second issue was that despite the focus of the Government of India on “Swachh Bharat”, sanitation is not included separately and explicitly in the list for priority sector lending by the banks. This addition would make it easier to get a line of credit for sanitation credit products. Further, for MFIs, the requirement of mandatory share of income generating loans also constrains them from lending for sanitation. If these requirements were to change, there will be much greater flow of credit for sanitation.

Way Forward

As a Way Forward, it was agreed that actions were needed at various levels – local, state and national level. At the local level, the workshop agreed that it will be important to support municipal councils such as Wai and Sinnar that have launched their own programme to provide financial support to those who do not have a toilet. This experience will be valuable in implementation of Swachh Bharat Mission for urban areas which also focuses on universal access to own toilets. CEPT and AILSG will share findings from their surveys in these towns regarding potential demand for the scheme with interested HFIs and MFIs. CEPT and AILSG will also facilitate visits of the interested HFIs and MFIs to these towns. State level consultations can be organized to initiate specific policy reforms to ensure that it is possible for every household to gain access to a toilet.

At the national level, CEPT, as a member of the working group on sanitation financing, established by the National Housing Bank, will inform the group about the work in the two cities of Maharashtra. An appropriate refinancing scheme for toilet loans by HFIs will also be explored with NHB. Similarly, with RBI, efforts will have to be made to include sanitation in the list of priority sector lending by the scheduled commercial banks.

The meeting ended with thanks to the Chair.

Workshop Agenda

10.00 – 10.30	Registration	
10.30 – 11.00	Welcome and Introduction	AIILSG/CEPT
11.00 - 11.45	<p>Demand for Sanitation Credit</p> <ol style="list-style-type: none"> 1. A presentation by CEPT on its work on Sanitation Financing. The presentation will cover the national, state and local level estimates. 2. Presentation on CEPT/AIILSG work in small towns in Maharashtra, and nature of demand for toilet credit 	CEPT
11.45 -12.00	Tea Break	
12.00 -13.00	<p>Experiences and Lessons from the Field</p> <p>A few participants will make short presentations about their experiences and identify key lessons</p>	
13.00 – 13.30	Discussions on potential support needed by lending institutions to operate in small towns	
13.30 – 14.00	Wrap up and follow up action plan	
14.00 – 14.30	LUNCH	

List of Participants

S. No.	Organization	Name
1	ESAF Microfinance	Mr. Amit Das
2	GRUH Finance Ltd.	Ms. Rupali Shelar
3	GRUH Finance Ltd.	Mr. Dharmesh Bhavsar
4	Water.org	Shri P.Uday Shankar
5	FWWB	Mr. Nilanjan Dey Chaudhury
6	National Housing Bank	Mr. R.K.Arvind
7	Dewan Housing Finance Corporation Ltd - DHFL	Mr Swachhand Shende
8	Grama Vidiyal Micro Finance Limited (GVMFL)	Mr. Sharma Subramanian
9	Navya Disha Trust	Mr. Anand R. Yadwad
10	Chaitanya	Dr. Sudha Kothari
11	Wai Municipal Council	Mr. Dilavar Shaikh
12	Ujjivan Financial Services Pvt. Ltd.	Mr. Vinod Mahajan
13	Suryoday Microfinance	Mr. Jalindar Pawar
14	Navya Disha Trust	Mr. Anand R. Yadwad
15	CEPT University	Dr. Dinesh Mehta
16	CEPT University	Dr. Meera Mehta
17	AIILSG	Dr. Sneha Palnitkar
18	AIILSG	Ms. Utkarsha Kavadi
19	AIILSG	Ms. Naznin Lalani
20	AIILSG	Ms. Pallavi Mukane
21	AIILSG	Ms. Dhanshree Zende
22	AIILSG	Ms. Pallavi Palsokar
23	AIILSG	Ms. Geeta Kuntal

The Performance Assessment System (PAS) Project

The Performance Assessment System (PAS) Project supports development of appropriate tools and methods to measure, monitor and improve delivery of urban water and sanitation services in the states of Gujarat and Maharashtra. The PAS Project includes three major components of performance measurement, performance monitoring and performance improvement. It covers all the 400+ urban local governments in Gujarat and Maharashtra.

CEPT University has received a grant from the Bill and Melinda Gates Foundation for the PAS Project. It is being implemented by CEPT University with support of Urban Management Centre (UMC) in Gujarat and All India Institute of Local Self-Government (AIILSG) in Maharashtra.

PAS Project

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