

Farmers' failing to manage revolving funds for constructing water tanks



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List of Abbreviations

Caritas MADDO	Masaka Diocesan Development Organisation
ERI SACCO	Enable Rural Innovation Savings and credit co-operative society

Imprint

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“Farmers’ failing to manage
revolving funds for constructing
water tanks”*

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1. General Information

The *Masaka Diocesan Development Organisation* (Caritas MADDO) was established in 1979 as a faith-based organisation, offering social services and development work in the region of Masaka in Uganda. It aims to foster development among people in the Masaka Diocese regardless of their religious or political affiliation. Caritas MADDO works in the field of food nutrition, income security and the provision of access to health services and clean water, especially with vulnerable groups (women and children) and supports their demand of rights to have access to health, education and legal services.

This document presents the “negative” experience of *farmers` failing to manage revolving funds for constructing water tanks* that took place in the Masaka District in the sub-county of Lwanda Rakai District, Uganda between 2013 and 2015. It involved two farmers groups, the Twesitule from Kikakata Village and the Tukolerewamu from Mpaama Village, both operating under the [Enable Rural Innovation Project](#) (ERI).

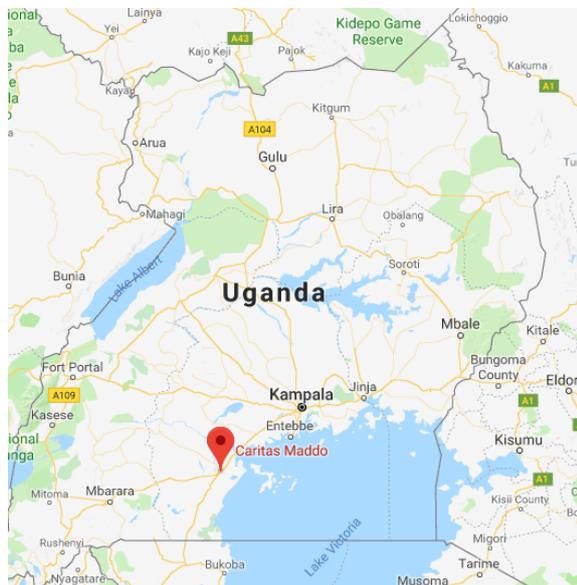


Figure 1: Location of the experience

This experience is considered helpful for other organisations working in the same area as it shows that organisations have to devise more strategies in managing revolving funds to farmers. Individuals participating in group-saving schemes can handle funds better if the beneficiary’s saving culture is well studied

before the funds are disbursed to him or her rather than relying on seasonal agricultural proceeds. Full involvement of the group members and the implementing organisation in monitoring revolving funds can reduce risks of defaulting. Provision of agreements both between the organisation and the farmer group and between the farmer group and the beneficiaries helps to guarantee a regular repayment of the revolving fund. Strengthening of agricultural institutions before the provision of the revolving fund is of paramount importance.



2. Context of the Experience

The selected beneficiary farmer groups signed an agreement with Caritas MADDO in order to found a saving group to provide better access to water tanks in their communities. The groups were requested to open a bank account at a local bank (a SACCO bank) and to deposit the cheque for the revolving fund worth UG Shs 1.5 million (ca. €344 as of October 2018). The group leadership was given full responsibility to manage the funds and the groups then selected individual members who were the firsts to benefit as the mode of the repayment for most of them was seasonal income from agricultural harvest.

Unfortunately, the climate drastically changed and became unfavourable, the organisation did not implement a regular monitoring of the scheme and some of the beneficiaries mistook the scheme to be church donated. As a result, members failed to pay back the loan.



3. Main Characteristics of the Experience

As mentioned above, the objective of this learning from failure experience was to found saving groups in order to provide access to quality water for the communities to benefit by constructing water tanks and thus improve their livelihood.

Before the implementation of the project, groups were strengthened to ensure that the scheme is well implemented. They signed agreements with the organisation on receiving the funds which were deposited on their account on Kyotera SACCO and the groups

were trained to construct the water tanks. Initially, the organisation planned to conduct a regular monitoring of the beneficiaries to ensure they pay back the funds for other members to benefit from the scheme and thereby reducing the challenge of water scarcity in the communities. Nevertheless, Caritas MADDO failed on monitoring the scheme regularly and left it in the hands of the group leadership to manage it. In doing so, the beneficiaries relaxed thinking it was church aid and since the majority of the beneficiaries depended on agriculture for their livelihood, they relied on seasonal profits to pay back the funds. Due to a severe drought in those seasons, the beneficiaries could not break even to pay back the funds and to cater for other loans or food security leading to the failure of the revolving water tank scheme.

Although the groups signed agreements with the organisation, they did not fulfil the conditions agreed upon to pay back the funds and other members lost the chance to benefit from them.

Before the implementation of the project, Caritas MADDO assumed that:

- The group committees had the capacity to control the water tank revolving scheme
- The beneficiaries were in position to pay back the funds for other members to benefit with no difficulties
- The seasons were favourable to sustain the scheme
- And that local leadership would handle beneficiaries who would fail to pay back the funds



4. Stakeholders and Partners – Roles and Responsibilities

The following stakeholders and partners were involved in the experience:

- The **organisation** had the task of alleviating water scarcity especially in the Ddwaniro and Lwanda sub-counties with highly mineralised water or with deep water tables where shallow wells

could not be constructed. It had to provide the funds, sign agreements with the benefiting groups, train them on the construction of water tanks and then conduct a regular monitoring of the scheme

- The **groups committees** had to open up bank accounts, sign agreements, mobilise members to attend trainings on the construction of water tanks, monitor progress and then scale up the scheme
- The **beneficiaries** had to pay back the funds for other members to benefit from them
- The **local leadership** had to monitor the progress of the scheme



5. Resources

Human Resources:

- 2 water technicians
- Farmers contributing their labour

Time Resources:

- 3 – 4 days required for training



6. Reason and Impact of the Negative Experience/ Failure

The **first reason** for failure was that the organisation did not monitor regularly the project and did not train the participants well beforehand in relation to saving culture but only in constructing water tanks. In consequence, the farmers took the scheme to be a church aid. Some of the farmers had the feeling as the church could not enforce the payment and influenced others to not pay back the loan.

Another reason for failure was that the beneficiaries highly relied on agricultural proceeds. As the climate was not favourable during the period of the project due to a drought, the farmers failed on paying back the loan.

As a consequence, the scheme had to be phased out until further notice. Unfortunately, other groups lost the chance of benefiting from

the scheme and the organisation did not achieve the target of improving access to quality water for rural communities and some members lost trust in the groups.



7. Lessons Learned and Recommendations

The lessons learned from this experience are the following:

- The experience shows that it is very important to **strengthen the farmers** involved before implementing such a program
- **Agreements** with the organisation should be made clear before the start of the program and should be respected from both sides during the process
- During the process the project should be **monitored regularly** by the organisation and other stakeholders involved

- In relation to the selection of possible **saving groups**, those who are good with saving scheme should be given a priority as they consider a members' ability to pay loans before advancing the revolving fund

Consequence of the experience was a restructure of the revolving scheme. Members with poor saving culture now do not have access to the revolving funds. The project and the group carry out regular trainings and monitoring of the beneficiaries. Moreover, the water tanks are now constructed by water technicians instead of the farmers resulting in a total of 10 water tanks (by the end of 2018) to benefit the local communities.