



RESEARCH REPORT

Evaluating the potential of microfinance for sanitation in Tanzania

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Abbreviations and acronyms

CGAP	Consultative Group to Assist the Poor
CLTS	Community-Led Total Sanitation
CSO2	Country Status Overviews (second round)
DAWASA	Dar Es Salaam Water and Sewerage Authority
DAWASCO	Dar Es Salaam Water and Sewerage Corporation
DTM	Deposit Taking Microfinance institution
HBS	Household Budget Survey
EWURA	Energy and Water Utilities Regulatory Authority
JMP	WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation
MDGs	Millennium Development Goals
MFI	Microfinance Institution
MoHSW	Ministry of Health and Social Welfare
MoWI	Ministry of Water and Irrigation
NGOs	Non-Governmental Organisations
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
SACCOs	Savings and Credit Cooperatives
SWAp	Sector-wide approach
TZS	Tanzanian Shillings
TSSM	Total Sanitation and Sanitation Marketing
UNICEF	United Nations Children's Fund
USD	United States Dollars
VIP	Ventilated Improved Pit
WSDP	Water Sector Development Program
WSP	Water and Sanitation Programme
WSSA	Water Supply and Sanitation Authorities

Note: the Tanzanian Shilling has depreciated by almost 40% since 2008. For this case study, we are using an average exchange rate over the last 3 years of 1 USD = 1,350 TZS.

Executive Summary

This case study investigates how household financing for sanitation can be mobilised via the use of microfinance in order to accelerate sustainable access to sanitation facilities and/or services. The audience for this research comprises microfinance institutions, sanitation sector actors and funders.

Although most Tanzanians use a basic latrine, only a small percentage has access to what is defined as “improved sanitation”, i.e. a sanitation solution that safely separate humans from their faeces. Even fewer of them are connected to a waterborne sewerage system, which means that the vast majority of Tanzanians rely on “on-site sanitation” solutions, i.e. pit latrines or septic tanks. According to the Government of Tanzania policy, households are responsible for investing in on-site sanitation solutions and maintaining them in good working order by emptying them in a hygienic manner when they become full. Most households are struggling to do so, and sanitation expenditures are often relegated below other more pressing needs. It is also possible that cultural factors are at play in this lower priority given to sanitation.

Microfinance is a financial tool that could help reduce the sanitation financing gap, which is particularly significant in Tanzania. Microfinance includes microcredit, savings products and other financial services, although this research focuses mainly on the potential of microcredit.

Microfinance could be used in two main ways to promote access to sustainable sanitation services:

- By enabling households to spread out the costs of investing in household sanitation solutions (such as latrines and septic tanks), thereby improving the affordability of such investments;
- By supporting the development of a broad range of sanitation service providers, including masons (fundis), communal toilet block operators or pit latrine emptiers.

Sector participants interviewed as part of this research appeared supportive of relying on microfinance as a way to expand the sources of financing for the sector and alleviating existing financial constraints. Yet, the use of microfinance instruments for sanitation has so far remained confined to small pilot programmes, with no clear strategy for scaling-up.

There may be several factors accounting for the limited scale of these programmes so far:

- Pilot programmes have mostly been introduced by water and sanitation NGOs, with only limited outreach in isolated locations in the country and close to no prior microfinance experience.
- Established microfinance institutions only have a very limited appreciation of the financing needs of sanitation sector actors (including household-level investment needs and at the level of sanitation entrepreneurs).
- There is a real fear among MF clients to take on a loan for sanitation services and products as these are not seen as income generating and therefore cannot contribute towards repaying the debt.
- Tanzania has a very small and not particularly sophisticated microfinance market.

Given the low coverage rate of improved sanitation and the need to keep existing latrines in good working order, the potential for development of these products is large and currently untapped. To this date, no formal sector-level dialogue has taken place on whether microfinance could play a role in mobilising the substantial household and private sector investments required to deliver sustainable sanitation services.

