By Susan Davis, Improve International
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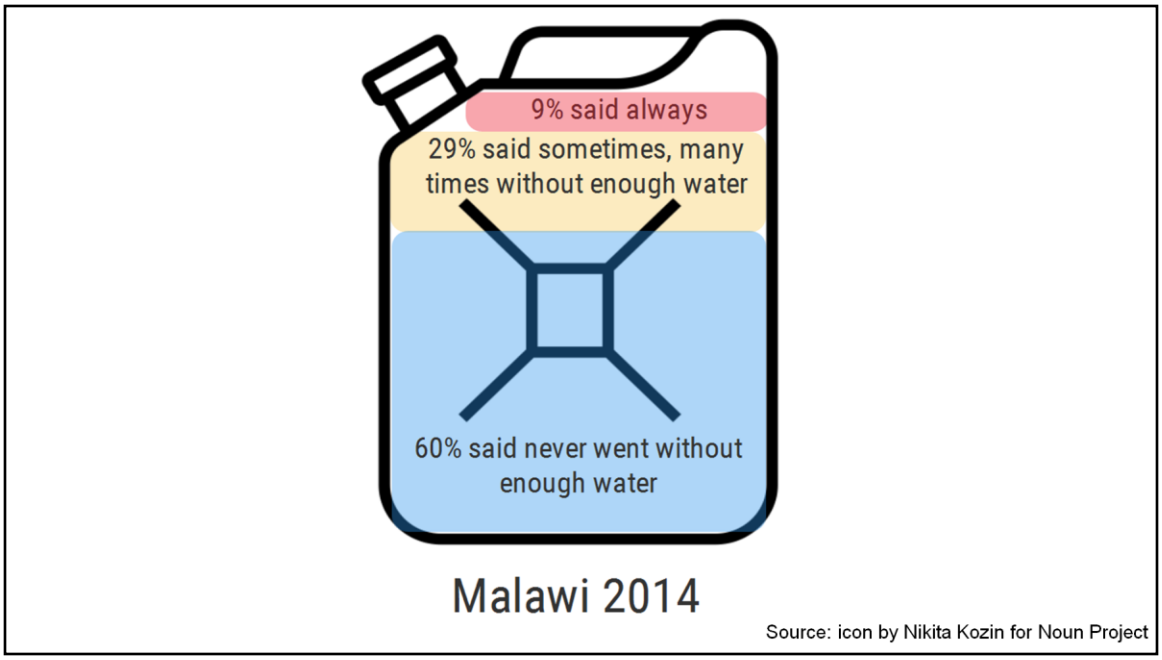
Promising approach: Borehole Banking

DRI Desert Research Institute | Center for International Water and Sustainability

