



**Environment**

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**Water Community**



**Poverty**

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**Microfinance Community**



## **Solution Exchange for the Water Community Consolidated Reply**

***Query: Revolving Fund for Household WatSan Facilities - Experiences; Referrals***

**Compiled by Pankaj Kumar S. and Sumeeta Banerji, Resource Persons and Ramya Gopalan and Anjum Khalidi, Research Associates**

**Issue Date: 27 September 2007**

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**From [Kulwant Singh](#), UN-HABITAT, New Delhi**

**Posted 28 August 2007**

Dear Members,

Under the Water for Asian Cities Programme, UN-HABITAT is working in four cities of Madhya Pradesh (Bhopal, Gwalior, Indore and Jabalpur) for improvement and expansion of urban water supply, sewerage and sanitation, water drainage and solid waste management.

UN-HABITAT has set up a revolving fund for financing small community managed water and sanitation initiatives in the project towns of Madhya Pradesh. A set of guidelines for the revolving fund, duly endorsed by the State Government of Madhya Pradesh, have been developed for this purpose. The revolving funds are so far working quite satisfactorily.

Under the programme, we have developed a Sanitation Fund managed by an NGO which gives loan money to households for construction of individual household toilets. The money is recovered in installments and the fund utilised in a revolving manner so that more and more households can benefit. In another model, we facilitated piped water connections for individual household, where the capital investment was done by UN-HABITAT and the amount is being recovered from households through a monthly charge for the connection and the water charges. The recovered money is put in a revolving fund for use by another neighbourhood. In Lao PDR we are facilitating individual household loans for water connections as well as toilets. These pilots in India as well as in Lao PDR have so far been working successfully. There, however, is a keenness to scale up these.

We are now proposing to scale up the financing activities both for water and sanitation at the national and state levels. It is learnt that there are several such financing initiatives in the country for provision of water and sanitation services at the local level.

In the above context, I request members to kindly share with us the following:

- Experiences on the kind of models being used for financing household water and sanitation facilities for weaker sections in India and the innovations that have increased access of poorest to water and sanitation facilities.
- Suggestions on what not to do, and learnings about possible pitfalls that such programmes should avoid to ensure greater success.
- Names of institutions, organisations and programmes that have adopted a similar approach and that can support us in designing, capacity building for the programme.

Your inputs will help us in evaluating our own experiences and enhancing the design of the scaled-up programme and would be deeply appreciated.

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### Responses were received, with thanks, from

1. [K. Mahesh Kumar](#), Consultant, Bhopal
2. [S. V. Anil Das](#), Asian Development Bank (ADB), New Delhi ([Response 1](#); [Response 2](#))
3. [N. Jeyaseelan](#), Microfinance Consultant, Madurai
4. [Ranjan Das](#), Lady Hardinge Medical College (LHMC), New Delhi
5. Kulwant Singh, UN-HABITAT, New Delhi ([Response 1](#); [Response 2](#))
6. [Arunabha Majumder](#), All India Institute of Hygiene and Public Health, Kolkata
7. [Asaithambi.T](#), DHAN Foundation, Madurai
8. [N.Srinivasan](#), Rural Finance Consultant, Pune
9. [Alicia Morris](#), Unnati, Ahmedabad
10. [S.Damodaran](#), WaterPartners International India Liaison Office, Tiruchirappalli
11. [V. Kurian Baby](#), Civil Lines, Thrissur
12. [M. V. Raman](#), Java Softech Pvt. Ltd., Hyderabad

*Further contributions are welcome!*

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### Summary of Responses

In the context of the proposed scaling up of UN Habitat's Water for Asian Cities Programme, the query sought experiences and models in financing small household level water and sanitation (watsan) facilities through revolving funds. In response, members provided examples of such models from different states and suggested points on designing such a programme.

Respondents shared various experiences in building **financing models** from various parts of the country. An AusAid programme in [Gangtok-Shillong](#) area provided 70% of the cost as a one-time grant, with community based organisations (CBOs) putting in the rest and taking up the responsibility for planning and implementing the watsan facilities, while the Indian bank in [Madurai](#) sanctioned loans to Self Help Groups (SHG) for constructing RWH structures. Members pointed out that bank loans with subsidies (such as under the Central Sanitation Program) have been popular as these make the loans accessible to poorest. In another experience from [West](#)

[Bengal](#), a revolving fund was introduced to give loans to the poorest households to build low cost toilets to be paid back in 25 months, while in **Maharashtra**; Regional Rural Banks provided loans for construction of toilets. Discussants also described BAIF's experience in promoting low cost prefabricated toilets, which were easy to install and reduced costs considerably and another project in [Lao PDR](#) in this background.

