



**GUIDELINES ON  
REVOLVING FUNDS FOR  
COMMUNITY MANAGED WATER SUPPLY SCHEMES  
AND  
CONSTRUCTION OF HOUSEHOLD TOILETS  
IN URBAN SLUMS  
IN  
Madhya Pradesh, India**

**Water for Asian Cities Programme  
Madhya Pradesh, India**

**GUIDELINES FOR ESTABLISHING  
REVOLVING FUND ON  
COMMUNITY MANAGED WATER SUPPLY SCHEMES  
&  
CONSTRUCTION OF HOUSEHOLD TOILETS  
IN URBAN SLUMS**

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# CONTENTS

Preface – 5

Introduction – 7

Investments and Funding Scenario – 7

Revolving Fund and its Modalities – 7

- Concept – 7
- Establishing Revolving Funds – 7
- Financing of Revolving Fund – 8
- Legal Status – 8
- Building up self-sufficiency – 8
- Management and Administration – 9
- Sustainability – 9

Water for Asian Cities Programme supporting  
Revolving Fund mechanism for benefiting  
water and sanitation sector – 10

- About WAC – 10
- WAC programmes in India – 10
- Establishing a Revolving Water Fund in India – 10
- Establishing a Revolving Sanitation Fund in India – 11

Guidelines for establishing Revolving Fund on  
'Community managed water supply schemes' and  
'Construction of individual household toilets in Urban Slums' – 12

# PREFACE

With rapid urban development, the gap between demand and supply in the water and sanitation sector is widening, imposing stress on the basic infrastructure facilities by the urban local bodies, which often fails to address the growing demand. In the process, the urban poor suffer the most and are forced to live under unhygienic conditions in slums and shanty areas, lacking in basic amenities. The efficient use of existing resources and community participation are imperative to make increased water and sanitation coverage. The problem is more predominant in Asian countries who are ill equipped to provide the needed safe water and sanitation to their growing population. The levels of investments in the sector within the region are quite inadequate to bridge the widening demand-supply gap and to extend services to low income and the needy population. External investments into the sector are inadequate. Most governments are increasingly becoming aware of the significance of domestic mobilization of funds.

There is need for more intensified funds for ensuring the urban poor to obtain improved services, which requires to devise innovative financial mechanisms that focus on filling the critical financial gap by involving NGOs and the community-based organizations (CBOs) and provide loans to initiate development of water and sanitation facilities. The approach of 'Revolving Fund' would be an appropriate solution to finance for the community initiatives in water and sanitation sector, particularly for managing drinking water supply as well as construction of individual household toilets for safe sanitation, through circulation of fund' resources between the Fund and the Users and there by building up for self-sufficiency and sustainability.

Water for Asian Cities (WAC) Programme, a collaborative initiative between UN-HABITAT and Asian Development Bank (ADB) is supporting the implementation of the water and sanitation related targets in Asian cities and promoting new/innovative investments in the urban water and sanitation sector. In India, WAC is supporting in four cities of Bhopal, Gwalior, Indore and Jabalpur in the state of Madhya Pradesh, India with the financial support of ADB for the improvement and expansion of urban water and sanitation services.

The WAC programme has initiated a Revolving Water Fund (RWF) for Community Managed Water Supply Scheme (CMWSS) as a pilot demonstration project in Gwalior, Jabalpur and Indore with an aim to improve the lives of the urban poor and the disadvantaged by connecting them to Safe Drinking water. A Revolving Sanitation Fund (RSF) has also been created for the Slums Environmental Sanitation Initiative and is being implemented as a demonstration project in Bhopal, Indore, Gwalior and Jabalpur. This approach has been a special micro-financing measure for providing loans to Community Water and Sanitation Committee/ Self Help Groups from the fund and then uses the repayments from the CWASC/SHG to provide loans to other members of the same, thus "revolving" or reusing the capital. The recovery of the cost is expected to generate a sense of ownership and ensure financial viability and sustainability.

This Publication provides Guidelines for "Revolving Water Fund for Community Managed Water Supply Schemes in Urban Slums" and for "Revolving Sanitation Fund for the Construction of Individual Household Toilet in Urban Slums", evolved on the basis of the learning and experiences through these pilot demonstration projects and in partnership with UN-HABITAT. These guidelines are targeted to all the relevant stakeholders to put in practice for increasing the coverage of water as well as sanitation facilities for zero open defecation. These Guidelines are extremely useful for the professionals and those engaged in improving the quality of life by promoting water and sanitation to adopt and adapt innovative mechanisms for establishing Revolving Water Fund and Revolving Sanitation Fund with the involvement of NGOs and CBOs to benefit the urban poor.

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## Introduction

Asian region is seriously threatened by the growing water and sanitation crisis and the scale of challenge is of much higher order. Eighty percent of the global population without access to improved sanitation and almost two thirds without access to improved water supply live in Asia. Many Asian countries are ill equipped to provide the needed safe water and sanitation to their growing population. An additional 1.5 billion people in Asia will need access to adequate sanitation facilities and an additional 980 million for access to safe water, if the Millennium Development Goals (MDG) set to halve the world's population without access to safe water by 2015 and to achieve improvement in the lives of slum dwellers by 2020, were to be met.

## Investments and Funding Scenario

The levels of investments in the sector within the region are quite inadequate to bridge the widening demand-supply gap and to extend services to low income and vulnerable sections of the society. There are no immediate prospects for rapid increase in external investments into the sector. Most governments are increasingly becoming aware of the need for more intensified domestic mobilization of funds including funds for advocacy, information and education to the people who need most. 'Funding' becomes the key instrument as an institution that administers the quantity of capital, raised with a special purpose.

Various types of loans/subsidies have helped to fill gaps in the more conventional financing, available for the development works but not the costs relating to community executed water and sanitation schemes. There is a need to devise innovative funding mechanisms that focus on filling the critical financing gap by providing loans to community-based organizations to initiate development of water and sanitation facilities. 'Revolving Fund' is one such solution for financing community initiatives to manage drinking water supply or construction of individual household toilets for safe sanitation.

## 'Revolving Fund' and its modalities

### *Concept*

By definition 'Revolving Fund' is a capital raised with a certain purpose which can be made available to the same users **more than once**. 'Revolving' represents that the fund's resources circulate between the Fund and the Users. Revolving funds are established with an intention that they should be self-sufficient and sustainable.

### *Establishing Revolving Fund*

Revolving funds are established in order to achieve a particular purpose or assist a particular target group. This could be possible if its continuity is guaranteed. Conflicts may occur if the purpose cannot be achieved or the target groups may be assisted in some other way. It is important to consider whether it could be attained effectively by means of an independent Revolving Fund or through a Revolving Fund associated with the existing institutions. One has to analyze the reasons in terms of risk factors, securities, profitability, institutional policies, past experiences, availability of funds, etc and adopt appropriate solutions. The following are some of the suggestive illustrations:

Difficulties may lie in the institutional structure, decision making systems and the statutory provisions. Eliminating such obstacles ought to form part of the project activities. It is necessary to analyze the causes of the past failures and if not available, it would be worthwhile to establish an experimental

Revolving Fund in cooperation with the existing institution. Providing the right funding as a part of the project activity would solve the institution's funding problems. Consideration may be given for improving the access of the target group to the existing institutional facilities for strengthening the cooperation between the target group and the institution.

