



# Regional Workshop on Microfinance in Sub-Saharan Africa

Dakar 12-14 December 2005



**Microfinance and innovative mechanisms  
to achieve the MDGs in the water and sanitation sector  
in Sub-Saharan Africa  
Report of Proceedings**



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# Regional Workshop on Microfinance in Sub-Saharan Africa

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## Report of Proceedings



## Acknowledgements

The IRC International Water and Sanitation Centre and CREPA – Centre Régional pour l'Eau Potable et l'Assainissement à faible coût – convened the Regional Workshop on Microfinance and Innovative Mechanisms to achieve the MDGs in the Water and Sanitation Sector in Sub-Saharan Africa, with the support of Enda Tiers Monde and the Streams of Knowledge network. The workshop was held at the African Centre for Higher Management Studies (CESAG), Dakar, Senegal, from 12 to 14 December 2005.

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*Papers presented at the workshop can be accessed online at <http://www.irc.nl/page/26456>*

*Photos: Catarina Fonseca and Tunde Agedoke*

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## Acronyms

The following acronyms and short forms are used in this document.

AFD	French Development Agency
ASUFOR	Well Users Association
AWSDBs	Association of Water and Sanitation Development Boards (Ghana)
BDS	Business development services
CBO	Community based organisation
CESAG	African Centre for Higher Management Studies
CREPA	Centre Régional pour l'Eau Potable et l'Assainissement à faible coût
DWST	District Water and Sanitation Team
Enda Rupp	NGO supporting participatory urban development
FTPB	Basic Technical and Professional Training
FOCAUP	Community Fund for the Sanitation of the Poor Urban Areas
IGA	Income generating activities
IRH	Improved Rural Hydraulics
MDG	Millennium Development Goal
MFI	Microfinance institution
NGO	Non-governmental organisation
ODA	Overseas Development Assistance
ONEA	Office National de l'Eau
PADME	Micro-Enterprise Support Development Project
PNGO	Partner non-governmental organisation
PURC	Public Utilities Regulatory Commission (Ghana)
RCPB	Network of People's Banks in Burkina Faso
REGEFOR	Project to Reform the Management of Motorised Pumps
RIF	Rural Infrastructure Fund
SNV	Netherlands Development Corporation
SSIP	Small scale independent suppliers
UCAD	The University of Senegal
VDC	Village Development Committee
VG	Village Government
WASH	Water, Sanitation and Hygiene
Watsan	Water and Sanitation
WSDB	Water and Sanitation Development Boards (Ghana)
WSP	Water and Sanitation Programme

# 1. Background

## Introduction



The mobilisation of savings at local level has been an important element for community development around the world for a long time. From the traditional tontine, individual loans through moneylenders, community savings, and the mobilisation of local resources through concerted actions, communities have been looking for ways to secure funds to cover their daily needs.

The 2005 United Nations International Year of Microcredit was instrumental in informing people and advocating for microfinance. Mainstream banks such as Citigroup, Deutsche Bank, Credit Suisse and ICICI have now found out that the poor, like everyone else, attach great value to being able to save and to protect themselves against unexpected expenses.

Historically, microfinance has focused on other sectors, such as trade or small scale producers. However, as questions about financing water supply services moved up the policy agenda, microfinance has received considerably more attention in recent years within the water sector.

### Microcredit, microfinance or something else?

In most developing countries, financial services such as bank loans, insurance, and pension funds are inaccessible by the poor. When credit is available, it is often limited to either community savings groups or informal money-lenders who charge very high interest rates, reflecting the lack of a formal market.

Microfinance means literally that the amount of finance provided is small. It has been defined as the provision of diverse financial services to low-income people. However, there is no single agreed definition of the term, and so it can mean anything from community based revolving funds to the products offered by affluent banks to specific clients, not necessarily the poorest.

The term itself is becoming obsolete and “building inclusive financial systems for the poor” is increasingly used as the financial institutions that provide financial services to the poor become more diversified and can no longer be described as microfinance institutions (MFIs).

The idea of small loans to the very poor was first explored in Bangladesh in 1976, when the Grameen Bank was created. Their strategy was to get around the problem of a lack of borrower guarantee’s or collateral, by creating a solidarity group of five or so borrowers who could vouch for each others’ loans. Because the borrowers all know each other, there is peer pressure to repay. Grameen’s experience revealed a very low rate of default on solidarity loans, with repayment rates greater than 90%.

Over the last 15 years, the microfinance market has grown despite the absence of specific financial sector policies. Nobody knows how many microfinance institutions, formal or otherwise there are today, but mainstreaming into the financial sector has taken place since the mid-1990s. Leading microfinance institutions around the world, (such as FINCA, ACCION, ProCredit, Opportunity International) worked together to build performance indicators and standards for the financial services and many of them now have credit ratings as good as the formal finance institutions.

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*‘Microfinance can mean anything from community based revolving funds, to the products offered by affluent banks’*

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## Why is microfinance needed in the water and sanitation sector?

Historically, microfinance has not been available for financing water supply and sanitation activities, because these have not usually been seen to be sufficiently attractive to lenders. A long term repayment period is normally required and in some cases there is no direct link with income generation. However, some microfinance institutions in this workshop argued that the core blockage to increased microfinance in the sector is lack of awareness of the business case for water supply projects.

Microfinance is topical because it can make an important contribution to the achievement of the Millennium Development Goals (MDGs). Used properly, it can help to reduce income poverty, lessen the vulnerability of the poorest and empower women. For the water sector, it can help the poor to have access to water services.

To achieve the MDGs, it is very important that we “think out of the box” about innovative local financing mechanisms and how to build the local potential. We need to reflect on what is going on with a degree of success in different communities and use these methods and mechanisms to accelerate the process of sustainable access to water and sanitation services.

## 2. The regional workshop

### Key questions

There are many examples of successful financing mechanisms at local and national level to increase and maintain coverage for the poorest. There is a need to promote these examples but also a need for further study, and more experimentation to develop a more solid knowledge base. Answers are urgently needed to basic questions:

- ◆ What works under which conditions and why?
- ◆ What impact can actually be achieved?

The experiences developed in Africa by diverse institutions such as NGOs, banks, MFIs and other development agencies specialising in water and sanitation (CREPA, Enda rup, etc.) have laid the foundation for the development and effective use of microfinance in the water and sanitation sector. Many of these experiences are embedded in favourable institutional and technical environments and these were the focus of two days of the three-day workshop.

In Sub-Saharan Africa, useful experiences exist but scaling up these islands of success is still very difficult. To improve the number of beneficiaries, it is important that successful experiences should have the potential to be quickly scaled up.

### Objectives of the workshop

The objectives of the workshop were to:

- ◆ Analyse the current situation of microfinance in the water and sanitation sector
- ◆ Explore financing mechanisms within the sector
- ◆ Identify innovative mechanisms to support access to basic services
- ◆ Define key strategies to disseminate and scale up methodologies and approaches
- ◆ Draw up directions for action research for the next few years.



## Participants

There were more than 40 participants from 14 countries, representing national government, decentralised government bodies, financing institutions, research institutions, INGOs, NGOs and CBOs from developing countries, including:

- ◆ Water and sanitation experts
- ◆ Microfinance experts
- ◆ Civil society organisations working in the water and sanitation sector
- ◆ Other stakeholders interested in the topic

Several participants presented papers. Others interested in developing their knowledge in the domain of microfinance and innovative mechanisms for the water and sanitation sector were able to participate actively in the discussion and group sessions. A complete list of all participants can be found in Appendix 1.

## Workshop themes

The regional workshop on microfinance and innovative mechanisms to achieve the MDGs for the water and sanitation sector in Sub-Saharan Africa, was organised around three specific themes:

1. Microfinance in the water and sanitation sector
2. Institutional approaches and mechanisms which contribute to an increase in flows of local finance to achieve the MDGs
3. Innovative, pro-poor, appropriate technologies to increase access to sustainable services

### Theme 1: Microfinance in the water and sanitation sector

Microfinance organisations have capacity and experience in managing credit, but many have limited capacities for targeting the poorest, developing specific products for the poor, awareness raising activities for target groups and monitoring impact.

On the other hand, institutions in the water sector such as NGOs and resource centres are not experts in credit provision, but are able to provide important inputs to improve processes and results by mobilising start-up funds for water and sanitation credit schemes, bringing in technical support for feasibility studies, training staff in participatory tools and helping with monitoring. Presentations focused on the following aspects:

- ◆ Existing microfinance mechanisms for water and sanitation
- ◆ Success stories in traditional microcredit
- ◆ How to link existing financing mechanisms in the sector with formal credit systems
- ◆ Constraints and the opportunities
- ◆ How to scale up

### Theme 2: Institutional approaches and mechanisms to increase flows of local finance

There are increasing numbers of mechanisms and possibilities for leveraging different types of finance, not only at community level, but also at municipal and district level with the object of going to scale. However, an enabling environment is needed to allow increases in the flows of local finance. The following elements were discussed during the workshop:

- ◆ Sustainability towards providing services for the poorest
- ◆ Strategies for cost recovery targeted to the poorest
- ◆ Institutional approaches
- ◆ Mechanisms and strategies for scaling up



*CREPA had a strong delegation at the microfinance workshop, seen here with (left) Ewen Leborgne, rapporteur for French speaking sessions*

Papers and PowerPoint presentations can be accessed online at <http://www.irc.nl/page/27778>. We provide in this report a short summary of the papers/presentations and some detail on the main discussions that followed in the groups.

### Theme 3: Innovative, pro-poor and appropriate technologies to increase access to sustainable services

Presenters focused on:

- ◆ Analysis of appropriate technologies (taking into account cost recovery, maintenance, income of the beneficiaries, etc.)
- ◆ Low cost technologies with significant impact on poor households
- ◆ Cost-benefit analysis for low cost technology (not necessarily the cheapest but also allowing for productive uses)

### Programme, presentations and discussions

The workshop, over the course of three days, provided a combination of keynote speakers, presentations, group work and discussion. For the full programme, see Appendix 2.

Each day opened with three keynote presentations, after which participants broke into groups, one English speaking and one French speaking, tasked with looking in greater detail at aspects of microfinancing in the water and sanitation sector. Groups began with short presentations, after which a facilitator helped participants to complete their tasks, often using cards to list ideas, and then grouping and discussing them. Findings were presented in a plenary session, followed by an open discussion.

## 3. Summary and main conclusions

### Recent microfinance trends in water supply and sanitation

#### *From charity to business*

An increasing number of new microfinance institutions are not charities or NGOs created to serve the poor, but existing institutions seeking new clients amongst the low-income populations, previously seen as un-bankable and not creditworthy. Because of its success and low default rate, the microfinance sector has become more diverse, with the entrance of several private commercial banks, finance companies, insurance companies, and many NGOs that have become regulated MFIs. Other changes have included modifications to the banking regulations to better fit the needs of microfinance, such as replacing collateral requirements by a need to demonstrate client creditworthiness, and by simplifying reporting requirements.

#### *Increased competition*

The increasing number of MFIs and other institutions providing microfinance is stimulating competition and leading to innovation, which increases the number of clients. While some MFIs complain that their best clients are now moving to formal banks that also provide microfinance, there is an increasing opportunity to advocate and educate for increased access to MFI in other sectors which have been traditionally neglected. These include renewable energy and water and sanitation.

#### *Diversification*

In areas where group loans have been maximised, there is a growing trend towards individual loans to allow for more and faster borrowing. Instead of group peer pressure, a client's creditworthiness is built up over time, with lenders progressively loaning larger amounts over longer periods. Expanding lending to include savings schemes and micro-insurance allows smaller MFIs to take deposits, build capitalisation, and lower costs, as well increasing the potential to access more finance from larger institutions interested in microfinance. In an increasing number of examples, donors set up guarantee funds as an incentive for microfinance institutions to provide loans specifically for sanitation related activities.

#### *Microfinance and the development of supply chains for sanitation*

Developing effective supply chains for sanitation products and promoting demand has proven more effective than household subsidies. Microfinance can be used to start up activities required to provide sanitation services, such as providing materials for construction, emptying the pits and treating the sludge. The small scale private sector has the ability to tap markets for sanitation or hygiene-related products such as soap, toilet construction, toilet parts, toilet cleaning and faecal sludge management. Start-up activities require credit, but service providers are able to make a decent profit and so there is an incentive to create demand and ensure supply.

#### *Strategic partnerships to develop scalable solutions*

Given increasing competition and a need to build new markets and expand a client base, some MFIs have sought strategic alliances with NGOs and other financial intermediaries. These offer complementary skills to reach new markets and their support can result in lower running costs for the MFIs.

