GLSCRP
GIYANI LOCAL SCALE CLIMATE RESILIENCE PROGRAMME

WATER RESEARCH COMMISSION

VILLAGE WATER INFRASTRUCTURE & SAVINGS ASSOCIATIONS (VWISA)

# THE POWER OF COLLECTIVE SAVINGS

## TO BUILD CLIMATE RESLIENCE

**Acknowledgements**

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Government of Flanders

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**Disclaimer**

**The Giyani Local Scale Climate Resilience Programme (GLSCRP) aims to develop and implement activities that will research, develop and demonstrate climate adaptive responses and solutions for optimising water utilisation in drought-stricken areas.**

**The programme will focus on the Greater Giyani Municipal area within the Mopani district and aims to impact an estimated 5000 beneficiaries over a three-year period in terms of water utilisation, improved water mix, and socio-economic opportunities as responses to climate adaptation.**

A 2019 WRC study on droughts and adaptation strategies has highlighted risks to reduced productivity, livelihoods and food security, and an increase in vector and water-borne diseases in communities such as Giyani. Ultimately, climate change impacts on water resources in the Giyani area cannot be underestimated.

The programme has three key areas that will support improving local scale adaptation and resilience in Giyani.

They are:

*1) a strengthened enabling environment whereby local authorities, institutions, communities, traditional authorities and market players are mobilised to improve climate resilience and water utilisation;*

*2) improved energy, ground and surface water solutions developed with communities to optimise and diversify water sources;*

*3) activities that support livelihoods and local economic development opportunities.*

The programme will cover a spectrum of rural and rural residential areas in Giyani, working closely with the Mopani District Municipality and the Greater Giyani Local Municipality. Implementation partners include Tsogang Water and Sanitation as the lead on water projects and infrastructure; Association for Water and Rural Development (AWARD) in support of capacity development and stakeholder engagement, University of the Western Cape (UWC) as the water and energy technical partner and the WRC's TTO Enterprise Development arm on social enterprise development supporting local economic development projects.

# LEVERAGING THE POWER OF COLLECTIVE SAVINGS

## A guideline for Village Water Infrastructure Savings Associations in the rural villages of Greater Giyani Local Municipality

# ABOUT THIS GUIDELINE

**Village Water Infrastructure Savings Associations (VWISAs) are community-driven financial groups focused on supporting the maintenance and improvement of water infrastructure in rural areas.**

Operating similarly to Village Savings and Loan Associations (VSLAs), VWISAs enable members to pool their savings to fund essential repairs, upgrades, and maintenance of water systems such as boreholes and pumps. These associations empower communities to take ownership of their water resources, ensuring sustainable access in regions where external support is limited.

## Who is the guideline for?

The Village Water Infrastructure Savings Association (VWISA) guidelines are designed for community leaders, members of local savings groups, financial facilitators, and stakeholders involved in rural water management. These guidelines provide a framework for individuals and groups looking to establish or improve VWISAs, ensuring that funds are effectively pooled and managed for the maintenance and enhancement of village water infrastructure. It is particularly suited for areas where government or external funding is limited, empowering communities to take control of their water systems. Additionally, the guidelines are useful for development organizations, NGOs, and local governments seeking to support and promote sustainable, community-led water management initiatives.

## What does the guideline contain?

The guideline outlines challenges that many rural areas are facing in terms of the allocation of responsibilities for system upkeep and ensuring effective cost recovery. It provides cost recovery options for sustainable water infrastructure. Furthermore, it provides an overview of challenges of cost recovery in larger villages and also provide suggestions of how the challenges can be managed. The guideline contains key aspects of VWISA, their goal, governance of the groups, lesson learn and the recommendations.

## How to use the guideline?

The Village Water Infrastructure Savings Association (VWISA) guideline is a step-by-step tool designed to help communities establish, manage, and sustain savings groups specifically aimed at maintaining water infrastructure. To use the guideline, begin by forming a community savings group where members contribute regularly to a shared fund.

The guideline outlines how to manage pooled funds responsibly, including how to approve loans for water-related projects, such as repairing wells or installing new systems. It emphasizes the importance of fair participation, security protocols for managing group funds, and structured loan processes to ensure that loans are productively used for water infrastructure maintenance.