IMPROVE INTERNATIONAL

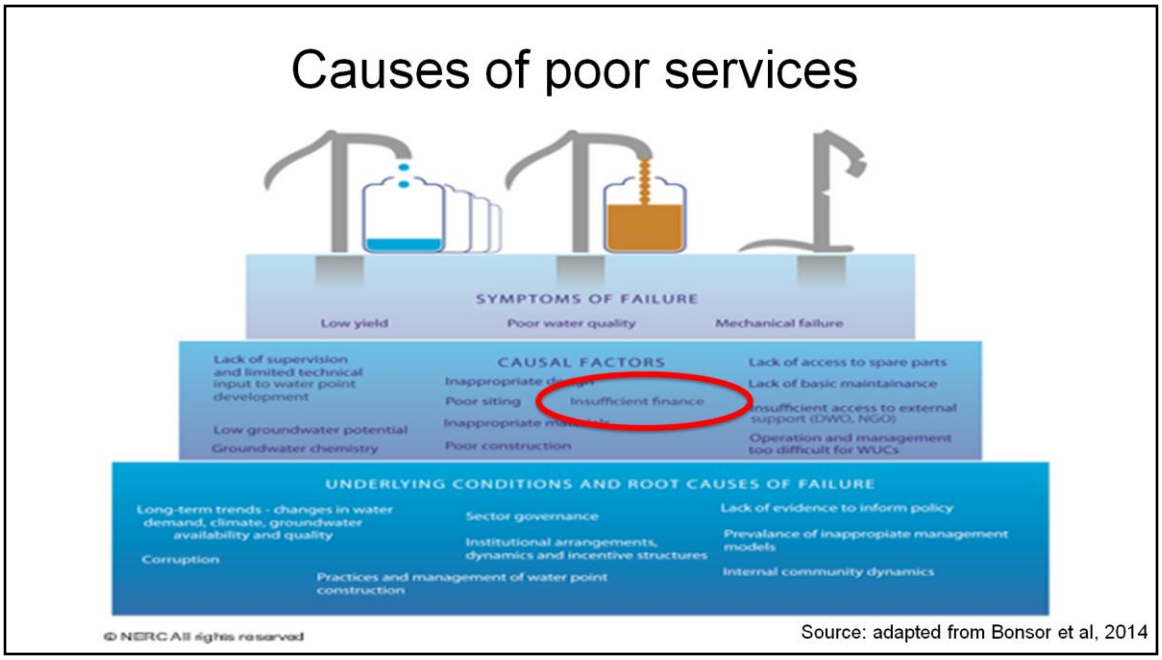
water mission

Whave a fair future



2400 people were asked: Over the past year, how often has your family gone without enough clean water for home use?

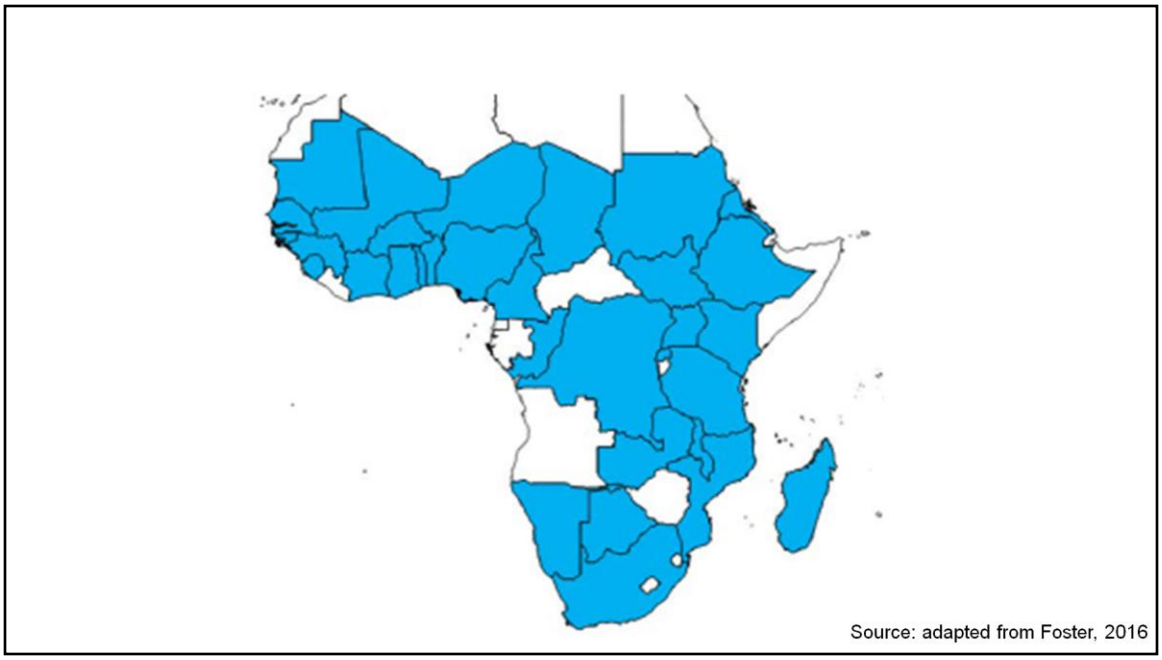
Source: http://afrobarometer.org/online-data-analysis/analyse-online



Why are water services poor? There are a multitude of reasons, but a very common one is insufficient finance. There never seems to be enough money for preventive maintenance and repairs.

Water service delivery costs in rural sub-Saharan Africa are expected to exceed 1 billion USD per year. $485 million of that is for handpumps.
Source: Tim Foster 2016 WASH Futures presentation. Data drawn from WHO Joint Monitoring Programme (2015)