Institutions in the water sector such as NGOs and resource centres are not generally experts in credit provision, but are able to provide important inputs in support of finance. They can become financial intermediaries between MFIs and households or CBOs and help to improve processes and results by mobilising start-up funds for water and sanitation credit schemes, bringing in technical support for feasibility studies, training staff in participatory tools and helping with monitoring. Larger or regional NGOs are able to promote different finance mechanisms at rural level, increasing the potential outreach of MFIs through networks and associations of CBOs.

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*“Many argue that making profit from the poor is wrong. Investors say the poor deserve access to financial services as much as those with money.”*

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## **Limitations of microfinance in water supply and sanitation**

Many argue that making profits from the poorest is ethically wrong, even if the interest rates provided by MFIs are lower than those offered by informal money-lenders. However, for many donors, foundations and private investors, it is the notion of fairness that is appealing: the poor deserve to have access to financial services as much as those who have money. There are several challenges to be addressed before microfinance can realise its potential, both in general and in the water sector specifically.

### **Limited outreach of microfinance**

In 2000, there were an estimated 30 million families worldwide with access to microfinance, of which 19 million were identified as very poor. Only 9% of the poorest families had access to microcredit in Asia while in Sub-Saharan Africa this number was around 6%<sup>1</sup>. The limited outreach of microfinance institutions to the poorest in Sub-Saharan Africa can be partly explained by the fact that MFIs are relatively new here compared with Asia and Latin America. There are some exceptions, such as in Kenya, where MFIs are estimated to reach about 30% of the poor (1.8 million clients) mainly due to the cooperative credit sector. However, there remains a huge challenge to scale up access to microfinance.

### **Limited product diversification**

Limited outreach is also linked with weak product development for the poorest clients. Most loans are designed for income generating activities. When loans are extended to other areas such as housing or education, the initial conditions of the loans usually remain unchanged – i.e. loan cycles are not adapted. Microfinance provides an opportunity for greater coordination of development services, given its potential in combining health, nutrition, housing improvements and educational services. Water and sanitation is sometimes included in ‘improved housing’, but microfinance organisations do not have much information about, or are not aware of, how to develop specific products for the water sector. The exception is in loans for infrastructure, which are limited to capital investments such as water storage facilities which have a more certain short-term return. MFIs have capacities and experience in managing credit, but many have limited capacity in understanding the nature of demand for water sector-related finance, or in helping poor communities prepare projects that do not have a straightforward income generation component. Closely monitoring loan use and impact is not typically part of an MFI’s core competencies.

<sup>1</sup> Daley-Harris, S. 2002. *Pathways Out of Poverty: Innovations in Microfinance for the Poorest Families*. Bloomfield, CT Kumarian Press.

## Financial sustainability

The costs of providing microfinance are not low, as the small size of loans and the increased need for follow-up during the loan cycles result in higher overheads. These costs are sometimes included in the loan, making interest rates too high. A recent study<sup>2</sup> of 163 Sub-Saharan MFIs found that African MFIs are among the most productive globally measured by the number of borrowers and savers per staff member. Women represented 61% of borrowers among the reporting MFIs. The cost per borrower is higher than in other regions but the costs per saver are among the lowest. The average savings balance is US\$ 137 per client, lower than MFIs in other regions. While many microfinance institutions claim they are sustainable and that loan losses are lower than the rate of defaults amongst customers of big banks, many of these are non-governmental or not-for-profit organisations lacking transparent monitoring systems and with overheads that are highly subsidised by donors. From a survey of 1,000 providers of microfinance and other initiatives in Sub-Saharan Africa, only 20 were estimated to be financially sustainable. Some of these organisations took five years to reach break-even point. They survived with donor support, including soft loans or grants. But donors are calling for greater effectiveness, which means they will only fund loans and not all the upstream work required to ensure the quality of the loans.

2. Lafourcade, Anne-Lucie, Jennifer Isern, Patricia Mwangi and Matthew Brown. 2005. Overview of the outreach and financial performance of microfinance institutions in Africa. Mix Market. [www.mixmarket.org/medialibrary/mixmarket/Africa\\_Data\\_Study.pdf](http://www.mixmarket.org/medialibrary/mixmarket/Africa_Data_Study.pdf)

## Institutional capacities

Another constraint relates to the regulatory frameworks and institutional capacities within countries. These do not seem to accommodate more flexible financial frameworks that help poor people to access financial services. Even if MFIs are efficient, good banking cannot do much with weak governance. This limits the growth of MFIs, preventing private investors from exploring the market.

## Conclusions

A number of key messages arise out of presentations and discussions at the workshop.

- Microfinance has existed for some time as an add-on to water projects e.g. watershed development programmes in India where a revolving fund for various activities is usually a first step to generate social buy-in, and for productive uses such as backyard gardening and livestock. Now, linked to cost recovery policies aiming to increase users' contributions, microfinance is being used to help pay for capital costs and to cover operation and maintenance costs.
- Just as traditional finance mechanisms contributed to high debt levels in developing countries without substantial poverty reduction, microfinance for the water sector should not be considered a panacea. Microfinance loans will need to be repaid, with interest. If an effective collection system is not in place, their effectiveness is doomed from the start.
- Microfinance cannot transform a poorly planned or managed project into a good one. It can, however, help to address constraints on access to finance from households, CBOs, small scale independent suppliers (SSIPs) and municipalities.
- Although microfinance may be one means to increase finance to the sector, non-financial measures are many times more significant. For instance, the illegal status of some peri-urban areas is a barrier that prevents SSIPs obtaining credit and improving their services. Likewise, the requirement by most utilities for connection costs to be paid in one lump-sum remains a key barrier for increasing coverage to the poorest in urban areas.



*A working session at the workshop on microfinance and new financial mechanisms for attaining the Millennium Development Goals in the water and sanitation sector in Sub-Saharan Africa*

- Financial allocations need to be linked with empowerment and people's involvement. A few case studies have demonstrated that linking water and sanitation projects with productive activities and social marketing decreases the risk of non-repayment of loans.
- Linking microfinance with aid, to leverage local resources, has the potential to increase the outreach of aid. For example, donors can provide guarantees to enable small banks or cooperatives to provide microfinance to the water sector which otherwise would be considered too risky.
- Financial intermediaries can pool existing saving schemes from CBOs for small projects for possible economies of scale and to access more interesting microfinance products which can be used for a variety of community needs.
- It is important to cover the non-financial services required to make microfinance work in the water and sanitation (watsan) sector. Activities such as training, counselling, and sensitisation, that are not directly part of financing, are rarely provided by the MFI. Several options have been suggested for this.
- Instead of sinking aid into subsidised household latrines, there is a real opportunity to make better use of finance by developing revolving funds in rural areas for latrines or peri-urban areas for household sewerage connections. Microfinance and commercial project development can be linked to subsidised activities (mainly by NGOs), such as sanitation promotion and other technical support for cost-effective solutions, and quality control, e.g., taking steps to prevent contamination of water sources.

## 4. Opening session

*“The microfinance sector is developing quickly, thanks to national public policies,”* – with these words, **Mr. Mohamed Soumaré**, Secretary General of Enda Tiers Monde, opened the regional workshop. Beside him, were the representative of Issa M’Baye Samb the Minister of Safety, Public Health and Sanitation, Senegal, Mrs. Catarina Fonseca, Programme Officer at IRC International Water and Sanitation Centre, the Netherlands, and Mr. Cheick Tidiane Tandia, Director General of CREPA, who chaired the opening ceremony.

Linking the microfinance and WASH sectors was the main objective of this international meeting, featuring representatives from 14 different countries (Benin, Burkina Faso, Côte d’Ivoire, France, Ghana, Indonesia, Kenya, Mali, Niger, Senegal, Togo and Zimbabwe).

Many factors come into play to meet this challenge: responding to social demands, managing funds dedicated to improving water supply and sanitation services etc. This was one of the key messages of **Catarina Fonseca** of IRC International Water and Sanitation Centre, which has been working with CREPA for about 10 years. Mrs. Fonseca highlighted the first microfinance experiments in Bangladesh by the Grameen Bank, which helped improve the lives of the poor. She said that microfinance in the WASH sector could contribute to bridging the gap to reach the Millennium Development Goals by alleviating poverty.

The representative of the Ministry of Safety, Public Hygiene and Sanitation said it was critical to create partnerships between various sector stakeholders including Government, microfinance institutions and local populations, to find appropriate strategies to develop this sector. He reminded everybody that 2005 was the United Nations International Year of Microcredit, and there were still many efforts to be made on this front. The Advisor encouraged participants to share experiences and lessons learnt and to discuss strategies to scale up microcredit.

**Mr. Soumaré** stressed the importance of linking microfinance mechanisms with local expertise in the water and sanitation fields. He reminded participants that the themes tackled, recommendations formulated and conclusions drawn during this workshop would contribute to further developing a body of knowledge to put microfinance on the map once and for all in the WASH sector and to connect institutions, partners and States.

**Mr. Cheick Tidiane Tandia**, Director General of CREPA, said that the mission of his organisation was to build the capacities of stakeholders by combining development of appropriate technologies with social engineering in community participation through a gender approach and by channelling local funds and expertise. Mr. Tandia emphasised the importance of the workshop in achieving one of CREPA’s treasured aims, “access to financing mechanisms at local level”.



*The opening session, (left to right), Catarina Fonseca, IRC, a representative of the Senegal Minister of Safety, Public Health and Sanitation, Cheick Tidiane Tandia, CREPA and Mohamed Soumaré, Enda Tiers Monde*

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*“Microfinance in the WASH sector could contribute to bridging the gap to reach the Millennium Development Goals by alleviating poverty”*

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## 5. Presentations Theme 1

### Microfinance in the water and sanitation sector

#### Microfinance in the water and sanitation sector, Kenya

Mr. Thomas Fugelsnes, Water and Sanitation Programme (WSP)

#### Summary

The presentation focused on opportunities for microfinance lending for small water projects and output-based aid. WSP is supporting local organisations such as K-Rep to diversify its lending to the water and sanitation sector. Microfinance is being used to leverage resources, to reduce dependence on ODA over time, and to enhance sector sustainability by linking subsidies with performance base criteria. It is also helping to achieve aid effectiveness, efficiency and targeting for both government and donor resources.

This is being done by using aid and other grant resources to facilitate transactions, develop business development services (BDS) markets and provide credit enhancements.

The presentation stressed that public policy should enable and not crowd out domestic market resources and that there is still a major need for local capacity building through 'learning by doing' action, involving MFIs, government, community projects and local BDS providers.

The importance of political commitment to support microfinance was highlighted and Kenya was recognised as being fairly advanced in terms of pro-microfinance legislation.

Full presentations and papers are available on the IRC website at <http://www.irc.nl/page/26456>  
A CD-Rom containing all the presentations can be requested from [fonseca@irc.nl](mailto:fonseca@irc.nl)

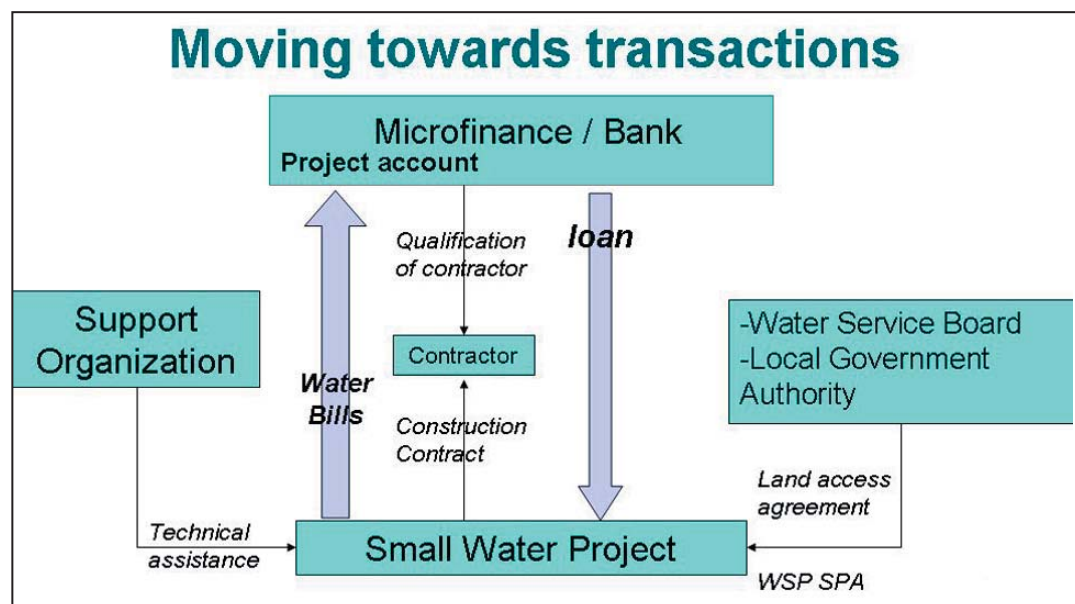


Figure 1: Money flows in microfinance in the watsan sector in Kenya

#### Questions and answers

Mr. Fugelsnes elaborated on the fact that it has been difficult to separate policy from community development issues and that it is essential to deal with political commitment in the local setting. In Kenya there is interest in microfinancing and reforms are on the way, but there is little interest in financing sanitation.