### ***Financing of Revolving Fund***

A fund may be financed by its users or by users of projects or it may be financed by third parties or by both. In most cases, the fund will take time to become fully established if it depends on small injections of funds in the form of contributions, savings deposits or phased donor financing. Contributions may be voluntary or compulsory. Obtaining contributions from outside the fund's target group is termed as 'external financing' such as donor funds.

In development cooperation, many Revolving Funds initially draw on donor funds, which is true of credit funds and of guarantee funds. In majority of cases, the involvement of the users in enabling the fund to be financed by them is minimal or non-existent. Although there are no technical objections to hundred percent financing, experiences show that the financial involvement of the target group is a major precondition for successfully achieving the aim of the fund. When setting up a Revolving Fund, the aim should be to ensure that the target groups are financially involved, either voluntarily or compulsorily. Participation in Revolving Fund by a donor may be in the form of grants, interest-free advances, loans, combinations of any of these and guarantees. However, dependence on donor funding should be temporary and be gradually phased out. As regards, advances and loans to the Revolving Fund, the multi-year financial prognoses relating to the fund should indicate when repayment will be possible and the schedule for phasing out guarantees.

### ***Legal status***

It is important to know who is legally authorized to represent the fund and who owns or manages it. This determines the manner in which the fund can act vis-à-vis the financiers and the users, actions to be taken for transfer of funds and the influence the financier/donor can bring to bear or the requirements can be imposed on the fund.

It is necessary for the fund to acquire legal status for a clear relationship between the fund, its financiers and the users, which can be possible by giving the fund itself a legal status or by attaching the fund to an existing body with legal personality which will administer the fund under the terms of agreement. The type of legal personality which is felt to be appropriate for a fund, will depend on the aim of the project. When a fund acquires legal status, it shall be registered as a fund with appropriate public authority. Besides the requirement of legal status, it will also be necessary to comply with the statutory requirements.

### ***Building up of Revolving Fund for Self-sufficiency***

There are two possible ways of using Revolving Fund, namely, 'making the fund's capital available to the users' and the other, 'making income from the fund available to the users'. In the former case, the availability of fund's capital to users depends on lending periodicity and prompt repayments. In the case of later, the fund's capital is not directly available to the users and only yield from the investment of the capital is made available. The capital is not depleted and the interest received by the fund is lent to users and even part of these loans are subsequently repaid to the fund. Thus, the fund's capital grows. If the accumulated interest assumes the role of the original capital, the original capital can be repaid to the donors, provided the establishment of Revolving fund is by means of donor financing.

The fund itself can provide guarantees to enable local fund to be borrowed. The amount of capital which the fund possess determines the maximum guarantee it can provide.

### ***Management and Administration of Revolving Fund***

Revolving Fund has financial relationships with the financiers and the users of the fund which entail obligations to make payments or repayments and to submit reports. If the fund has independent legal status, there will be a statutory obligation to submit regular financial reports. This makes it necessary to keep separate financial records on the Revolving Fund at all times. In many countries, the financial reporting obligation and the form in which the reports have to be submitted are laid down by Law.

The financial report shall include profit and loss account, cash flow statement indicating overview of sources and applications of funds and a balance sheet approved by the fund's trustees and by an external auditor and shall be finalized annually within three months of the end of the financial year. It is advisable to produce profit and loss account quarterly for use in monitoring and planning a Revolving Fund Project together with a cash flow forecast for the rest of the year. Depending on the type of the project, a quarterly balance sheet may also be useful. The fund's multi-year planning must consist of a minimum of five year cash flow forecast, which should be adjusted and extended annually on the basis of the results achieved. The staffing of the Revolving Fund Project should be such to enable maintenance of adequate records including records on premiums, contributions, loans and advances. The information on the personal particulars and all financial aspects relating to the users should be kept confidential by storing and securing the relevant information and records appropriately. Third parties should not have access to them.

A fund may be terminated by premature termination, termination without transfer, termination combined with transfer or by change of fund's terms of reference with or without transfer. The termination may be due to the exhaustion of funds, external factors which impede activities or misuse.

### ***Sustainability of Revolving Fund***

The Revolving Fund is expected to become self-sufficient after an initial period. Its capital is expected to remain at a constant level more or less without any fresh external financing. The factors that affect the operation of a Revolving Fund are the interest rates (for lending and/or borrowing), levels of premiums; administrative expenses; payments/repayments and failure to make them; inflation and the liabilities. In order to keep the Revolving Fund self-sufficient and sustainable, appropriate measures would be required to be adopted to effectively appraise and monitor these factors for its improved operations.

The appraising of proposals for Revolving funds should include the reasons for setting up Revolving Fund, its purpose, administrative and management practices, financial mechanisms including auditing systems, forecasting, monitoring and evaluation procedures, etc. The operations of Revolving Funds should be monitored and evaluated periodically against its objectives in terms of the characteristics of users, volume of transactions, advances, loans and claims, promptness of payments/repayments, write-offs, rate of circulation, procedures for processing and rapidity of collections, organizational and financial administration and the effects on users and other stakeholders. The practice prompt recovery of the costs is expected to generate a sense of ownership and ensure the financial viability and sustainability of the schemes. These measures would help strengthen the stakeholders with the necessary framework for effective formulation and implementation and thereby achieving sustainability.



## **Water for Asian Cities (WAC) Programme supporting Revolving Fund mechanism for benefiting water and sanitation sector**

### ***About WAC***

Water for Asian Cities (WAC) Programme is a collaborative initiative between UN-HABITAT and Asian Development Bank (ADB) with its goal set to contribute to the achievement of the internationally agreed targets related to water and sanitation in human settlements in the Asia-Pacific region with particular focus on the urban poor in order to facilitate equitable social, economic and environmental development. WAC Programme is supporting the implementation of the water and sanitation related MDGs and targets in Asian cities, specifically promoting pro-poor governance, water demand management, increased attention to environmental sanitation, and income generation for the poor linked to water supply and sanitation. The programme seeks to achieve by mobilizing political will; raising awareness through advocacy, information and education, training and capacity building; by promoting new/innovative investments in the urban water and sanitation sector, and by systematic monitoring of progress towards MDGs.

### ***WAC Programmes in India***

In India, WAC is supporting in four cities of Bhopal, Gwalior, Indore and Jabalpur in the state of Madhya Pradesh, India with the financial support of ADB for the improvement and expansion of urban water supply, sewerage, sanitation, water drainage and solid waste management. The programme initiatives include pro-poor urban water and sanitation governance, development of water demand management strategy in four cities, slum environmental initiatives, developing strategies for gender mainstreaming and capacity building of the local bodies and concerned stakeholders.