With a view to stimulate the development of microfinance products for sanitation and leverage private financing to achieve the country's ambitious goals for expanding access to improved and sustainable sanitation, the present report recommends that a series of steps be taken:

1. We would recommend disseminating information to microfinance institutions about opportunities in the sanitation sector;
2. A collaborative working group could be set up to move the agenda forward. This could be done based on a model similar to the housing microfinance working group set up by representatives of the Centre for Community Initiatives (CCI), Habitat for Humanity Tanzania, the Tanzania Gatsby Trust (TGT) and WAT Human Settlements Trust in late 2009. We would recommend that such a working group remains relatively informal during an initial stage, until at least some institutions begin extracting the lessons from pilot sanitation microfinancing schemes, either as stand-alone products or combined with other objectives.

A sanitation-sector institution should take the lead for the establishment of such an informal working group. We would suggest that WaterAid is particularly well-placed to do so, given its interests in sanitation in general and in sanitation financing in particular. The working group should work on a series of activities as detailed below.

Getting the right type of institutions interested in the sanitation microfinance market

The working group should encourage organisations to get involved in the sanitation microfinance market by sharing information and knowledge about the sector and should help identify which institutions are best able to design appropriate products and scale them up.

As no single institution currently has all the combined necessary skills, a good middle point would be to facilitate partnerships between NGOs and financial institutions that are willing to develop microfinance solutions for sanitation markets, as follows:

- If existing NGOs are going to develop microfinance 'operations' (either as part of the existing organisation or separately), they will need considerable support along the way. This could be provided by financial institutions through "training arrangements" or through targeted consultancy services (for product development or establishment of internal fund tracking systems for example). These arrangements will need to be funded, hence the need for mobilising external sources of finance (from external donors for example) to finance those initial investments.
- For financial institutions to become players in the sanitation market, they will require entering into partnership arrangements with NGOs and other actors in the sanitation sector (e.g. service providers and WSH product manufacturers) that can deliver sanitation demand promotion, hygiene promotion, technical assistance and community mobilisation activities alongside the offer of credit products. Given the potential difficulties in stimulating demand for sanitation and the need to encourage investments in appropriate technologies (rather than expensive ones that people cannot afford), such partnerships will be critical to ensure that sanitation microfinance leads to the construction of appropriate facilities.

Identifying the type of products that could be proposed to facilitate household investment

There is a strong need for conducting more demand analysis and product development activities in order to identify what are key constraints preventing households from financing, what type of financing they might need to access and what type of microfinance products could help them overcome these constraints. Given affordability issues, it might be preferable to start with savings products and to introduce micro-credit only gradually and in specific circumstances. As discussed, the potential for combining sanitation financing with overall housing finance should also be considered in more detail.

Influencing policy to trigger a debate on sanitation financing

At the policy level, sanitation microfinance should be discussed as part of the broader debate on sanitation sector financing. This report argues that sanitation microfinance tools could be considered in order to overcome affordability constraints, at least for those households that are able to repay the loans or to save towards this investment. Microfinance is unlikely to be appropriate for the poorest and most destitute households, who may need to receive specific assistance to invest. In urban areas where a high proportion of urban dwellers are tenants, particularly in unplanned settlements, microfinance products and toilet loans could be targeted at landlords at least in the first instance.

For those who may not be able to afford microfinance loans, a reorientation of subsidies, away from expensive sewerage solutions and potentially towards hardware subsidies for onsite sanitation investments by the most destitute should be discussed. This could be incorporated into a broader discussion about how to finance affordable housing solutions. Other areas that would benefit from subsidies are the construction of a network of transfer stations and decentralised treatment plants, so as to bring down the costs of emptying latrines (through a reduction in transport costs).

Outside the sanitation sector, it may also be necessary to influence financial sector policy, so as to provide external stimuli for developing the sector, such as classifying sanitation (and water) as a “preferred” or encouraged area for lending.

Influence the allocation of public funding to stimulate the market

The inclusion of a microfinance component in the National Sanitation Campaign (NSC) should be considered as soon as possible, whilst the main components of the campaign are still being defined. As the campaign aims to develop activities both on the demand and on the supply side, we would recommend that some of the funding be allocated to stimulate microfinance for sanitation. Even though the NSC is mostly targeted at rural areas, microfinance products could be included in the mix of interventions to support demand for sanitation in rural areas.

Funding to support the development of microfinance products for sanitation could also be channelled in several ways:

- To fund activities to support financial institutions looking to get involved in this market, including via awareness campaigns targeted at financial institutions, market and demand studies, product development activities;
- To provide seed funding for revolving funds, guarantees or fixed-deposit receipts with the common objective so as to provide the capital needed to scale-up these activities.