**Revolving fund models** mentioned by discussants included Gramalaya, an NGO in [Tamil Nadu](#), which provides loans to SHG members for household water connections and toilets with underground drainage facilities at 18% interest. The agency has achieved 100 per cent repayment and has now registered a separate Micro Finance Institution for this purpose. In its campaign called War against Open Defecation, the agency is also providing loans through Primary Agriculture Cooperative Banks for construction of low cost toilets. In this context, respondents also mentioned the opportunity provided by the Community Participation Fund ([CPF](#)) initiated by Ministry of Urban Development, which would cover grant funding up to 10 lakhs for small community projects to CBOs. The Fund is available in 63 cities covered by the Jawaharlal Nehru Urban Renewal Mission and the community is to contribute 10% of total cost. Respondents also shared the learnings of a revolving fund project in [Madhya Pradesh](#) for watsan during the discussion.

Discussing the **constraints in adoption** of revolving funds by the poor, discussants pointed out that loans for watsan facilities saved time for the poorest households, and increased time available for economic activities, thus increasing their ability to pay installments. However, they pointed out that slum-dwellers living in rented accommodation or prone to frequent migration may be reluctant to invest in toilets. Similarly, poor people who lack ownership over lands on which their houses are built may also not be interested in taking such loans. Absence of a steady revenue stream for repayment of loans from revolving funds could be another constraint for the poorest, felt members.

Discussing the **systemic constraints** to scaling up watsan revolving funds, members pointed out that in general; large hidden subsidies are built into large water and sanitation programmes, which benefit the richer affluent sections, while approaches like revolving funds are designed for the poorer sections. The Government's promise to deliver such municipal infrastructure at no cost hampers flow of private investment into building water and sanitation infrastructure, which by nature is a high demand area, and could easily attract such viable infrastructure. However, since the Government's promise of delivery of efficient and low cost infrastructure is plagued with poor quality, quantity and reliability, ultimately citizens end up investing private capital to meet the gaps. In this process, the poor end up paying more than the rich pay for water and sanitation services.

In the above context, respondents gave a number of **suggestions**. They emphasized that, in fact, a system of revolving funds for financing water and sanitation infrastructure needs to be evolved for affluent sections, and the money saved could be utilized in providing subsidized access to the services for the poorest sections. In case this could not be done, revolving funds could be scaled up, provided the thrust of the fund was kept on community assets and if major Government and donor funded programmes have a window to encourage venture funds.

Additionally, they suggested the following for promoting revolving funds:

- Designing customized individual loan products for the UN Habitat programme, such as the special product that Indian Bank designed for the [Sakthi](#) project.
- Undertaking community survey and preparing slum profiles to understand factors for reluctance against use of loans for sanitation
- Using public-private models for promoting revolving funds, as done by a company promoting [water filters](#) through SHGs

- Increasing awareness of rural women, schoolchildren about sanitation and involving youth as advisors and technicians

The discussion listed experiments in financing watsan facilities for the poorest and gave suggestions on how such a programme could be designed. Members stressed that notwithstanding hidden subsidies for the affluent, revolving funds could be a sound mechanism to make watsan facilities accessible for the poorest at a large scale.

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## Comparative Experiences

### Gangtok-Shillong

#### **Small Grants Scheme in Urban Water Supply and Sanitation** (from [K. Mahesh Kumar](#), Consultant, Bhopal)

A fund component within this AusAID funded project provides 70% capital cost as a one-time grant. The balance 30% is contributions from the Community and there are no loans. The whole process of planning, implementation and future management lies with community groups or CBOs. This method is used successfully in almost 30 projects in Gangtok by ECOSS. Read [more](#)

### Tamil Nadu

#### **Water Credit Provided by Banks as Part of Economic Activities, Usilampatti, Madurai** (from [N. Jeyaseelan](#), Microfinance Consultant, Madurai)

At Indian Bank's Special Unit for Microfinance ([IBSUM](#)), Usilampatti branch, 50 members received loans from Rs. 2000 to Rs.3000 for constructing household rain water harvesting structures. These loans were sanctioned to SHG members and delivered as a combined loan along with the enterprise loan. This type of water credit is combined with loans for economic activities and thus fulfils the RBI permits of lending to SHGs for both consumption and production purposes.

#### **Water Credit through Self Help Groups for Toilets and Water Connections, Tiruchirappalli District** (from [S.Damodaran](#), WaterPartners International India Liaison Office, Tiruchirappalli)

[Gramalaya](#) with [WaterPartners International](#) provided loan amount of Rs.45,00,000 to 490 borrowers in Tiruchirappalli City corporation for household water connections and toilet facilities. Loans are provided through women SHGs ranging from Rs.3,000 to Rs.10,000 at 18% rate of interest diminishing balance with 18 - 24 months repayment period. 100% repayment and more demands led Gramalaya to now form a separate MFI for this [WaterCredit project](#).

### West Bengal

#### **Revolving Loans to Promote Sanitation in Villages, Hooi District** (from [Arunabha Majumder](#), All India Institute of Hygiene and Public Health, Kolkata)

[AIIHPH](#) in one of their projects introduced a revolving fund to promote sanitation in the villages. Through a demand-driven approach, people were made aware and motivated to need household toilets, constructed at affordable costs and various ranges. The revolving loan was Rs 500/- per family, to be paid back in 25 months without interest. Experience shows repayment rate satisfactory in first year but irregular in subsequent years.