### ***Establishing a Revolving Water Fund (RWF) in India***

A Revolving Water Fund (RWF) has been created under WAC for Community Managed Water Supply Scheme (CMWSS) and is being implemented as a pilot demonstration project in Gwalior, Jabalpur and Indore. The Revolving Fund is being managed by the Municipal Corporations (MC) in Gwalior and Jabalpur and by the District Urban Development Agency (DUDA) in Indore. Through the implementation of CMWSS it is possible to quickly improve the lives of the urban poor and the disadvantaged by the connecting them to Safe Drinking water.

The RWF not only makes finances available for meeting the capital cost of the scheme upfront but ensures the ownership and participation of the community in execution as well as the operational maintenance of the scheme. The community is provided a loan from the fund to meet the infrastructure development cost, which could be paid back by the community to the DUDA/MC in easy installments matching with their paying capacity thus demonstrating a pro-poor governance approach. DUDA/MC will replicate and upscale these scheme in others slums of the city.

The Revolving Water Fund is a special micro-financing measure for providing loans to the Community Water and Sanitation Committee (CWASC), a community based organization (CBO), from the fund and then uses the repayments from the CWASC to take up additional schemes, thus "revolving" or reusing the capital and thereby expected to generate a sense of ownership and ensure the financial viability and sustainability of the schemes.

## ***Establishing a Revolving Sanitation Fund (RSF) in India***

A Revolving Sanitation Fund (RSF) has been created under the WAC Programme for the Slums Environmental Sanitation Initiative (SESI) and is being implemented as a demonstration project in Bhopal, Indore, Gwalior and Jabalpur. Under SESI, the Revolving Fund is being managed by NGOs on behalf of the UN-HABITAT/Urban Local Body (ULB).

The objective of the Slums Environmental Sanitation Initiative (SESI) is to demonstrate how communities can be empowered to acquire adequate sanitation that meets their needs by generating demand for sanitation facilities in slums through awareness creation, health education, capacity building and encouraging cost effective and appropriate technologies in all aspect of sanitation. It seeks to ensure total open defecation-free slums through low cost individual household toilets, community managed sanitation complexes wherever required, underground drainage and school sanitation complexes. The SESI has a pro-poor governance approach aims to demonstrate that it is possible to quickly improve the lives of the urban poor and the disadvantaged by ensuring provision of individual household toilets facilities through the innovative mechanism of a Revolving Sanitation Fund (RSF).

The Revolving Sanitation Fund is a special micro-financing measure maintained by the Urban Local Body (ULB) and managed by a NGO on behalf of the ULB. The NGO provides loans to CWASC/ Self Help Groups (SHG) from the fund and then uses the repayments from the CWASC/SHG to provide loans to other members of the same CWASC/SHG or different CWASCs/ SHGs, thus “revolving” or reusing the capital. Recovery of the cost is expected to generate a sense of ownership and ensure the usage and maintenance of the toilet in future.

### ***Guidelines for establishing Revolving Fund on 'Community Managed Water Supply Schemes' and 'Construction of individual household toilets in Urban Slums'***

Based on the learning and experiences in the operation of Revolving Water Fund and the Revolving sanitation Fund through pilot demonstration projects, Guidelines have been evolved for “Revolving Water Fund for Community Managed Water Supply Schemes in Urban Slums” and for “Revolving Sanitation Fund for the Construction of Individual Household Toilet in Urban Slums” in partnership with UN-HABITAT. These guidelines are targeted to all the relevant stakeholders to put in practice for increasing the coverage of water as well as sanitation facilities with zero open defecation. These Guidelines along with the Orders issued are placed below for the benefit of the stakeholders in setting up of Revolving Water Fund and the Revolving sanitation Fund with the involvement of NGOs and CBOs to benefit the needy urban poor.

**GUIDELINES**  
**ON**  
**REVOLVING WATER FUND FOR**  
**COMMUNITY MANAGED WATER SUPPLY SCHEMES**

## 1. Background of Revolving Water Fund

With rapid urban development, the gap between water demand and supply in urban areas is widening, imposing stress on the basic infrastructure facilities of the local bodies, which often fails to address the growing demand. In the process, the urban poor suffer the most. While additional financial resources will help to meet these challenges, infrastructure investment alone does not ensure sustainability. Though there are immediate prospects for a rapid increase in the external investment flow into the water sector it is more likely to address the requirements of main trunk infrastructures in the cities. Thus there is a possibility of poor people living in slum and squatter settlements not deriving benefits from such improvements in the city water supply system.

There is a need for more intensified funds for ensuring that poor people living in the periphery of the cities obtain improved services. Various types of loans/ subsidies have helped to fill gaps in the more conventional financing available for development works. Therefore, there is a need to devise means that focus on filling this critical financing gap by providing loans to Community Based Organizations (CBOs) to initiate development of water supply facilities. A revolving fund for financing such community initiatives is one such solution.

Such a fund has been created under Water for Asian Cities Programme for Community Managed Water Supply Scheme (CMWSS) and is being implemented as a pilot demonstration project in Gwalior, Jabalpur and Indore. The revolving fund is being managed by the Municipal Corporations in Gwalior and Jabalpur and by the District Urban Development Agency (DUDA) in Indore. The present "Guidelines on Revolving Water Fund" have been developed based on these pilots.

## 2. Rationale for Community Managed Water Supply Scheme

There are existing poverty pockets in the cities which, amongst other basic services, do not have sustainable water supply, but urban civic bodies have no plans to connect these poverty pockets with the normal water supply system of the city in the near future. Given this back drop, the Community Managed Water Supply Schemes (CMWSS) seeks demonstrate that it is possible to quickly improve the lives of the urban poor and the disadvantaged by connecting them to safe drinking water which would result in users not having to travel long distances or waste time queuing for water. CMWSS has a pro-poor governance approach in which, the cost of construction and the water connection charges are met upfront from the revolving fund set up for this purpose. The consumers are assured of continuous service or, at least on a regular basis (same time every day) and provided with enough water to cover their needs for daily house chores, which would facilitate proper housekeeping.

The enabling framework for CMWSS initiative is as follows:

- Adoption of a demand-responsive approach along with community participation based on empowerment of the community to ensure their full participation in the project through a decision making role in the choice of the drinking water scheme, planning, design, implementation, control of finances and management arrangements;
- Full ownership of the assets by the community through a Community Water and Sanitation Committees (CWASCs);
- 100% responsibility of operation and maintenance (O&M) and loan recovery with the community;

### 3. Concept of the Revolving Water Fund:

The Revolving fund is a special micro-financing measure for providing loans to the CWASC, a community based organization (CBO), from the fund and then uses the repayments from the CWASC to take up additional schemes, thus “revolving” or reusing the capital. Recovery of the costs is expected to generate a sense of ownership and ensure the financial viability and sustainability of the schemes.

Homogeneous communities organize themselves to constitute a Community Water and Sanitation Committee to improve their financial and managerial capacity to execute and manage the funds for the community as a whole. Thus the mechanism enables the urban poor to tap development resources directly by building up their own capacities. This approach allows communities to execute and operate the scheme by themselves, with the facilitation of the urban local body in the form of technical advice and later to link the scheme with main infrastructures of the cities.