Next steps: testing the demand for and supply of sanitation microfinance in Tanzania

Building on the findings of present study, an action research programme was designed and obtained funding from WaterAid and SHARE. The research is due to start in mid-2013. Detailed activities that could support the development of a sanitation microfinance offering in Tanzania will be carried out as part of this research with the following objectives:

- To establish a network of NGOs, CBOs and financial institutions (FIs) that are mobilised to improve and finance sanitation and hygiene education in Tanzania through a Sanitation and Hygiene microfinance working group;
- To improve the capacity of selected partner NGOs, CBOs, and Microfinance institutions to provide appropriate financial services/products to individuals and/or community based organisations or enterprises to facilitate access to sanitation facilities and services;
- To enable CBOs and FIs to trigger demand for sanitation and pilot-test sanitation and hygiene financing for poor and vulnerable communities;
- To document and disseminate the gaps and lessons learnt from the overall research project both at the country and international levels.

1. Introduction

1.1. Case study objectives and methodology

The objectives of the case study are to investigate how household financing for sanitation can be mobilised via microfinance institutions, community banks and mass market commercial banks in order to accelerate sustainable access to sanitation facilities and/or services.

The research conducted in Tanzania is exploratory in nature. It seeks to map out the existing provision of microfinance for sanitation, to identify where opportunities for future market development lie and to identify how the development of such a market could be fostered (through the targeted use of public funds or regulatory changes for example). The case study in Tanzania will feed into broader research about how donors can channel financing for water and sanitation to small-scale actors.

The research was conducted in July 2011 based on interviews with interested water and sanitation organisations, financial institutions and a review of the literature on the subject (see Annexes C and D for more detail). In addition, WaterAid hosted a half day workshop in Dar es Salaam on 27th July 2011, which gathered representatives from sanitation organisations as well as microfinance and banking institutions. The workshop enabled testing the level of interest in microfinance for sanitation.

Within the limited context of this project, it was not possible to conduct demand assessments for sanitation microfinance products (this could be carried out as part of follow-up activities at a later stage, depending on which type of financial product is taken forward for development and by whom).

The audience for this research comprises microfinance institutions, sanitation sector actors and funders. As a result, it is crucial to define key terms used in this report, such as microfinance and sanitation, as developed in Boxes 1 and 2 below. Additional details on sanitation solutions are also provided throughout the report for the benefit of readers with no prior sanitation sector knowledge.

Box 1 - What is microfinance?

Microfinance has been practiced for many years in different forms. It first became prominent in development circles in the 1970s in Bangladesh, with the provision of small loans for income-generating activities with only minimal collateral requirements and at lower interest rates than those available through traditional lenders. These loans were provided by microfinance institutions (MFIs) with a good knowledge of local communities and therefore a better ability to manage underlying risks and keep costs down.

Microfinance often refers to financial services for low-income people offered by different financial institutions. The concept is commonly used to mean loans by microfinance institutions. However, over time microfinance involved the provision of a broad range of financial services including loans, savings and insurance. Microfinance institutions use various methods, such as joint liability, advance cash deposits and group members' follow-up, to deliver and manage small loans to usually self-employed borrowers.