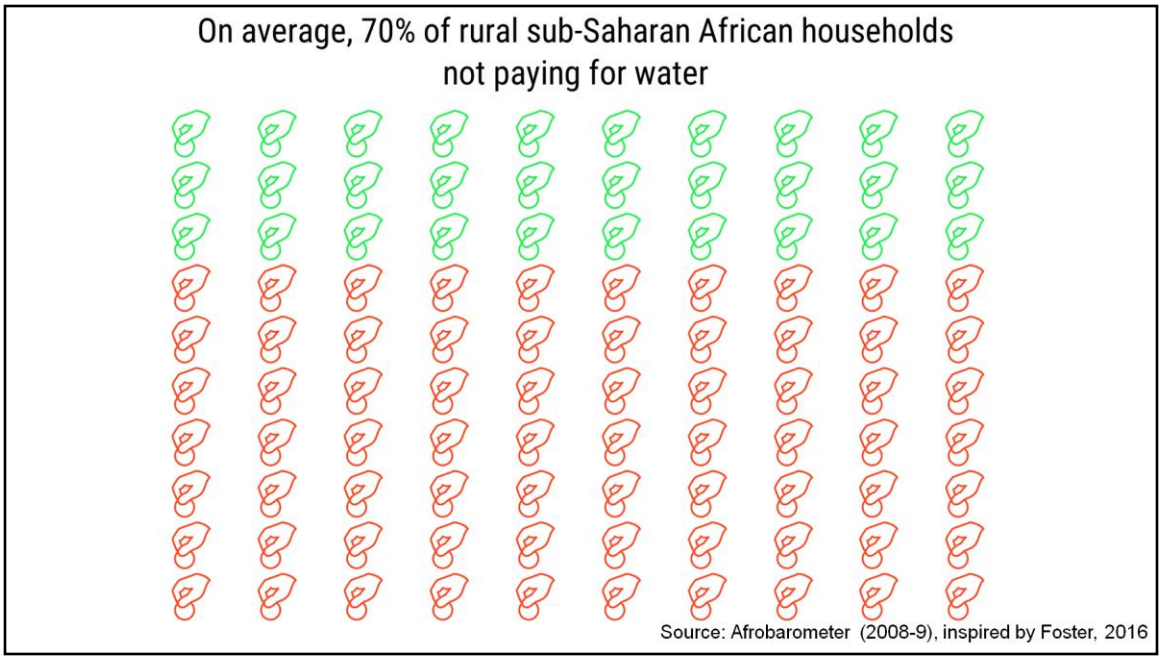
Source: Bonsor H C et al, 2014. Hidden Crisis: strengthening the evidence base on the sustainability of rural groundwater supplies – results from a pilot study in Uganda. BGS Groundwater Programme.
https://upgro.files.wordpress.com/2014/03/hidden_crisis_final_report_v7.pdf



These millions of dollars are supposed to come from rural water users.

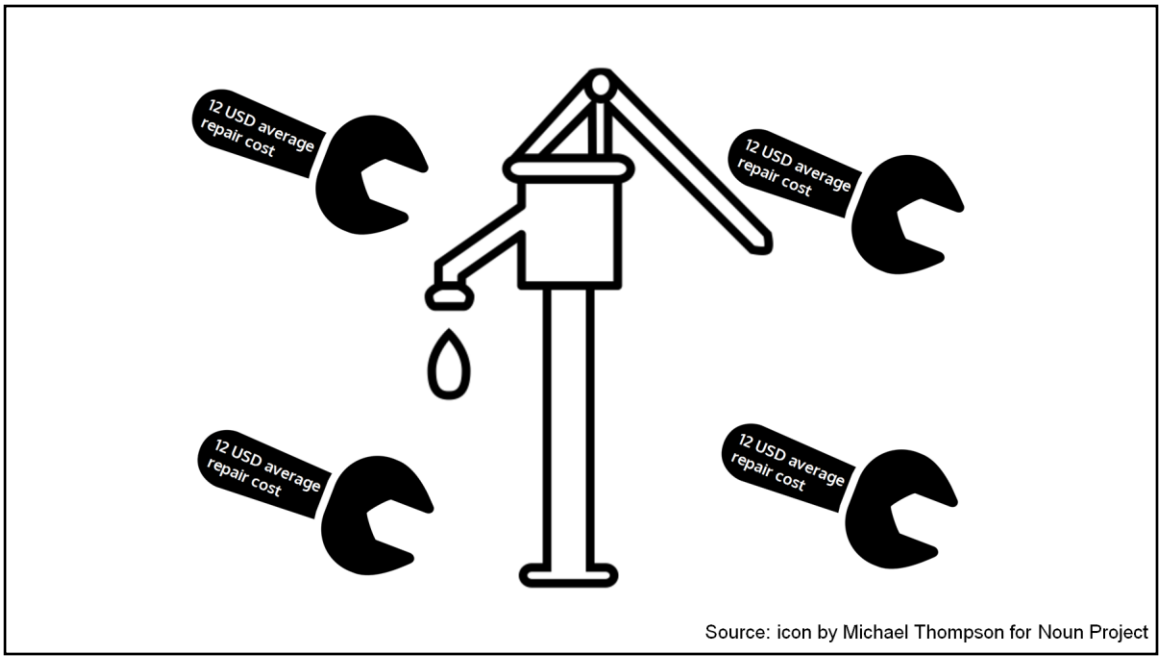
This map, compiled by Tim Foster, shows countries where the rural water policy or financing plan assumes that some or all operations and maintenance costs will be covered by household water fees.

