



ALTERNATIVE FINANCING FOR WATER INVESTMENTS

A CASE STUDY OF THE EWASO MAJI USERS SACCO

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Executive Summary

The Ewaso Ng'iro North Catchment Area (ENNCA) in Laikipia County has limited water availability due to the small volume of existing storage capacity. This is attributed to insufficient investment in dams, pans, farm ponds, and rainwater tanks. Lack of finances and financing mechanisms specific to water infrastructure in the county have made it difficult for smallholder farmers to flourish. Inability to raise sufficient capital to start up commercial farming, or purchase water storage facilities has consistently proved to be a major challenge to most smallholder farmers in the region.

The Mount Kenya Ewaso Water Partnership (MKEWP) – in cooperation with several international organisations - therefore established a water savings and credit facility within the basin that will allow Small and Medium Enterprise (SME) farmers to save and borrow for on-farm water investments.

Background

Food insecurity in Kenya is attributed to several factors such as frequent droughts in parts of the country.

In Laikipia County, the Ewaso Ng'iro North Catchment Area (ENNCA) has limited water availability due to the small volume of existing storage capacity. This is attributed to:

- Insufficient investment in dams, pans, farm ponds and rainwater tanks
- Non-durability of the infrastructure due to substandard construction
- Socio-economic and environmental concerns
- Weak government commitment
- Capital cost of infrastructure
- Limited number of sites for dam construction
- Inadequate enforcement of water permits that would otherwise provide a driver for investment in storage facilities.

There is need to energise new investments in water storage at household, farm, sub-catchment and catchment levels, particularly for smallholder farming. The Mount Kenya Ewaso Water Partnership continues to hold water users and county governments responsible for investments in water harvesting and storage, to increase water availability during dry seasons. A big part of this is to help smallholders to increase their water storage and water use efficiency. This case study documents the alternative and innovative financing mechanisms for water infrastructure investments at local levels.

The Challenge

The dream of any farmer is to secure high farm produce every season, to obtain a good market for his/her produce and to have sustainable and innovative farming practices. For Laikipia smallholder farmers, the vision has always been to have a successful farming environment that will propel them into large scale farming and eventually enhance their livelihoods. In all this, water plays a fundamental and integral role in achieving what would be considered a success story.

The reality, however, is that this has failed to be the case for the farmers. The lack of finances and financing mechanisms specific to water infrastructure in Laikipia County have been an impediment for smallholder farmers

to flourish. Efforts in getting financial assistance have not been successful as most financial institutions consider it a risky business mainly due to the lack of profits to be made or because of possible bad debts. Moreover, farmers with no payslips or solid business plans are locked out of formal financing by banks because they are seen as big liabilities to these institutions.



Figure 1: Water Resource Users Association Members read the EMU- SACCO flyer at a membership drive held in Timau

The Ewaso Maji Users Savings and Credit Cooperative (SACCO) Approach

In this regard, the Mount Kenya Ewaso Water Partnership established a water savings and credit facility within the basin that will allow small and medium enterprise farmers to save and borrow for on-farm water investments. The newly established Ewaso Maji User Savings and Credit Cooperative (EMU-SACCO) strives to help farmers access finance for water conservation investments at farm level.

EMU-SACCO intends to fill this gap through a homemade solution, the SACCO institution. Over the years SACCOs have proven to be the machinery that has driven social-economic change for local communities who have little or no access to formal financial products offered by banks. The SACCO seeks to be the solution for financial success and furthermore encourages water conservation efforts at household and community level. This is through putting up water conservation infrastructure such as water pans, and also water efficiency technologies such as solar pumps and drip irrigation systems.

Community Ownership

Being an initiative designed for the community, the very fundamental step to ensure that it succeeds and gets full endorsement of the people was to seek community support through an elaborate membership drive that was used to create awareness of the SACCO and highlight its benefits. Ideally, a SACCO is owned by the people who invest in it and benefit from it. These are the people from the community itself.

Partnerships

Partnerships and collaboration are vital for the success of this approach. To this end MKEWP is collaborating with the 2030 Water Resources Group Cordaid, through the Partners for Resilience programme and Wetlands International through the Watershed - empowering citizens' programme.

How the SACCO Works

To become a member of an EMU-SACCO one subscribes by paying a registration fee of KES 1000 (USD 10), minimum share value of KES 2000 (USD 20), putting up a capitalisation fund of KES 5000 (USD 50), and having monthly savings for a minimum of KES 500 (USD 5). After saving for at least six months one can access a loan which amounts to three times the savings. The water infrastructure loan enables a member to put up water harvesting, water storage and water efficient use technologies. One of the very lucrative attractions of the SACCO is its interest rate which is 0.8% on the reducing balance for the water loan which is relatively low compared to other financing agencies.

Intended Outcome

The SACCO offers the financing element of the strategic plan by offering loans for water solutions to members who have saved continuously for at least six months. It takes at least one and a half years to see the full cycle effect of the SACCO's financing. The SACCO's immediate output was the number of members of the communities that they were able to bring on board by the end of 2019. The amount of water put up through the infrastructure supported by EMU-SACCO financially, was also a big outcome of the whole process.

The SACCO intends to see an overall improvement in water storage and water use efficiency at the household level which will translate into the whole community having sufficient water, and therefore having water security. That will ease pressure from the rivers and restore natural flows due to reduction on excessive abstraction of river water.



Figure 2: Community members at a demonstration farm in Meru County to see examples of household level water infrastructure that can be supported through EMU-SACCO support