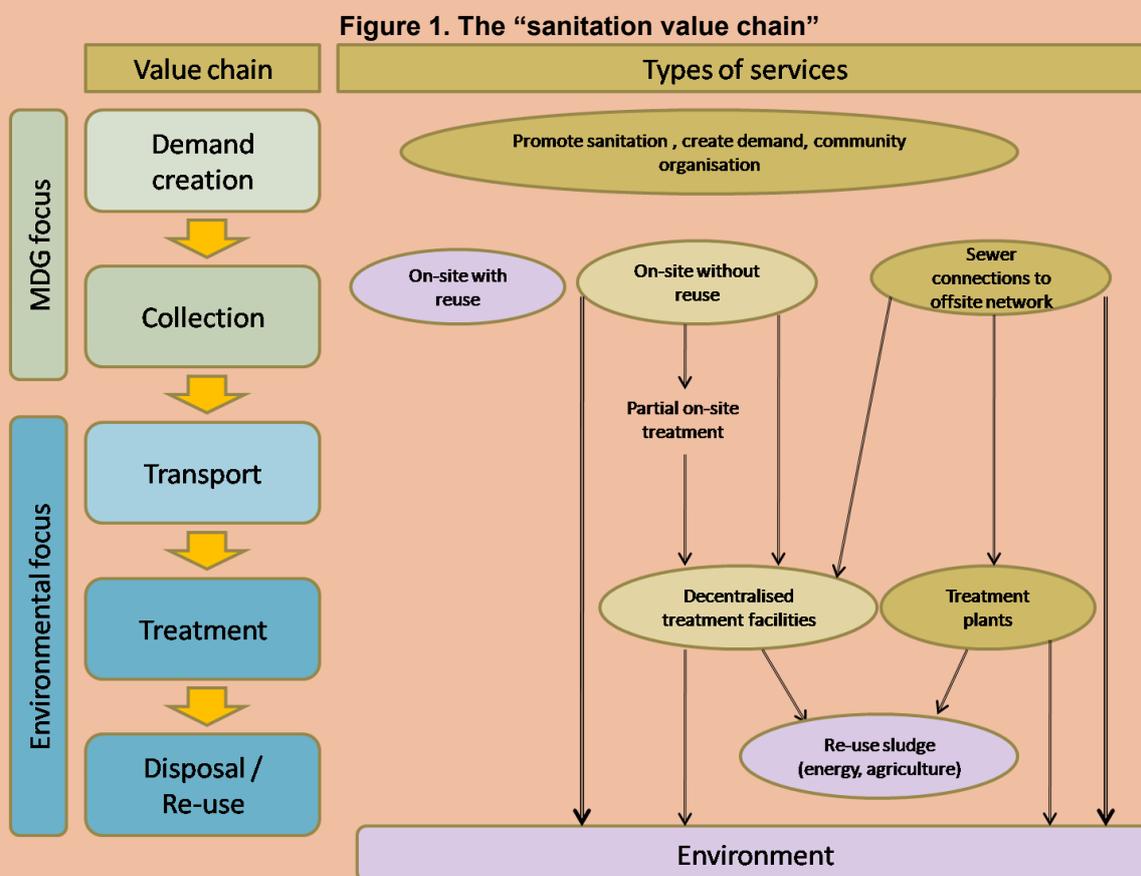
The entities providing such services can include MFIs (for profit or non-profit), but also traditional banks, SACCOS (Savings and Credit Cooperatives) and solidarity lending groups, such as Self-Help Groups which are very prevalent in India. The type of institutions providing microfinance services

varies greatly from country to country. In addition, a number of NGOs and microfinance specialists are providing support services to incorporate microfinance products into the design of broader development interventions, which may include development of tailored financial products and/or brokering with financial institutions and training.

See <http://www.microfinancegateway.org> for more information.

Box 2- What is sanitation?

Sanitation can be defined as the methods for the safe and sustainable management of human excreta, including the collection, storage, treatment and disposal of faeces and urine. To achieve this objective, a series of services need to be provided alongside the “sanitation value chain”, as shown on Figure 1 and detailed below.



Demand promotion. Demand for sanitation is often low. Interventions to increase household and community demand for sanitation typically include promotion of sanitation in general, marketing of specific sanitation products, hygiene promotion, social development and mobilization and community triggering.

Collection / access. Human waste needs to be collected and separated from human contact. Collecting the waste can be done either through on-site sanitation solutions (whereby excreta are collected, stored and sometimes treated close to the toilet) and off-site systems, where excreta are removed from the plot, most commonly via waterborne sewerage. In general, as density increases, networked systems are increasingly cost-effective compared to on-site sanitation solutions. Specific services need to be provided to collect the wastes not only from people’s homes but also from public spaces (railway stations, markets, etc.), work places and schools.

Transport. When latrines fill up they need to be moved or emptied, while latrines connected to

sewers will fail if the sewers themselves fail. In most rapidly-growing cities, emptying is poorly organized and regulated. Householders either empty pits themselves or pay private operators to do so. Pit and tank waste is heavy and costly to transport, and operators often incur additional costs to dump the waste at the official site.