### Madhya Pradesh

#### **Community Managed Water Supply Scheme** (from [Kulwant Singh](#), UN-HABITAT, New Delhi; [response 1](#); [response 2](#))

[UN-HABITAT](#) created a Revolving Water Fund ([RWF](#)) implemented as a pilot demonstration project. The Municipal Corporation manages it in Gwalior and Jabalpur and likewise the District Urban Development Authority in Indore. Communities receive a loan from the fund to meet infrastructure development costs, which is paid back in installments matching their paying capacity which is replicated and scaled up by DUDA/MC, thus demonstrating a pro poor approach

## Orissa

### **Innovation towards Ensuring Social Inclusion** (from [Ramya Gopalan](#), Research Associate)

When poor families find it difficult, women "inclusion ambassadors" persuade the better-off to contribute more. The money is invested and interest earned thereof funds watsan schemes which permits communities to manage resources. Communities bear a third of capital cost, Government bear half and Gram Vikas provides the rest, average Rs 4000 per family. The community also attempts to tap local development funds of local elected representatives. Read [more](#)

## All India

### **Community Participation Fund (CPF)** (from [Asaithambi.T](#), DHAN Foundation, Madurai and S. V. Anil Das, Asian Development Bank (ADB), New Delhi; [response 1](#); [response 2](#))

To tackle water and sanitation problems in most of the slums irrespective of the city, the [CPF](#) established by the ministry provides funds to local NGOs and Community Based Organizations (CBOs) based on issues in a particular slum in an effort to enrich the people's participation. CBOs must prepare the proposal and route it through the corporation to ministry. The project cost for each proposal is Rs. 10 Lakhs, the community also has to contribute 5 to 10% additionally.

## International

## Lao PDR

### **Mekong Water and Sanitation Initiative (MEKWATSAN), Luang Prabang** (from [Kulwant Singh](#), UN-HABITAT, New Delhi; [response 1](#); [response 2](#))

[UN-HABITAT](#) took up this community-based water supply and sanitation demonstration [project](#) in the secondary town of Xieng Nguen. Total cost of the project was US\$ 450,000 of which UN-HABITAT provided US\$ 250,000, local community contributed US\$ 100,000 and the provincial water supply enterprise further contributed US\$ 100,000. The project completed in December 2006, demonstrating how communities can mobilize and work effectively with local authorities.

From [Ramya Gopalan](#), Research Associate

## Mali

### **Revolving Credit Scheme for Water Transport, Nafadji**

The challenge was to facilitate households' access to appropriate utensils for water transport. The WaterAid field team did a survey and found that women supported a revolving credit scheme, where they could access funds to buy water transport utensils. Thus, formed the first group of 170 women with an initial budget of 255000 CFA Francs provided by the water point committee. Each woman received a bucket with a lid paid for in four weekly installments. Read [more](#)

## Côte d'Ivoire

### **NGO and Public Water Utility Partner on a Micro Finance Scheme, Abidjan**

In three neighbourhoods CREPA, an NGO, and SODECI, public water utility, to enable poor households connect to the network. With grant funding from UNDP, CREPA pre-financed the

connection fees as a loan for all 300 households and provided a capacity-building program to mobilize household savings to repay loan and ongoing water bills. The micro loans were paid back in 17 months and this example is now being replicated in Ouagadougou. Read [more](#)

## Burkina Faso

### **Saving Credit Scheme for Domestic Waste Management, Wogodogo, Ouagadougou**

The credit provided by a women's association working on sanitation financed the initial 70% towards start-up. Initially 28 households benefited from loans to construct excreta/waste water infrastructure such as VIP latrines, drainage and soak pits for domestic waste treatment. But only five households reimbursed the credit. However, participatory approaches took place to improve their attitude and self confidence and now the reimbursement rate is more than 80%. Read [more](#)

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## Related Resources

### *Recommended Documentation*

From Kulwant Singh, UN-HABITAT, New Delhi ([response 1](#); [response 2](#))

### **Guidelines on Revolving Funds for Community Managed Water Supply Schemes and Construction of Household Toilets in Urban Slums in Madhya Pradesh, India**

Paper; Water for Asian Cities Programme, Madhya Pradesh; UN-HABITAT and Government of Madhya Pradesh; November 2006

Available at <http://www.solutionexchange-un.net.in/mf/cr/res28080702.pdf> (PDF Size: 412 KB)

*Guidelines for projects at the household level supported through revolving funds used mainly for financing water and sanitation related activities at the household level*

### **Guidelines on Revolving Funds for Constructing Latrines and Water Connections in Luang Prabang, Lao PDR**

Paper; UN-HABITAT and Mekong Region Water and Sanitation (MEK-WATSAN) Initiative; November 2006

Available at <http://www.solutionexchange-un.net.in/mf/cr/res28080701.pdf> (PDF Size: 360 KB)