The revolving water fund may be set up by other Urban Local Bodies or District Urban Development Agencies through their own resources or in partnership with national/ international organisations. The ULB/DUDA will be the Manager of the fund and will be responsible for the disbursements and repayments to and from the fund.

### 4. Sanctioning Mechanism

Sanctioning of any specific scheme will have the following stages / activities:

- Receipt of demand from the community,
- Assessment of initial mobilisation of the community by the ULB/ DUDA ,
- ULB/DUDA will provide technical support for design & environmental impact assessment (EIA) to be done in consultation with the community. Design and estimation of the water supply scheme will be based on community choice, technical feasibility, affordability to the community and user's preferences.
- ULB/DUDA would organise stakeholder consultations to present the design of the scheme. The CWASC would be expected to pass clear resolutions on connection / user charges, bulk water charges and payback installments.
- Constitution of Community Water and Sanitation Committee (CWASC) and its registration as a legal entity. CWASC opens and operate a savings bank account for project activities and depositing user charges ( connection charges & monthly user charges);
- Signing of MOU between ULB/DUDA and CWASC (*a prototype of MOU is attached as Annexure-1*). It would mention that assets constructed under the scheme will be owned by the CWASC. However it will be deemed to be mortgaged by CWASC in favour of ULB/DUDA during the pay back period.
- Release of first instalment from the fund.

### 5. Execution Mechanism

- Capacity building of the community members by ULB/DUDA on record keeping – financial management, maintenance of proceedings of community meetings, technical matters like designing details of the scheme and procurement procedure.
- CWASC completes the procurement process and issues work order to construction agency and keeps records of the process.

- Supervision of construction by CWASC with technical backup from ULB/DUDA, and recording the measurement of works in a measurement book (Annexure II)
- CWASC would be expected to store the construction material at the work site in a transparent manner so that it is easily available and accessible to community for their quantitative and qualitative inspection. It is expected to maintain stock register for procurement.(Annexure III)
- The CWASC would maintain a cash book containing full particulars of receipts and payments (Annexure-IV).
- All payments should be made against a payment voucher which would be countersigned by the receiver (Annexure-V).
- Submission of fund utilisation along with measurement book to ULB/DUDA by CWASC, verification by ULB/DUDA, and release of 2<sup>nd</sup> instalment
- Submission of fund utilisation and completion report to ULB/DUDA by CWASC after commissioning of the system.
- Verification by ULB/DUDA, release of last instalment & closure of loan.

## 6. Recovery Mechanism

CWASC will undertake the following activities:-

- Operate and maintain the system
- Collect weekly, fortnightly or monthly user charges from each individual household, provide serially numbered acknowledgement receipts for the same (Annexure-VI) and maintain beneficiary wise ledger (Annexure VII).
- Make payment of monthly instalments to the ULB/DUDA as well as bulk water charges and submit a monthly statement of the income and expenditure to the ULB/DUDA (Annexure-VIII).
- On completion of the pay back period the CWASC may resolve to hand over the scheme to the ULB for operation and maintenance and ultimate integration with Municipal supply with the residents only paying ULB for the water user charges as per then prevailing rate, or may continue to operate and maintain the CMWSS. In the latter case, CWASC would continue to discharge their function of operating and maintaining the system, collection of user charges, and payment of bulk water charges to the ULB.

## 7. Maintenance of Records and Audit Requirements

The ULB/DUDA will maintain the cash flow records scheme wise as well as the total fund separately for proper auditing of fund for the preparation of cash flow forecasting.

## MODEL MEMORANDUM OF UNDERSTANDING

### (Gwalior Municipal Corporation and Community Water and Sanitation Committee, Gwalior)

This Memorandum of Understanding (MOU) is entered into by the Gwalior Municipal Corporation, Gwalior, established under the State Municipal Corporation Act 1956 with Headquarters in Gwalior, Madhya Pradesh, India (hereinafter referred as "GMC"); and Community Water and Sanitation Committee, Gwalior (hereinafter referred as CWASC or committee"), a society, registered under Madhya Pradesh Society Registration Act, 1973 in Gwalior, Madhya Pradesh, India.

The GMC is a local authority within the state of Madhya Pradesh and is responsible for providing the civic amenities including services for safe drinking water, sanitation and solid waste management to the citizens of the city of Gwalior; and the CWASC is responsible for planning, designing, supervision of water supply and sanitation construction activities/scheme; commissioning and taking over of completed water supply and sanitation works for operation and maintenance including revenue realization, in the areas of its jurisdiction in the city of Gwalior.

### 1.0 Proposed work

The community managed water supply scheme to be implemented in Ramaji ka Pura, Islam Pura and Subhash Nagar in Gwalior involve construction of a RCC sump well of 50 Cubic Metre capacity, a RCC tank of 420 Kilo Litre capacity and laying of 750 mt length of pumping main of 150 mm diameter and distribution system. The cost of the scheme is Rs 3000,000. The estimate of the scheme is enclosed as **Annexure-A**. The scheme is to be completed in 6 months. The capital cost of construction is to be provided by the GMC, which will be paid back by the community/committee in monthly installments. The community will implement the scheme and operate and maintain the same under technical guidance of GMC. The scheme will be initially connecting about 1200 households which will be increased to 1500 later on.

### 2.0 Responsibilities of Gwalior Municipal Corporation (GMC)

1. Coordinate and monitor the implementation of the project;
2. Assist in design, procurement of material and in implementation,
3. Provide engineering personnel for guidance in the execution of works, and after completion of the scheme assist in preparation of the completion report, operation and management of the scheme and provide the services of one valve man/ plumber, one helper and one revenue collector.
4. Provide Rs 30 lacs to the CWASC for the construction of the scheme as per an agreed payment schedule
5. Provide water @ Rs 2 per kilo litre to the committee
6. Install a water meter for measuring the quantity of the water to be provided for the scheme.
7. Train 20 persons from the community on the accounting, book keeping, engineering and plumbing.
8. In case the agency appointed by the committee does not complete the works of the scheme in stipulated time, then on the request of committee complete the execution of the scheme.
9. After the payback of cost of capital works, on the request of the community take over the operation and maintenance of the scheme