*How can we make sure that sanitation is not forgotten?*

Tools developed by WSP to support K-Rep, a Kenyan based microfinance institution can be requested from the WSP Nairobi office.



Loans are generally given to finance projects, rather than as loans to individuals (although there are exceptions). As microcredit institutions work as banks and vice-versa, the border between these institutions becomes less clear.

Communities can contribute both in kind as well as with financial means to pay back the loan. There is no set way of doing it. The community contributes 20% to projects, while the bank finances 80% for a period of five years. Community members pay the loan. If community members can't pay, other solutions are sought, such as output based aid. In total about 40% of the loan has to be repaid when the infrastructure is implemented. In practice, many communities pay more than the minimum 20% contribution.

Banks will be more at ease if consumers have already proved in the past that they are able to repay loans. Community organisations therefore have to present their bank account statements to the microfinancing organisations.

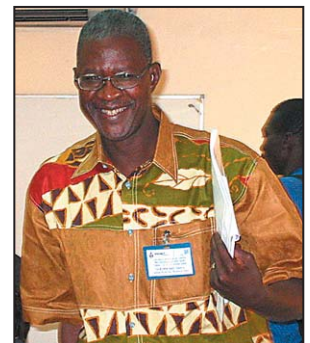
## The experience of Réseau de Caisses Populaires, Burkina Faso

*Mr. Saidou Ouédraogo, RCPB Director*

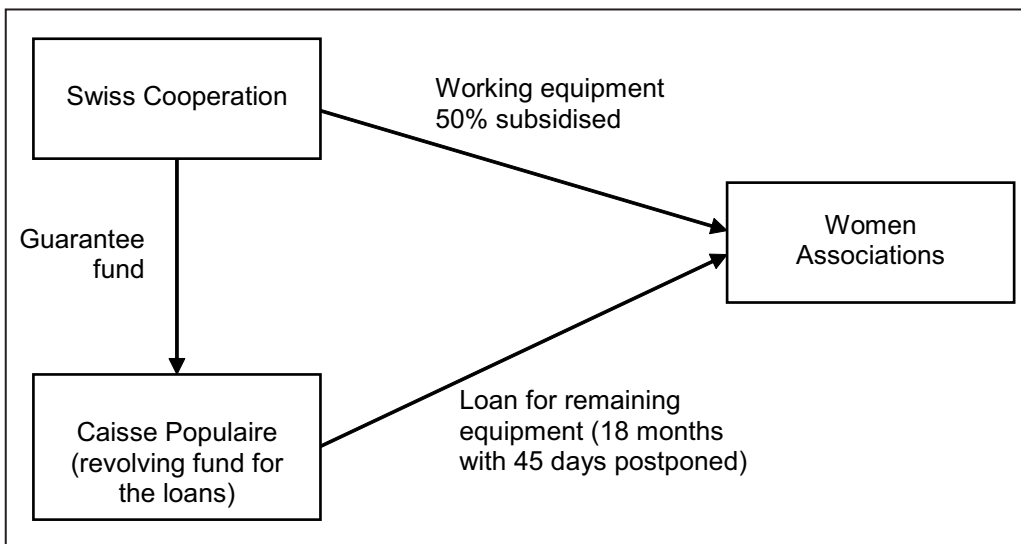
Summary of presentation

The RCPB Network of People's Banks represents 70% of the microfinance sector in credit and saving banks in Burkina Faso and, with partners, has developed financing mechanisms for water and sanitation.

For solid waste collection, there has been experience with two municipalities in Ouagadougou in which the Swiss Cooperation financed women's associations working in solid waste collection at household level.



*Saidou Ouédraogo, RCPB Director*

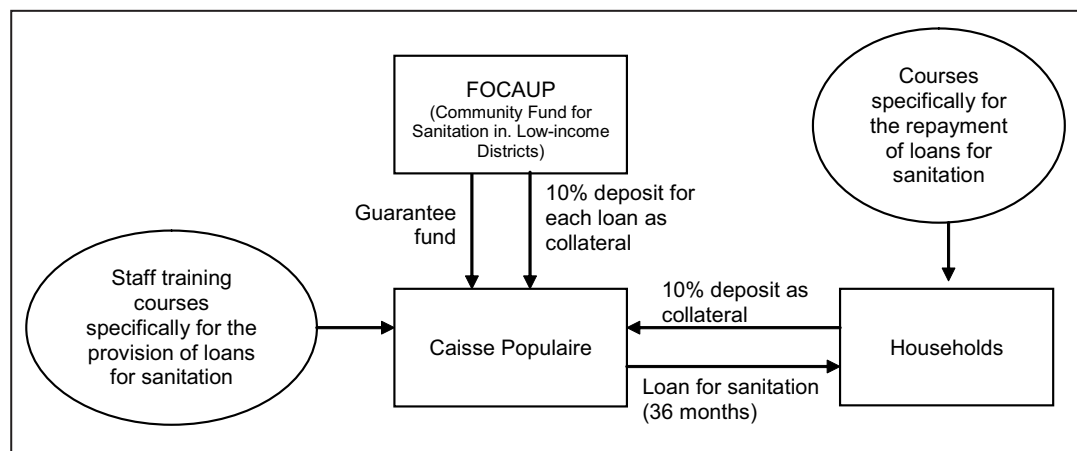


**Figure 2: Mechanism developed to release funds for women's association in Burkina Faso**

After two years:

- ◆ Number of saving banks involved 2
- ◆ Women's associations as beneficiaries 4
- ◆ Credit offered: 1,432,500 FCFA (Approx. €2,200)
- ◆ Rate of reimbursement 100 %

In another partnership with Enda rup – FCPB, the objective was to facilitate access to credit for sanitation for individual households in the urban areas.



**Figure 3: Mechanism to release funds for urban households in Burkina Faso**

#### Lessons learnt from these experiences

- ◆ MFIs try to adapt their products to the needs of beneficiaries while keeping to their philosophy of profitability and sustainability
- ◆ New products focus on mid-term returns
- ◆ The term ‘guarantee funds’ is sometimes misunderstood by partners, who tend to think of it as a grant, leading to problems in the process of offering MFI loans
- ◆ For success, it is necessary to have a good understanding about the financing mechanism both by the partners and by the beneficiaries

#### Questions and answers

RCPB is not only working in the sanitation sector. Indirectly, it finances some clients to install water in their houses. They support their own staff to achieve access to piped water.

In Burkina, there is no miracle formula for achieving the almost 100% cost recovery. But RCPB has four strict criteria for choosing beneficiaries: the quality of the dossier; the morality of the beneficiary; the commitments already made and the guarantee (collateral). RCPB achieves 94% of cost recovery because many of the projects are linked with commercial activities. In Bénin, the PADME (Projet d’Appui au Développement des Micro-Entreprises) also has a high level of reimbursement. It is also crucial that some beneficiaries have training to help them manage their credit.

## The experience of REGEFOR, Senegal

*Mr. Mohamed Dia*

#### Summary

The project REGEFOR (Réforme sur la Gestion des Forages Motorise) started in 1999 to provide 300 diesel pumps in four regions of Senegal. The project involves the participation of various stakeholders, government, private sector and community, via ASUFOR (Association des Usagers de Forage / Well Users Association). Key to the success of REGEFOR is the separation of national government from operational tasks and the effective channelling of

funds to enable local government, the private sector and communities to be involved in the management and ownership of diesel pumps.

There is a complex process for mobilising financial resources, supporting community organisations (ASUFOR) to manage their water supplies and transferring operation and maintenance to the private sector, after the rehabilitation of the older infrastructures, the introduction of water meters and the extension of networks.

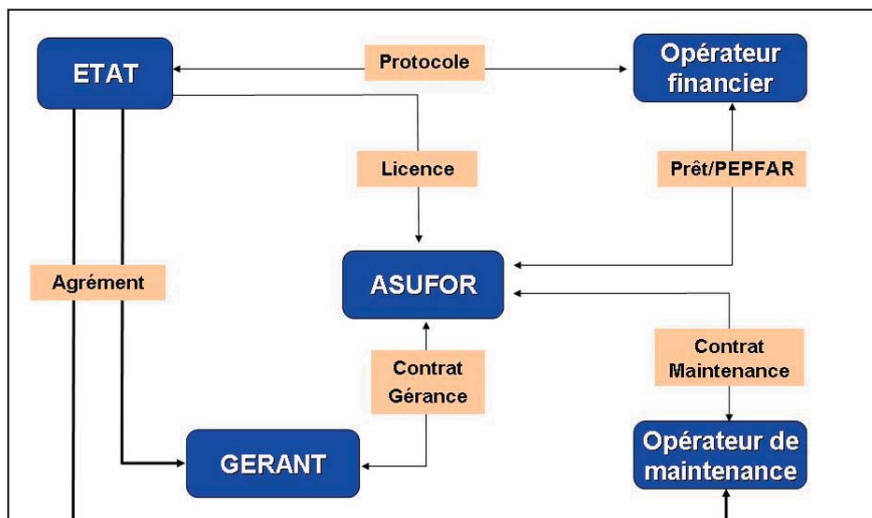


Figure 4: Complex contracting process to mobilise funds in the REGEFOR project

The Government with the support of the Agence Française de Développement (AFD) supported the rehabilitation and construction of the infrastructure while ASUFORs are responsible for the operation and maintenance of services. The Associations opened bank and savings accounts with the MFI – Credit Mutuel Senegal – where revenues from the water charges are deposited. This mechanism allows the Associations to get microfinance when they need to fix pumps and wells. By the end of 2003, savings reached 400 million CFAF (€ 610,000) and at least eight loans have been granted to ASUFORs to expand water supplies.

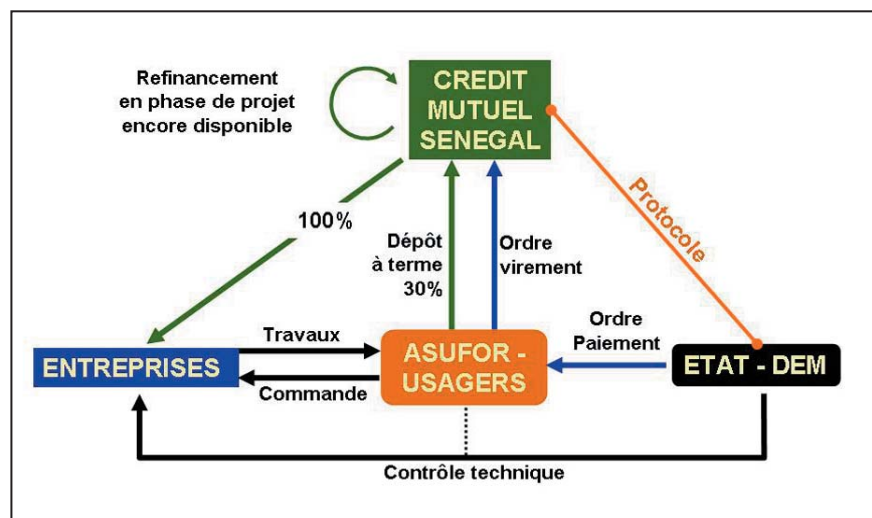


Figure 5: Mechanism for post-project financing in Senegal. Associations are able to obtain microfinance to fix pumps and wells.

### Questions and answers

There are difficulties because the price/cost of investments and of operation and maintenance are not harmonised. National policy is not coherent and each project and community has its own requirements. There is no chance of harmonisation without the engagement of the government.

From a financial perspective, the rural areas are becoming more and more important. There are around 25-30 million potential beneficiaries.

Each community association (ASUFOR) opens a double signature bank account. Loan repayments are not a problem in community settings, but private connections can be a problem, because of political interference.

A key conclusion is that water and sanitation is a business just like any other, and microfinance products can be diversified to serve the needs of the WASH sector as well.