*Guidelines for revolving funds to enable provision of water and sanitation services to reach the urban poor and make them both affordable and acceptable*

### **Flush with Loans: Micro Credit for Rural Sanitation**

Article; Jalvaani; Vol 2 No 3; July - September 1999

Available at [Link](#) (PDF Size: 712 KB)

*Details a path breaking low cost low subsidy credit scheme for rural sanitation launched by WaterAid in Tamil Nadu*

### **Linking Credit to Water, Sanitation and Hygiene - The Nafadji Revolving Credit System**

News Article; by Adama Sanogo; WaterAid

Available at <http://www.wateraid.org/mali/news/4267.asp>

*Details the revolving credit scheme aimed at providing poor women in Nafadji with the financial means to purchase appropriate buckets to transport their drinking water*

### **Microfinance for Water Supply Services**

Fact Sheet; by Catarina Fonseca; WELL Resource Centre for Water, Sanitation and Environmental Health; March 2006

Available at <http://www.lboro.ac.uk/well/resources/fact-sheets/fact-sheets-htm/Micro%20for%20water.htm>

*Explores examples of microfinance for the water sector citing case studies from developing countries*

### **Local Financing Mechanisms for Water Supply**

Briefing Note; by Julie Fisher; WEDC; WELL Resource Centre for Water, Sanitation and Environmental Health

Available at <http://www.lboro.ac.uk/well/resources/Publications/Briefing%20Notes/BN16%20Local%20financing.htm>

*Supports delivery of pro-poor watsan interventions through viable, innovative financing mechanisms, and strategies to promote these at regional and national level.*

### **A Bottom-Up Approach to Sanitation**

Article; by Darryl D'Monte; InfoChange News and Features; October 2006

Available at <http://www.infochangeindia.org/features389.jsp>

*Discusses problems of sanitation community projects, lack of funds and lack of conviction amongst people's understanding of sanitation needs, and highlights Orissa's innovation*

### **Financial Services and Environmental Health: Household Credit for Water and Sanitation**

Paper; by Robert C.G. Varley; EHP Applied Study 2; USAID; January 1995

Available at <http://www.gdrc.org/icm/environ/usaaid.html>

*Advocates the use of microfinance institutions as an integral part of financing strategies for increasing water supply and sanitation coverage in urban and peri-urban areas*

From [Anjum Khalidi](#), Research Associate

### **Microfinance for Sanitation**

Fact Sheet; by Darren Saywell; WELL Resource Centre for Water, Sanitation and Environmental Health; 2006

Available at <http://www.lboro.ac.uk/well/resources/fact-sheets/fact-sheets-htm/mcfs.htm>

*Examines progress of developing microfinance mechanisms for sanitation initiatives, identifies key factors in failures and successes of initiatives using global examples*

### **Financing Water Using Partial Loan Guarantees**

Powerpoint Presentation; by Ms. Jacqueline E. Schafer and Mr. John Wasielewski; U.S. Agency for International Development (USAID)

Available at

<http://www.oecd.org/dataoecd/42/32/21878332.ppt#311,1,U.S.%20Agency%20For%20International%20Development>

*Highlights USAID's approach to water finance; Water Revolving Funds (WRFs), and details the activities of its watsan projects in Karnataka and Tamil Nadu*

### **Financing Small Water Supply and Sanitation Service Providers - Exploring the Microfinance Option in Sub-Saharan Africa**

Paper; by Mr. M. Mehta and K. Virjee; WSP - Water and Sanitation Program of UNDP and the World Bank; December 2003

Available at [http://microfinancegateway.org/files/21838\\_WSP.pdf](http://microfinancegateway.org/files/21838_WSP.pdf) (PDF Size: 720 KB)

*Discusses possible role of microfinance in financing small water supply and sanitation service providers; lists key aspects to be addressed by the government and civil society*

## *Recommended Organizations and Programmes*

From [K. Mahesh Kumar](#), Consultant, Bhopal

### **Gangtok-Shillong and South Asia Regional, Water and Sanitation Program, Gangtok**

<http://www.developmentgateway.com.au/jahia/Jahia/pid/2357>

*This program funded by AusAID aims to improve water supply, sanitation and solid waste services in two cities in the north-eastern region of India using a small grants scheme*

### **Ecotourism and Conservation Society of Sikkim (ECOSS), Sikkim**

State Archives Annexe, Zero Point, Gangtok 737101 Sikkim; Tel: +91-3592-228211/225182/229154; Fax: +91-3592-229183; [ecoss@sikkiminfo.net](mailto:ecoss@sikkiminfo.net);

<http://www.sikkiminfo.net/ecoss/>

*Implemented almost 30 projects in Gangtok as a partner to the AusAID funded water and sanitation program through one time grants and community contributions*

From [N. Jeyaseelan](#), Microfinance Consultant, Madurai and [S.Damodaran](#), WaterPartners International India Liaison Office, Tiruchirappalli

