

## **Learning Agenda Mini-Case #9**

### **Tanzania WAT – Human Settlements Trust**

The Human Settlement Trust in Tanzania was founded in 1989 by Tabitha Siwale, the ex Minister of Land, Housing and Human Settlements (then called the Ministry of Land). Widely regarded as a forceful and dynamic woman, Mrs. Siwale ran the organization until a few years ago. Originally called the Women's Advancement Trust, its main goal was to promote legislation to allow women to own land. The Land Act of 1999 recognized that right. In the early 2000s WAT began to see that they could not focus only on women, and in 2005 changed their name to the Human Settlement Trust but kept "WAT" to take advantage of name recognition. They are an NGO with a 7 member Board representing several areas of experience, including gender, law, business and finance. They are also associated with a SACCOS (Savings and Credit Cooperative Society) started by the original employees of WAT in 1998 and is now open to all, with a current membership of 16,000. Judith Sando, WAT's new CEO (since early 2012), says it is one of the few genuinely strong and well-run S&C coops in Tanzania.

Since WAT, as an NGO, cannot lend money, in 2009 they began a program of housing microfinance loans through their affiliated SACCOS; a 3 year pilot program with the Financial Sector Deepening Trust, with the help of grant funds from the Norwegian Federation of Housing Coops Associations, and Rooftops Canada. In 2011 they had about \$467,000 in outside grants.

As of the end of 2012 their annual budget is around \$600,000 and they have 13 full time employees. The housing microfinance program has about 2000 client-borrowers. In addition to financing housing renovation, some new house construction, and land acquisition, WAT offers "housing support services" such as construction supervision, layout design, and sanitation engineering. Their mission is housing access for what they call the "active poor," mostly informal sector self-employed petty traders in urban and peri-urban slum areas. They want to change the ubiquitous pattern of "incremental building" – poor quality "fits and starts" construction – building a bit when people have a little cash, and then stopping when the cash runs out.

Their loan process is based on 10 person group model where the members are required to know one another. WAT staff visit prospective loan clients to assess them. The loan range for renovation is 300,000 to 2,500,000 Tsh (USD \$200 to \$1700) for 2 years, and 2,900,000 to 5,400,000 (\$2000 to \$3600) for new construction with a 5 year term and 25% down payment. New construction loans are only available to those clients with a history of prior WAT borrowing.

The organization seems unusually self-aware in that it seeks to understand what it is learning and adapt to that learning as it grows. They are very conscious of the need to become financially self-sustainable and to that end are moving towards charging fees to certain types of clients. Judith says *“it is crucial for CSOs (Civil Society organizations) to sustain themselves; it should be possible to generate income. Too many organizations begin with a noble vision and it’s a shame when the focus changes to fit what the donors want.”*

WAT has adjusted and changed its interest rates as it has grown and learned. Its first lending interest rate was a 10% flat rate, which was then brought up to 20%. It is now at 16%, and CEO Sando says that interest rates have ‘been a challenge’ since WAT are under constant pressure (from borrowers and some elements in the government) to lower rates. Next year they will move to a rate of 24% (on declining balance), which is effectively a lower rate than the 16% flat rate now used. They feel under pressure also because, as Judith puts it, *“everyone is watching us to see how this goes, including the private sector, which wants to see if we can succeed financing housing at a level they have not dared to work at.”* The issue of risk is much on their minds and they feel their risk exposure is mitigated first by the fact that borrowers’ houses are collateral, and secondly by their ability – so far - to control construction quality through their support services. At the same time, they see that the transaction costs of working with individual clients are becoming untenable as the numbers grow, and so they are experimenting with offering their services to clusters of borrowers, and trying to adopt economies of scale approaches used in private sector housing developments with a higher level of clientele.

They are also thinking about their potential role in policy influence and are in contact with the Bank of Tanzania, as well as keeping an eye on a possible future World Bank Housing MFI fund coming to Tanzania soon.

They seem aware of the gaps between who they are now and who they’ll need to be. *“We’ll need more capacity as we move forward; we’ll need a higher caliber of employees if we are going to scale up. We’ll need to embrace more crucial partners, town planners, other government units and do more consultation, we’ll need stronger ITT and more people on site, we’ll need to beef up our finance systems. And of course we’ll need more engineers - not easy to get. “*

Judith is also planning to ensure that there are good back-up people in each dept. She is consciously aiming at succession planning from her own job (she is on a 4 year contract) on down.

The organization is also quite aware of (and humbled by) past errors and worried about possible future ones. They regret not having bought more land in 2005 when it was much cheaper. They regret that did not foresee big changes in the market. *“Lots of our early projections were wrong. We assumed slums had owners and not renters so we wasted time before we understood how things work and realized that landlords were not interested in improvements. “*

They have begun building on sites on the city periphery where government service provision is non-existent, so they are drilling boreholes for 50 to 70 families, and septic tanks since there are no city sewerage connections. They seem aware that the long-term risk here is that of creating future slums.

I ask what advice they would have for other organizations looking to achieve what they have: Here are their answers:

*First, one has to have commitment, then one has to find the right people, competent people. Then governance – you can't have just one skill or mind-set in your board - if you do they will obstruct you. You have to have a multi-skilled group with lots of exposure who understand their role.*

*The CEO has to understand the vision and strategic direction of the organization. You have to remunerate your people well. Here in Tanzania people move, they switch jobs, to stop that you need to pay well. Performance evaluations need to emphasize being able to deliver. And in your recruitment process if you have a probation period, you have to take it seriously- if someone is no good, then let them go, don't hesitate.*

*The finance department has to understand the operations of the organization and what they mean to the institution. You have to have good ITT. AND you have to be able to communicate the truth to oneself – internal transparency.*

*Externally an organization needs to know what they are and tell people about it.*

Do they feel they need “capacity development?” Peter, the head of engineering, says:

*“we don't need CD per se but there are experiential lessons out there that we need to benefit from. For example, what is the experience in Canada with housing, what can we learn from the cooperative housing experience in the U.S. ?”*