*This is quite a complex project. Would it be possible to simplify it so that less developed organisations can understand the model?*

The PowerPoint presentation explains transactions in more detail  
(see <http://www.irc.nl/page/26456>)

## Microfinance and other mechanisms to improve household water and sanitation, Burkina Faso

*Mr. Evariste Kouassi-Komlan, CREPA-Siege*



### Summary

This presentation is a summary of the activities done by CREPA network in the areas of financing and cost recovery. The following aspects have been analysed in eight countries in west and central Africa:

- ◆ Institutional, technical and socio economical aspects of microfinance
- ◆ Successes and constraints of the using microfinance in the watsan sector
- ◆ Impact of microfinance on beneficiaries

According to CREPA, microfinance consists of resources mobilised and saved to finance initiatives for populations with low incomes in sectors traditionally excluded from the traditional banking circuit (because of the low importance attached to them and the low volume of activities). Three types of microfinance have been identified:

- ◆ Traditional mechanisms called 'tontines'
- ◆ Saving banks, credit banks and mutual banks
- ◆ Support projects for small and medium sized industries and businesses

### Constraints to access include:

- ◆ The need to have good collateral
- ◆ A microfinance institution's management capacity
- ◆ Lack of enforcement of the law when the organisations don't respect their obligations
- ◆ The high interest rate (10% to 20%) in several countries
- ◆ The high rate of upfront personal contribution (10% to 30%)
- ◆ Penalties

Despite these problems, there are opportunities in the water and sanitation sector to improve the institutional framework and the capacity of microfinance institutions in these countries, and there is a need for information and advocacy.

**Case studies**

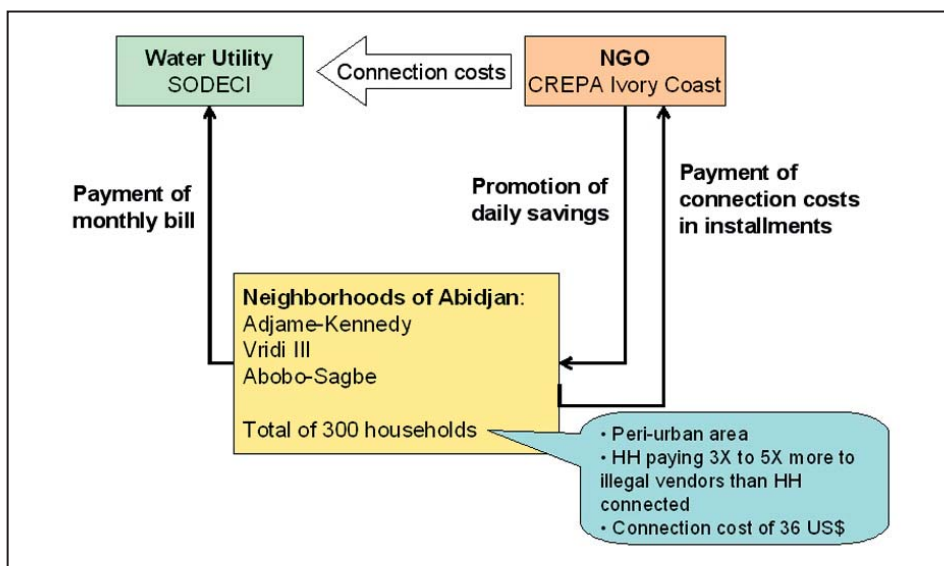
Three case studies were summarised in the presentation.

**1. The financing of piped water systems at household level in Cote d'Ivoire**

This project was developed at Viridi III, a poor sector of Abidjan. Before the project, 67% of people in this area used water from the small independent providers, 22% from unprotected wells and 11% from boreholes. The idea was to help (by financing) the 67% of the people who take water from the small independent providers to have household connections. People had to save 'daily water money' in a box called 'tirelire'. At the end of the month, the person responsible for the project would collect the money from the population and pay this money back to the water company and to CREPA-Cote d'Ivoire who had paid the connection fees in advance. After 6 months, 80% of the 244 household beneficiaries had already reimbursed the loan and were on time for paying their water bills. The next step is to replicate the same project to Bobo Dioulasso (Burkina Faso) and to extend the project to 6,000 households.



*Tirelire for saving daily water money*



**Figure 6: Financing household piped water system in Cote D'Ivoire**

**2. Innovative technologies**

This project has been developed by the Office National de L'Eau (ONEA) and the Burkina national water company. At the end of the piped water system, tap water systems with keys were constructed for people who cannot have water in the house because of the distance but still want to pay according to consumption and do not want to have a communal shared standpipe.

The owner of the 'water box' tap is responsible for maintenance.



*Water box taps in Burkina Faso*

### 3. The experience of Wogodogo in Ouagadougou, Burkina Faso

In one sector of Ouagadougou, a group of women are collecting solid waste from households. This group has been financed by CREPA and now they are independent and managing their own businesses.

#### Questions and answers

There is no problem with collecting the money to repay the loan and 97% of the beneficiaries already have their own water meters. Management of each 'money box' is individual but it is very important to sensitise the population. The water boxes would not be a good idea in a densely populated urban area.

Information and communication is a key element in winning the support of the population. Before installing any technology, it is important to have clear communication about the microfinance mechanisms.

Only 3% of the beneficiaries have used the water for the commercial purpose.

MFIs can also finance capital investments. In rural areas, the population can't afford 10% of the capital costs upfront.

It is not difficult to have cost recovery in the water sector because water can be cut off. However, it is very difficult to have a good rate of cost recovery for sanitation. Because sanitation is most of the time an individual problem, financing household sanitation requires greater sensitisation. Governments have to play a role because MFIs cannot finance long term loans.

## **Role of microcredit in achieving the water and sanitation goals in Bangladesh**

*Ms. Shirin P. Biswas, NGO Forum (represented by Marieke Adank)*

#### Summary

The objective of the study project is to test whether watsan services provided in the field are relevant, to evaluate the success of the project in reaching the poor and hard-core poor and to determine its viability and acceptance to partner NGOs. The main strategy of the model is social mobilisation of poor and hard-core poor. This is achieved by providing them with microcredit for safe watsan services and building community institutions at the village level. Watsan microcredit is supported by promotional activities to improve the level of awareness of the villagers. Watsan microcredit integrates 'software' in a participatory manner in the context of rural communities and ensures the access of poor people to the hardware facilities.

Action research into the microcredit financing programmes of three selected PNGOs is conducted in three different hydrogeological areas of Bangladesh, (the coastal belt, a low water table area and a hillside area), facing different watsan problems. PNGOs support the development of Village Development Committees (VDCs), which control loan dispersion and participate in hygiene promotion. The VDCs are initially formed with the purpose of improving water and sanitation services and usage, but can be used for any development programme.

### Loan details

◆ Average loan for sanitation	1,000 taka (€15)
◆ Sanitary latrine loans	423 households (Very poor have no land for latrines)
◆ Average loan for water facilities	2,500 taka (€32)
◆ Water point loans	53 household loans
◆ Recovery rate	96%
◆ Monthly average recovery rate	70%

### Saving details

- ◆ 52 out of 70 village governments (VGs) are depositing savings, amounting in total to Taka 135,185 (€ 2,000)

A minimum rate of saving becomes compulsory upon receipt of a watsan loan. Savings are deposited in the VDC account and may be used by PNGO in their credit programme with the agreement of a VDC in consultation with VG members. This is also an option for non-credit members.

### Lessons learnt

- ◆ Watsan microcredit is mainly successful for sanitary latrines and private pumps
- ◆ To reach sustainable change, the following are required: social mobilisation, including the poor(est), development of community institutions, community based planning and monitoring, improved participatory technique for hygiene and sanitation promotion, changes in attitudes and values
- ◆ Risks can be minimised by choosing partner NGOs that have experience with income generating activities (IGA) loans

### Questions and answers

Funding was channelled through Danida to the NGO Forum. When a revolving fund is requested from villages, it goes through the VDC which screens applications. Partner NGOs receive the money from the NGO Forum and play the role of financial institutions. Partner NGOs, like most NGOs in Bangladesh, already have experience with microcredit.

The interest rate was around 12% and was used to finance the mobilisation and hygiene behaviour training. This is lower than the market rate, which is about 20%. Overheads are partly paid by the partner NGOs and the NGO Forum, which is supported by DANIDA and does not have to make profit.

Construction of facilities is done by the communities. Participating communities are selected by partner NGOs based on a number of criteria (see the paper).

The link between disasters and repayment rates was discussed. This issue is also coming up in Kenya, where some institutions are buying insurance.

It is important to create services that stimulate savings amongst the very poor. The hard-core poor are difficult to reach and are often catered for by grants. Mapping poverty levels, as was done in this example, is especially important for finding out who really needs subsidies.

## 6. Group work

### How to improve market diversification and outreach?

Two parallel working groups were formed, a Francophone group and an Anglophone group. In each group, the session started with a presentation followed by a discussion on the opportunities for the water sector, markets and products, outreach, challenges and opportunities.

#### Francophone working group

Facilitator Evariste Kouassi-Komlan (CREPA)  
 Reporter Stéfanie Néno (WWC), Jean Malomon and Youssouf Cissé (CREPA)

#### Anglophone working group

Facilitator Thomas Fugelsnes (WSP) and Catarina Fonseca (IRC)  
 Reporter Fungai Makoni (IWSD)



#### Microfinance markets and products for WASH

There was a discussion about what is considered a microfinance institution (MFI). Nowadays many NGOs provide microfinance (as seen in the Bangladesh presentation) and so do formal banks. It was agreed that, in this workshop, MFIs referred to formal, legal microfinance institutions whose core business is to provide loans and other financial services.

Amounts provided by MFIs to the WASH sector are still very small and with too short loan cycles. Sanitation is still marginalised within microfinance for the sector.

MFIs usually work with short-term loan cycles, while the resources available for making investments in new areas are limited. Government needs to play a supporting role, otherwise MFIs will not be able to make long term investments. That is why MFI products for WASH focus more on water distribution – the returns on investment are quicker.

Table 1: Financing requirements for implementation and distribution of water services	
Implementation	Distribution
The government and/or development partners finance basic capital investments	Credit line with an MFI for helping communities pay the operation and maintenance costs when required
Credit line with an MFI needed to help communities pay upfront capital costs	Donor supports collateral contribution (ie. an advance deposit) demanded by the MFIs for issuing loans
Donor supports guarantee fund for the MFI	Partial or total subsidy to cover the interest
Link as much as possible with water, sanitation and commercial activities	
Loans to small scale providers easier, since they work already on a commercial basis	





*Medienmbé Diouf from ONAS in Senegal with participants from Care, Indonesia*

In Indonesia, the fact that grants are scarcely available increases the need for microfinance in the sector. In Ghana, people prefer savings before obtaining microcredit. That way they can accumulate collateral for accessing microcredit. Saving and microcredit should go hand in hand.

It could be useful to 'sell' microfinancing, by linking watsan to income generating activities (IGA) such as eco-technology or productive uses of water. Most community members are interested in IGA. Income is used to pay the water bill or the sanitation facility construction

costs. If people have access to watsan, they will have more money for economic activities but the benefits from watsan take longer than the normal loan cycles.

The traditional Asian model of a guarantee is based on peer pressure within group loans. In Africa, there is less experience with self-help groups. Group loans work well in rural areas and elsewhere where there are traditional communities/social pressure. If microfinancing for collective loans does not work so well in many settings, it might be useful to consider providing credit for household connections and household sanitation. Instead of the 'group guarantee', MFIs need a guarantee fund. Microfinance is not a silver bullet. It should be adapted to the local context.

An alternative to material collateral would be to combine social conscience and material guarantees. If one of the group members of a loan group can provide the guarantee, it will count for the whole group. This does not have to be a financial guarantee, but can be a material guarantee. One person takes the risk in this case. In case of sanitation, if one family does not have sanitation facilities, all community members will be affected. Therefore, one person in a group may be willing to provide the collateral.

### Challenges for MFIs in providing microfinance for WASH

Unless policy is clear and enforced, MFIs will not operate efficiently. Because of the emphasis on meeting the MDGs, donors want quick results. Donors are putting money into developed MFIs, which do not need donor financing.

*The question was posed: if a donor pays the overheads, can you say the MFI is sustainable? It should be realised that donor funds come and go and should therefore be used wisely, for leverage to access new markets and not for ongoing operations.*

*How can the non-financial services be financed?* Non-financial services are all those project activities related to training and counselling, sensitisation etc. that are necessary for success, but not directly part of the financial services.

- ◆ Many MFIs are reluctant to have too much 'social involvement', so they stick to commercial activities. Partnerships with NGOs are a good way to keep overheads low.
- ◆ Financing must be assured by all stakeholders starting with the development partners at the beginning of the project, and with MFI partners, local and private organisations progressively taking over this task subsequently.
- ◆ To have a significant and durable result, this progressive transfer of the non-financial services at the local level needs a critical mass of institutions and loans at local level being provided for WASH.