Source: Tim Foster 2016 WASH Futures presentation. Based on information presented in Banerjee & Morella (2011) & GLAAS (2014). Banerjee & Morella (2011) list countries with a rural water cost recovery strategy. GLAAS (2014) lists countries with a "financing plan [which] defines if operating and basic maintenance is to be covered by tariffs or household contributions".



But there is a mismatch between policy & reality. Data from Afrobarometer show that the majority of rural households report not paying for water services. The weighted average for 20 countries in sub-saharan Africa was 70%. In Malawi, 73% do not pay.

n=17,515 (Afrobarometer, 2014). Available at: http://afrobarometer.org/data.



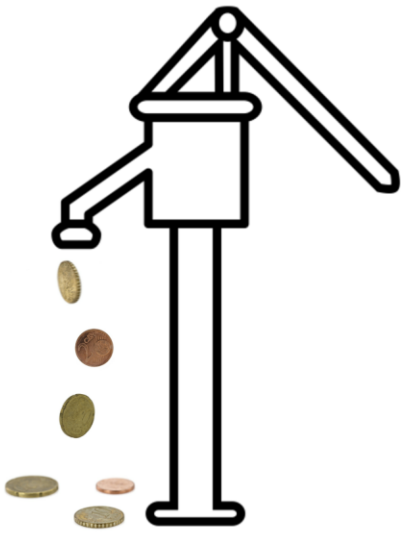
Water for People Malawi found that the average repair cost was 12 USD per breakdown, and breakdowns happen 3 to 4 times per year. So that's 36-48 USD per year.

BUT, the average balance for water committees was about 7.80 USD.

So the average community doesn't have enough to pay for even one breakdown.

Source: Water For People Malawi

Borehole banking

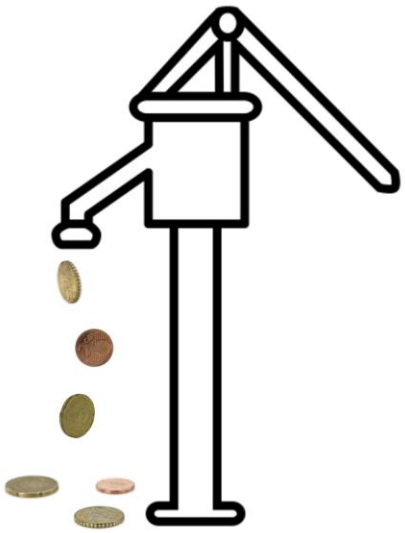


What if a borehole could create money instead of just sucking it in?

Water For People tried borehole banking with 14 communities in Chikwawa, starting in 2014. They are trying to move away from the NGO mindset; that is, an interested community with a borehole must show a financial commitment of at least $70 USD (50,000 MWK). The water committee receives no financial seeding. They do receive three days of training, but they decide on what interest to charge, who gets loans, and they oversee management of the bank funds. Committees are encouraged to give loans for productive, income-generating activities instead of consumption, so the borrower will have a way to pay the loan back. So far, most borrowers have been women. When people get a loan, they put up a certain item as collateral. They are expected to pay back in one month, but during meetings, people negotiate if they can't pay back. Interest is compounded.

Source: Personal communication Susan Davis with Muthi Nhlema, Water For People Malawi.

Communities with borehole banks had average 75 USD, more than 10 times the government standard saved



In Malawi, initial data show a significant difference.

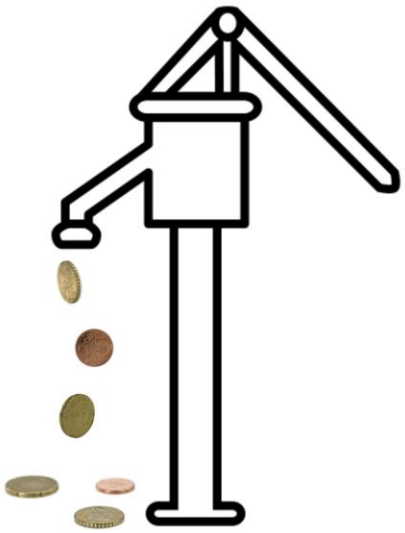
The government standard for a minimum balance is 8000 Malawi Kwachas (about 7.50 USD).