# VILLAGE WATER INFRASTRUCTURE & SAVINGS ASSOCIATIONS

**Village Water Infrastructure Savings Associations (VWISA) adapt the tested Village Savings and Loans Associations (VSLA) model to fund vital water infrastructure projects. This guideline draws on practical experiences from Sekororo and Giyani villages of Mopani District, Limpopo Province, to explore sustainable cost recovery solutions and community-driven water management.**

Village Savings and Loans Associations (VSLA), also known as Savings Groups (SGs), have shown potential in promoting climate-resilient agriculture and enterprise development in rural South Africa. By providing a collective platform for smallholder farmers and community members to save and access financial services, VSLAs help support local livelihoods. Recognizing their effectiveness, these groups have been adapted to raise funds for local water infrastructure projects, known as Village Water Infrastructure Savings Associations (VWISA).

The GLSCRP explored the cost recovery potential of VSLAs within the context of Mayephu village in Giyani. This guideline draws on the experiences of implementing VSLAs in Sekororo villages and the VWISA in Mayephu Village in Maruleng and Greater Giyani Local Municipalities, both in Mopani District, Limpopo Province, to assess community interest in establishing a VWISA model.

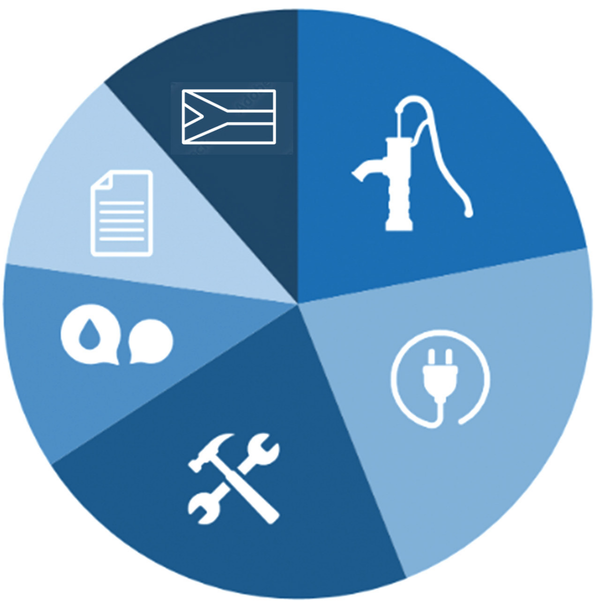
# THE CHALLENGE

**In rural areas, many communities already take responsibility for stand-alone water systems, either through management, maintenance, or by collecting funds for repairs to borehole systems. This trend is reflected globally, as noted by the Rural Water Supply Network (RWSN). Despite these efforts, significant challenges persist, particularly in the allocation of responsibilities for system upkeep and ensuring effective cost recovery.**

In many cases, local governments or national departments, such as the Department of Water and Sanitation or Department of Water Affairs, initially fund and install the infrastructure (e.g., boreholes, wells, and pumps). However, there is often no formal legal mechanism for transferring ownership or responsibility for these assets to the communities. This lack of clarity can result in maintenance issues, unclear accountability, and difficulties in securing sustainable funding for long-term operation.

These guidelines highlight these challenges and offer potential solutions to address the gaps in responsibility, cost recovery, and the legal transfer of infrastructure assets to ensure the long-term sustainability of rural water systems.

## WHAT IS MONEY BEING RAISED FOR?



An illustration from the WHO Guidelines show what costs should be factored into a small supply system (WHO, 2024)

Life cycle costs are shown in the figure below and include the folloing.

**Capital Expenditure:**
Construction and Installation of infrastructure.

**Operating and minor maintenance expenditure:**
Recurrent expenditure on staff, energy and materials needed for routine operations and maintenance.

**Capital Maintenance Expenditure:**
Renewal and rehabilitation costs.

**Expenditure on direct support:**
Ongoing support to water suppliers, e.g. the costs of surveillance, technical advice and training.