- ◆ The mobilisation strategy to reach a critical mass includes advocacy for MFIs and the constitution of special funds for WASH and for rural and urban private operators (local organisations, business) to be invited to fund non-financial services such as skills.
- ◆ In many Asian countries, it will be difficult to overcome short loan cycles because of the risk of natural disasters and risks with arsenic contamination, unless someone is interested in providing insurance to the borrowers or risk guarantees to the MFIs.
- ◆ Many of the interest rates are not pro-poor. *Can higher income borrowers subsidise lower income borrowers?*

#### Opportunities to improve outreach

In general, more awareness is needed. Exchange visits could be useful. We also need translations in local languages and easily accessible brochures (like some banks provide in Senegal). But who should be responsible for awareness creation? Banks need people to bring in money but before this money comes in, public money is needed to stimulate demand.

The water sector needs to learn more about the financial sector to be able to use its buzzwords and to attract financial sector support.

Donors in the water sector need to understand some of the innovative financing mechanisms. Instead of just giving grants, they can leverage and promote microfinance in the sector by supporting guarantee funds (see presentations in Theme 1).

#### Key partnership and project development requirements

- ◆ Identifying and considering the necessary efficient supports for the sustainability of MFIs
- ◆ Having a 'technical' implementer partner to give MFIs more confidence to go into the WASH sector
- ◆ Negotiating partnership details including: remuneration of deposited funds; transfer of funds to communities at the end of the project; how to finance the non-financial services by all the parties; maintenance of the partnership with regular consultations
- ◆ Watsan loans can only be successful if there is human behaviour change/social marketing – women need to be involved at all levels of project.
- ◆ Wealth ranking within the community is crucial to reach different income groups



*Alizeta Sane (left) from the District Sanitation Team in Ouagadougou, with Ndeye Mane Ba (right) a journalist from Enda rup*

## 7. Presentations Theme 2

### Institutional approaches and mechanisms that increase flows of local finance

#### Improving water coverage in poor rural areas with private sector participation, Cote d'Ivoire

*Mr. Théophile Gnagne, CREPA Cote d'Ivoire*

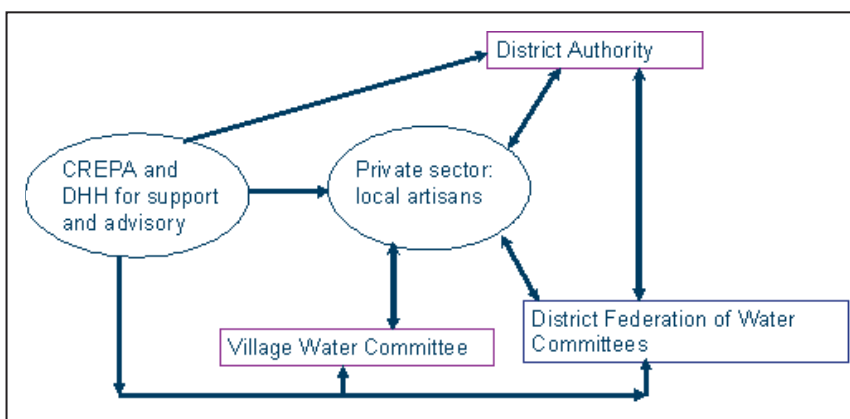
##### Summary

In the past, water points were managed by rural communities on their own, with 30% abandoned because of lack of spare parts and 50% working badly. Causes included difficulty in finding money to repair breakdowns, difficulty in finding spare parts at local level and the difficulties that village committees had with the management of the Improved Rural Hydraulics (IRH).

One way to try and solve this problem was to give the management of the water systems to one operator within the department and apply cost recovery principles. This arrangement requires a coherent institutional and legal framework, a performance tool and an efficient financing mechanism. There were good opportunities since there is a decentralised district authority, acceptance of the principle of paying for water and artisans with good skills in fixing pumps.

##### The Katiola pilot project

Katiola is a department with a population of 70,530 inhabitants. The project aims to rehabilitate 70 boreholes, 64 hand pumps, 4 IRH and build 2 new IRH.



**Figure 7: The new institutional framework required for the Katiola pilot project in Cote D'Ivoire**

##### Advantages of the approach

- ◆ Multiplication of financing sources (MFIs, classic banks and other facilities to support small and medium companies)
- ◆ Sustainable job creation at the local level
- ◆ Improvement of water services
- ◆ Financial solidarity between profitable and non profitable boreholes
- ◆ Uniformity of water price within the department.

#### Risks encountered

- ◆ The ability of a water committee to refuse to admit the private sector
- ◆ The capacity and the willingness to pay of households
- ◆ Price increases which might lower the consumption of water.

These risks can be reduced through good social sensitisation at the beginning of the project with the water committee, the reinforcement of technical support and monitoring, and the increase of household income by linking drinking water and ecological sanitation to agricultural production.

#### Questions and answers

- ◆ The proposal was discussed at national level and three local workshops were organised. The next step was a feasibility study. There was potential to increase household revenue, especially through ecosan to help women with agricultural production.
- ◆ There is no imposition of a specific technology. These technologies already exist; the project is trying to improve their management.

## Institutional arrangements for microfinance in water and sanitation, Ghana

### Mr. Maxwell Agbenorhevi, SNV

#### Summary of presentation

The most significant institutional mechanism for local financing schemes in the water and sanitation sector consists of district level arrangements between local authorities and communities, and an apex coordination body engaged in providing both financial and non-financial services for district water and sanitation structures on one hand and for multi-stakeholders on the other. Starting as a donor initiated project in the rehabilitation of water systems in communities in the northern part of Ghana, the Association of Water and Sanitation Development Boards (AWSDBs) as an apex body developed and promoted financing schemes in various districts. A three tier structure at the community, district and apex coordinating levels is offering local financing mechanisms and increasingly being adopted in other parts of the country. The diagrammatic illustration and elaboration of the institutional arrangements of the provision of water and financing mechanisms are provided as shown in figures 8 and 9.



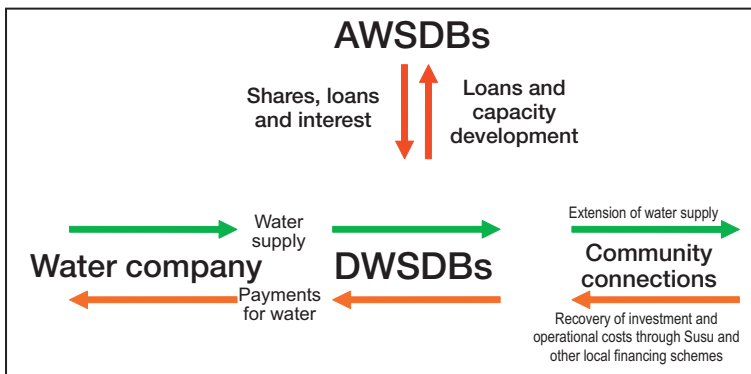
Maxwell Agbenorhevi

#### Questions and answers

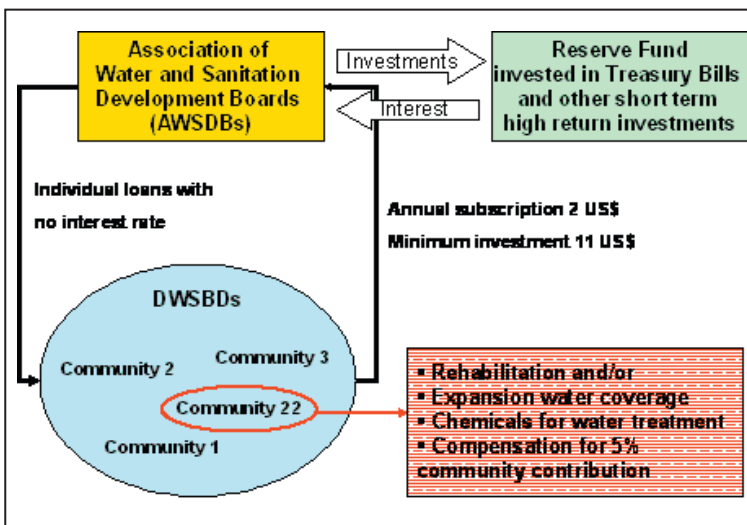
*Would this system only be applicable where a water system was already in place?*

Not according to the presenter. When looking at what the community generated, it would be possible to set up a new system.

There was a discussion on the lack of payment of water bills by government institutions. The establishment of the District Water and Sanitation Team (DWST)) created by-laws which require the community to pay. *But do the by-laws allow for disconnection?* The presenter ex-



**Figure 8: Institutional arrangements for provision of water and financing mechanisms in Ghana**



**Figure 9: Institutional arrangements for provision of water and financing mechanisms in Ghana**

plained that this would be difficult, because hospitals think that their water consumption should be free. Disconnection would mean that the professionals like doctors and nurses would leave. So the local communities do not want to enforce the collection of money from these institutes. In Kenya, public institutions were given money from the central government to pay for these services. However, some government institutions develop other sources (like wells), because their bill gets too high.

Sanitation remains a big challenge. This scheme is five years old and a lot more has to be done on sanitation. SNV is willing to play a role in this. It was recognised that sanitation will have to go hand in hand with water, since it influences the water quality.

Asked to elaborate on tariff setting and collection, the presenter explained that the water company sets the price at which they want to sell water. Tariffs are regulated at national level by a regulatory body (PURC). The company takes these figures to the WSDB (Water and Sanitation Development Boards). Collection efficiency is about 100% because it is ‘cash and carry’. Revenue collectors go around vendors on a daily basis to collect the revenues. At district level an accountant keeps track.

In general it is the DWST that manages the system. Only when there are major faults does the company come in. Community empowerment is already strong. Development boards report back to the community.

SNV has started working with MFIs in Ghana, many of which lack technical capacity. SNV offers capacity building by workshops, training, facilitating the establishment of MFIs, etc. SNV is also thinking of introducing this in the watsan sector and for national level MFIs.

## **Innovative financing mechanisms: guarantees**

*Mrs. Catarina Fonseca, IRC*

### Summary

This presentation was based on a review on innovative financing mechanisms for UN Habitat (see full paper in the CD-Rom). The presentation focused specifically on the role of guarantees.

### Guarantees

- ◆ Are a form of risk mitigation
- ◆ Provide coverage against political and regulatory risks
- ◆ Are used to improve the creditworthiness of the borrower
- ◆ Can be very useful in small towns to increase the attractiveness of water and sanitation investments

Until now, their use in the water sector has been minimal compared with their use with other infrastructures. This has been due to:

- ◆ Political interference with tariff reform
- ◆ Low cost recovery of utilities
- ◆ Weak governance/transparency

There is potential for their use to:

- ◆ Support loans to local utilities
- ◆ Support loans to small scale sector private sector organisations
- ◆ Support MFIs (domestic banks, micro-credit funds and NGOs if regulation allows) while they develop local sources of funding

However, a guarantee cannot turn a bad project in a good project and given the constraints due to low local capacities following decentralisation, guarantees might be difficult without technical assistance (TA) and building capacities for project development.

In Cambodia, an international NGO (GRET) has put in place a Rural Infrastructure Fund (RIF) in a public development bank illustrated by figure 10 below. The objective of this fund is twofold:

- ◆ To provide medium-term (3-5 years) loans to local commercial banks who wish to finance investors involved in financing piped water systems (in Cambodia, credit is provided on a short term basis only)
- ◆ To provide a (30%) guarantee on loans from commercial banks in case of default. Because of this guarantee, the commercial bank can ask for less collateral and accept a lower credit rating on the part of the investor.

The MIREP programme run by this INGO consists of technical and financial assistance to support the rural private sector to invest in and build piped water systems. The investor connects dwellings to water-meters and collects payments every month. The INGO has helped the installation of 10 systems which reach 80% coverage and more than 85% in some areas. As a result of guarantees, the water sector becomes a more attractive market, the commercial banks can ask for less collateral from private entrepreneurs and the repayment rate has been 85% in 10 large systems.

