

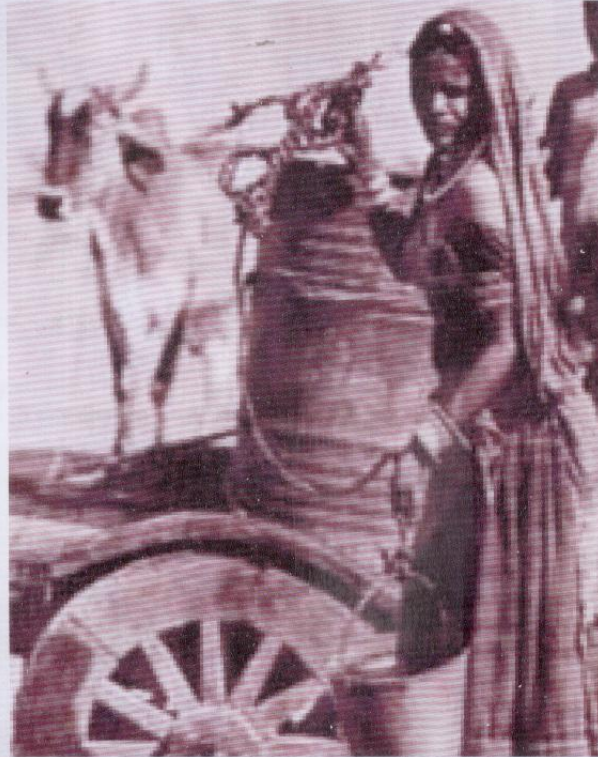
Transforming India

..towards sustainable economic development and equitable growth

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Trailing the caravan



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Feature

IFR Act in the
Adivasi Villages



Commodity
Focus

Pricing in
Oilseeds Sector



My opinion

M.P. Vasimalai

FINANCING WATER NEEDS

Water is a prime natural resource and a basic necessity for sustaining life on earth. Supplying adequate amount of potable water to the global population is a massive task. The problem is acute in India because of its high population density, space and time variability of rainfall and increasing depletion and contamination of its surface and groundwater resources. In some places of the dry states like Rajasthan where rural people are facing acute drinking water crisis and are not able to implement Rain water harvesting (RWH) processes because of lack of knowledge and money to invest in Rain water harvesting (RWH) Structures. Here, a few organizations are working towards creating a sustainable, affordable and scalable Rainwater Harvesting Program by implementing water finance model.

The United Nations' Human Development Report, 2006 estimates the total annual cost for the world in lost productivity and health care due to lack of water and sanitation at \$6 billion for South Asia. This water crisis plays out every day in the lives of poor people. For the people of rural areas, water sources are often distant and contaminated. Women and children have to spend several hours each day to procure enough water for their daily needs. Apart from this, they also have to face the lack of water storage system at their household. In order to resolve this problem, various financing models were implemented. But, current financing models to ensure water supply are more focused on subsidy aspect. And due to high demand of water projects, the subsidy falls short of the demand. Understanding the loopholes of the current models, the need of alternative finance model for water supply was felt. The concept of linking microfinance services and water supply has emerged out such area. This concept satisfied the scalability and sustainability factors. Under this model, financial support will be provided to the individuals for developing water supply mechanism at their place. Later, the money will be recovered in installments over a period of time. And the money recovered will be transferred to other individuals seeking support. Under this model, when the end users pay for their own services, they develop a sense of ownership which leads to long term maintenance and care for the system. And as there is payment for the services, it ensures that the services are being driven by the demand.

If we talk in context of India, it contributes towards 16 % of world population and has access to merely 3% of global fresh water resources. Rajasthan comes out as the driest state. It shares 10.4% of geographical area and 5.4% of country's population. But, it has access to only 1.1% of surface water and 1.7% of ground water available in the country. Understanding this scenario and criticality associated with it, in August, 2008 **SAFE WATER NETWORK (SWN)** and **Bhoruka Charitable Trust (BCT)** came together to implement Rain water harvesting optimization program in Churu, Rajasthan. Under the program, they focused on

two areas, cistern design and water quality. This project ran till December 2008 covering nearly 200 beneficiaries. Under the project, 50-75% grant was provided to beneficiary for construction of RWH structures. The learning from this project indicated that by providing subsidy, only a limited number of households can be benefitted. Taking this into consideration, in March 2009 **SWN, BCT, Institute of Health management and research (IHMR)** and **Centre for Microfinance (CmF)** came together to



Rainwater harvesting cistern in final stage of construction.

devise a new mechanism which will ensure financial support to the poor so that they have access to safe drinking water.