**Expenditure on indirect support:**
Costs of Government planning, policy-making and regulation.

**Cost of Capital:**
Cost of servicing capital, e.g. loan repayments.

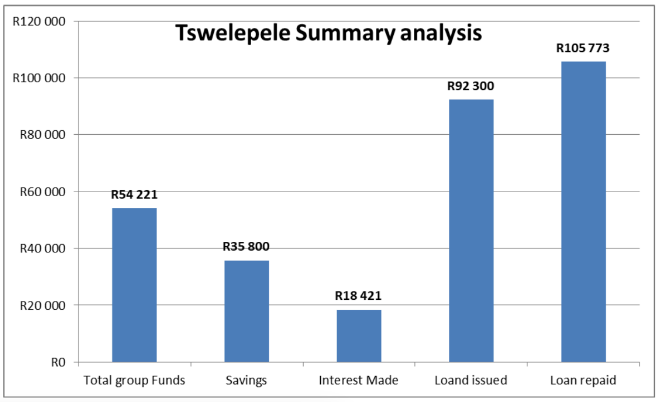
# COST RECOVERY OPTIONS FOR SUSTAINABLE WATER INFRASTRUCTURE

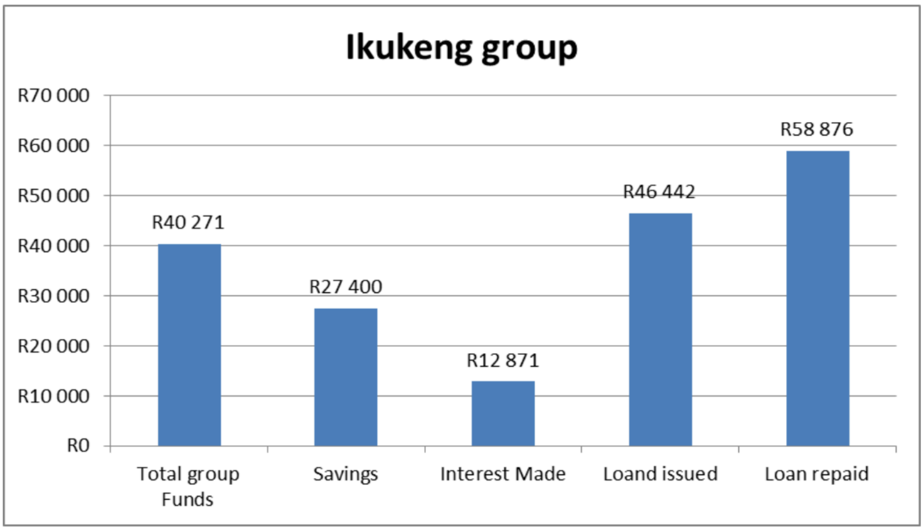
**Sustainable infrastructure projects depend on generating sufficient revenue through effective cost recovery. In some cases, well-targeted subsidies may be necessary to ensure affordability for all users. Willingness to pay for O&M and the establishment of appropriate tariffs are crucial to maintaining a water supply system's long-term viability.**

Tariffs generally consist of two types of charges: one based on water consumption and the other on fixed costs, such as connection fees and maintenance charges. However, based on discussions with local water committees in Giyani, it is clear that affordability remains a significant issue. Committee members believe that monthly fees should not exceed R20 per user, given the high levels of poverty and unemployment in these villages. Community members should decide the amount they are willing and able to contribute monthly. Although this fee structure is not a full cost-recovery model, it can still contribute significantly to the system's sustainability.

## CAN SAVINGS ASSOCIATIONS WORK?

The initial work on this programme shows that it is very possible for people to commit to this effort. Figures show substantive capacity to raise funds as well as provide a load facility that is low interest and without the costs of travel to towns and banks.