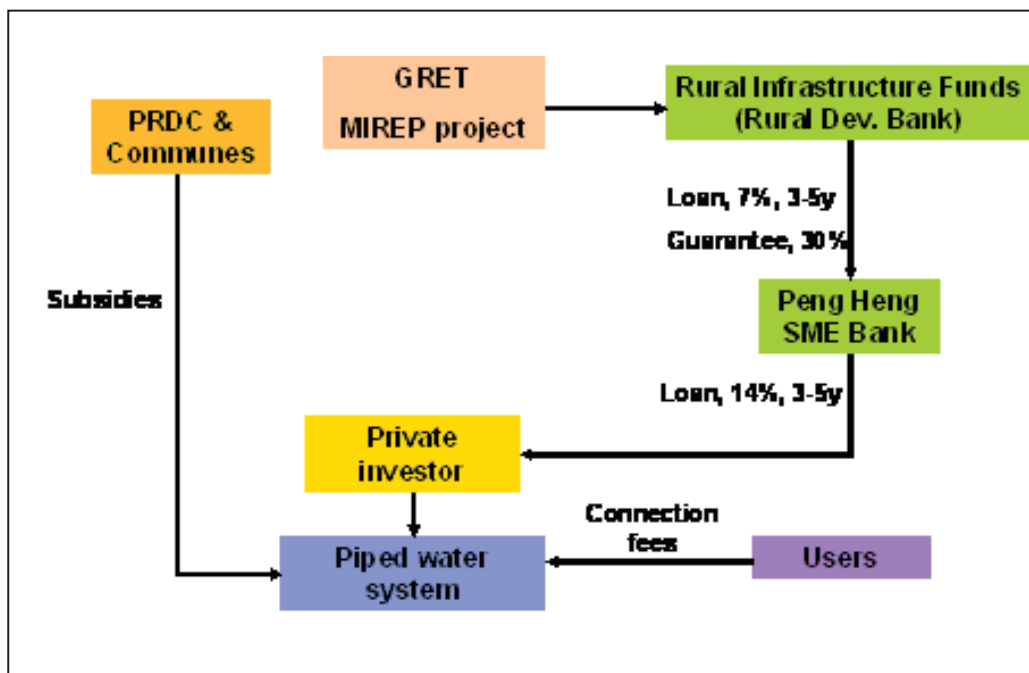


Figure 10: Institutional and financial structure put in place by GRET for the MIREP project,

### Questions and answers

The chart presented during the presentation is very similar to the structure in Indonesia, where it could be a good system for the development of piped schemes. The problem in Indonesia is that INGOs are not allowed to lend money. The government realises that they need the money, so it happens a lot anyway, but often without legal consent. The presentation gave an illustration of an INGO, which set up funds within a local (public) bank.

The guarantee provided by the INGO was an incentive for the private sector to get into the water sector. They give the guarantee to ensure that the loan will be paid back. The same situation occurred in Cote d'Ivoire and with Caisse Populaire in Burkina Faso.

The experience of Care Indonesia in microfinance is that, if it is run by an NGO, it requires technical assistance. Their strategy is to reserve part of the money from donors for technical assistance. The remaining money is put into the bank for replacement and rehabilitation.

On the question of how to finance large projects, the presenter explained that systems are often over-designed to take into account population growth. This means that consumers are paying for over-designed systems, which is not necessary from an engineering point of view, as systems can often be extended as needed. However, since there are commissions on large projects, contractors tend to over-design.

The presenter agreed with the remark that even where partnerships exist, it is difficult to get them to function and that sometimes the partnerships only exist on paper.

The view was put forward that not all money is good money. Many donor countries tie their financial support to economic obligations, but since many governments in developing countries, especially Africa, are pressed for financial resources, they don't question this. Organisations and governments should be able to refuse money because of the conditions attached by donors.

Raising resources at local level is important and we need to go to communities and see what is already there and build on that.

## Microfinance and renewable energy, Senegal

Mr. Oualy Ousmane, AD Finance

### Summary

This presentation shows a microfinance programme in the renewable energy sector. The overall objective is to help villagers gain access to renewable energy. The beneficiaries are the rural communities of Niomré, Nguer Malal and Pété Ouarack within the basin area and Sylvo Léona (Zone des Niayes) in Senegal. The project is made up of:

- ◆ A programme to support the dissemination of renewable energy technology
- ◆ Financing mechanism adapted to fit existing decentralised structures

### Anticipated results

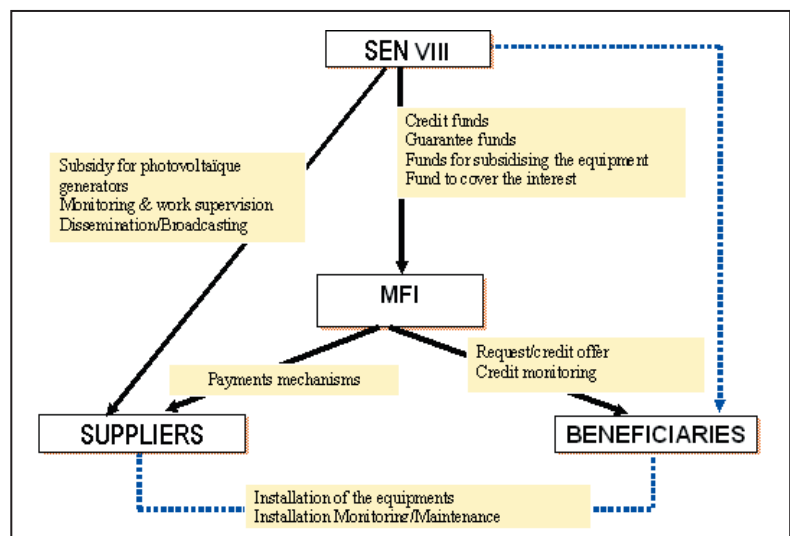
- ◆ A functioning financing mechanism for accessing the technology
- ◆ Identification of stakeholders and better coordination in the sector (for operation and maintenance)
- ◆ Adequate financing products that take into account household incomes
- ◆ Putting in place specific funds together with the partner MFIs
  - i) Guarantee Fund
  - ii) Fund to cover the interest
  - iii) Fund to subsidise the technology
  - iv) Fund to provide credit to finance directly the technology
- ◆ An efficient technical organisation for managing the programme



Oualy Ousmane, of AD Finance

The guarantee fund is used to leverage resources and increase the liquidity of the MFI but is not a subsidy. The guarantee fund is used to cover 50% of the risk of non-reimbursement and the microcredit organisation covers the other 50%. The fund to cover the interest rate allows the MFI to use the standard interest rate, to have some margin and to cover the risk taken by the MFI. The fund to subsidise the technology makes it possible to access the products at low costs. The fund covers 40% of the unit cost. The credit fund is used to finance the loan portfolio and to share the risks incurred. The MFI reimburses the fund when it is reimbursed by the client.

**Figure 11:**  
Mechanisms to provide microfinance for renewable energy in Senegal





### Main results of the project

- ◆ Equipment installed in 22 villages in the study zone
- ◆ Trained 41 beneficiaries and 20 new members of Groupement d'Intérêt Economique
- ◆ Total amount of loans provided: more than 20 millions FCFA (€30,500)
- ◆ Main uses include household goods (TV, ventilator); equipment to ease the burden on women (e.g. cookers); and to equip local health clinics, schools and small businesses

### Impact of the project

- ◆ Improved quality of life within households
- ◆ The promotion of education in rural areas
- ◆ Making women's work easier
- ◆ Local capacity building
- ◆ Reduction of costs and time spent looking for energy sources (mainly wood)
- ◆ The development of the private sector in the area

### Questions and answers

#### *What mechanisms can we use to finance non financial services?*

Non-financial services are all those activities related to training and counselling, sensitisation etc. These project costs are necessary for success. Beneficiaries and operators contributed their time, and that allowed rural micro-enterprises to be developed with loans directed to income generating activities, which cover the costs of the non-financial services. Those who provide credit are trained to provide non-financial services as well. Another option is to finance non-financial services from credit revenues with the surplus used as an education fund. In summary, non-financial services are costly but necessary. The options are:

- ◆ They can be covered by a partner
- ◆ Costs can be included in water and sanitation bills (expensive for beneficiaries)
- ◆ After the reimbursement of the credit, the profit can be used to cover these services

It was suggested that in poor rural settings, local government or NGOs could finance non-financial services, but in urban settings it could be recovered from users.

#### *Can the guarantee fund and subsidies fund be used for water and sanitation?*

The guarantee is not exclusively to cover the risks. The guarantee fund can be added to the credit fund if it is not all used, and the money can be given as a loan to beneficiaries at lower interest rates. There is not a single case where a loan has not been paid back. The amounts involved in each loan are not very high. The guarantee fund is usually not used because MFIs have good management systems and, most importantly, professionalism.

#### *How can we make the watsan sector more attractive to the microfinancing sector?*

MFIs are not social institutions and although they do not aim to make a lot of profit, they have to cover their costs. For MFIs to work in the water sector there must be beneficial opportunities, since microfinance institutions only become involved when it is profitable. If the water sector shows that it is profitable, MFIs will come in.

There were requests for more details about the financing mechanisms. Loans are for two years, quite long for microfinance in rural areas. Loans vary between 300,000 and 500,000 CFAFs (€450–€770) with beneficiaries contributing 25% of initial costs. "We give loans depending on how much people can pay and therefore the choice of technology also depends on people's income."

## 8. Group work

### How to find local short-term solutions to lack of access to finance

Two parallel working groups were formed, one Francophone and the other Anglophone. Each group began with a presentation followed by a discussion based on existing experiences.

#### Francophone working Group:

Facilitator Evariste Kouassi-Komlan (CREPA)

Reporter Felicité Chabi-Gonni (CREPA)

#### Anglophone Working Group:

Facilitator Fungai Makoni (IWSD)

Reporters Yolanda Gomez (STREAMS) and Samuel Wambua (NETWAS Kenya)



*Felicité Chabi-Gonni  
francophone group reporter*

The groups discussed which existing and potential institutions should be involved in the short term, and the challenges and opportunities for forming partnerships to achieve local solutions. A point was made that the situation will be different in different countries, so brainstorming mainly focused on a general approach that can be made specific in each country.

Banks were not mentioned, probably because most participants were from NGOs and the development sector, rather than from the financial sector. Development partners are able to mobilise funds, but are not so aware of how they could be better used through financing mechanisms and partnerships with financial institutions.

#### Challenges for partnerships at different levels

Challenges between national and local government and national and community levels:

- ◆ Need for rules of engagements. Clarify the relationship between NGOs and MFIs
- ◆ Credibility of NGOs (MFI should compile criteria to select NGOs to engage in credit)
- ◆ Who will do what? / distribution of tasks
- ◆ Mutual benefits: NGO might have to convince an MFI to enter the water sector and use the NGO expertise in sensitisation
- ◆ Enabling policy framework (must be set by the government)

Challenges between community and local government levels:

- ◆ Lack of capacity
- ◆ Different priorities of local government
- ◆ Political will (sometimes local government is highly politicised)



*Fungai Makoni from IWSD,  
Zimbabwe, facilitator for the  
Anglophone group*

**Table 2: Potential partners at various levels for microfinancing**

Community level	Local government level	National level	International
Woman associations	Rural banks	Sacco*	Donors
Sacco*	Local government	MFI	Church foundations
Community associations	NGOS (microfinance as project)	Training institutes / resource centres	Donor revolving funds
Private providers	Small medium enterprise	Civic organisations (like Lion's Club)	
Self help groups / Existing savings/ loan groups / susu schemes	Cooperatives local government funds		
Community leaders / community elders	Local district institutions		
Village development groups	Company + MFI		
Immigrant associations			
Churches			

\*Sacco is a saving and credit cooperative society, which can be private or public. Government officials can have their own Sacco.

#### Challenges at community level:

- ◆ Village or other community level committee needs legal status to take up loans
- ◆ Knowledge gap – the need for information (about water/sanitation and about management/ business)
- ◆ Decentralisation to small areas –independent/private providers tend to be concentrated in urban settings, (although sometimes, as in Tanzania, also in rural areas).
- ◆ Legal status is a key aspect. In the Philippines many private providers are not recognised because they have no legal status
- ◆ Community awareness about access to credit and financial services
- ◆ Willingness and ability to pay for credit in areas of extreme poverty when this is lacking for water bills

#### Challenges at international level:

- ◆ National government policies laws and rules – for example utilities cannot get loans from private finance in Ethiopia
- ◆ Political stability / good governance / transparency
- ◆ Accountability
- ◆ Project (rather than programmatic) approach by donors and international organisations. Microfinancing needs a different approach. Donors spend a lot of money in one-time grants instead of putting it together with market based approaches such as guarantees or revolving funds. There is a need to bring donor approaches closer to the microfinance approach.

Sector strategies are always changing. This is a cross-cutting challenge. MFIs and NGOs have to keep up with these changes.