But the 14 borehole banks in the pilot had an average of 75 USD (savings left at the borehole; there is also the expected repayment of the amount lent out to community member(s) plus interest).

That is, 10 times the average was being saved.

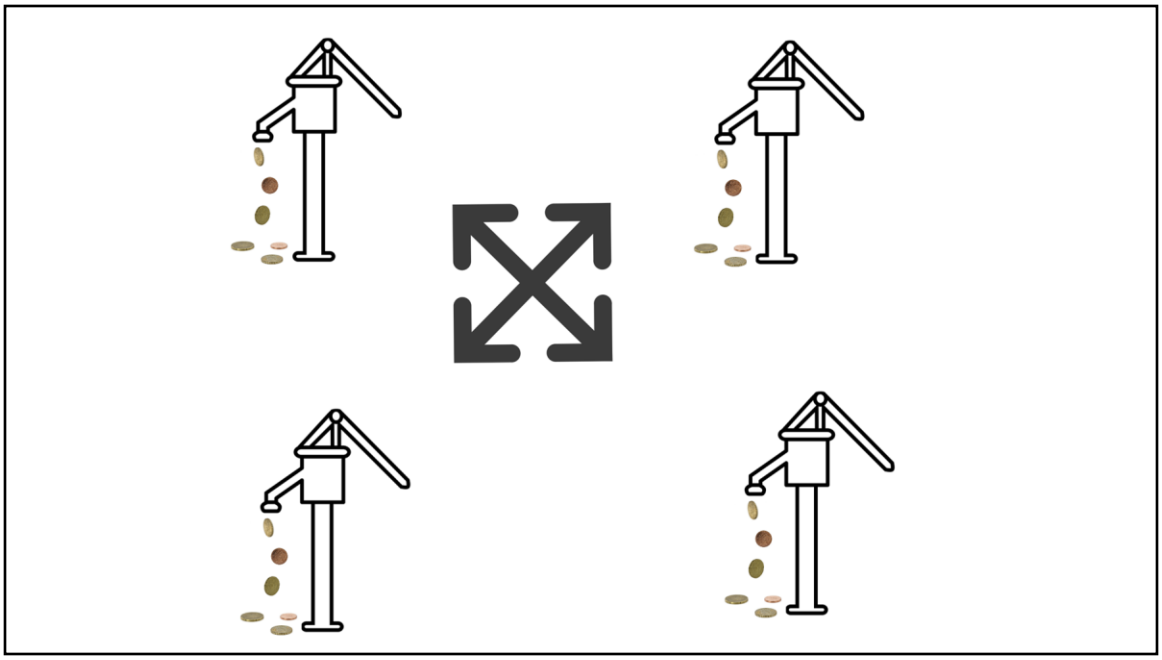
They have more than enough to pay the average repair costs.

- Consumption vs. productive use
- Security
- Committee changeover



Challenges are similar to any village savings & loan plan:

- This is a very poor area, and there is an expected food shortage. If communities make loans for consumption vs. productive use, it could lead to lower repayment percentage.
- Security: one community bank has more than the equivalent of 100 USD, which is just kept in a locked box. Many communities try to keep as little in cash as possible by making loans or purchasing spare parts they know they will need. Moving forward, the trainers will encourage people to put money in a bank.
- Committee changeover: There are no limits on terms now, but all this money might make communities take this more seriously. The training and skills might not be passed on. The initial program built on a lesson from the democratic selection of committee members. The Chief often selects people without finding out if the person is willing to be in the committee. This democratic approach hasn't worked, so they wanted to try something different.
- Issues of money can lead to contention and suspicion, which can be heightened in a rural context. Many feel that "it's either all of us or none of us who benefit". Right now, community members see borehole banking as benefiting all because the interest is used to fix the borehole.



Communities are talking to each other about the process. Water For People started with 14 communities, which are still “going strong,” and additional 25 communities have joined in, making a total of 39 borehole banks in Chikwawa.

To build the power of the banks, Water For People is now developing a network of associations. Each borehole bank would pay a premium to the network. This is a sort of micro insurance to pay for major repairs.

There are now two networks in Chikwawa. One oversees a network of 70 community borehole banks and

has raised 270 USD in the first 3 months to open a bank account.

Who's doing this?

- SNV Uganda
- Concern Malawi
- Water For People Malawi

For more information, contact Susan Davis at sdavis@improveinternational.org