EXECUTIVE SUMMARY

A Virtual Roundtable titled ‘Private Sector Engagement for Scale-up of SWEs’ was organized on 19th June 2020 under the aegis of Project SEWAH – Sustainable Enterprises for Water and Health, which is a joint initiative of Safe Water Network India and USAID. The aim of the roundtable discussion was to discuss and debate, and generate ideas to attract private sector investment for Small Water Enterprises (SWEs) in the country as complementary safe drinking water solution to piped water. Thus contribute towards UN SDG 6.1.

The virtual event had participation from all three levels of government – The Central Government, the State Administration, and the Urban Local Bodies who discussed the opportunities and challenges for the SWEs from a government perspective. The other key speakers were Safe Water Implementers, Corporations that promote SWEs through their CSR, Technology Providers, and International Development Agencies. Recognizing that the Small Water Enterprises are cost-effective and customizable drinking water solutions that can synergize a major thrust in the safe drinking water provision specifically at places where the flagship government schemes such as the Jal Jeevan Mission cannot reach and are yet to reach. The participants discussed how public-private partnerships can play a major role in providing safe drinking water to water-stressed or quality-affected communities. The Small Water Enterprises have been set up as public-private partnerships, using a mix of funding that heavily leaned on the 2% corporate CSR grants. However, with declining CSR funds, as most of the CSR funds going towards COVID care, it has become imperative for the SWEs to explore new investment avenues.

The keynote address for the session was delivered by Mr. Devender Singh, IAS, and Additional Chief Secretary of Government of Haryana, Public Health and Engineering Department (PHED) Haryana. He outlined the State Government’s water delivery approach that has a primary focus on Jal Jeevan Mission and also that the State of Haryana has a water ATM policy where sustainability is built on water sale revenue and the advertising through billboards. The Water ATMs are promoted in cities and towns for the mobile customer and also for the people in low-income colonies. Although the towns are small, in aggregate they nevertheless account for a substantial proportion of the overall urban population. Mr. Tukaram Mundhe, IAS, Municipal Commissioner, Nagpur Municipal Corporation gave a special guest address in the session. He elaborated that Nagpur City is demonstrating a successful PPP in piped water, where the services are privatized and the water rights remain with the government. The biggest problem is metering and collecting user charges from the consumer. The consumers are unwilling to pay meagre monthly amounts of Rs 50-70. We express our heartfelt gratitude to both our distinguished guests from the government for their thoughts and suggestions for the private sector role and participation in small water enterprises. We also thank Mr. Anand Rudra, Senior Advisor – WASH, USAID India for co-hosting the session and providing us with platforms and resources to voice the concerns of the sector to the relevant authorities for scale-up.

Ms. Jhalak Jain from Honeywell Hometown Solutions, who have invested deeply in small water enterprises for public health and social development through their CSR, said that for the private sector support the essential services and for high visibility to the program, measurable outputs and ability to recover the local operating cost.

The other panelists on the roundtable included Mr. Parag Agarwal, Founder, and CEO, JanaJal, a dedicated small water services company that has benefited over 20 million people to date. He said that the private sector brings speed, talent, and efficiencies to the program. The government should consider them as partners and provide an enabling environment to perform and recover costs. Mr. Dennis Abraham, Managing Director, Josab Water Solutions, a technology solution as well as implementing organization said that their low-cost technology purifies water ecologically and sustainably. And, Ms. Maya Acharya, Senior Policy Advisor, Embassy of Netherlands who collaborates with the Government of India on infrastructure projects said that there is a huge need in the country for safe drinking water and the private sector is keen to participate. It can be done through collaboration and enabling environment.

With the diminishing CSR funds and falling revenue generation from user fees at the Water ATMs due to the COVID pandemic, the SWEs cannot rely upon the earlier models of operations. Financial sustainability has become the most important determinant for the survival and scale-up of SWEs as water is priced within certain socio-economic parameters to reach all. This lack of opportunities for the small water enterprises to generate operating revenues let alone make a marginal profit from the water sales also keeps the private investors at bay.

The Small Water Enterprises provides a window of investment to the private sector, but this option has its own set of challenges. The stakes for the private sector to invest in the SWEs remain very high. The challenges range from working through delayed infrastructure delivery, complex institutional frameworks with multiple regulatory authorities, politicians offering free water, leading to lower probabilities of recovering the capital investments, or even the operating costs. Experience suggests that unless major reforms are made at both policy and implementation levels, the path to successful private investments in the SWE sector will not be smooth. There is an increasing need for holistic collaboration with the government in terms of technological, monetary, and resource sharing partnerships. Despite the risks and the challenges, there is a clear potential for the private sector investment in the small water enterprises.

Poonam Sewak of Safe Water Network India summarized that there is a need for forming a National Water ATM Policy and the regulatory framework that governs the SWE sector. Our ask from government is the following: (i) to ease the stringent regulations on water treatment units, promote MSME and adopt more business-friendly policies, (ii) suitable water tariffs, (iii) undertake capacity building and expertise in the drinking water sector, (iv) to simplify the institutional framework and create opportunities for public-private partnerships in the drinking water sector, and (v) provide viability gap funding.

The SWEs can make a lasting social and economic impact by improving health, creating jobs, improving vocational skills, and bringing new technologies to bridge the existing gaps in the water supply chain.

We thank our patrons and donors – USAID, Honeywell Hometown Foundation, Pentair Foundation and for their continuous support and guidance.