**Opportunities**

- ◆ There is a backlog in the watsan sector (demand is increasing)
- ◆ Sanitation is still lagging behind. There is an opportunity to attract MFIs to the value of human waste as compost. Social marketing is a very powerful tool to raise awareness within communities of the possibilities and long term benefits of buying a latrine.
- ◆ Under decentralisation new types of organisations can become service providers
- ◆ The (local) private sector is diversifying its operations
- ◆ There are already many successful experiences in microfinance for watsan
- ◆ Including productive uses of water creates opportunities for income generation
- ◆ The poor often pay more for water, and may therefore have the ability and willingness to pay for microfinance services that help to change this
- ◆ The pressure on governments to meet the MDGs is an opportunity
- ◆ Economic development in many African and Asia countries stimulates a market
- ◆ Funds for low cost / appropriate technologies can be raised from communities, making use of local materials.
- ◆ Poverty segmentation is a means of analysing whether the ‘hardcore’ poor benefit from services. Where they are not there is a need to seek innovative solutions

Institutional partnerships can be defined at to correspond with the cycles of service provision in implementation and distribution.

<b>Table 3: Issues concerning implementation and distribution</b>	
<b>Implementation</b>	<b>Distribution</b>
Because of MFI conditions, it is difficult for poor people to access large funds for implementation.	MFIs are needed with specific products for water and sanitation
Large upfront costs can be financed by the government and development partners (with mechanisms such as guarantee funds, etc)	Advocacy and sensitisation of the populations about microfinance products
Water and sanitation can be combined with productive activities to attract MFIs and guarantee reimbursement of loans	Need for social marketing
	Development agencies can address costs of non-financial services

It is important to negotiate the terms of the partnership in detail. There is a need for regular discussions to ensure that the partnership runs smoothly and problems are detected early.

*Who should have access to the loans?* The MFI might decide to reach only the ‘profitable poor’. Donors could subsidise interest rates only for the poorest segments of the population.

*If there are ‘profits’ how can these be returned to community organisations at the end of the financing cycles?* There is a case for ‘social’ MFIs. An increasing number of MFIs are now of a commercial nature, and see no obligation to return profit to the community.

*Who pays for non-financial services?* This is crucial to define in advance. These costs can be met by development agencies at the beginning of the project, but should be progressively taken over by the MFIs, local organisations and private operators. Non-financial services need to reach a critical mass (training per capita, extension workers per capita, regular meetings with community, etc) to be effective.

Donors need to clarify what happens to any guarantee fund intact at the project’s end.

## 9. Theme 3 Presentations

### Innovative, pro-poor and low cost technologies to increase access to sustainable services

#### Microfinance for sanitation through community committees, Senegal

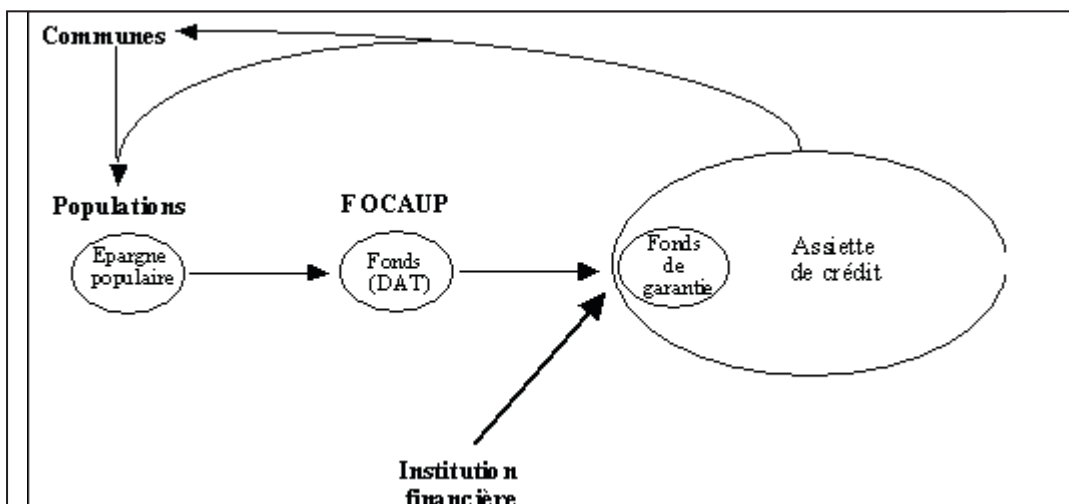
*Mr. Gaye Malick, Enda Tiers Monde*

##### Summary

This presentation of an Enda Tiers Monde sanitation projects using microfinance focused on mechanisms for the population to participate actively in the project, issues of community participation and a description of FOCAUP, the community fund for sanitation in low-income districts. The project was organised as follows:

- ◆ A monitoring/evaluation and management local committee was established, linked to the health committee
- ◆ The committee can request a micro loan to be used to provide community members with access to sanitation
- ◆ Individual community members then address a request to their committee. After a technical study, a contract is signed between the committee and the individual
- ◆ The local committee gives a loan to the beneficiary and the work begins
- ◆ The beneficiary makes monthly payments to the committee which repays the bank
- ◆ Reimbursements to the committee make it possible to establish a revolving fund to be used to support other households in the community

Microfinance is one of the most viable processes at local level for increasing financial flows, but the conditions required to access loans make it difficult for individuals to get loans for water and sanitation activities. A group loan to the committee makes access easier. Two factors contribute to the success of the project: the use of low cost technologies such as ecosan, and the link between the sanitation fund and urban agriculture to make it more attractive to the MFI. FOCAUP is a community fund which has FCFA 10.000.000 (€15,000) to give to MFIs. The financing mechanism is summarised in Figure 12.



**Figure 12:**  
Financing mechanism in Enda Tiers Monde sanitation project in Senegal

Period	Total costs (FCFA)	Reimbursement costs (FCFA)	Reimbursement rate	Advance (FCFA)	Monthly payments (FCFA)	Number of months for loan repayments
1990 - 92	270 000	87 000	32%	15 000	8 000	9
1992 - 94	210 000	75 000	35%	15 000	6 000	10
1994 - 96	175 000	119 000	68%	15 000	8 000	13
1996 - ...	175 000	190 000	108%	25 000	6 600	25

### Questions and answers

The presenter said that the weak point was the treatment of waste water. Enda Tiers Monde was collaborating with the University of Senegal (UCAD) on studies of how to use waste water for agriculture, while eliminating health risks. There is a risk of increasing the number of mosquitoes which do not cause malaria but can bring other illnesses. Gardens also have parasites. The project has developed ways to treat them all effectively and protect people. The studies show an improvement in health. In total, 2000 households have been involved in the project in a population of 150,000.

*What are the costs?* The investment cost is about US\$ 5 per capita, including both upstream and downstream equipment.

*What about the low reimbursement rates in the early years of the project?* At that time Enda Tiers was not involved, but we also had problems since people expect NGOs to give them grants.

*Have you measured the (economic) benefits of waste water reuse?* There have been improvements not only at household level but also in livelihoods. Youth are employed and households carrying out urban agriculture have an above average income – 75% of agriculturists are above the poverty level.

## Technology, sustainability and poverty reduction in rural water supply, Zimbabwe

*Mr. Kingsley Acheampong, Junior Professional Officer IRC, Netherlands working with IWSD Zimbabwe and TREND Ghana*

### Summary

The rural water supply in Zimbabwe, originally planned to have an indirect effect on reducing poverty is threatened by frequent breakdowns especially of communal water facilities. This is against the background of a macro economic crisis having its effect both on government and rural household and their ability to provide enough funds to maintain communal facilities. However, some technologies, notably the family wells, have proved to be self-sustaining with the potential to contribute directly to poverty reduction through employment and income generation for rural households.

As part of the community management concept which was fully adopted in the national rural water programme in 1998, community contributions and government/donor subsidies are combined and used to finance the capital costs of rural water facilities. Table 5 shows the percentage user contribution towards the initial investment cost of various facilities.

Users contribute through the provision of local materials, labour for construction and by paying the builders. In reality, the per capita cost for a family well tends to be lower than the theoretical estimate above. This is because in communal settings in Zimbabwe, households tend to share their wells with other families in a neighbourhood. In addition, the high percentage contribution from users for capital costs for family and shallow wells reduces the level of dependence on government and donor funds, unlike boreholes and deep wells, and thus enables coverage to expand to meet the increasing demands for water by other users.

In the midst of constraints on national government resources and the problems faced by rural households, investment ought not be skewed in favour of one water technology, as has been the case in most national programmes, but consideration should be given to researching all available technologies to ascertain benefits in terms of sustainability, cost-effectiveness and potential to improve standards of living. Boreholes seem to have the highest level of coverage as well as a low per capita cost compared to family wells, but the comparatively high absolute costs, problems associated with communal operation and maintenance and the subsequent influence on sustainability, make family wells favourable. They have the potential to generate revenue for operation and maintenance and to ensure the sustenance of the facilities and they are a potential source of generating employment and income for poor rural households. Because of their limitations – they dry up during periods of drought – they are better suited to complementing boreholes rather than replacing them. Household level ownership and management tends to be more sustainable and must be considered where the possibility exists.

For a water facility to yield the maximum productive benefits and reduce poverty, water projects should incorporate access to markets and credit facilities for poor rural beneficiaries. Schemes with productive benefits like the ones described are good starting points to attract microfinance institutions into the water sector

### Questions and answers

It was questioned whether it is dangerous to put latrines next to wells. However, family wells have their walls lined with brick. Regulations to limit health risks are controlled by a health inspector within the village. There is a minimum 50m distance between the wells and the latrines and the well has to be constructed upstream. In the early days there was contamination, but now things are changing for the better.

There was lack of clarity about whether family wells were more expensive than boreholes. The presenter explained that if you look at cost per capita, the family well is more expensive. However, if you factor in the people from other households who also benefit, the costs are much lower than those of boreholes.

**Table 5: Water facilities and costs in Zimbabwe** (Source: IWSD 2000)

Facility	Cost (\$ US)	Cost per capita (\$ US)	User contribution	O&M requirements
Family well	211	21.1	70%	Low, materials available locally
Deep well	789	5.26	10%	High, external support
Borehole	2,632	10.52	10%	High, external support
Shallow well	211	4.22	10%	Medium

## Improvement of revenues using low cost technologies, Senegal

*Mr. Ndiogou Niang, Director CREPA Senegal*

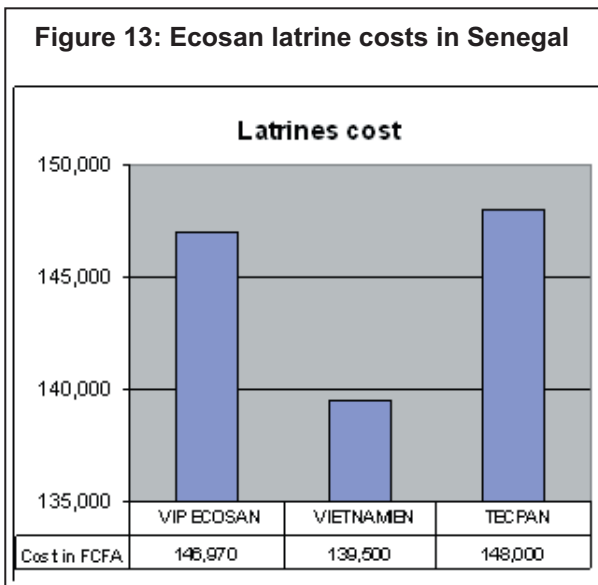
### Summary of presentation

This presentation shows three types of ecosan technologies and the value of the possible reuse of waste. The ecological sanitation concept implies that faeces and solid waste are reusable for soil fertilisation and food security and energetic resources.

Description of ecosan latrines (see PowerPoint presentation for detailed drawings):

- ◆ Ecosan latrine ventilated with improved pipe where all the waste is reused
- ◆ Vietnamese ecosan latrine where faeces and urine are separated
- ◆ TECPAN latrine which differs from the Vietnamese ecosan latrine by including a lid which makes it possible to open and inspect the waste

Figure 13 shows a cost comparison of ecosan latrines. Cost vary from FCFA 139,500 (€215) for the Vietnamese ecosan latrine to FCFA 148,000 (€225) for the TECPAN. Table 6 shows how costs break down for latrine construction using cement or local materials.



Ecosan waste used in agriculture improves harvests remarkably, as shown below, and this can be used as an argument for MFIs.



