



REVOLVING FUNDS

FOR WATER AND SANITATION

FOR A BETTER URBAN FUTURE

UN  HABITAT

BASIC CONCEPT: REVOLVING FUND

“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.

WHY DOES UN-HABITAT PROMOTE REVOLVING FUNDS?

There is a serious financing gap in providing loans for community-based organizations to initiate the development of water and sanitation services.

In response to this need, UN-HABITAT has created an innovative funding mechanism, the Revolving Funds, to encourage households to construct latrines and individual household piped water connections.

The Revolving Fund will enable provision of water and sanitation services reach the urban poor and make them both affordable and acceptable.



HOW DOES IT WORK?

The basic principle is that households will be able to apply for an interest-free loan from a fund that has been set up by the donor, in order to pay for a water connection or to construct a latrine. There is a limited amount of initial capital in the fund so the next round of loans can only be granted once the previous loans have been paid in full. This encourages the households to make prompt repayments so their neighbours can also benefit from the Revolving Fund. The Revolving Fund is expected to become self-sufficient after an initial period.

REVOLVING FUNDS IN LAO PDR

UN-HABITAT is utilising Revolving Funds for all of its water and sanitation projects in Lao PDR. Some of the Funds have already been successfully set up and are working self-sufficiently, while others are in the progress of being set up.

There are two basic types of Revolving Funds:

1. For construction of latrines
2. For water connections

In both cases, loans are granted for individual households on basis of their income, so that poor households are given a priority. The loan can be a combination of cash and materials (in case of latrine construction).

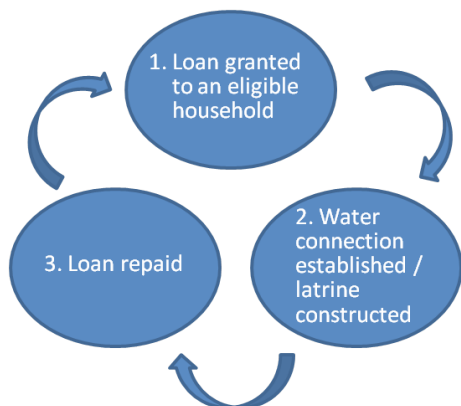
The funds are managed by UN-HABITAT and implemented by local water utilities (Nam Papas).



REVOLVING FUND SET-UP AND MECHANISM

1. Establishing of the fund
 - Agreeing the T&Cs with stakeholders, including the community
2. Fund transfer
 - Fund transferred from UN-HABITAT to Nam Papa
3. Establishing WATSAN teams
 - At village / district levels
 - To coordinate and promote the fund for households
4. Applications reviewed, loans paid out

THE REVOLVING FUND CYCLE



REVOLVING FUND IN USE

In 2006 the first community-based water and sanitation project was launched in Lao PDR, implemented under UN-HABITAT's Mekong Region Water and Sanitation programme (MEK-WATSAN). Eight villages in Xieng Ngeun district were connected to a water supply network, and the households were able to subscribe to piped water. The households were also offered training in latrine construction and they were given the opportunity to purchase materials cheaply to build their own materials. In order to make the scheme accessible for everyone and especially to the poorest households who were struggling to pay the initial costs involved, two revolving funds were set up in 2007: one for connecting to piped water network and one for latrine construction. At first an orientation meeting took place for all stakeholders, including the villagers, to introduce the concept of revolving fund to everyone. Next, a local WATSAN team was set up to coordinate the funds. Terms and Conditions for the loans were agreed, including the repayment periods (12 months for water and 18 months for latrines). Funds (US\$3000) were transferred from UN-HABITAT to NPSE Luang Prabang and onwards to the Xieng Ngeun Water Supply Branch, who were accepting and vetting loan applications from households. The loans were granted on a basis of income, so that the poorest households were given a priority. The loan for latrine construction was a combination of cash and materials. Three years on, a total of 156 households have received a loan from the revolving fund for water connection, and 73 households have received a loan from the latrine fund. The fund for water in particular has been a great success - all applicants in the eight villages have now been connected to water network, and the revolving fund is now granting loans to applicants from other villages in the area.

WHY IS THERE AN URGENT NEED FOR WATER AND SANITATION PROVISION IN LAO PDR?

Almost half of the population in Lao PDR is still lacking access to improved water source and/or sanitation facility. In 2008, just 57% had access to a water source protected from outside contamination (“improved water source”) and only 53% had a latrine facility that hygienically separates human excreta from human contact (“improved sanitation”). Although this situation is improving and Lao PDR is now well underway to achieve its Millennium Development Goals (MDGs) for improved water (target: 69%) and sanitation (target: 54%), the reality is that too many people are still deprived of this basic human right, particularly the in the rural areas and small towns.

“I used to have to use the forest every time I needed to go to a toilet. I’m very happy now to have a private latrine in my backyard”.

A revolving fund user, Xieng Ngeun district, Luang Prabang

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UN-HABITAT’s MEK-WATSAN programme and the community-based water and sanitation projects are implemented with support from the Ministry for Public Works and Transport and the Department of Housing and Urban Planning (DHUP)

The United Nations Human Settlements Programme, UN-HABITAT, is the United Nations agency for human settlements. It is mandated by the UN General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. In Lao PDR, UN-HABITAT runs two major water and sanitation programmes: “Water for Asian Cities Programme” (WAC) and the “Mekong Region Water and Sanitation Initiative” (MEK-WATSAN). Through these, UN-HABITAT seeks to demonstrate replicable and innovative approaches for providing improved access to water and sanitation, particularly for the urban poor.

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