



OPPORTUNITIES *for the* MAJORITY

FIHIDROS: Affordable Water for Poor Communities in El Salvador

Private Financing to Expand Small Water Projects

Almost half the population in rural El Salvador has no readily available drinking water. People dig wells, carry water from streams, or buy it at considerable expense from cistern trucks. Some communities rely on donations to create and manage water systems that provide clean water and sanitation at affordable prices to hundreds or thousands of households at the base of the pyramid. Although these local operators have been successfully running and maintaining systems for decades, their growth has been limited by lack of managerial skills and access to finance.

With a \$2 million loan from the Opportunities for the Majority Initiative (OMJ) and \$2 million of its own funds, Banco ProCredit S.A. is launching a lending program for communal water projects in El Salvador. ProCredit will lend to Local Small-Scale Community Operators (OLPES) to improve, repair and expand water supply systems. OMJ will also assist OLPES to strengthen management of business, finances, assets, and the environment, so they can successfully package commercial loan requests.

Stronger Management for Better Financing

OLPES in El Salvador spring from community development associations that have formed private or semi-private enterprises to coordinate municipal efforts and international donations to supply low-income households with water and sanitation services that are more affordable than barreled water. Many OLPES run viable systems and have excellent growth potential. Many also have collateral to guarantee a loan, in the form of existing infrastructure, pumps, equipment or offices. OLPES have relied on donations to fund growth, but that has proven unsustainable.

ProCredit is a leader in lending to small and medium enterprises in El Salvador. The bank will extend lines of credit to OLPES to expand networks and increase connections; drill

wells, build, repair and maintain water tanks; and buy pumping equipment and land surrounding wells in order to guarantee water sources.

OLPES have generally lacked the ability to prepare professional analyses of expansion needs when applying for commercial loans, resulting in denial of loans, or higher interest rates. ProCredit will give specialized training to OLPES taking out loans, thanks to technical assistance supported by OMJ and implemented by Fundación para el Desarrollo Sostenible (Foundation for Sustainable Development) El Salvador. In addition, technical assistance funds will create a model for financing, repayment and sustainable improvements of water and sanitation systems to publicize the loan program, and monitor and evaluate its results.

Better Health and a Cleaner Environment

Communities with clean drinking water and sanitation systems are healthier, with fewer diarrheal diseases and lower child mortality rates. Women and girls spend fewer hours collecting water from faraway sources and are more likely to stay in school. Having water and sanitation at home is safer. And as communities treat wastewater, watersheds become less polluted and stay cleaner. For over 30 years, OLPES have been providing drinking water and sanitation services in Central America. They currently serve 15 million people, but could provide services to an additional 18 million in Latin America.

A New Financial Model in El Salvador and Beyond

Large Salvadoran OLPES use savings and collection services from several Salvadoran banks, and have established ties. ProCredit's lending program for water projects opens up a new market for the country's financial sector, which has made strides in creating specialized lines of credit for education, health and housing.

Once proven, the financing model ProCredit is offering OLPES in El Salvador can be replicated and scaled up in other countries in Central America such as Honduras, Guatemala and Nicaragua where drinking water is scarce, and where rural, local operators have filled the gap to provide essential water and sanitation services.



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