### 3.0 Responsibilities of Community Water and Sanitation Committee (CWASC)

1. Generation of demand for water in the community and ensuring that the community will participate in the decision making of every aspect of the scheme and ready to pay towards the cost of scheme.
2. Plan, design and implement the scheme. In the case the committee decides to execute the scheme through an agency, and then it may seek advice from the GMC for entering in to an agreement with the agency.
3. The members of the committee will personally be responsible for quantity and quality of works, taking measurements and recording of measurement in books.
4. The committee will be responsible for providing water connection to 1200 households and if required will increase this connection to 1500 households. CWASC will collect the water charges from these households which are being charged at Rs 80.00 per month by the GMC. Present water connection charges of GMC are Rs 750.00. However looking to the economic condition to the house holds the connection charges will be taken in 8 monthly instalments , out of which the seventh and the 8<sup>th</sup> will be Rs 50.00 only.
5. The capital cost of the scheme will be paid back to the GMC in 32 months by the committee in instalments @ Rs 150,000 per month for the first 8 months and @ Rs 75,000 per month for the next 24 months.
6. If the committee is unable to provide connection to 1200 households then the payback period of the capital cost will be increased beyond 32 months. In case the committee is able to provide connections to more then 1200 households then the pay back period will be reduced .The pay back of capital cost of the scheme will start from the next month of completion of scheme.
7. The committee will keep the records of measurements book, cheque book ,cash book and correspondence with implementing agency including bills received
8. The committee will open a saving account in a bank on the with advise of GMC. The account will jointly be operated by the President or Secretary and the Treasurer of the committee. All the receipts and payments pertaining to the scheme will be made through this account.
9. The committee will store and maintain the construction materials, such as pipes and valve in the project area in such a manner that the quantity and the quality of the materiel can be inspected by the beneficiaries as and when required.
10. After the paying back the capital cost of the scheme to the GMC, the committee may decide the handing over the scheme to the GMC.
11. The construction works of the scheme will be completed in six months.

### 4.0 Payment arrangement

1. As per this Memorandum of Understanding GMC shall provide CWASC with funds up to a maximum amount of Indian Rupees 30,00,000.00 (Rupees thirty lakhs only) for implementation of infrastructural works in accordance with the following schedule:
  - (a) First Instalment: Indian Rupees 15, 00,000 (Rupees fifteen lakhs only) (50%)  
Upon receipt of outputs to be submitted by CWASC and accepted by GMC:
    - A copy of agreement with the work executing agency
    - Final construction design and drawing;
    - A demand note from supplier of the construction material in lieu of commencing the supply.
    - A payment request.



(b) Second & Final instalment: Indian Rupees 15,00,000 ( Rupees fifteen lakhs only) (50% )

Outputs to be submitted by CWASC and accepted by GMC:

- Report on works execution and commissioning of the system;
  - Report on operationalisation, billing and collection mechanism;
  - Report on training and imparting skills;
  - Submission of all outstanding or final outputs;
  - Financial statement showing the use of funds so far provided, as certified by CWASCs competent financial authority and a payment request.
2. GMC shall make the above payments within seven (7) days following the receipt of the appropriate "Payment Request" from CWASC. The statements referred to above shall be itemized as per the estimate in Annexure A. Supporting documents shall be made available to GMC upon request.
3. Payments will be made by GMC in Indian Rupees into the following bank account:

**Bank Name:** Punjab National Bank

**Bank Address:** Naya Bazaar,Gwalior

**Account Title:** Community Water and Sanitation Committee, Ramaji Ka Pura , Gwalior

**Account Number:** .....

**Signatory** ..... Chairman, CWASC , Ramaji Ka Pura

..... Treasurer, CWASC, Ramaji ka pura

## 5.0 Reporting, Maintenance of Records and Audit Requirements

1. Upon completion of the Scheme, the CWASC shall maintain the records relating to the Scheme for a period of three (3) years. CWASC will submit all measurement books pertaining to the scheme to GMC.
2. GMC has the right, at its own expense, to have the records of CWASC pertaining to the implementation of the Scheme reviewed and audited.
3. The assets created/constructed under the scheme will be owned by the community /committee. However, it will deem to be mortgaged by CWASC with and in favour of GMC during the pay back period.

### For Gwalior Municipal Corporation

Name:

Title : Commissioner

Add : Gwalior Municipal Corporation  
Gwalior, Madhya Pradesh (India)

Tel. : +91-751-2438301

Fax : +91-751-5002241

### For Community Water Supply and Maintenance Committee (CWASC), Ramaji Ka Pura, Gwalior

Name :

Title : President CWASC, Ramaji Ka Pura

Add : Ramaji Ka Pura, AB Road, Gwalior

Or to such changed addresses as either Party may subsequently specify by written notice to the other.

**IN WITNESS WHEREOF** the undersigned duly authorized representatives of GMC and CWASC, have signed this Memorandum of Understanding in two original copies at the place and on the day below written.

<b>For GMC</b>	<b>For CWASC</b>
Name	Name
Designation	Designation : Secretary, CWASC, Ramaji Ka Pura
Gwalior Municipal Corporation	Add: Ramaji Ka Pura, Gwalior
Place: Gwalior, Madhya Pradesh	

**ESTIMATE OF WORKS**

Sr. No.	Description of works	Quantity of work	Unit rate	Total Amount Rs. in lacs
01	Construction of sump well of 50 cubic meter Capacity	One work	Lump sump	2.50
02	Supply and installation of 03 pump sets (60 mt. Head, capacity 50 cubic meter per hour) with valve, pipe and accessories	One work	Lump sump	3.50
03	Installation of pipe line of pumping main pipe line of 60 mm diameter (from sump well to over head tank)	750 mt	Rs.1000 per meter	7.50
04	Construction of over head tank of 4, 20,000 lt. capacity	One work	Lump sump	14.50
05	Installation of distribution pipe line 80 mm diameter – 500 mt 100 mm diameter – 300 mt 150 mm diameter – 200 mt	One work	Lump sump	2.00
	<b>Total</b>			<b>30.00</b>

( Rs. thirty Lacs Only)







## Revolving Water Fund

### PAYMENT VOUCHER

(To be maintained in duplicate)

		Voucher No. _____
		Date _____
		CB Folio _____
Paid to	_____	
Amount in Rs.	_____	
Purpose	_____	
Signature of Secretary (CWASC)	Signature of Treasurer (CWASC)	Receiver's Signature

## Revolving Water Fund

### ACKNOWLEDGEMENT RECEIPT

(For monthly instalments)

(To be maintained in duplicate)

	Receipt No. _____	
	Date _____	
	<b>CB Folio</b> _____	
Name of the Beneficiary _____		
Name of the slum/ city _____		
Ledger Folio _____		
Received from _____		
Amount in Rs. _____		
Instalment number : _____		
Instalment Amount _____		
Signature of Secretary CWASC	Signature of Treasurer CWASC	Signature of Beneficiary





## Revolving Water Fund

### MONTHLY STATEMENT OF INCOME AND EXPENDITURE

(To be maintained by CWASC)

At the end of month \_\_\_\_\_ for the year \_\_\_\_\_

Balance with CWASC at the beginning of the Month: \_\_\_\_\_

Add monthly charges collected: \_\_\_\_\_

Add Interest received if any: \_\_\_\_\_

Less expenditure incurred on O&M in month: \_\_\_\_\_

Less repayment of monthly instalment to ULB / DUDA: \_\_\_\_\_

**Balance at the end of the month:** \_\_\_\_\_

Signature of President  
(CWASC)

Signature of Secretary  
(CWASC)

Signature of Treasurer  
(CWASC)



**MP URBAN (ADB) PROJECT**

(Urban Water Supply and Environmental improvement in Madhya Pradesh)

Urban Administration and Development Department

"Beej Bhawan", Arera Hills, Bhopal -462011.