Treatment. Treatment may take place either on-site (some on-site systems allow this, such as septic tanks) or off-site (when the wastes have been collected via sewer networks or pit latrine emptiers and transported to a sewage treatment plant). Treatment of these waste flows is often (although not always) critical to protect downstream water resources, public health and the environment.

Reuse. Suitable treatment can result in waste streams being converted into a valuable resource for reuse, such as fertilizer for agriculture or biogas for energy production.

1.2. Report structure

This report is structured as follows:

- **Section 2** provides some contextual elements for the case study: information on the state of sanitation services in Tanzania may be most useful to microfinance professionals seeking to understand the sector whilst information on financial services (and microfinance services in particular) can help place sanitation microfinance into context;
- **Section 3** evaluates the potential for sanitation microfinance in Tanzania in two market segments: household-level sanitation microfinance and microfinance for sanitation entrepreneurs. This section presents what microfinance products may be needed, what experiences exist in Tanzania and how this market segment could be further developed, with a particular focus on micro-credit products;
- **Section 4** includes recommendations on next steps in order to catalyse a market for sanitation microfinance in Tanzania.

In addition, a series of Annexes are included:

- **Annex A** contains detailed write-ups on existing financial mechanisms being tested for sanitation in Tanzania;
- **Annex B** includes fiches on financial institutions indicating whether they would be potentially interested in providing microfinance for sanitation;
- **Annex C** contains a list of people contacted as part of the research, including workshop participants, individuals interviewed on an individual basis and potential further contacts;
- **Annex D** includes a list of key references, both on the sanitation and on the microfinance side.

2. Contextual analysis

This section sets out contextual elements for the study, including a brief introduction to sanitation services (both urban and rural) and to the financial sector (including microfinance) in Tanzania. This analysis shows that there is a strong case for exploring the potential of microfinance for sanitation in Tanzania.

2.1. Country background

The United Republic of Tanzania was formed out of the union of two sovereign states in the wake of independence from Great Britain in 1961. It is today a functioning democracy and a unitary republic composed of 26 regions, presided by President Jakaya Kikwete since 2005.

Tanzania has a fast growing population of 42.5 million projected to reach 60 million by 2025. A quarter of Tanzania's population lives in urban areas (UN, 2007). However, with the country's urban population growing at twice the pace as the rural one, UN projections estimate that 20 million Tanzanians will be living in urban areas by 2030.

The country's economic growth has averaged 7% since 2000, based on an export-oriented agriculture and a dynamic mining industry, heralding the country's resilient growth for the years to come. However, although GDP growth has been steady, income poverty remains high, with 36% of Tanzania's population living below poverty line.¹ The country ranks 151 on Human Development Index and 157 based on GDP per capita. While Tanzania seems to be on-track to reduce child mortality (MDG 4), the country is not on track to reach the water and sanitation targets (MDG 7).

2.2. The state of the sanitation sector in Tanzania

Service coverage

Although most Tanzanians use a basic latrine, only a small percentage has access to what is defined as "improved sanitation" (as defined in Box 3 below). Even fewer of them are connected to a waterborne sewerage system.

Box 3: Improved vs. unimproved sanitation

According to the Joint Monitoring Programme for Water Supply and Sanitation managed by the World Health Organization and UNICEF, excreta disposal systems are considered adequate if they are private and if they separate human excreta from human contact. The following are considered as "**improved**" sanitation":

- connection to a public sewer;
- connection to a septic system;
- pour-flush latrine;
- access to a pit latrine;
- ventilated improved pit latrine.

Sanitation solutions that are not considered as "improved" are:

- public or shared latrine;
- open pit latrine;
- bucket latrine.

¹ According to the 2007 Household Budget Survey, which measures income poverty- basic needs and food poverty).

In the 1970s, the high profile *Mtu ni Afya* public education campaign led to the widespread construction of basic household latrines. As a result, Tanzania still has very high coverage of basic household latrines compared to elsewhere in Africa.

According to the JMP, however, access to “improved” sanitation is much lower and has only just kept up with population growth between 1990 and 2008. Overall coverage remained stagnant at 24%, hiding a widening rural/urban gap, as rural improved sanitation coverage dropped to 21% whilst coverage rose to 32% in urban areas. This means that about 26 million Tanzanians use unsanitary or shared latrines and 5.4 million have no latrine and defecate in the open (UNICEF, 2010).