These four organizations have come together to replicate a rainwater harvesting program which is sustainable, affordable and scalable. Under this project they are covering three major components as improvement and standardization of RWH structure,

Terms and Conditions

| | |
|---------------------|--|
| Repayment mode | Equated Monthly Installment (EMI) |
| Delivery of product | Only through SHG |
| Collateral | SHG Guarantee |
| Repayment Starts | After 1 month of construction of tank or 2 months of availing the loan, whichever is earlier |
| Penalty | No prepayment penalty (SHG will decide the penalty for missed installments) |

water quality and hygiene factors and most important, developing an alternative model of financing the RWH structure. This project is being carried out in Churu district of Rajasthan. It is one of the driest districts of Rajasthan. The people living in the project villages are dependent on tanker supply of drinking water. As per the estimate a family of 5-6 people spends around Rs. 1000/- per month only on the purchase and transportation of drinking water. Looking at the expenses that the family incurs on purchase and transportation of potable water, it appears that if the family invests in the rain water harvesting system, it can eradicate their water related issues.

PRODUCT DEVELOPMENT

In rural areas, people have an understanding of the Rain Water Harvesting (RWH) system and its advantages. Despite this why are they not availing the system? The answer lies in two things, one the roof top rain water harvesting technology is yet to be demonstrated at the household level. The second reason is that poor families do not have enough money to invest one time and therefore they have to incur the monthly expenses (though it is very high). Micro Finance seems to hold the key of the solution. If the poor family gets credit to invest on roof top rain water harvesting system, they can repay the credit in installments. The RWH system costs around Rs.22000. If 50-70% of the cost is given to beneficiary as loan, he can construct the RWH

| Products | JL10 | JL15 |
|-----------------------------|---------------|---------------|
| Loan Amount | Rs.10,000 | Rs.15,000 |
| Repayment Period | 24 months | 36 months |
| Interest Rate (diminishing) | 12% per annum | 12% per annum |
| Monthly Installment | Rs.500 | Rs.500 |

JL10, JL15 are the nomenclature for "Jalnidhi" bases on loan amount provided to beneficiary

system by contributing the rest amount himself. By this methodology, by a limited capital, more number of people can be benefitted.

Under the pilot project, Cmf developed a Micro Credit product for the SHG members. This product was named *Jalnidhi (JL)- a microcredit product for safe drinking water*. This product provides loan for the purpose of construction of roof top Rain Water Harvesting structures. As the amount of money disbursed to individuals is high, thus only the SHG members can access this credit facility. In this, the SHG will act as a guarantor of its member availing credit. Under the scheme, women will be able to pay the monthly installments from the savings on transportation cost of water as well as from the productive output of the time which was earlier involved in activities related to water procurement and storage.

THE ROAD AHEAD

In the pilot phase, 150 RWH structures will be constructed and the ground level work will be finished by March, 2010.

As this is a pilot project, the learning and experience of this project as well as the Micro credit product can be

Under this loan product, micro insurance service will be provided through BCT. The features of the product are as follows:

| | JL 10 | JL 15 |
|--------------------------------|------------|------------|
| Sum assured | Rs. 10,000 | Rs. 20,000 |
| Premium (to be paid only once) | Rs. 100 | Rs. 200 |
| Term of Policy | 3 years | 3 years |
| Maturity Benefit | Rs.110 | Rs. 220 |

Client eligibility criteria:

1. Should be a SHG member for atleast 2 years
2. Should have taken atleast 1 loan from SHG with a credit history of 100% repayment
3. Can have maximum one outstanding loan from SHG of amount less than Rs.5000

SHG eligibility criteria:

1. Should be functioning for atleast 2 years
 2. Should have atleast 1 credit linkage with bank/MFI
- Should not have any default history

implemented in other districts of Rajasthan as well as in other parts of the country. It is a very significant step in changing the traditional rainwater harvesting system as well as the financing structure for it. The success of JALNIDHI can act as a benchmark for other institutions to implement it. This project is taking care of three vital aspects. Firstly; it is taking Rain Water Harvesting System to the household level, thus contributing towards the Natural Resources Management. Secondly, it taking care of water related problems of the households. Lastly, by implementing the micro credit product through Self Help Group, it is also strengthening the role of Community Based organizations in the society. The project will be completed by mid 2010. And on the basis of outcomes from the pilot phase, this model should be replicated.

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