☎ : 91 755-2763060, 61, 62 Fax : 91 755 2763868

Email: uwseimp@yahoo.com

No. PMU/CDO/ 4420

Date: 27 / 10/2006

To,

**The Commissioner  
Municipal Corporation  
Bhopal**

**The Commissioner  
Municipal Corporation  
Indore**

**The Commissioner  
Municipal Corporation  
Gwalior**

**The Commissioner  
Municipal Corporation  
Jabalpur**

**Sub.: Guidelines on revolving water fund for the construction of community managed water supply scheme in urban slums.**

Ref.: (i) Letter No. 1252/UWSEIMP/PMU/2005 dt. 31.08.05  
(ii) Letter No. 2132/UWSEIMP/PMU/2005 dt. 13.10.05  
(iii) Letter No. 2553/UWSEIMP/PMU/2005 dt. 20.01.06

Please refer to letters as cited above regarding the Community Managed Water Supply Scheme (CMWSS) being implemented under the Water for Asian Cities Programme in Ramajikapura, Islampura and Subhash Nagar by the Gwalior Municipal Corporation, in Bagra Dafai by the Jabalpur Municipal Corporation and in Shivnagar, Musakhedi by the District Urban Development Agency (DUDA) Indore respectively.

CMWSS is demonstrating the concept of "Revolving Water Fund (RWF)" maintained by District Urban Development Agency (DUDA) / Municipal Corporation (MC) for providing water supply schemes in the slums. Through the implementation of CMWSS it is possible to quickly improve the lives of the urban poor and the disadvantaged by connecting them to Safe Drinking water.

The RWF not only makes finances available for meeting the capital cost of the scheme upfront but ensures the ownership and participation of the community in execution as well as the operational maintenance of the scheme. The community is provided a loan from the fund to meet the infrastructure development cost, which would be paid back by the community to the DUDA/MC in easy installments matching with their paying capacity thus demonstrating a pro-poor governance approach. DUDA/MC will replicate and upscale these schemes in others slums of the city.

*Handwritten signature*

Based on the learning and experience in the operation of RWF, guidelines for “**Revolving Water Fund for Community Managed Water Supply Schemes in urban slums**” evolved in partnership with UN-HABITAT is being issued for putting the principle in practice thus increasing the coverage of water facilities in slums.

*Encl.: as above.*

  
**(Hari Ranjan Rao)**  
**Project Director**

CC to:

- (i) Secretary, Government of Madhya Pradesh, Urban Administration and Development Department, Vallabh Bhawan.
- (ii) Commissioner, Directorate of Urban Administration and Development, Shivaji Nagar, Bhopal
- (iii) Chief Technical Advisor, Water for Asian Cities Programme India, E-1/191, Arera Colony, Bhopal-462016

  
**Project Director**

**GUIDELINES**  
**ON**  
**REVOLVING SANITATION FUND FOR**  
**THE CONSTRUCTION OF INDIVIDUAL**  
**HOUSEHOLD TOILETS IN URBAN SLUMS**

## 1. Background of Revolving Sanitation Fund

India's rapidly expanding urban centers are facing serious problems with respect to providing urban basic services. Due to huge and widening gap between demand and supply of essential services, urban poor are forced to live under unhygienic conditions in slums lacking in basic amenities. The efficient use of existing resources and community participation are imperative to make increased sanitation coverage. Though there are prospects for a rapid increase in the external investment flow for the city sewerage system, it is more likely to address the requirements of main trunk infrastructures in the cities. Thus there is a possibility of poor people living in slum and squatter settlements not deriving benefits from such improvements in the city sanitation/ sewerage system.

There is a need for more intensified funds for ensuring that people living in the slum and squatter settlements in the cities obtain improved services. Various types of loans/ subsidies have helped to fill gaps in the more conventional financing for development works. Therefore there is a need to devise means that focus on filling this critical financing gap by providing loans to community-based organizations (CBOs) to jump-start development of individual sanitation facilities. A revolving sanitation fund for financing construction of individual toilets is one such solution.

Such a fund has been created under the Water for Asian Cities Programme for the Slums Environmental Sanitation Initiative (SESI) and is being implemented as a demonstration project in Bhopal, Indore, Gwalior and Jabalpur. Under SESI, the revolving fund is being managed by NGOs on behalf of the UN-HABITAT/Urban Local Body (ULB). The present "Guidelines on Revolving Sanitation Fund" have been developed based on these pilots.

## 2. Rationale for Slums Environmental Sanitation Initiative

The objective of the Slums Environmental Sanitation Initiative (SESI) is to demonstrate how communities can be empowered to acquire adequate sanitation that meets their needs by generating demand for sanitation facilities in slums through awareness creation, health education, capacity building and encouraging cost effective and appropriate technologies in all aspect of sanitation. It seeks to ensure total open defecation-free slums through low cost individual household toilets, community managed sanitation complexes wherever required, underground drainage and school sanitation complexes. The SESI has a pro-poor governance approach aims to demonstrate that it is possible to quickly improve the lives of the urban poor and the disadvantaged by ensuring provision of individual household toilets facilities through the mechanism of a Revolving Sanitation Fund (RSF).

Under SESI, the revolving sanitation fund is created for construction of individual sanitary toilets at a pro rata of Rs 2000/- per toilet and is managed by a local NGO on behalf of the ULB / UN-HABITAT. The NGO creates Self Help Groups (SHGs) in each slum consisting of members from households needing assistance for constructing individual toilets. The SHG gets mobilized over a period of time as a cohesive whole doing normal intra-group activities of depositing monthly contribution from the savings of its members and lending to members as per their need. After some time the needy SHG members request the SHG for providing assistance for construction of their household toilets. The SHG after ensuring that the interested individual has arranged his contribution of Rs 1,000/-, recommends the case to the NGO. The NGO after ascertaining that the SHG have been mobilized and the intra group activities of contribution and lending are taking place satisfactorily, provides loan from the RSF to the SHGs which in turn lends it (based on locally agreed principles for lending and recovery) to individual applicants, as per their need up to a maximum of Rs.2000/- for constructing latrines including the superstructure of their choice. The SHG has the responsibility of ensuring that the recipients of the fund return the loan amount for further disbursement to newly motivated households.

The enabling framework for RSF is as follows:

- Adoption of a demand responsive approach along with community participation based on empowerment of the community to ensure their full participation and decision making in toilet design
- Enable poorest of poor to have access to sanitation through credit facilities
- Strengthen Community Water and Sanitation Committee(SWASCs) /SHGs to actively participate in the sanitation movement

### 3. Concept of Revolving Sanitation Fund

The Revolving fund is a special micro-financing measure maintained by the Urban Local Body (ULB) and managed by a NGO on behalf of the ULB. The NGO provides loans to CWASCs/ SHGs from the fund and then uses the repayments from the CWASC/SHG to provide loans to other members of the same CWASC/SHG or different CWASCs/ SHGs, thus “revolving” or reusing the capital. Recovery of the cost is expected to generate a sense of ownership and ensure the usage and maintenance of the toilet in future.