According to the “Economics Impacts of Sanitation in Africa” study conducted by the Water and Sanitation Programme and released in 2011, poor sanitation results in approximately TZS 301 billion losses each year for the country (equivalent to USD 206 million or 1% of national GDP). More than 80% of these losses are linked to higher mortality, given that approximately 26,500 Tanzanians, including 18,500 children under 5, die each year from diarrhoea – nearly 90% of which is directly attributed to poor water, sanitation and hygiene. In addition, faecal contamination of the environment is the root cause of an annual average of 5,800 cases of cholera affecting Tanzania.

If such a trend is maintained, Tanzania is going to miss the Millennium Development Goals by a substantial margin. Water coverage, albeit higher, will also be insufficient to meet the MDGs. According to CSO2, the JMP puts water supply coverage at 54% (45% in rural areas, 80% in urban areas) representing a slight downward trend from 55% in 2008.

Institutional and policy arrangements

Until very recently, institutional roles and responsibilities for household sanitation were not clearly defined. At national policy-making level, the MoHSW (Ministry of Health and Social Welfare) has the mandate for coordination of sanitation policy and finance matters, whilst the MoWI (Ministry of Water and Irrigation) is responsible for sewerage.

At the operational level, a similar organisational split is in place. Sewerage services are under the responsibility of autonomous Water Supply and Sanitation Authorities (WSSAs), regulated by EWURA (Energy and Water Utilities Regulatory Authority). EWURA regulates 129 WSSAs, which include Regional as well as District and Small Towns Water Supply and Sewerage Authorities (DWSSAs) located in regional, district and small towns capitals respectively. According to EWURA (2010), only 10 such WSSAs currently operate sewerage systems with an average coverage rate of 13.9%, including DAWASA/DAWASCO in Dar es Salaam and 9 regional WSSAs (Arusha, Moshi, Tanga, Morogoro, Dodoma, Iringa, Mbeya, Songea and Tabora). Only 35,000 households nationwide have a network sewerage connection, less than 10% of the number of household with a water supply connection and less than 2% of all urban households.

All other sanitation (both in urban and rural areas) is done on-site, under the responsibility of the households themselves, with some support for demand promotion and sensitisation campaigns provided by municipal governments, international donors and NGOs. Due to a combination of low awareness and a lack of finance, households have only built very basic latrines and do not empty them regularly. For example, according to the Household Budget Survey (2007), close to 99% of the population in Dar es Salaam report using a toilet of some sort, with over 80% of the population using a simple pit latrine, while 10% use flush toilets and 8% use VIP latrines (HBS, 2007).

Most households would empty the pit content onto the street, thereby spreading diseases even further. Although the municipal Health departments are responsible for the enforcement of the law that implies that every house in Tanzania must have a toilet, enforcement is not strictly applied as households are not deemed able to pay the fine and invest in an improved latrine (or adequate emptying) simultaneously. In addition, adequate emptying services are very limited, due to inadequate technology: standard trucks cannot reach households in dense peri-urban settlements due to the lack of road infrastructure.

The sanitation sector has received increased attention in the last few years, both at the international level (following the International Year of Sanitation in 2008, which contributed to increase the sector's profile internationally) and at country level. In Tanzania, the country's Vision 2025 document pledged to provide access to improved sanitation to 95% of the population by 2025. A long-awaited policy document for the sector, the National Sanitation and Hygiene Policy, was adopted in 2011. Efforts to improve coordination in the sanitation sector led to the signing of a Memorandum of Understanding (MoU) between the four Ministries that are involved in sanitation in one way or another, including MoHSW, MoWI, the Ministry of Education and Vocational Training and the Prime Minister's Office for Regional Administration and Local Government (PMO-RALG).

