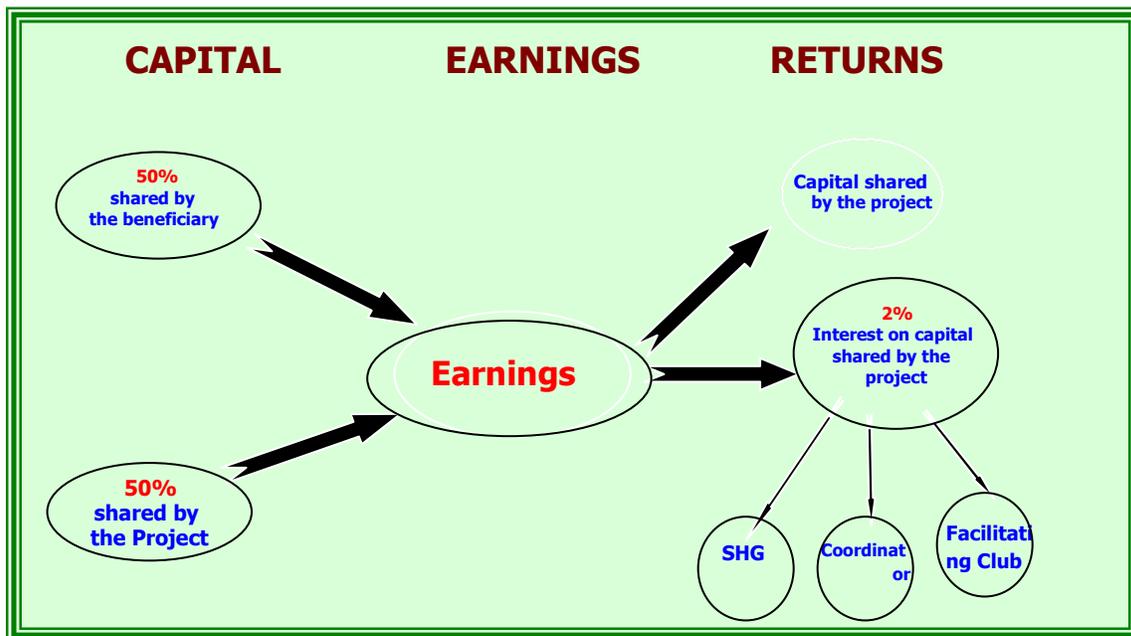


## THE OPERATING MECHANISM OF COST AND BENEFIT SHARING SYSTEM

*This operating system is designed in such a way that the project activity is sustained even after the completion of the project. This particular mechanism has been designed keeping in mind the key concepts of **sustainability**, **economic growth** and **increasing social ties**. It helps in developing strong community ownership and village level institution building. The mechanism is an outcome of a series of PRA meetings involving SHG members and other stakeholders. This is a mutually developed system involving community participation at each level of decision making. The system is mostly similar and varies slightly from activity to activity.*



**Operating mechanism:** Initially the cost of the material involved in an activity is shared by the beneficiary and the project in a ratio of 50:50. The beneficiaries and the type of activities are selected by the SHGs in their meetings. The maintenance cost of the activity is mainly borne by the beneficiaries. However, training support is provided whenever required. The project share is returned to the group's account after the expiry of the specified period, which differs from activity to activity. In addition, 2% interest on the project share is also returned by the beneficiary, which in turn is divided into three equal shares for distribution among the group, village coordinator (facilitator) and local facilitating club. The deposited project share as well as the part of the interest is reinvested in activity by the same beneficiary or any other beneficiary selected by the group. This will be continued even after the completion of the project tenure.

**Sustainability of the System:** The group, village coordinator and local facilitating club act as three pillars for **local Institutional building**. This locally accepted system of sharing the cost and interest develops a sustaining linkage among these three pillars and ultimately leads to the

fulfillment of project goals as well as their **replication and sustenance**. Since the money of the beneficiaries is also involved they are more careful in selecting the activity and taking care of them. Thus this mechanism also takes care of the problem of **asymmetric information**, which most government projects suffer from. As fifty percent of the cost goes back to the group fund the other members of the group closely monitor the activity selection and implementation by any beneficiary.

In fact this mechanism tacitly makes the other members of the group fifty percent shareholder of the activity undertaken by any beneficiary. This is because fifty percent of the investment will have to be returned to the group fund. Consequently, the other members also have an incentive in the success of the project and it would not be out of place to expect them to come forward to make the projects successful. Thus through this mechanism individual projects become collective activities which in turn strengthens the **Social ties** among the group members.

In addition to the monetary support, training and advisory supports for carrying out the activities was also given to the beneficiaries by the project. Village coordinators monitor the project activity. This support and monitoring work continues even after completion of the project as the facilitators would be engaged from the returns from the activities. The question of sustainability achieves added importance as all the activities in this project are **eco-friendly**. The fact that the borrowed capital remains with the group makes the mechanism not only sustainable after completion of the main project but also provides opportunity of growth and diversification of the individual activities as it provides scope of **repeat borrowing**. It has also been observed that within the short period of time many members have taken loan for the second time for further expansion of their project. The increase in the scale of operation leads to specialization enhancing efficiency. The value of the fund also grows at a rate of 8% (as the annual return of 24% is divided into three parts) per annum which is yet another source of growth.

The outcomes of this system are strongly developed **ownership**, individual (beneficiary) as well as community (group), and well organized **village level institution building**.