

# Water User Committees using Village Savings and Loans Association for Sustainable O&M of their Water Facility

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## Abstract/Summary

Generally most rural water projects experience problems with Operation and Maintenance (O&M) as well as cost recovery aspects (MWE 2011). In Uganda a number of projects, experience deterioration of newly built infrastructure soon after the project terminates. It is therefore imperative that projects plan for O&M putting into consideration a withdraw mechanism that includes the user community. The basic principle behind this concept is that the user community has a major role in its installation, control and makes decisions over it and carry on the full responsibility for its O&M. Inclusion of user community builds local ownership that contributes to sustainable O&M of the facilities. This paper therefore highlights how the Olam Kala water user committee is applying the Village Savings and Loans Association (VSLA) methodology as a way to sustain O&M of their water facility.

## Introduction

Olam Kara village is located in Bolo Parish, Awere Sub County; Pader District in Northern Uganda with a population of 415 people (58 Households). The village had a shared unprotected well that was used by both community and their animals. Diarrhea was a common problem in the village especially among children. Families had to frequently visit health units and or spend money on treatment; there were loss of production time due to sickness and frequent visits to the health facilities. Talking to members of the water user committee revealed that households would spend between 1-2hrs a day collecting drinking water from an average distance of 2 kilo metres away. A number of other communities within the region experienced this similar problem.

In 2011, most villages where displaced people had returned (after a 20-year decade of insurgency and civil war), water coverage were as low as 30% as opposed to 65% national coverage (MWE 2011). In such a situation, Amref Health Africa with support from the Dutch Ministry initiated a 5 year water and sanitation project (WASH) 2011-2015. The project covered 4 districts of Northern Uganda: Agago, Kitgum, Lamwo and Pader with the main goal of reducing the proportion of the people who are unable to reach or afford safe drinking water and the proportion of people who do not have access to adequate sanitation by half, by 2015. Olam Kara Village was among the selected villages to benefit from this project in 2011 after an assessment of the WASH situation revealed; the village was one of the top needy villages in Bolo Parish. The community was sensitized about what they were required to do before drilling for them a bore hole. This necessitated all households having a toilet, and the capital contribution of UGX 200,000/= which is equivalent to USD 28. The community raised the money and those who never had latrines started digging pits and putting structures. This was led by the Village Health Team members (VHTs).

## Context, aims and activities undertaken

### Integration of Village Savings and Loans Association (VSLA) into Water User Committees

Critical to the project success was innovations and participatory approaches. The project integrated an innovative financial inclusion approach- the Village Saving and Loan Association (VSLA) concept into the training of Water User Committees (WUCs) and supported the committees with assorted basic

supplies to implement the VSLA concept for WASH sustainability. The introduction of the VSLA concept was to test and pilot a model for sustainable O&M by integrating basic financial literacy training with VSLA. While many banks and Micro Finance Institutions (MFIs) provide valuable services to the poor in the developing world, they are mostly successful in economically dynamic urban or peri-urban areas. Village Savings and Loan Associations based in the community are complementary to MFIs tending to serve the very poor whose income is less reliable, but also offering useful services to the economy of the country. Amref Health Africa worked closely with Micro Finance Institutions including banks and Savings and Credit Co-operative society (SACCO) to ensure that the community is introduced to financial literacy and informed on the different available opportunities for local financing for sustainable WASH.

VSLAs are self-managed groups that do not receive any external capital and provide people with a safe place to save their money, access small loans, and obtain emergency insurance. The approach is characterized by a focus on savings, asset building, and the provision of credit proportionate to the needs and repayment capacities of the borrowers. Groups are low-cost, simple to manage and can be seen as a first step for people to reach a more formal and wider array of financial services. VSLAs can dramatically raise the self-respect of individual members and help to build up social capital within communities, particularly among women who represent approximately 70 percent of members worldwide.

The VSLA model was integrated into the financial management training of 30 WUCs. Each committee was provided training on the six essential elements of VSLA approach, equipped with basic kits – saving boxes, saving and loan books, pens and oriented on the initial processes. Key elements of the VSLA approach covered in the training include the following:

**Self-selection:** In the WASH Alliance project, Amref Health Africa only introduced the concept of savings and loan services to the leadership of the WUCs, facilitated the formation of VSLAs which comprised of 15 to 60 persons. Because trust is fundamental to the effective functioning of a VSLA, members were allowed to select each other to form their group and expand membership to the wider users of the water facility.