### **WaterCredit Initiative, Tamil Nadu**

D-56, 6th Cross (NEE), Thillainagar, Tiruchirappalli 620018; Tel: +91-431-4023516;

<http://www.water.org/waterpartners.aspx?pgID=928>

*A loan program of WaterCredit International, which works on the idea of building community-based water supply projects through a combination of grants and loans*

### **WaterPartners International, Tamil Nadu**

D-56, 6th Cross (NEE), Thillainagar, Tiruchirappalli 620018; Tel: +91-431-4023516;

<http://www.water.org/>

*Provides safe drinking water and sanitation to people in developing countries, using micro finance initiatives in partnership with donors and local communities*

### **All India Institute of Hygiene and Public Health, West Bengal (from [Arunabha Majumder](#), All India Institute of Hygiene and Public Health, Kolkata)**

Department of Sanitary Engineering and Environmental Sanitation, 110 Chittaranjan Avenue, Calcutta 700073; Tel: +91-33-315286/315288; <http://mohfw.nic.in/kk/95/ib/95ib0y01.htm>

*Undertook a UNICEF funded project on integrated and ecologically balanced water and environmental sanitation, introducing a revolving loan for sanitation promotion in villages*

### **Gramalaya, Tamil Nadu (from [S. Damodaran](#), WaterPartners International India Liaison Office, Tiruchirappalli)**

12, 4th Cross, Thillainagar West, Tiruchirappalli 620018; Tel: +91-9443161263; Fax: +91-431-4021563/4220263; [gramalaya@airtelbroadband.in](mailto:gramalaya@airtelbroadband.in); <http://gramalaya.org/>; Contact J. Geetha; Executive Director

*Formed the Gramalaya Urban and Rural Development Initiatives and Network (GUARDIAN) which will lend money for watsan facilities in Tiruchi and sub-urban areas*

### **HUL Project Shakti, Maharashtra (from [N. Jeyaseelan](#), Microfinance Consultant, Madurai and [M.V. Raman](#), Java Softech Pvt. Ltd., Hyderabad)**

Hindustan Unilever Limited, Hindustan Unilever House, 165/166, Backbay Reclamation, Mumbai 400020; Tel: +91-22-39830000; Fax: +91-22-22871970;

<http://www.hilshakti.com/sbcms/temp15.asp?pid=46802261>

*A rural initiative involving SHGs/NGOs/Govt Agencies in 14 States to promote the concept of Micro Enterprise/Health & Hygiene by rural communicators called Shakti Vahinis*

**Indian Bank's Special Unit for Microfinance (IBSUM), Tamil Nadu** (from [N. Jeyaseelan](#), Microfinance Consultant, Madurai)

PB No.1384, 66, Rajaji Salai, Chennai 600001; Tel: +91-44-25233231/25231253/25231254; Fax: +91-44-25231278; [indianbank@vsnl.com](mailto:indianbank@vsnl.com); <http://www.indianbank.in/>

*The Usilampatti branch provides loans to SHG members for constructing household rain water harvesting structures delivered as a combined loan along with the enterprise loan*

**Community Participation Fund, New Delhi** (from *S. V. Anil Das*, Asian Development Bank (ADB), New Delhi; [response 1](#), [response 2](#) and [Asaithambi.T](#), DHAN Foundation, Madurai)

Ministry of Urban Development, Nirman Bhawan, Maulana Azad Road, New Delhi - 110011; Tel: +91-11-23063495; Fax: +91-11-23061446; <http://www.urbanindia.nic.in>

*Establish to fund community projects with financial contributions from the community for small projects in local areas such as water supply/sanitation for urban slums*

**Water for Asian Cities Programme, UN-HABITAT, New Delhi** (from *Kulwant Singh*, UN-HABITAT, New Delhi; [response 1](#), [response 2](#))

Regional Office EP 16/17, Chandragupta Marg, Chanakyapuri New Delhi - 110 021; Tel: +91-11-42225000; <http://www.unwac.org/>

*Undertakes working in watsan related pilot projects supported at the household level through revolving funds used in India, Nepal, Lao PDR, Vietnam, PR China and Indonesia*

**Philippines Water Revolving Fund (PWRF), Philippines** (from [Anjum Khalidi](#), Research Associate)

7600 Wisconsin Avenue Suite 200, Bethesda, MD 20814 USA; Tel: (301) 771-7600; Fax: (301) 771-7777; [http://www.dai.com/work/project\\_detail.php?pid=135](http://www.dai.com/work/project_detail.php?pid=135)

*Project focuses on mobilizing financing for watsan infrastructure, expanding the number of watsan projects and strengthening water and financial policies and infrastructure*

### ***Recommended Portals and Information Bases***

**Financing and Cost Recovery, IRC International Water and Sanitation Centre, The Netherlands** (from [Ramya Gopalan](#), Research Associate)

<http://www.irc.nl/page/113>

*Focuses on realistic policies, operational strategies or plans for cost recovery and financing for sustainable water supply services, particularly for the poor*