Homogeneous communities organize themselves into groups, i.e. CWASCs /SHGs and improve their financial and managerial capacity to execute and manage the funds. SHG provides loans to individuals and recover monthly installments from its members/ individuals. If necessary the peer group pressure of the SHG assists in recovery of loan. This loan is made available to individual members of the CWASC/SHGs, for construction of individual household toilets and meeting the upfront cost of construction of super structures as well. Individual households will have the choice in deciding the design/ technological option in meeting their sanitation need with the facilitation of the NGO/ULB.

The revolving sanitation fund may be set up by Urban Local Bodies through their own resources or in partnership with national/ international organizations for ensuring provision of individual household toilets facilities in slums in municipal area. The ULB will be the Manager of the fund and will be responsible for the disbursements and repayments to and from the fund.

### 4. Community Mobilisation Mechanism

Community mobilisation will have the following stages / activities:

- ULB will hire the services of NGOs on payment basis for facilitating community mobilisation, formation of CWASC/SHGs, and training of the CWASC/SHG on record keeping, financial management, maintenance of proceedings of community meetings, and matters like designing details of the technical options.
- NGO will create SHGs/ CWASCs in each slum consisting of members from households needing assistance for constructing individual toilets. The SHG/CWASC gets mobilized over a period of time as a cohesive whole doing normal intra-group activities of depositing monthly contribution from the savings of its members and lending to members as per their need. NGO will generate the demand for household toilets through explaining the benefits of sanitation facility, method of getting loans to facilitate construction of toilets and repayment of loan. After some time the needy SHG/ CWASC members request the SHG/CWASC for providing assistance for construction of their household toilets.
- CWASC/SHG may get registered as per the norms of the State Government for providing an official status to the activities of the CWASC/SHG.

## 5. Sanctioning Mechanism

Sanctioning of loan will have the following stages / activities:

- ULB/NGO provides technical support to individuals to help them to finalize the design and estimation of the sanitation unit taking preferences, technical feasibility and affordability of the beneficiary into consideration.
- Receipt by the SHG/CWASC of demand/ application for loan from the individual with at least two persons providing guarantee for the refund of loan. Details of contribution of the beneficiary either cash or in kind will also be given (Annexure I).
- The CWASC/SHG recommends the matter to the NGO / ULB after examining the application along with a guarantee for repayment (Annexure II).
- The ULB/NGO releases the loan
- CWASC/SHG will open and operate a saving banks account and will maintain a cash book containing full particulars of receipts and payments (Annexure III).

## 6. Execution Mechanism

- The CWASC/SHG will maintain a stock register containing details of all procurement ( Annexure IV)
- CWASC/SHG releases loans to the individuals only after assessing the readiness of the Individual's contribution in the form of cash or kind. The individual may excavate the pit as part of his contribution or bring construction materials. The CWASC/SHG may provide the loan in the form toilet pan, cement, bricks, sand and any other construction materials, in lieu of cash.
- The individual will construct the household toilet of its own with the help of trained masons in the community. The ULB/NGO may constantly advise the beneficiary for ensuring construction quality.
- After the completion of the toilet the individual will intimate the CWASC/SHG, which in turn inspects the site and records its assessment of the construction.
- All payments should be made against voucher which will be countersigned by the receiver as provided at Annexure V.

## 7. Recovery Mechanism

The CWASC/ SHG will undertake the following activities:

- Collect monthly installments from each household and provide serially numbered acknowledgement receipts for the same (Annexure VI).
- Maintain beneficiary wise records relating to the revolving fund (Annexure VII)
- In case of default in payments, intimate the guarantors for assisting in the recovery of the loan. The CWASC/SHG will itself decide the penalty in consultation with its members in case of non repayment of loan installments.
- Make monthly payments to the NGO and submit a monthly statement of income and expenditure (Annexure VIII)
- The NGO will make monthly payments to the ULB and submit a monthly statement of income and expenditure (Annexure IX)

## 8. Maintenance of Records and Audit Requirements

The ULB and NGO will maintain records pertaining to the fund for proper auditing of fund and for the preparation of cash flow forecasting.



## Revolving Sanitation Fund

### APPLICATION FORM

(To be received from each beneficiary)

- Name of Beneficiary:
- Address:
- Name of the CWASC/SHG if any ( to which individual belong) :
- Purpose of loan:
- Amount of Loan requested:
- **Repayment schedule:**
  - Number of Instalments: \_\_\_\_\_
  - Amount of Instalment: Rs. \_\_\_\_\_
  - Starting date of Repayment: \_\_\_\_\_
- **Declaration by the applicant for repayment:**

I hereby promise to pay the loan amount of Rs. \_\_\_\_\_ sanctioned in \_\_\_\_\_ number of installments of Rs. \_\_\_\_\_ each.

I also understand that in case of non repayment the CWASC/SHG has the right to take penal action against me as per the agreed operational guidelines for the sanitary fund.

I hereby promise to contribute Rs. \_\_\_\_\_ ( in cash/ kind) before receiving any instalment of loan as my contribution.

Signature of Applicant

**Name and address of guarantors**

**Signatures of guarantors**

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_

3. \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

Signature of Applicant \_\_\_\_\_

---

(To be filled by CWASC/SHG)

- Amount recommended by CWASC/SHG:  
Number of instalment s \_\_\_\_\_

Amount of instalment: Rs. \_\_\_\_\_

- Cash Book Folio Number \_\_\_\_\_
- Ledger Folio Number \_\_\_\_\_

Signature of President  
(CWASC/SHG)

Signature of Secretary  
(CWASC/SHG)

Signature of Treasurer  
(CWASC/SHG)

---

(To be filled by NGO or ULB)

- Amount sanctioned by NGO or Municipal Corporation:
- Total amount of sanctioned : Rs. \_\_\_\_\_  
Number of instalment \_\_\_\_\_  
Amount of instalment : Rs. \_\_\_\_\_
- Cash Book Folio Number \_\_\_\_\_
- Ledger Folio Number \_\_\_\_\_

Signature of Commissioner  
Municipal Corporation

OR

Signature of Secretary  
(NGO)

## Revolving Sanitation Fund

To,  
Commissioner                      OR                      The Secretary  
Municipal Corporation                                      (NGO)

### Subject: Sanctioning of Revolving Sanitation Fund

Dear Sir/Madam,

A meeting of the members/ office bearers of the Self Help Group (Name) \_\_\_\_\_ was held on \_\_\_\_\_ to take decision on the applications for loan for the construction of individual household toilet in the \_\_\_\_\_ slum. Applications from \_\_\_\_\_ number of household scrutinized individually and loans to \_\_\_\_\_ (No.) amounting to Rs. \_\_\_\_\_ have been recommended. The applications received from the households are attached with the letter.

The CWASC/SHG undertakes the guarantee for the repayment of loan by its members. It is requested that the loan may kindly be sanctioned from the revolving fund for the construction of household toilets.