*Harvest with ecosan fertilizer*



*Harvest without ecosan fertilizer*

**Table 6: Breakdown of ecosan latrine costs in Senegal**

Latrine with cement		Latrine with local material	
Latrine parts	Percentage cost	Latrine parts	Percentage cost
Pit	34%	Pit	38%
Slab	14%	Slab	16%
Superstructure	50%	superstructure	44%
Accessories	2%	accessories	2%
	100%		100%





From left to right, Jean Yadouleton, Director of CREPA Bénin, Fataou Salami, Directeur of CREPA Togo and Daouda Niang sociologist from CREPA Senegal

### Questions and answers

*People do not want their food associated with excreta – how did you change their opinion?*

Ecosan is a new concept, and people do not want to use it at first. We had to conduct many activities to build acceptance. The results show that the technology is accepted, because people see the potential revenue and also see the need for sanitation.

In Ouagadougou, we also provide microfinance for latrines. The loans are repaid with money from the extra crops due to the ecosan fertiliser.

*How gender sensitive is the ecological sanitation design?*

There is no special latrine for women but we have had no complaints.

*Is the eco latrine possible in both rural and urban settings?*

It is more acceptable in rural areas because it reduces the costs incurred with fertilizers.

*In Zimbabwe there are a lot of latrines that pollute the top soil, have you made this analysis in Senegal?*

In the CREPA Senegal projects, all the waste is collected and can be reused. Ecosan is in line with the law and regulations. We do not pollute the environment.

*Will people buy the products if they know that excreta has been used?*

We, in the sector, must have confidence in the products. In Europe you can buy bio-products. This can also be done with ecosan. It is about marketing. If it is marketed well, people will buy it. In our experience, people accept the products. The rationale is that people use manure from animals. People are cleaner than animals, so why not use manure from people? There may be cultural constraints, but the economic benefits are higher.

*What quantity of urine can be produced for sale? Is it economically viable?*

The latrines produce 100 litres in 15 days. After five months it can be used, there is very little smell and it is safe to use. The quantities are quite high.

*Do you have problem with ammonium?*

No, but we do have a problem with salt.

## 10. Group work

### Requirements for scaling up and knowledge gaps that need to be addressed

Two parallel working groups were formed, one Francophone group and one Anglophone group. Both groups conducted a brainstorm on two key aspects:

1. Which knowledge gaps need to be addressed and could be addressed through action research?
2. What is needed for successful experiences to be scaled up?

#### Francophone working Group:

Facilitator Mr. Evariste Kouassi-Komlan (CREPA)  
Reporter Ms. Stephanie Neno (World Water Council)  
and Mr. Youssef Cisse (CREPA, Mali)

#### Anglophone Working Group:

Facilitator Mr. Yawodjin Agbemadon (CREPA Senegal)  
Reporter Ms. Tunde Agedoke (consultant, Senegal)

Knowledge gaps exist – there is a need to:

- ◆ Understand the local context of MFIs, their limitations and if something can be done about high interest rates. Having non-financial services covered by an NGO will decrease overheads and the need for high interest.
- ◆ Improve knowledge about what to sell, and how to sell microfinance products to the water sector. The productive uses of water, and ecosan should be used as incentives.
- ◆ Develop fact sheets for MFIs as a simple introduction to the water sector potential.
- ◆ Understand the different loan culture characteristics – microfinance can be very different from the traditional credit and loan mechanisms.
- ◆ Develop tools and models for MFIs in the water sector.
- ◆ Develop a promotional campaign to increase local government awareness.
- ◆ Consider two aspects for analysing impact: scaling up (from 500 beneficiaries to 10,000) and critical mass for the multiplication of actions; reducing risks and increasing standardisation.
- ◆ Consider structures and strategies to ensure pro-poor microfinance – with a proper strategy, even the poorest can be reached (not just the ‘bankable poor’)

What needs to be addressed for scaling up successful projects?

- ◆ Organise platforms to exchange knowledge around existing pilot projects in different regions. There might be an opportunity to develop a resource centre network. All participants are now sellers of this idea; we have to document this and advocate.
- ◆ Support a strong regional network of organisations. We have too many networks in the sector, and should link up with existing networks rather than create new ones.
- ◆ Create a working group, like the IRC thematic groups, flexible, informal groups that identify key activities and try to do things together. We don’t have to go all in one direction. There is not necessary the need to devise terms of reference. There is, however, a need for financial resources to allow such a group to function.



*Anglophone working group with facilitator, Catarina Fonseca*

- ◆ Document experiences: successes as well as failures. However, documentation also needs to be disseminated and action needs to be taken based on the outcomes
- ◆ Advocate strongly for a supportive policy framework. Strategic alliances should approach policy makers
- ◆ Country level stakeholder workshops should be arranged to seek political commitment.
- ◆ Think creatively how to use available resources (use donor money for leverage and combine it with microfinance)
- ◆ Coordinate NGOs at community level: you cannot promote microfinance if another NGO is providing everything for free in the next village
- ◆ Allocate donor finance to non-financial services
- ◆ NGOs and MFIs need to address the challenge of capacity building with local stakeholders and communities
- ◆ NGOs have an important role in starting microfinance initiatives. When an initiative takes off, it can be taken over by MFIs, while NGOs can concentrate on capacity building for microfinance
- ◆ Financial allocations need to come with the support necessary to build business development skills
- ◆ Microfinance should be used to cover the connection costs for adding to piped systems



*Participants from Care Indonesia during the workshop*

## 11. Wrap up and closure

To wrap up the workshop, Mr. Evariste Kouassi-Komlan from CREPA, summarised the main key messages from the three days of the workshop:

- ◆ Advocacy is needed for microfinance in the sector. Not only with MFIs but also among water sector donors and different government levels. There needs to be political will to support such efforts.
- ◆ Develop strategic alliances with stakeholders, including finance institutions. This is very relevant for ensuring sustainability through non-financial support interventions (training, capacity raising etc.).
- ◆ Recognise that MFIs have a limited ability to reach the hard-core poor.
- ◆ Document existing experiences and promote them in sector forums.
- ◆ Create a thematic group to work on microfinance in West Africa and include action research for the development of local strategies.
- ◆ Gear investment costs to the real costs of services, using appropriate technologies, and upgrading when necessary.

Mr. Kouassi-Komlan thanked the organisers, facilitators, support staff and the participants for contributing to a successful meeting.

Mr. Gaye Malick from Enda Tiers Monde said that the workshop had reinforced the idea that microfinance can play important role in the water and sanitation sector. He thanked participants and urged them to use their energy to influence agencies and stakeholders which intervene in this domain. In the case of Senegal, the many successful experiences presented at the workshop could be used as show cases. He invited everyone to become involved in the network, using Skype for communication.

Mr. Ndiogou Niang, Director of CREPA Senegal, closed the workshop, emphasising the work that CREPA had done in promoting microfinance and innovative financing mechanisms. He said there was a need to understand that the poorest of the poor were usually not reached and would still be dependent on grants. He thanked the participants and the organisers.



*Closing session at the workshop. Left to right, Catarina Fonseca, Evariste Kouassi-Komlan, Ndiogou Niang and Gaye Malick*

## Annex 1: List of participants

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9	Burkina Faso	Sedogo	Ousmane	ONEA	onea@fasonet.bf	(226) 50431900	(226) 70222214	01 BP170 Ouagadougou
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## Annex 2: Final Programme

### Programme Day 1

#### Microfinance and innovative mechanisms to achieve the MDGs in the water and sanitation sector in Sub-Saharan Africa

##### Monday 12 December

09.00-10:15	<b>Opening</b>	
	<ul style="list-style-type: none"> <li>▪ Mr. Mohamed Soumaré, Secretary General, ENDA Tiers Monde, Senegal</li> <li>▪ Ms. Catarina Fonseca, Programme Officer, IRC, The Netherlands</li> <li>▪ Mr. Cheick Tidiane Tandia, Director, CREPA, Burkina Faso</li> <li>▪ Exa. Issa M'Baye Samb, Minister of Prevention, Public Health and Sanitation, Senegal</li> </ul>	
10.15-10.45	Coffee break	
10.45-11.30	<b>Key note presentations</b>	
	<b>Theme 1: Microfinance in the water and sanitation sector</b>	
	▪ Mr. Thomas Fugelsnes, Water and Sanitation Programme, Kenya	<i>Microfinance in the water and sanitation sector in Kenya</i>
	▪ Mr. Ouedraogo Seidou, Caisse Populaire Ouagagougou, Burkina Faso	<i>Opportunities for extending loans for water and sanitation</i>
	▪ Mr. Mohamed Dia, Senegal	<i>The experience of REGEFOR</i>
11.30-12.30	<b>Plenary panel discussion</b>	
12.30-14.00	Lunch	
14.00-15.30	<b>Introduction to parallel sessions</b>	
	<b>Microfinance for water and sanitation: How to improve market diversification and outreach?</b>	
	▪ Mr. Evariste Kouassi-Komlan, CREPA Siege, Burkina Faso (Session in French)	<i>Microfinance and other mechanisms for increasing peri-urban connections</i>
	▪ Ms. Marieke Adank, IRC/TREND, Ghana (In representation of Shirin Biswas from NGO Forum, Bangladesh) (English session in room E4)	<i>Role of microcredit in achieving the water and sanitation goals in Bangladesh</i>
15.30-16.00	Coffee break	
16.00-17.00	<b>Preparation of conclusions for reporting back to plenary</b>	
17:00-18:30	Welcome cocktail	

### Programme Day 2

#### Microfinance and innovative mechanisms to achieve the MDGs in the water and sanitation sector in Sub-Saharan Africa

Dakar, 12<sup>th</sup>-14<sup>th</sup> December 2005 , CESAG, Salle de Conférence

##### Tuesday 13 December

09.00-10:15	<b>Recapitulation of previous day: main conclusions and further discussion</b>	
10.15-10.45	Coffee break	
10.45-11.30	<b>Key note presentations</b>	
	<b>Theme 2: Institutional approaches and mechanisms which contribute to an increase in flows of local finance</b>	
	▪ Mr. Theophile Gnagne, CREPA Cote d'Ivoire	<i>Increase coverage to the poor in rural areas by promoting small scale private sector participation</i>
	▪ Mr. Maxwell Agbenorheri, SNV, Ghana	<i>Institutional and financial arrangements in the water and sanitation sector in Ghana</i>
	▪ Ms. Catarina Fonseca, IRC, The Netherlands	<i>Financing small towns: Innovative financing mechanisms</i>
11.30-12.30	<b>Plenary panel discussion</b>	
12.30-14.00	Lunch	
14.00-15.30	<b>Introduction to parallel sessions</b>	
	<b>Institutional approaches and mechanisms: How to find local solutions, in the short term, for lack of access to finance?</b>	
	▪ Mr. Aboubacar Oualy, AD Finance, Senegal	<i>Microfinance and renewable energy</i>
	▪ English discussion session in room E4	
15.30-16.00	Coffee break	
16.00-17.00	<b>Preparation of conclusions for reporting back to plenary</b>	

**Programme Day 3****Microfinance and innovative mechanisms to achieve the MDGs in the water and sanitation sector in Sub-Saharan Africa**Dakar, 12<sup>th</sup>-14<sup>th</sup> December 2005 , CESAG, Salle de Conférence**Wednesday 14 December**

09.00-10:15	<b>Recapitulation of previous day: main conclusions and further discussion</b>	
10.15-10.45	Coffee break	
10.45-11.15	<b>Key note presentations</b> <b>Theme 3: Innovative, pro-poor and appropriate technologies to increase access to sustainable services</b>	
	▪ Mr. Gaye Malick, Enda Rup, Senegal	<i>Process for environmental improvement through microcredit</i>
	▪ Mr. Kingsley Acheampong, IWSD/IRC, Zimbabwe	<i>Technology, sustainability, and poverty reduction in rural water supply- The case of Zimbabwe</i>
	▪ Mr. Ndiogou Niang, Director CREPA Senegal	<i>Increase in revenues using low cost technologies: the case of eco-san</i>
11.15-12.30	<b>Plenary panel discussion</b>	
12.30-14.00	Lunch	
14.00-15.30	<b>Introduction to parallel sessions</b> <b>Microfinance in the water and sanitation sector</b> (English session in room E4): <ul style="list-style-type: none"> <li>▪ What is needed for successful experiences to be scaled up?</li> <li>▪ Which knowledge gaps need to be addressed?</li> </ul>	
15.30-16.00	Coffee break	
16.00-17.00	<b>Reporting back to plenary</b> <b>Wrap up and closure</b> <ul style="list-style-type: none"> <li>▪ Mr. Evariste Kouassi Komlan, CREPA, Burkina Faso</li> <li>▪ Mr. Gaye Malick, Enda Rup, Senegal</li> <li>▪ Mr. Niang N'Diogou, CREPA Director, Senegal</li> </ul>	

**Thank you to all – from the organisers!**

Participants enjoying the popular warm-up, *Let's make it rain!*, conducted by Samuel Wambua (NETWAS, Kenya)