1Small Water Enterprises or the SWEs are decentralized water treatment plants that provide affordable safe drinking water. These are called by various names such as Water ATMs, Water Vends, Community Water Treatment Plants, Safe Water Stations, Water Kiosks, etc.
CATALYSE GROWTH OF SWEs

We must change the way we do business to minimize the need for assistance

- Mobilize private capital & Services for scale
- Seek market-based solutions with Govt support for greater sustainability
- Make catalytic use of USAID resources
- Increase and deepen collaboration with the private sector across sector and programming

Source: Adapted from USAID Private Sector Engagement Policy

Operating Models for SWEs to Attract PPPs

<table>
<thead>
<tr>
<th>Comparative Analysis</th>
<th>Engineering, Procurement, and Construction (EPC)</th>
<th>Built-Operate-Transfer (BOT) – User fee</th>
<th>Build-Operate-Transfer (BOT) – Annuity</th>
<th>Hybrid Annuity Model (HAM)</th>
<th>Social Entrepreneur Model (SHG/Entrepreneur/Co m)</th>
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<tbody>
<tr>
<td>O&amp;M</td>
<td>Included in contract as concessionaire’s responsibility</td>
<td>Included in contract as concessionaire’s responsibility</td>
<td>Included in contract as concessionaire’s responsibility</td>
<td>Included in contract as concessionaire’s responsibility</td>
<td>Independent Service Entity (paid out of rev)</td>
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<tr>
<td>User Fee – Collection</td>
<td>Awarding authority</td>
<td>Concessionaire/Private developer</td>
<td>Awarding authority</td>
<td>Awarding authority</td>
<td>Affordable pricing to cover OpEx</td>
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<tr>
<td>Funding from financial institutions</td>
<td>None</td>
<td>Majority funded by FIs</td>
<td>Substantial funding from FIs</td>
<td>Up to 40% of the project cost</td>
<td>Limited</td>
</tr>
<tr>
<td>Ease of contract management</td>
<td>Comparatively simple and easy to administer</td>
<td>Required constant monitoring</td>
<td>Requires constant monitoring</td>
<td>Requires constant monitoring</td>
<td>Scalable and Replicable</td>
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<tr>
<td>Project Impact</td>
<td>Low tender pricing, little focus on capacity building, results in higher slippages</td>
<td>High – community buy-in</td>
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Safe Water Network, India Sector Review. 2018.
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- Anand Rudra, Senior Advisor - WASH USAID India

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“Water is a critical service. SWEs should be recognized as support to the Government. It will save lives and contribute to the economy by creating jobs, self-employment opportunities, vocational trainings and skill development.”
- Dr. Parag Agarwal, Founder & CEO Janajal

“The AMRUT Mission of Ministry of Housing and Urban Affairs seeks increased participation of private sector organisations in the overall implementation of water supply projects. While AMRUT will help in increasing the coverage of water supply to 100% in 500 AMRUT cities, water supply coverage in smaller towns needs attention. The private SWE players can be involved in projects with capital investment and management of water supply system to bring in operational efficiency.”
- Mr. Suneet Mehta, IFS, (Deputy Secretary IC & AMRUT) Ministry of Housing and Urban Affairs

“There is a potential role of small water enterprises, in running and maintaining units which would have been created through schemes like Jal Jeevan Mission, or tying up with Skill Development Centers (SDCs) for capacity-build programs.”
- Devender Singh, IAS, Addl. Chief Secretary Govt. of Haryana PHED Haryana

“A small water enterprise model should have a self-sustaining feature factored in, so that it continues to operate sustainably and there is lower dependency on perennial funding from the private sector.”
- Jhalak Jain, Sr. Manager - CSR Honeywell Hometown Solutions India Foundation

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“There are multiple areas where private enterprises can make themselves useful to the government. Treatment of water, reuse of water or end-to-end automation provides a good opportunity for public-private partnerships. It has an impact on water quality, health of the city and availability of potable and non-potable water for the usage for different purposes.”
- Tukaram Mundhe, IAS, Municipal Commissioner Nagpur Municipal Corporation

“AMRUT Mission”

“There is a huge gap in the market in terms of technology selection, fund rotation and implementation. We would need to bridge this gap together, bring in transparency into decision-making with the Government and explore for partnerships.”
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“AMRUT Mission”
PARTICIPATING ORGANIZATIONS

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AB InBev Africa
Accenture
Ambuja Cement
Amity University
Aqua for All
Banka BioLoo Limited
Cairn India
Center for Youth India
Centre for Environmental Planning and Technology
Centre for Science & Environment
Charities Aid Foundation
Council on Energy, Environment and Water
CSIR-National Physical Laboratory
Clean Water Energy Trust
Delta Pure India
Drinkwell Systems
Durrah Sugar Refinery
Embassy of the Netherlands
Geofluid
Group M
Grundfos
Honeywell technology Solutions India Foundation
India Water Partnerships
Indian School of Public Policy
Indira Gandhi National Open University
Indus Water
IRC WASH
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Josab
KPMG
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Max Foundation
Millennium Water Alliance
Nagpur Municipal Corporation
Naandi Community Water Services
National Environmental Engineering Research Institute
National Institute of Urban Affairs
ONE MILLION WELLS
Pams Enterprise
PepsiCo Foundation
Public Health Engineering Department, Haryana
Piramal Water Private Limited
Plan India
Primus Partners
Safe Water Network India
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Splash
Spring Health
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Subash Mittal & Associates
Swajal
Tata Project
The Energy & Resources Institute
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USAID
Vox Impuls
V-Spur Technologies LLP by AquaSPE
Water.org
WaterHealth India
World Bank
Xylem Inc.