### ***Recommended Tools and Technologies***

**Pureit** (from [M.V. Raman](#), Java Softech Pvt. Ltd., Hyderabad)

Water Filter; Owned by Hindustan Unilever Limited (HUL), All India

Available at <http://hllpureit.com/htmls/about.html>; [pureit.hul@unilever.com](mailto:pureit.hul@unilever.com)

*These water filters is an example of a technology at the household level which can be procured easily by SHG members through HUL's internal loan options*

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## **Responses in Full**

**[K. Mahesh Kumar](#), Consultant, Bhopal**

I was associated earlier (2004-05) with the AusAID funded project 'Gangtok-Shillong Urban Water Supply and Sanitation'. This programme had a component similar to your description. The fund is called 'Small Grants Scheme' and the major difference is that it provides 70% capital cost as a one-time grant and 30% community contribution -- not a loan. But, the whole process of planning, implementation and future management lies with community groups or CBOs as they are referred to. Almost 30 projects in Gangtok were implemented in this method by a partner NGO called Ecotourism and Conservation Society of Sikkim (ECOSS) For more information, you can visit their website: <http://www.sikkiminfo.net/ecoss/>. You may wish to contact them directly to get firsthand information.

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**S. V. Anil Das, Asian Development Bank (ADB), New Delhi (response 1)**

I would suggest that you start drawing up proposals for accessing the CPF (Community Participation Fund) which is in the process of being established by the Ministry of Urban Development, Government of India, wherein there would be funding from Government of India for projects established by the community with financial contributions from the community for small projects in local areas. Good candidates for such projects would relate to water supply/sanitation for urban slums or other dwelling areas of poor people. The project will be implemented and maintained by the community with or without the help of local civil society organizations. Please watch for the announcement of this facility/scheme which is due for release in October-November 2007 after which you may submit your proposals through the local municipal bodies. There are some ceilings here which will be outlined clearly in the policy.

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**N. Jeyaseelan, Microfinance Consultant, Madurai**

I would like to share my experiences on credit for water / sanitation.

1- When I was working as a project manager at the Indian Bank's Special Unit for Microfinance (IBSUM) at the Usilampatti branch, we gave loans in the range of Rs. 2000 to Rs.3000 to 50 members for constructing rain water harvesting structures in their homes. These loans were sanctioned to SHG members and loans delivered as a combined loan along with the enterprise loan. As the Reserve Bank of India (RBI) has permitted banks to lend to SHGs for both consumption and production purposes, banks while lending for economic activities can add the water credit also and lend as a combined limit like we did in our Usilampatti branch.

2- Water Partners International is promoting the concept of water credit and the details can be found on their website [www.water.org](http://www.water.org)

3- When bank loans for toilet constructions were given with subsidy under the Central Sanitation Program, many poor SHG women availed loans and constructed the toilets. Subsidy is still an attractive option to the target group.

4- UN-Habitat and selected banks can design an individual loan product for wat/san purposes and can be marketed to the target group through SHGs (like Indian Bank has developed an exclusive individual loan product for financing Sakthi dealers under the Sakthi Project of Hindustan Unilever Limited (HUL)

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**Ranjan Das, Lady Hardinge Medical College (LHMC), New Delhi**

Greetings from LHMC. We are following this most important discussion avidly, and although we are not in a position to be of any direct help in this context, yet we would like to know more about this issue of "Lao PDR". Could you please throw some light and oblige.

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**Kulwant Singh, UN-HABITAT, New Delhi (response 1)**

I give below in the links two documents giving guidelines for setting up revolving funds for water and sanitation schemes:

Lao PDR: <http://www.solutionexchange-un.net.in/mf/cr/res28080701.pdf> (Size: 360KB)

MP: <http://www.solutionexchange-un.net.in/mf/cr/res28080702.pdf> (Size: 412KB)

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**Arunabha Majumder, All India Institute of Hygiene and Public Health, Kolkata**

We at All India Institute of Hygiene and Public Health worked for the Research and Development (R&D) Project on integrated and ecologically balanced water and environmental sanitation in Singur and Dhaniakhali Blocks in Hoogly District of West Bengal. The project was funded by UNICEF. A revolving loan was introduced for promotion of sanitation in the villages. We promoted sanitation through a demand-driven approach. People were aware and motivated for the need of household toilets. Toilets were constructed at affordable cost. The minimum cost of household toilet construction (single leach pit with pour flush arrangement) was Rs 500/-.

Various types of household toilets were developed and cost ranged between Rs 500/- and Rs 3000/-. Most of the families opted for RS 500/- costing toilets. The revolving loan was Rs 500/- per family and to be paid back in 25 months without interest. In the first year, the repayment rate for the revolving loan was satisfactory. In the subsequent year, it was irregular. This was our experience during 1993 and 1995.

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**Asaithambi. T, DHAN Foundation, Madurai**

I would like to share my experience from working in urban Madurai. There are two main areas, one is water and sanitation for the community and the second is for the individual. However, most urban development programmes concentrate on community and community infrastructure rather than the individual.