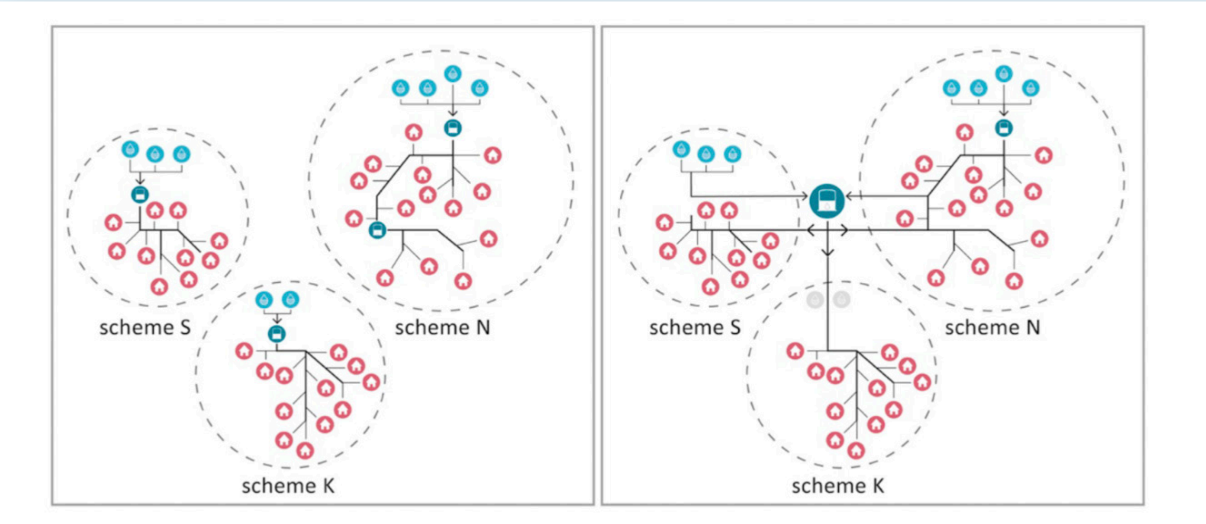


# CHALLENGES OF COST RECOVERY IN LARGER VILLAGES

**Regular monthly payments from all households in larger villages can be logistically challenging. Managing financial contributions from groups larger than 20-30 members often becomes difficult with a significant amount of effort required for administration, record-keeping, and conflict resolution.**

In larger groups, the process may fail due to the burden of policing contributions and managing disagreements. This makes scaling these systems more complex and highlights the need for carefully designed rules, regulations, and efficient management systems to ensure their success.




Solar, pump station, reservoir, tanks and pipes in a rural setting
(Hofstetter, M.; Bolding, A.; Boelens, 2023)

Below are some suggestions of how this can be managed:

• Monthly contributions by households are recorded by the water committee and those who do not pay are regarded as non-participants and not supported when they have difficulties in access. This is an existing system in some of the villages and is accepted and manageable but has the distinct drawback of excluding vulnerable households.

• Divide the village into sections with smaller numbers of households and manage monthly contributions and access per section. In this approach, each section can be provided with a target value of monthly, weekly or daily financial contributions to allow for access. This can be determined by the number household per section and also the type of usage per section. E.g rate for business use will be different to household use. The decentralization of this system is a strength, but defaulting can still cause major difficulties. Cross subsidization for the poorer households is however an option.

• Use of local savings mechanisms to allow for regular payments. The large majority of rural households belong to a range of informal savings groups, such as stokvels and funeral groups. Local savings and loan associations are an extension of this practice, which allows for improved cashflow and accumulation of funds for specific uses. Loan associations also assist the users to improve their livelihoods. Users are not allowed to take loans that are more than what they have put in the group. The strength of these groups is that they are voluntary and generally well established in rural communities. The drawback is still that vulnerable households are excluded and that these groups require some level of external facilitation and policing to remain well managed in the longer term.

Thus, the main question becomes one of how equitability and the right to water can be ensured for vulnerable households. The logical option is that those households with the ability and resources to secure larger volumes of water for themselves cross-subsidize those who cannot. This approach would entail tariffs set at village level related to the volume of water accessed.

# GOALS OF A SAVINGS GROUP

**The primary goal of a Savings Group is to enhance the livelihoods of its members. This includes providing financial services that help them buy farming inputs (e.g, seeds, seedlings, chicks, feeds), purchase or hire farming equipment (e.g, egg layer cages, micro grain millers, planters, sprayers), operate and maintain village water infrastructure (e.g., replacing broken taps, pumps, taking care of leakages), buy farming infrastructure (e.g., fence, water tanks, pumps, grain storage facilities), and operate successful business enterprises and income generating activities in the villages.**

The goal of a Savings Group is not to "trade" money or run a "loan shark" scheme. Generally, the goal of many Savings Groups is to provide financial services that they use to enhance their livelihood strategies. In this instance, VSLA's promotes Savings Groups amongst rural farming communities in order to help smallholder farmers and community members to build collective funds that they can use to:

• Buy farming inputs, e.g. seeds and seedlings, chicks, feeds, etc,

• Buy or hire farming equipment, e.g. egg layer cages, micro grain millers, planters, sprayers, etc,

• Operate and Maintain their village water infrastructure e.g replacing broken taps, replacing their pumps, taking care of leakages etc

• Buy farming infrastructure, e.g. fence, water tanks, water pumps, grain storage facilities, etc,

• Operate a successful business enterprise/income generating activity in the villages

Value chain actors who are not directly involved in primary and/or secondary production are also allowed to participate in Savings Groups programme. These value chain actors will vary from village to village.

In order to help smallholder farmers and community members to achieve their development goals, Savings Groups take deposits, issue short-term loans, charge interest on loans, collect loans with interest and distribute savings to members. However, and in this instance, interest is capped at ten percent (10%) per month and all loans shall be settled in full within three (3) months. A borrower can be given an additional month to settle the debt.

