



## How WASH financing can help us reach Everyone Forever in Kamwenge

Muhangi Martin  
September 2018

### Background to Kamwenge Everyone Forever

Water For People is working with Kamwenge district local government in implementing the Everyone Forever model to enable every school, health care facility, and household to access safe and reliable water and sanitation services.

### Water For People's support to WASH credit

Water For People has worked with several financial institutions, communities, and district leadership to implement WASH financing in Kamwenge District. With many people and communities to reach, credit will help in bridging the gap to achieve Everyone Forever. Water For People agreed through Memoranda of Understanding (MOU) to work with the banks in offering low interest WASH loans to the communities, do market drives jointly for financial inclusion, and participate in WASH planning meetings. The activities financed include latrine construction and renovation, purchase and construction of water harvesting equipment and tanks, water connections and plumbing needs, and valley dam construction and irrigation.

### WASH credit

When the economy of Uganda was liberalized, several businesses emerged to grow the economy and increase income levels. The country has commercial banks, microfinance institutions (MFIs), saving and credit institutions (SAACOs), village saving and loan associations (VSLAs), small village groups and money lenders. Individuals and institutions have accessed banks and MFIs for saving purposes and acquiring credit to increase their incomes and grow businesses.

Many financial institutions in the country have developed business strategies of enabling their customers to access credit to improve sanitation and hygiene facilities and enable safe drinking water alongside other credit services. Kamwenge has been one of the beneficiaries with three institutions approved by Water For People to offer the WASH loans: Post Bank Uganda, Finance Trust Bank, and HOFOKAM Ltd.

Financial institutions invested in the WASH sector by reaching out to communities, individuals, and associations through financing latrine construction and renovation, purchase and construction of water harvesting equipment and tanks, water connections and plumbing needs, and valley dam construction and irrigation. They have either used their own resources, funding from donor institutions, and even the government itself to finance the WASH activities.

## Process of borrowing

### Individuals borrowers

With support from Water For People through the field visits, joint market drives, and customer-bank officer interface, financial institutions contact the liable borrowers and work with them. The requirements for borrowing include the following:

- A valid identification like passport, national identification card, or drivers permit.
- A permanent or accessible residence.
- A reliable source of income where the loan repayment may be derived from.
- A clear purpose of borrowing.
- Bills of quantities for a WASH loan that requires construction and an invoice from the service provider who is to do the installation and construction.
- An account or membership with the institution the individual intends to borrow with.
- A financial card or recommendation letter from local leaders to determine the borrowers character.
- The borrower must have a collateral and recommendation letter from the employer to act as security for borrowing.

### Groups and Institution borrowers

Groups and institutions are contacted outside bank premises or leaders interface with the bank directly. The requirements for borrowing include:

- Certified copies of registration certificates for the group, company, or association.
- Introductory letter to identify the group or company leadership (signatories), a maximum of three approved by the local authorities at district or national level.
- Copies of by-laws, constitution, memorandum and articles of understanding.
- An account or membership with the financial institutions.
- Bills of quantities for a WASH loan that requires construction, invoice from the service provider who is to do the installation and construction.
- Resolutions from the directors or group members with a clear purpose for borrowing.
- A viable business with a trading license may also be required.
- Collateral of guarantor ship and recommendations from the association leadership.

When all this is analyzed by the bank, field visits to the customer's premises are made, groups are trained three or more times, suppliers are verified, and the funds are transferred directly to the supplier for accountability purposes. Later the bank monitors the applicants to ensure service delivery and continued remittances of installments by the loan applicant for the loan period agreed with the bank.

The capacity of the applicant determines the period of loan repayment. Maize farmers in Kamwenge pay quarterly or half-yearly to enable them to wait for the harvesting period. The business community and salary earners with monthly cash flows make their repayments monthly.

## Challenges

In Kamwenge, the communities experience several challenges related to accessing WASH credit:

- Inaccessibility of financial institutions - Many of the commercial banks and MFIs are in urban centers and growing towns, neglecting the rural areas that are still facing the hygiene and sanitation problems. Many people must move long distances to access saving and credit facilities. For instance, a farmer in Biguli must trek 63 kilometers to access a bank in Kamwenge town.
- Product knowledge - Many of the water users in rural areas have not heard about the financial institutions that are offering the WASH loans.
- The cost of borrowing - The financial institution customers face several charges and high interest rates in a bid to access credit. The 15% prime lending rate for the county is high for the would-be customers.
- Lack of the prerequisites for borrowing - Many would-be borrowers lack either the cash flows and business to service the loans or collateral to aid them in borrowing, leading to many not accessing WASH credit.
- WASH returns on investment - Many people view borrowing for WASH as an expensive venture with limited monetary returns attached to it. Many borrowers rush for loans that they can grow investments and generate returns in the short run.

## Solutions

Water For People has worked with the three financial institutions in Kamwenge to encourage better access to WASH credit:

- Market campaigns – Radio campaigns, jingles, market campaigns, connection promotions are still being Implemented to reach out to people, especially in Biguli. Meetings are continuously done in groups, communities and at the Sub county level to link the water users to the financial institutions.
- WASH investment - Many financial institutions have enrolled WASH products, giving people a wide range of institutions to go to for borrowing and increasing financial inclusion.
- Phone and mobile banking - This is a platform started by banks that allows bank customers to access their accounts using their phones. The use of bullion vans by banks like Post Bank helps reach rural areas, aiding in easy payments and loan application and saving on transportation costs of moving to the bank. The mobile application called finance trust loan ku simu is vibrantly used to apply for loans.
- WASH planning meetings - Involving banks in periodic meetings on the performance of WASH in Kamwenge encourages them to know their contribution and participate in reaching Everyone Forever.
- Reduced interest rates - when a MOU with Post Bank was signed, the bank started offering low interest rates for WASH loan product. This makes the product more customer friendly and thus helps in credit accessibility.
- Lending through groups and group guarantee - Many people who intend to borrow small loans as low as 100,000 UGX for water connections find it hard to borrow. The bank encourages them to form groups so that there is cost cutting in terms of borrowing and the security requirement as members of the group guarantee themselves.
- Favorable repayment models - The financial institutions allow their customers pay their loans in a favorable model, i.e. quarterly payments for farmers.

## Lessons Learnt

Through the WASH loans advanced to 50 households and institutions, there are a wide range of lessons that Water For People has learnt:

- Involvement of financial institutions in the WASH planning aids them to understand Water For People's progress in reaching Everyone in Kamwenge and how much is still required so that there is joint effort in funding the course.
- Water connection loans can help people access safe and reliable water and speed up the process of reaching Everyone Forever.
- WASH financing opens doors for people accessing other financial services which would have been challenging, improving people lives through connecting people with banks.
- WASH financing accelerates development as people can access business financing along with safe water and sanitation services. Banks have allowed people and institutions with capacity to take business and WASH loans concurrently.
- Many financial institutions have learnt that WASH is a community empowerment opportunity and many are rushing to it as it is an easier way to reach people.