

Linking Microfinance with Hygiene and Sanitation in Tanzania

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A Microfinance Model

The GWI, through CARE International and local NGO partner called the Same Agricultural Improvement Program (SAIPRO) are changing the way that communities in the Same District of Tanzania engage in hygiene and sanitation activities through innovative use of the Village Savings and Loans (VSL) model of development.

Promoted by many development partners, the microfinance approach through Village Savings and Loans Associations (VSLA) can help the rural poor to overcome challenges related to accessing financial services, while empowering community members, often women and marginalized groups, to take ownership of their economic future and diversify their livelihoods in a sustainable way.

Global Water Initiative (GWI) Partner CARE's experience with VSLA began in 1991 in southern Niger and has expanded to other parts of Africa, including Tanzania. Over 90% of the established VSLAs are fully independent and have reached 350,000 people so far, primarily in rural areas, of which approximately 70% are women.



VSLA members managing weekly money collection

CARE's VSLA approach modifies the traditional Rotating Savings and Credit Associations system used throughout Tanzania and other parts of Africa.



Weekly VSLA meeting

It involves a self-selected group of people who pool their money into a fund from which members can borrow. Capital is generated through the purchase of 'shares' (costing between 25 to 50 US cents each) on a weekly basis, and members can borrow up to three times the value of their accumulated savings. Members fix the interest rate and borrowers pay the interest owed each month. Established by-laws require members to repay the loans within three months of borrowing. At the end of a cycle (usually one year), an agreed sum of group savings and dividends is distributed to all members based on their number of shares. Regular contributions are also allocated to a social fund used to support members in times of hardship such as illness, thus providing some insurance for members.

CARE has found that a VSLA typically needs about one year of technical support and monitoring before operating entirely independently.

Integrating Microfinance with Hygiene and Sanitation

The program covers semi-arid areas in five wards, with a total of 13 villages located in the Kilimanjaro region. Resident ethnic groups are Pare farmers and fishermen and Maasi pastoralists who live in conditions of extreme poverty exacerbated by increasing drought and crop production decline.



Local settlements struggle with problems related to poor sanitation and hygiene, such as water borne diseases, and cholera in particular.



San-plats constructed by VSLA mason members for improved latrines

During Phase I of project implementation, CARE and SAIPRO supported communities in Same to form 30 VSLAs while also strengthening existing ones. To build capacity and create income-generating opportunities, the program trained VSLA members in masonry for the production of hygiene and sanitation facilities such as improved toilets, hand-washing facilities and water storage containers. These members are able to use these new skills to increase their income through charging fees for their services, which also provides community members with locally available options at fair prices.

VSLAs also received training on how to make soap using oil extracts from the locally available *Jatropha* seed, as well as on business skills on how to efficiently manage their small-scale soap ventures.

Savings generated through VSLAs were invested in constructing hygiene and sanitation facilities by trained members. These groups also allocated resources and micro-loans for soap production, which is proving to be a successful business with members selling soap to local shops in the area. The program observed that community members' use of soap is increasing since it is locally available now and awareness of its importance is being raised through the GWI campaign for hygiene and sanitation, driven by Community Health Staff and Trainers. Through such activities, VSLAs in the program accumulated total savings equal to almost 30,000 US dollars.

Challenges, Lessons and Recommendations

- CARE's microfinance approach through VLSAs provides a successful entry point for economic opportunities related to hygiene and sanitation while also raising awareness about the importance of safe practices. While many VSLAs are willingly engaging in hygiene and sanitation ventures, more promotion on the benefits of investing in this area is required to bring these activities to scale. Cross learning visits among role model VSLAs are a useful way for communities to see first-hand the benefits and potential of this investment.
- While providing training on construction of hygiene and sanitation facilities, soap production and business skills are essential, there is a gap in knowledge related to sanitation marketing. Building skills in this area could improve VSLA ability to promote their products and should be prioritized in the next phase of GWI.



Water storage jars constructed by VSLA members

- VLSA members are limited by the relatively small quantity of soap they can produce without production machinery. Seed pressing machines to extract the *Jatropha* oil are too expensive for individual groups to purchase, however, this would enable more efficient production and potential for business expansion. As groups lack the capital to invest on their own, exploration into sharing the cost of this machinery among several VLSAs should be explored by the program. If joint ventures are established, there could be different roles among groups (processing raw materials, production, marketing and sales).