# “We are saving money here to improve our lives”

In the example of the Tx and Rx groups in Xx village, (names removed for security reasons) the Savings Groups successfully saved and managed their funds over a 12-month cycle, resulting in substantial group funds. This demonstrates the effectiveness of the Savings Group model in accumulating savings for community needs, such as water infrastructure operation and maintenance.

In this example we see how the association can be used to raise funds for water infrastructure:

**1. Accumulated Savings:**
The Tx and Rx groups were able to accumulate significant savings over the 12-month cycle, totalling R54,221 and R33,810, respectively. These savings can be leveraged to fund water infrastructure operation and maintenance.

**2. Debt Repayment:**
The groups demonstrated responsible financial management by using a portion of their savings to repay debts owed by some members. This highlights the importance of maintaining a healthy financial position to address unexpected expenses, such as repairs or upgrades to water infrastructure.

**3. Increased Share Values:**
The fact that the new share values increased from the original share value indicates that the groups were able to generate returns on their savings. This suggests that the groups could continue to grow their funds over time, providing a sustainable source of funding for water infrastructure projects.

**4. Meeting Community Needs:**
Overall, this example illustrates how Savings Groups can effectively raise and manage funds for community needs, including water infrastructure operation and maintenance. By encouraging regular savings, responsible financial management, and prudent investment decisions, Savings Groups can play a vital role in supporting community development initiatives.

## THE GOVERNANCE OF A SAVINGS GROUP

The governance of a Savings Group is outlined by its constitution, which is discussed and adopted during an induction training workshop. The group's constitution is signed by the Management Committee and all members. The savings cycle of a group is typically one year but can be extended up to eighteen months. Groups are encouraged to stay together for at least five years.

A Savings Group consists of 9 to 19 members who are at least 21 years old and reside in the same community. The group elects a Management Committee comprising a Chairman, a Secretary, and a Treasurer. There are no deputy positions for these roles. Additionally, the group appoints two Money Counters and three Money Box Key Holders, whose roles are specified in the constitution.

Members are assigned numbers and are seated accordingly in meetings. The Chairman is member number 1, followed by the Secretary, Treasurer, Money Counters, and Key Holders, with other members following in numerical order. The Money Box Keeper also serves as a shadow Secretary.

The constitution is reviewed and amended before each new savings cycle, facilitated by the MDF facilitator. The Management Committee is responsible for guiding the group in executing its constitution to achieve its goals.

## MEMBERSHIP TO A SAVINGS GROUP

Membership to a Savings Group is limited to individuals who are known to each other and live in the same village or neighborhood. Trust and respect among members are essential, and ideally, members should participate in the Community Risk Assessment (CRA) activity. However, those not participating in CRA are also allowed to join.

Self-selection of members is encouraged, meaning that individuals decide among themselves who qualifies for membership. However, it is advised to avoid establishing groups with individuals with a poor reputation in the community.

Each member is given a transaction book for one savings cycle. A member can register and introduce one proxy per cycle or year, who can only participate in buying shares and repaying loans, not in discussions or loan taking.

If a member decides to withdraw or is forced to withdraw, their shares are payable three months after submitting a withdrawal letter, without interest. In the event of a member's death, the group may pay out the investment amount minus outstanding loans if there is enough cash, or negotiate with the proxy regarding outstanding loans and continuation in the group.

## SHARE-OUT | DISSOLUTION MEETING PROCEDURES

- Savings Group members must decide to distribute or dissolve part or all of the group's funds after at least twelve (12) months, with thirteen (13) months being highly recommended. No shares can be bought at a distribution or dissolution meeting.

- The dissolution of the Group Fund should follow these steps: a. All members must settle their debts; those owing the group must sell back shares to repay. b. Count all shares in the group. c. Determine the total Group Fund. d. Divide the total Group Fund by the total number of shares to calculate the new value of a share. e. Multiply each member's number of shares by the new value to determine their payout.

- The share-out should coincide with the preparations for a planting season, and meetings should avoid festive seasons like Easter and December/January holidays to prevent spending on purely consumable items.

- New loans cannot be granted at the first savings meeting after a share-out meeting

# VWISA LESSONS LEARNT

**• Challenges of increased cash reserves near cycle end**

As the Village Water Infrastructure Associations (VWISA) cycle nears its end, the accumulated cash in the group's savings box increases significantly. This rise in cash reserves causes anxiety among members, who become concerned about the safety of their money. To mitigate this worry, many members prefer to leave the box empty after each meeting by taking out loans. However, this practice leads to issues, as some members take loans without a clear plan for their use, and others are forced to take loans just to safeguard the cash at home, creating a risky and inefficient system.