**Training:** Training was provided over a few months to help members define the VSLA’s purpose, elect members to serve as officials, and set terms for savings and loans, including interest rates, repayment schedules and penalties for late payments or missed meetings. The group was also trained in a system to collect savings and make loans, record transactions, and run weekly meetings. The methodology offers record keeping techniques suitable for literate and illiterate people.

**Governance:** Each VSLA group elected a chairperson, secretary, treasurer, and two money-counters who form its executive committee. This committee was not the same persons and leadership of the water user committees. In addition, members selected three others and entrusted each with a key to one of the three locks on the cashbox where the group’s funds are kept. This governance structure serves as an internal control system. All transactions –the collection of member savings and the disbursement of loans – are carried out at weekly meetings in front of all members, ensuring transparency and accountability.

**Financial Services:** For Olam Kara Village, VSLAs begun by collecting weekly savings from members. Olam Kara village chose to integrate O&M funds in the VSLA to ensure systematic collection and good management habits to be able to meet maintenance costs of their water point whenever it is required. Savings are accumulated in form of shares at a price agreed upon by the group. The use of shares simplifies record keeping. Once sufficient savings accumulated in the cashbox over four to five weeks, the group started offering loans to members. Typical loans range from \$10 to \$20. The group set an interest rate of 5 percent monthly for loans taken by members and 10% for non-members. At the end of the year, members receive a return on their savings ranging from 30 to 60 percent annually generated from interest and fees collected throughout the year. In addition, VSLAs set up an insurance fund, often called a social fund, to enable members to access money in emergencies or at particularly vulnerable times. The group determines if the emergency funds are distributed as grants or as interest-free loans with flexible repayment.

**Audit:** Some nine to twelve months after the VSLA is formed, the group conducts an “action audit” whereby it pays out savings and earnings from interest and fees, closes its books, and disbands. The action audit is usually timed to provide a lump sum to members at critical times in the year when access to money is needed, for example to pay for school fees or inputs at the start of the agricultural season. It also enables members to leave the group and new members to join. Most groups reconstitute themselves and resume the savings and loan process.

**Agency facilitation:** From the start of the VSLA’s operations to the time of the first action audit, the agency observes its meetings and supports the executive committee as needed to ensure that procedures and systems are working well. If there are no issues, the group functions independently thereafter.

**Criteria for being a member of the WUC/VSLA**

- A member per household benefiting from the water point – priority given to the contributing member joins the group
- Willingness of the household member to make a contribution on weekly/monthly basis towards the operation and maintenance of the water source
- Members must be willing to attend meetings regularly as scheduled

**Financial Analysis**

Thirty-three (33) members comprise Olam Kara VSLA. The group has 3 categories of savings made; the social fund meant to support members during difficult times (lose of a close relative). Each member contributes 500 (USD 0.14) monthly. The second category is O&M funds and each member contributes 1000 (USD 0.3) monthly and lastly the individual saving that range from a minimum of 1000-5000 (0.3-1.44) per week. The table below summaries the group saving between May 2015-April 2016 with keen interest on collected funds for O&M of the water facility;

Categories	Total funds saved	Equivalent to USD	Expenditure on O&M	Units	Unit cost	Total	USD
Social fund	173500	50	pipes	3	55000	165000	48
O&M	335000	97	Transport	1	6000	6000	2
Individual Savings	591000	171	Grease	3	3000	9000	3
Total	1099500	319	Labour	1	75,000	75000	22
						<b>255000</b>	<b>74</b>
Balance from O&M		<b>80000</b>					
Opening balance for O&M May 2016 to July 2016	80000	23					
<b>Savings May-July 2016</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Total</b>	<b>USD</b>		
Social Fund	16500	16500	16500	49500	14		
O&M	31000	34500	33500	99000	29		
Individual contribution	85000	210000	123000	418000	121		
<b>Available Balance for O&amp;M</b>	<b>80,000+99000</b>	<b>179000</b>	<b>52</b>				

The committee revealed that it has done one major repair of their water source by replacing the broken pipes. They conduct monthly assessment of their water point and greasing of the chains and bolts is done frequently.

Record keeping is vital on every day’s savings made



### Comparison with Cubu A& B VSLA in Tegwana Parish Gulu Municipality

It was thought useful to make a comparison between a number of VSLA groups integrated into WUC to test the applicability of the approach for possible scale up.

Cubu A and B has got 34 HHs and each collects UGX 2000 (USD 0.6) for O&M of their water point on a monthly basis and receipts are given whenever payment is made. The committee revealed that their water point has a total of 7 pipes of which 6 have been replaced. Their plan is to replace the 7<sup>th</sup> pipe. Once the 7<sup>th</sup> pipe is replaced, they will be spending less on O&M of their water point.