The concept being discussed falls under housing upgradation fund, which is a very viable product in urban areas. We need to concentrate on the following areas:

- slum dwellers who have migrated from nearby districts and villages for their livelihoods, most of whom do not have their own houses (80% of the urban poor are living in rented and leased houses)
- In this context, they may not go for upgradation without permission from the house owner. Subsequently in cities, the majority of the houses were occupied by moneylenders and politicians, so the intervention is not so easy
- Even though the poor people live in their own houses, they may not have ownership of the land as many of them are living in encroachments
- Above all, people living in slums often migrate very frequently for their livelihoods

So in order to promote sanitation and water facilities effectively, we need to have a community survey and slum profile because these two areas are closely related with main functions taken up by the Urban Local Bodies (ULBs).

Regarding the fund under the Ministry of Urban Development, 63 cities were selected for entire city development at international city standards under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

Very recently, the ministry has come out with the Community Participation Fund (CPF) in order to enrich the people's participation. The CPF will be given to the local NGOs and Community Based Organizations (CBOs) based on the issues in a particular slum. The proposal should be prepared by the CBOs and it should be routed through the corporation to ministry. Water and sanitation is a major problem in most of the slums irrespective of the city. The project cost for each proposal is Rs. 10 Lakhs, the community also has to contribute 5 to 10% additionally. Regarding this, if you would like to know about the details visit the website for the Ministry of Urban development ([www.urbanindia.nic.in](http://www.urbanindia.nic.in)).

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**N. Srinivasan, Rural Finance Consultant, Pune**

Banks have been providing loans for construction of toilets in Maharashtra. The Bank of India, some Regional Rural Banks (RRBs) and also some district central cooperative banks have provided such loans, with reportedly good recovery of loans. The state government is also involved some of these through the "Nirmal Gram" programme.

Absence of a revenue stream is the main hurdle in financing the very poor for water and sanitation. The time gained by having a stable arrangement (either captive or in the vicinity) for water and sanitation could be put to economic use and thereby generate additional income. Community based efforts could reduce costs and bring in cost effective alternatives. BAIF has introduced low cost pre-fabricated toilets, which are easy to install and reduce the overall costs. Such models must be in existence elsewhere.

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**Kulwant Singh, UN-HABITAT, New Delhi (response 2)**

Thanks to all members who have given their valuable inputs, and we look forward to more responses.

In continuation to my last response where I shared the guidelines for revolving funds, separate for India and separate for Lao PDR, I also wish to inform members that under the Water for Asian Cities Programme, UN-HABITAT is working in India, Nepal, Lao PDR, Vietnam, PR China and Indonesia. Both in India and Lao PDR, we have taken up water and sanitation related pilot projects which are also supported at the household level through revolving funds used mainly for financing water and sanitation related activities at the household level. As explained, we are now keen to upscale these in India possibly at the national level.

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**Allice Morris, Unnati, Ahmedabad**

I would like to know whether the Community Project Fund (CPF) of the MoUD would cover all states of India or is it going to be focused on certain states.

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**S. V. Anil Das, Asian Development Bank (ADB), New Delhi (response 2)**

It is applicable for all cities covered under JNNURM. I think the ceiling of the grant is in the range of Rs.10-15 lakhs. So I presume it would be really very small works unless the community or donor is prepared to chip in some more to expand the scope. Shall provide more information as the days progress.

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**S. Damodaran, WaterPartners International India Liaison Office, Tiruchirappalli**

I am thankful for the very interesting contributions from our members regarding revolving loan fund for water and sanitation. WaterPartners International is supporting NGOs and MFIs in India and Bangladesh through WaterCredit in providing access to household latrines and water connections for the slum dwellers and rural families through women self-help Groups.

One such NGO successfully implementing WaterCredit is Gramalaya in Tiruchirappalli District of Tamil Nadu. So far loans worth Rs.1 crore provided by Gramalaya with WaterPartners International assistance in the rural and urban areas of Tiruchirappalli District. With the assistance from WPI under MSDF project, a loan amount of Rs.45,00,000 provided to 490 borrowers in Tiruchirappalli City corporation for getting household water connections and toilet facilities. The loans are provided through women self-help groups ranging from Rs.3,000 to Rs.10,000 for water and toilet connections with UGD facilities. The UGD - underground drainage fee is high in Tiruchi City Corporation which is Rs.6,000 as deposit to the city corporation, hence the high cost of installation for toilets.

There is 100% repayment of loans so far from the borrowers with more demands from other interested SHGs. The loans are disbursed at 18% rate of interest diminishing balance with 18 - 24 months repayment period. As a result of the innovative project, Gramalaya has formed a separate MFI for this WaterCredit project funded by WaterPartners International. Soon, the newly constituted GUARDIAN - (Gramalaya Urban and Rural Development Initiatives and Network) will lend money for water and sanitation facilities in Tiruchi and sub-urban areas. BASIX one of the leading MFI is implementing a pilot research project in Hyderabad, Delhi, Ganjam and Indore areas.