**• Disparities between shareholders and borrowers**

Within VWISA groups, some members choose only to buy shares without taking any loans. This situation creates tension, as borrowing members feel that they are generating interest that benefits non-borrowing members. This imbalance can lead to dissatisfaction and a perceived lack of fairness within the group, as those who take loans contribute to the growth of the group's funds while others benefit without participating in the loan system.

**• Challenges with loan repayment and group dynamics**

When members fail to repay their loans within the designated four-month period, it creates friction within the group. Other members may become frustrated and call for the removal of delinquent borrowers, which can disrupt group harmony. This situation poses a challenge for maintaining a supportive and cohesive group dynamic, as it pits the interests of the collective against the financial struggles of individual members.

**• Adjustments to loan limits mid-cycle**

VWISA members are accustomed to receiving loans valued at twice the amount of their shares in the group. However, when this rule changes after the sixth month of saving, it causes dissatisfaction and complaints among the members. The adjustment in loan limits disrupts their expectations and financial planning, making it difficult for some members to adapt to the new terms, thus creating a hurdle in the loan disbursement process.

**• Security issues with key management**

A security issue arose when one of the key holders in a VWISA group lost the keys to the savings box, necessitating the forced opening of the box. As a result, the group decided that each key holder should now keep all keys for both padlocks, rather than distributing the responsibility among different members. This change aims to enhance security but may also increase the risk if a key holder loses all the keys again.

**• Complications with VWISA cycle timing**

All VWISA groups in the area began their cycles in the middle of the year, but some members expressed a preference to align their savings cycle with the calendar year, starting in January and ending in December. This misalignment caused complications, as some groups wanted to perform their share-out in January, disrupting the cycle. While most groups were advised to extend their cycle by six months to synchronize with the December share-out, one group opted to proceed with a January share-out and restart their cycle, leading to operational challenges and inconsistencies.

# RECOMMENDATIONS

**Managing increased cash reserves near cycle end**

• Structured Loan Disbursement
Introduce a requirement that members present a clear plan for the use of loans before approval. This ensures loans are used productively and not just to empty the cash box.

• Emergency Fund
Establish a rotating emergency fund or deposit excess cash in a community bank account as the cycle nears its end to reduce anxiety about large cash reserves.

**Addressing disparities between shareholders and borrowers**

• Interest Reinvestment
Implement a policy where a portion of the interest earned from loans is reinvested into the group's fund to balance benefits between borrowing and non-borrowing members.

• Encouraging Participation
Encourage all members to participate in both saving and borrowing activities to promote fairness and equal contribution.

**Improving loan repayment and group cohesion**

• Supportive Loan Repayment Policy
Establish a clear loan repayment policy with a grace period and financial counseling for struggling members. Introduce a system of warnings and mediated discussions before considering expulsion to maintain group harmony.

• Emergency Assistance
Set up a group emergency fund to support members facing genuine financial difficulties, helping them meet repayment obligations.

**Adapting to changes in loan limits**

• Advance Communication
Clearly communicate any changes to loan limits well before they take effect. Host workshops to explain the reasons behind these changes and how they will benefit the group long-term.

• Gradual Implementation
Consider gradually implementing new loan limits to allow members time to adjust.

**Enhancing security with key management**

• Secure Key Management Protocol
Develop a protocol that includes keeping a spare set of keys in a secure, neutral location, such as with a trusted third party. Regular key audits should be conducted to ensure key holders maintain their responsibilities.

• Training and Contingency Planning
Train key holders on security practices and establish a contingency plan in case keys are lost.

**Aligning VSLA cycles with member preference**

• Transition Planning
For groups preferring a January-to-December cycle, plan the next cycle to align with the calendar year. Offer flexibility to current groups by adjusting the cycle length to facilitate a smooth transition.

• Member Survey
Conduct a survey to understand all members' preferences before making cycle adjustments, ensuring decisions reflect the collective will of the group.

## References

Hofstetter, M.; Bolding, A.; Boelens, R. Rooted Water Collectives in a Modernist and Neoliberal Imaginary: Threats and Perspectives for Rural Water Commons. Water 2023, 15, 736. https://doi.org/ 10.3390/w15213736

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