



POLICY & PRACTICE BRIEF

Financial Mechanisms for Village Water Infrastructure

THE ROLE OF VILLAGE SAVINGS & LOAN ASSOCIATIONS

This policy brief explores challenges and provides strategic recommendations for enhancing the effectiveness of Village Water Infrastructure and Savings Associations (VWISA) in South Africa. By addressing financial management, security, and member engagement, VWISA can better support the maintenance of village water infrastructure, ensuring sustainable access to clean water for all.

Village Water Infrastructure and Savings Associations (VWISAs) are community-driven financial groups designed to support the maintenance and improvement of water infrastructure in rural areas. These associations function similarly to Village Savings and Loan Associations (VSLAs), but with a specific focus on generating funds for the upkeep of essential water systems. In regions where government funding and external support may be limited, VWISAs provide a crucial alternative, empowering communities to take control of their water resources.

Members of a VWISA pool their savings, which can then be used to finance the repair and maintenance of pipes, pumps, and other water infrastructure. These funds are often used to purchase materials, hire skilled labor, or even invest in new technologies that improve water access. The collective savings approach also allows for loans to be distributed among members, helping individuals meet personal financial needs while ensuring that groups address larger community water projects.

However, VWISAs face challenges such as managing large cash reserves, ensuring fair participation among members, and maintaining security for the savings. Addressing these issues through clear policies and structured financial management is essential to the success of VWISAs. By strengthening these associations, communities can secure a reliable water supply, promoting health, productivity, and resilience against climate impacts.

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The Giyani Local Scale Climate Resilience Programme (GLSCR) is an innovative initiative aimed at enhancing water utilization, building community resilience, and promoting sustainable economic growth in the Giyani region. Through collaborative partnerships, innovative solutions, community engagement, and rigorous monitoring, the program strives to address the challenges posed by climate change and ensure a more resilient and prosperous future for local communities.

By adopting a holistic and inclusive approach, the GLSCR serves as a model for other regions grappling with climate-related water challenges, contributing to broader global efforts toward a sustainable and climate-resilient future.

RECOMMENDATIONS

Structured Loan Processes

Implement a clear and structured loan approval process requiring members to outline a detailed plan for how loans will be utilized, ensuring funds are directed toward productive purposes that benefit the water infrastructure.

Interest Reinvestment Policy

Reinvest a portion of the interest earned from loans back into the association's fund to support ongoing maintenance and reduce disparities between members who only save and those who borrow.

Enhanced Security Measures

Establish secure key management protocols, such as distributing spare keys to trusted third parties or maintaining a key audit system, to prevent loss and unauthorized access to funds.

Comprehensive Member Training

Offer regular training sessions to enhance members' financial literacy, loan management skills, and understanding of water infrastructure needs, fostering a more knowledgeable and engaged membership.

Flexible Savings Cycle Alignment

Adjust savings cycles to align with member preferences, such as following the calendar year, to improve participation and satisfaction.

Emergency Fund Creation

Develop an emergency fund within the VWISA to support members who face unexpected financial challenges, ensuring that loan repayment difficulties do not disrupt group cohesion.



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