



Photos: Water.org

CHANGING SYSTEMS TO UNLOCK WATER AND SANITATION FINANCING: WATER.ORG IN INDIA, BANGLADESH, AND INDONESIA

Evaluations of Water.org's activities in India, Bangladesh, and Indonesia provide a snapshot of its global impact and demonstrate how systems strengthening can deliver better and quicker access to water and sanitation.

Context

By paving the way to safe water supply and sanitation (WSS), Water.org has empowered more than 40 million people in 11 countries on four continents. Over half of the people reached, many from poor and vulnerable communities, are in India, Bangladesh, and Indonesia. Water.org's innovative approaches to repayable WSS finance – notably the WaterCredit model – have been pioneered successfully in these three countries.

Yet much remains to be done. Across the world, 771 million people still do not have access to safe drinking water, and 1.7 billion do not have access to a toilet. As the cases of India, Bangladesh, and Indonesia have clearly demonstrated, the task of providing affordable WSS finance can't be accomplished by Water.org alone.

Influencing and collaborating with in-country development partners and financial institutions to increase their portfolio of WSS credit goes some way to improving access. But for a comprehensive and sustained roll-out of repayable WSS finance, the system has to change.

KEY HIGHLIGHTS

India: Water.org's WaterCredit program is now implemented across 23 states, has disbursed over 3.4 million loans worth \$744 million, and has reached over 15 million people. Water.org's advocacy efforts contributed to the Reserve Bank of India's decision to include WSS within its Priority Sector Lending designation.

Bangladesh: Water.org helped reach 1.26 million people with WSS loans valued at \$27.8 million from 2014 to 2019. Advocacy efforts contributed to Bangladesh's three main political parties promising to boost WSS funding prior to the elections, and consequently to the government increasing funding by over a third, to \$1.13 billion for 2019/20.

Indonesia: Water.org mobilized \$81 million for WSS finance from 2014 to 2020, and contributed to the inclusion of microfinance into the country's National Mid-term Development Plan for 2020 to 2024.

Over the years, Water.org has recognized how crucial it is that national frameworks of existing policies and regulations address the availability of credit for WSS. These constitute an enabling environment not just for WSS, but also finance oriented toward provision of WSS. Water.org has gathered experience and evidence from the field in India, Bangladesh, and Indonesia, and actively advocated the message that affordable WSS finance has a critical role to play in transforming the health and livelihoods of communities, particularly women and young people.

Water.org in India, Bangladesh, and Indonesia

Since it began operations in India and Bangladesh in 2003, followed by Indonesia in 2014, Water.org has worked both directly and indirectly to push for an increase in repayable WSS funding. The

country evaluations for these three countries have found that even if Water.org's activities have not always included policy-advocacy strategies, direct activities such as implementing the WaterCredit model for repayable WSS finance have resulted in opportunistic engagement with financial institutions, government bodies, and development partners, with larger indirect and systemic impacts over the longer term. The deepening of these relationships, through advisory guidance, has resulted in the inclusion of repayable WSS funding in larger-scale programs, as well as changes in policy and regulations in the WSS sector that incentivize adoption of WSS credit.

Particularly in India and Bangladesh, extensive experience of direct activities such as the WaterCredit model generated understanding of specific national contexts and in-country challenges as well as opportunities. In India, building relationships at state and national level over the years put Water.org in a position to leverage the political commitment that flowed down from massive infrastructural programs such as the Swachh Bharat Mission. In Indonesia, Water.org engaged with apex organizations for water utilities and financial institutions to scale up the roll out of WSS credit, while also advocating directly with the national government to prioritize WSS funding. In Bangladesh, Water.org paid attention to collaboration with larger development partners while keeping an eye on the favorability of the political climate for WSS funding.

Finally, recognition on the part of Water.org of the more profound systemic impact that can be achieved through these channels has led to an evolution of its strategy within country teams and globally. Since 2015, Water.org has deliberately undertaken activities that aim for systems change spearheaded by the organization's Sector Engagement team. The Sector Engagement team has focused on developing relationships with global stakeholders, creating visibility in regional and international platforms for the work of Water.org as well as contributing to and co-organizing such platforms, developing flagship products, and facilitating the development of relationships between global actors and country Water.org teams, for example in Bangladesh and India.

THEORY OF CHANGE FOR WSS SYSTEMS STRENGTHENING



Evaluating impact

Water.org's impact through direct activities, such as implementation of its WaterCredit program, has been significant. In India, the WaterCredit program is now implemented across 23 states, has disbursed over 3.4 million loans worth \$744 million, and has reached over 15 million people. In Bangladesh, Water.org has helped reach 1.26 million people with WSS loans valued at \$27.8 million. In Indonesia, Water.org mobilized \$81 million for WSS finance from 2014 to 2020.

Impressive as these gains are, in the longer term it is systems change that will determine the extent of scaling up and sustainability. In India, Water.org's advocacy contributed to the Reserve Bank of India's decision to include WSS within its Priority Sector Lending designation, which strongly incentivized financial institutions to lend for WSS.

Water.org also supported the National Bank for Agriculture and Rural Development in launching schematic refinancing for WSS, and in 2017, lending for toilet construction was included in the National Rural Livelihoods Mission.