Another, interesting information to be mentioned here is that with the commercial banks and PACBs supported Gramalaya has so far mobilised Rs.75,00,000/- for construction of low-cost latrines in its project area where loans are provided to women self-help groups directly on the facilitation from Gramalaya. This year Gramalaya has planned to mobilise through local commercial banks and PACBs for construction of 30,000 household toilets in Thottiyam, Thathaiengarpet and Thuraiyur Blocks of Tiruchi District Rs.10 crore under its War against Open Defecation campaign project which is jointly supported by WaterPartners International, USA, WaterAid, UK and Arghyam, Bangalore.

For more information about WaterCredit, kindly log on <http://www.water.org/>. You can also email Mrs. J. Geetha for more details on the WaterCredit project.

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#### **V. Kurian Baby, Civil Lines, Thrissur**

Many efforts are being made in innovative financing of watsan projects in India. The results are mixed and are facing serious scaling up challenges. Most of the innovative financing options are incentivised with capital investment subsidies of varying levels. The revolving fund options are largely targeted at improved private services, like the household sanitation or household piped water supply. As there exists very high willingness to pay for watsan services, such schemes are apparently regressive in the sense that the poor tend to pay more as usual while the rich are covered by subsidized service delivery. A major reason that put apriori ceiling on loan financing is the existing policy regime that promises (seldom delivers) basic essential service level through subsidized public investments. Though this could be a loadable objective, after 5 decades of planning, the poor are still the worst affected and are paying disproportionately high for watsan services. This is again compounded by the inefficiency of service delivery in terms of quality, quantity and reliability, compelling the users to adopt various coping strategies. According to studies, in a State like Kerala more than 55% of the investments in drinking water had come from private-household sector and a significant share of the urban households are spending as

high as Rs. 18000 – 25000 as capital investments (connection charges and facility up gradation) alone for assured supply.

Why then high benchmark willingness to pay coexists with many non starter revolving /loan funds? The answer is the dichotomy of watsan financing policies by national and state governments - the promise of free provision kept private investments shied away. As the people gradually realize that promise do not deliver, the circle is getting completed by crowding in of household capital investments as coping strategies.

Ideally, the revolving/loan fund should target the rich/better off sections to leverage grater financial resources to the poor. However, policy and implementation distortions are making the task onerous. Despite the imitations, the funds would serve a great purpose and could be scaled up (i) if public policy in unequivocal terms spell out its stand on free provision; (ii) the thrust of the funds be more on community assets; and (iii) major Government/ donor funded programmes have embedded venture fund window of optimum size, with options for community bidding for counter part contribution levels administered on normative and transparent mechanisms.

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**M. V. Raman, Java Softech Pvt. Ltd., Hyderabad**

I was associated with the rural initiative by Hindustan Levers "PROJECT SHAKTI" during its implementation phase and I was actively involved with SHGs/NGOs/Govt Agencies across 14 States in promoting the concept of Micro Enterprise /Health & Hygiene. Today we have more than 15000 Shakti Dealers across the country and HLL has been keen in promoting Health and Hygiene programmes through the rural communicators called Shakti Vahinis ' and on the whole the entire channel is getting stronger day by day with the active participation of rural women in this programme. Utilising this channel will be a great help in speeding up the implementation of the programme.

These type of programmes especially Water and Sanitation programmes should be tried more through public private partnerships and we should take the help of companies like HLL/Procter & Gamble/Wipro/ITC etc. Recently HLL also launched its new product '**Pureit**' water filters, which can be procured easily by SHG members through their internal loan options. Alternatively, even any local bank can extend a loan of Rs. 2000 to acquire the filters and thereby encourage them to have purified water for the families. To promote and provide good pure drinking water to all the community members in the villages we can also explore the Shakti Channel as mentioned in an earlier response by Mr. JeyaSeelan.

More than providing access for the communities to these facilities there is a great need for bringing awareness on the importance of the Hygienic living to rural women, who can in turn bring change in to their families. All the primary schools and High Schools in rural India must exclusively deal on the subject on a consistent basis to bring an over all understanding of water and sanitation problems and how they can be addressed by the involvement of the community members/corporates and Govt Agencies.

Even taking the help of Nehru Yuva Kendras of the rural youth programme can be tried involving rural youth and developing them into Water & Sanitation Clubs. They could be trained as advisors and technicians to deal with minor repairs and other works in the community. By this, we can generate good employment to them also simultaneously.

Hope this information would be useful.

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*Many thanks to all who contributed to this query!*

*If you have further information to share on this topic, please send it to Solution Exchange for the Water Community in India at [se-wes@solutionexchange-un.net.in](mailto:se-wes@solutionexchange-un.net.in) and/or Solution Exchange for the Microfinance Community in India at [se-mf@solutionexchange-un.net.in](mailto:se-mf@solutionexchange-un.net.in) with the subject heading "Re: [se-watr] [se-mf] Query: Revolving Fund for Household WatSan Facilities - Experiences; Referrals. Additional Reply."*

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