Below is a summary table for the tariffs collected and expenditures on O&M through the VSLA.

Income 2015	HH	Unit collection (UGX)	Monthly	Expenditures 2015	Units	Unit cost	Freq	Total	USD
	34	2000	68000	Replacement of pipes	4	65000	1	260000	75
		12	816000	Transport	1	8000	1	8000	2
USD			237	Labour	1	80000	1	80000	23
				Facilitation to the care taker	1	20000	12	240000	70
				Grease	1	3000	2	6000	2
								<b>594000</b>	<b>172</b>
Balance			222000	Expenditures during 2016					
USD			64	Replacement of pipes	2	65000	1	130000	38
Opening balance 2016			222000	Transport	1	4000	1	4000	1
Collections January-August 2016				Labour	1	80000	1	80000	23
	34	2000	8	Facilitation to the care taker	1	20000	8	160000	46
Total			<b>766000</b>	Grease	1	3000	1	3000	1
USD			222					<b>377000</b>	<b>109</b>
Available balance			<b>389000</b>						
USD			<b>113</b>						



### Main results and lessons learnt

Good O&M of the water facility (well fenced, cleaned and functioning WUC that ensures repair and maintenance of the water point whenever it is required.

The good cooperation and understanding between users and user committees has led to good O&M of their water facility. Both users and committees play their responsibility (fencing off the water facility, maintaining it clean, collecting user fees and repairing it whenever need be. As a result, this WUC/VSLA has become a reference point for many other WUC/VSLAs established and trained.



*Cubu A&B water source*

Access to loans at a reduced and affordable interest rate of 5%. All water users and WUC/VSLA committee members have equal opportunity to access loans from the collected money at a reduced interest rate determined by them. As a result, many of the members 65% started up small businesses; others are educating their children using this money and pay back latter especially after harvesting their produce. Some members have acquired solar lighting systems from their accumulated saving hence saving them from the risk of respiratory diseases as a result of using diesel/kerosene lantern for lighting houses.

Access to safe water combined with good hygiene practices has led to reduced incidences of diarrhoea occurrence from 5 to 1 a week and other water related problems as per medical records in Boro Parish thus reduced expenditure on medication. With good health, the user community has been able to work intensively, using their water facility for multiple purposes (domestic use, brick making, watering their vegetables and for their animals. For example, some members benefiting from this water facility had this to say;

“My family member collects enough water for domestic use and I collect more water for making bricks and watering of my kitchen garden” (Patrick Orin 53-year-old narrated). I have so far made 20,000 bricks this season February-March 2015 and whenever i sell off my bricks, I contribute UGX 10,000 to the O&M fund for this borehole. As a member of the WUC/VSLA, i pledge to ensure that this water source is well maintenance (Patrick said).

Adio Rose (one of the water users) had this to say “I used to spend 3hours a day collecting 3 jerry cans from 2 kilo metres away”. This water was not enough for my home including my animals. With access to a nearby safe water source in my village now, I am able to collect more than 6 jerry cans a day without wasting much time. This water is enough for our domestic use including animals.

### **Lessons Learnt**

Integration of VSLA into WASH has multiple benefits including creating an O&M fund, access to loans at affordable rate to start up business and meeting other necessities. However, it is important to train the established WUC and the VSLA committees on the six essential elements of VSLA approach (self-selection, training, governance, financial services, and audit and agency facilitation.

The user community must be involved right from problem assessment and in all stages of project implementation to build local ownership and be able to make decisions that contributes to sustainable O&M of their facilities.

Community’s realization and putting their water source to alternative uses (for example brick making, collecting water for their animals and irrigation of their kitchen gardens) makes them more appreciative, builds their ownership as well as ensuring good O&M of their facility.

Knowledge, experiences and skills sharing among the different stakeholders are a key in the successful promotion of hygiene and sanitation in the communities and replication of best practices.

### **Possibility for scaling up the intervention**

The idea of integrating VSLA with WUC is scalable due to the fact that VSLA have widely spread across all districts and community members are already benefiting from it. Since there is consistent meeting and saving, it is easier to integrate saving for O&M than the normal collection of user fees that is normally done when the water point breaks. Up to 12 VSLA groups (05 in Pader, 04 in Agago and 03 In Lamwo) have adopted this approach after learning from Olam Kara village.

### **Conclusions and Recommendations**

The VSLA methodology/concept incorporated into the O&M training brings good results and promotes sustainable O&M of the facility. This strengthens ownership and participation of users in O&M as they also benefit from simple loans with low interest rate.

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