In Bangladesh, engagement with development partners led iDE, WaterAid, and the World Bank to adopt Water.org's model for WSS finance; advocacy on a political level contributed to the country's three main parties pledging to increase WSS funding, followed by the government acting to increase funding by one third, to \$1.13 billion for 2019/20.

In Indonesia, a significant achievement was the inclusion, for the first time, of microfinance into its current national planning strategy. Water.org also signed agreements with 3,000 rural water utilities across 33 provinces to extend its WSS financing model.

Lessons learned

Water.org's activities in 11 countries, and especially in India, Bangladesh, and Indonesia, have generated lessons that can apply across diverse country contexts. These lessons are particularly applicable to achieving systems change:

Repayable finance works for WSS and in combination with public finance could help governments achieve national targets:

The outcomes of activities implemented by Water.org, and more importantly the replication and scaling up achieved via development partners, demonstrate that there is huge potential for WSS microcredit for low-income communities. This is particularly effective when microfinance is incorporated into national strategies, as happened in Indonesia and India. Repayable finance for WSS can complement and work as an alternative to public funding that may not be reaching marginalized communities as quickly as desired.

Political commitment is critical: Political will is essential if an enabling framework for WSS and WSS funding is to be created and put to work to improve the lives of people. There needs to be buy-in from political stakeholders, and this is often developed through intensive and extensive engagement with relevant public office holders from the national to regional and local levels. This increases the likelihood of policymakers and decisionmakers being open to taking on WSS as part of their agenda, and pressing for policy and regulatory reform to make this happen. Being championed by the Prime Minister's Office did much to drive the Swachh Bharat Mission in India; lobbying by the main political parties led to the national government in Bangladesh boosting funding for WSS by a third, and both developments cleared the way for repayable WSS finance.

Collaboration with sector stakeholders is needed for scaling up: As Water.org operates on a relatively small scale, its direct activities need to be complemented with activities to influence other development partners and financial institutions – from microfinance institutions to national banks and government regulators – in order to achieve scale. Increasingly, this is the basis of Water.org's strategy to operate on three levels by carrying out direct activities, influencing partners' activities, and helping to change the WSS sector. Apex bodies of financial



institutions can play an important role in changing the perceptions of their members that WSS finance is high risk, and persuading them to expand their portfolios to include repayable finance. Water.org can also maximize its reach by collaborating with development partners to gather evidence and disseminate findings through shared platforms.

Systems analysis has been lacking:

Across countries, while Water.org has been very effective at leveraging openings to bring about policy change, this appeared to be opportunistic rather than strategically planned. This was partly because activities were not based on comprehensive systems analyses.

Systems change requires strategic planning:

Systems change needs time, and should be facilitated by strategies that include an explicit theory of change. This should be designed so as to account for both the intended and unintended consequences of activities undertaken. There also needs to be clarity around how different activities contribute to different targets. The evaluation found that there was a lack of clarity within Water.org on the difference between direct and indirect activities (including influencing and advocacy), how they relate to each other, and what specific policy changes for WSS finance are being targeted.

Outcome harvesting helps teams look back at their actions and link them to outcomes:

Outcome harvesting is a monitoring and evaluation methodology that allows the changes achieved by an activity to be identified, described, verified, and analyzed. Since Water.org began to incorporate outcome harvesting processes, teams have learned how their activities contribute to overall systems change. By providing a retrospective analysis, outcome harvesting can be used as a basis for country strategies.

Recommendations

Conduct WSS systems analyses: As part of bringing about systems change, a systems analysis of the existing market potential for WSS microfinance needs to be carried out. This will help identify bottlenecks to be addressed, and set the ground for considering how different financing modalities – public finance, repayable finance, and blended finance models – can be deployed in different contexts. Water.org should also identify stakeholders and their roles in repayable finance, especially with respect to reaching marginalized ‘last mile’ households.

Sector engagement should be scaled up:

Drawing on baseline surveys undertaken as part of systems analyses, organizations like Water.org should develop a strategic theory of change. Sector engagement with stakeholders should be a key element within the theory of change to achieve systems change. This should include proactively linking global actors to country teams where systems change has been limited to date.

Develop a flexible strategy: The WSS systems analysis should guide a flexible advocacy strategy for systems change. This should include targeted advocacy for alternative financing models. Both public and financial institutions should be made aware of blended finance models that combine, for example, grants and charity funds, or funds allocated to corporate social responsibility with repayable finance. Water.org and other organizations could support the government by developing and piloting such models. A media campaign to raise awareness of both WSS and funding to support WSS should be part of an advocacy campaign.

Support replication and scaling of the WaterCredit model: To meet the full potential of repayable finance for WSS, Water.org should identify both banking and non-banking partners. It should also do more to engage commercial banks to replicate and scale WSS microfinance.

Existing relationships with governments should be deepened so that they prioritize WSS loans.

Monitoring: Keeping in mind the challenges in setting up and implementing country-wide monitoring systems, Water.org should encourage partner governments to set up WSS loan reporting systems against which progress can be monitored. This will provide a more complete picture of the impact of the systems change achieved.

Partner with like-minded organizations to advocate for repayable WSS finance:

Water.org has worked with WSS partners to replicate and scale its models, but more effective partnerships with both development partners and microfinance organizations are needed to advocate a coherent strategy for boosting WSS financing, including how repayable finance could integrate with public financing. As a thought leader in the field, Water.org could help articulate the shared goals of partners in order to advocate clearly on country, regional, and global levels.