Encl: As above

Signature of Secretary  
CWASC/SHG





## Revolving Sanitation Fund

### PAYMENT VOUCHER

(To be maintained in duplicate)

Voucher No. _____		
Date _____		
CB Folio _____		
Paid to _____		
Amount in Rs. _____		
Purpose _____		
Signature of Secretary CWASC/SHG	Signature of Treasurer CWASC/SHG	Receiver's Signature

## Revolving Sanitation Fund

### ACKNOWLEDGEMENT RECEIPT

(For monthly instalment)

(To be maintained in duplicate)

	Receipt No. _____	
	Date _____	
	CB Folio _____	
<b>Name of the Beneficiary</b> <b>Name of the CWASC/SHG</b>		
<b>Ledger Folio</b> _____		
Received from _____		
Amount in Rs. _____		
Instalment number : _____		
Instalment Amount _____		
Signature of Secretary CWASC/SHG	Signature of Treasurer CWASC/SHG	Signature of Beneficiary





## Revolving Sanitation Fund

### MONTHLY STATEMENT OF INCOME AND EXPENDITURE

(To be maintained by CWASC/SHG)

At the end of month \_\_\_\_\_ For the year \_\_\_\_\_

Name of the slum / city: \_\_\_\_\_

Balance with CWASC/SHG at the beginning of the month: \_\_\_\_\_

Add refund received from beneficiary: \_\_\_\_\_

Add Interest received if any: \_\_\_\_\_

Add revolving fund amount received from ULB / NGO \_\_\_\_\_

Less loan disbursed to the beneficiary: \_\_\_\_\_

Less Installments refunded to ULB/NGO: \_\_\_\_\_

**Net fund at the end of month:** \_\_\_\_\_

Signature of President  
CWASC/SHG

Signature of Secretary  
CWASC/SHG

Signature of Treasurer  
CWASC/SHG

## Revolving Sanitation Fund

### MONTHLY STATEMENT OF INCOME AND EXPENDITURE

(To be maintained by NGO)

At the end of month \_\_\_\_\_ For the year \_\_\_\_\_

Name of the slum / city: \_\_\_\_\_

Balance with NGO at the beginning of the month: \_\_\_\_\_

Add refund received from SHG/CWASC: \_\_\_\_\_

Add Interest received if any: \_\_\_\_\_

Add revolving fund amount received from ULB / NGO: \_\_\_\_\_

Less loan disbursed to the SHG/CWASC: \_\_\_\_\_

Less Amount refunded to ULB: \_\_\_\_\_

**Net fund at the end of month:** \_\_\_\_\_

Signature of Secretary  
(NGO)

Signature of Treasurer  
(NGO)



**MP URBAN (ADB) PROJECT**

(Urban Water Supply and Environmental improvement in Madhya Pradesh)

**Urban Administration and Development Department**

"Beej Bhawan", Arera Hills, Bhopal -462011.

☎ 91 755-2763060, 61, 62 Fax : 91 755 2763868

Email: uwseimp@yahoo.com

No. PMU/CDO/

Date: / /2006

To,

**The Commissioner  
Municipal Corporation  
Bhopal**

**The Commissioner  
Municipal Corporation  
Gwalior**

**The Commissioner  
Municipal Corporation  
Indore**

**The Commissioner  
Municipal Corporation  
Jabalpur**

**Sub.: Guidelines on Revolving Sanitation Fund for the construction of individual household toilets in urban slums for ensuring open defecation free status.**

Please refer this office letter No. 2047/UWSEIMP/PMU/2005 dt. 22.09.05 regarding the Slums Environmental Sanitation Initiative (SESI) being implemented under the Water for Asian Cities Programme in the four project cities of Bhopal, Gwalior, Indore and Jabalpur by the Municipal Corporations in the slums in partnership with UN-HABITAT. As you are aware the objective of SESI is to ensure open defecation free slum and demonstrate how communities can be empowered to acquire adequate sanitation that meets their needs by generating demand for sanitation facilities in slums through awareness creation, health education, capacity building and encouraging cost effective and appropriate technologies in all aspect of sanitation.

Vide this office letter no 2551/UWSEIMP/PMU/APOP-5 dt. 20.01.06 it had been also recommended to use the SESI methodology and approach is for providing basic services in slums from funds available under various other programmes of the corporation

The SESI with a pro-poor governance approach is demonstrating that it is possible to quickly improve the lives of the urban poor and the disadvantaged by ensuring provision of individual household toilets facilities through the innovative mechanism of a Revolving Sanitation Fund (RSF). Under SESI the RSF has been created at a pro rata of Rs 2000/- per toilet for 1000 units and is managed by a local NGO on behalf of the Municipal Corporation / UN-HABITAT. The NGO has created Community Water and Sanitation Committee (CWASC) / Self

Help Groups (SHGs) in each slum consisting of members from households needing assistance for constructing individual toilets. The SHG after ensuring that the interested individuals have arranged his contribution of Rs 1,000/- , recommends the case to the NGO. The NGO after ascertaining that the SHG have been mobilized and the intra group activities of contribution and lending are taking place satisfactorily, provides loan from the RSF to the SHGs which in turn lends it (based on locally agreed principles for lending and recovery) to individual applicants, as per their need up to a maximum of Rs 2000/- for constructing toilets including the superstructure of their choice. The SHG has the responsibility of ensuring that the recipients of the fund return the loan amount for further disbursement to newly motivated households.

Based on the learning and experience in the operation of RSF, guidelines for "Revolving Sanitation Fund for the construction of individual household toilet in urban slums" evolved in partnership with UN-HABITAT are being issued after consultation with stakeholders including representatives from your corporations. You are encouraged to set up a Revolving Sanitation Fund in your corporation and collaborate with NGOs of your city for these activities for ensuring an open defecation free city.

*Encl: as above.*

**(Hari Ranjan Rao)**  
**Project Director**

*Date 9/11/00*

*No. 4922 ↓*  
CC to:

- (i) Secretary, Government of Madhya Pradesh, Urban Administration and Development Department, Vallabh Bhawan, Bhopal.
- (ii) Commissioner, Directorate of Urban Administration and Development , Shivaji Nagar, Bhopal
- (iii) Chief Technical Advisor, Water for Asian Cities Programme India, E-1/191, Arera Colony, Bhopal-462016



**Project Director**

**Contact:**

**Mr. Andre Dzikus**

Programme Manager  
Water for Cities Programmes  
Water, Sanitation and Infrastructure Branch  
UN-HABITAT, P.O.Box 30030, Nairobi, Kenya  
Tel: 254-20-7623060, 7625082  
Fax: 254-20-7623588  
E-mail: Andre.Dzikus@unhabitat.org

**Dr. Kulwant Singh**

Chief Technical Advisor  
Water for Asian Cities Programme  
UN-HABITAT WAC Programme Regional Office  
EP 16/17, Chandragupta Marg, Chanakyapuri  
New Delhi - 110 021, India  
Tel: +91-11-42225019 & 42225022  
Email: Kulwant.Singh@unhabitat.org

**Mr. Aniruddhe Mukerjee**

Chief Technical Advisor  
Water for Asian Cities Programme  
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