To support the implementation of this policy, the Government (with support from donors, including the African Development Bank in particular) launched in June 2012 the National Sanitation Campaign, targeting rural areas and peri-urban areas. However, promotional activities - including demand promotion and sanitation marketing activities in order to stimulate a supply-side response – have not yet taken place.²

Financing arrangements and future needs

The government of Tanzania currently spends an insignificant percentage of its GDP on sanitation. Although public funding for water and sanitation has increased four-fold following the adoption of a SWAp (Sector-wide Approach) in 2005, funding remains insufficient to meet the MDGs. Most of the additional funding has tended to go to the water sector until relatively recently. For sanitation, the vast majority of public investment goes on sewerage, with some very limited funding available for demand promotion and hygiene awareness. This funding allocation is skewed and does not reflect the allocation of benefits for end-users. In Dar es Salaam, a WaterAid study (2010) found that 99% of public funding goes to sewerage whereas only 10% of the population is connected to sewers.

The national policy in Tanzania requires that capital investment in household sanitation should be financed entirely by households themselves. However, how households are expected to finance such investments is not clear, as confirmed by the recent CSO2 exercise conducted in Tanzania which estimated future financing needs as per Table 1 below.³

The report states that “while the substantial user contribution to capital costs (as shown on Table 1) follows the policy assumption (that households are expected to finance household sanitation), it will not be leveraged in practice without sufficient funding, human resources, coordination and tools for promotion”.

² This is mainly because a study on “the drivers of behaviour change” is still under way. Outputs from this research will be incorporated in the campaign.

³ The African Ministers' Council on Water (AMCOW), supported by a number of donors including WSP, recently conducted Country Sector Overviews (CSO2) for 32 countries in Sub-Saharan Africa based on a common methodology. These CSO2 examined the current institutional and operational frameworks in each sub-sector and the amount of funding available and future funding requirements to meet the MDGs. In collaboration with Governments and national stakeholders, each report identified a list of agreed priority actions to tackle these challenges, and ensure finance is effectively turned into services.

Table 1: Coverage and yearly capital investment requirements, as per CSO2

	Coverage		Target	Population requiring access	CAPEX requirements		Anticipated public CAPEX			Assumed HH CAPEX	Deficit
	1990	2009	2015		Total	Public	Domestic	External	Total		
	%	%	%	'000/year	US\$ million/year						
Rural water supply	46%	58%	64%	830	64	61	13	51	64	3	-
Urban water supply	94%	80%	90%	656	207	197	22	79	101	5	101
Water supply total	56%	64%	71%	1,486	272	258	35	130	165	9	98
Rural sanitation	23%	21%	62%	2,590	150	0	0	3	3	150	-
Urban sanitation	27%	32%	64%	900	55	15	1	7	8	22	25
Sanitation total	24%	24%	62%	3,491	205	15	2	10	12	172	21

Sources: For coverage, MoWI MKUKUTA II submission and JMP 2010 report; for investments, CSO2 costing.

For example, the CSO2 analysis builds on the expectation that rural households will invest USD 150 million a year in building or upgrading latrines. From their own acceptance, this will require persuading households to invest in improved latrines and making it as easy as possible for them to do so⁴. As reported by the CSO2, most commonly accepted demand promotion methods are more effective at convincing households to shift from open defecation to basic latrines rather than moving them from basic to improved sanitation. The CSO2 main policy recommendation for rural sanitation is therefore “to identify an effective approach for rural household sanitation promotion based on current initiatives being tested at scale and mainstream this into a nationwide program supported with adequate staffing and budgets”. The same issue is apparent in urban areas, with a project investment deficit gap of USD 25 million annually (and assumed household capital investment of USD 22 million per year which itself will only be mobilised with a change in approach).

2.2 Overview of the Tanzanian microfinance sector

Financial sector overview

The financial sector is relatively well developed in Tanzania with a total of 29 licensed commercial banks and five financial institutions, (Bank of Tanzania, February 2011). Bank of Tanzania (BoT) defines a commercial bank as an institution authorized to receive money on current account subject to withdrawal by cheque, whilst a financial institution is an institution licensed by the Bank of Tanzania and authorized to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque. For example, Tanzania Post bank and Tanzania Investment bank or Efatha bank Ltd are financial institutions. As of February 2011, BoT had licensed seven Regional Unit Banks. A regional unit bank is an institution that is licensed to receive money on current account subject to withdrawal by cheque. Some of the Regional unit banks include Dar es Salaam Community Bank, Mbinga Community Bank and Kilimanjaro Cooperative Bank Ltd.

The microfinance sub-sector

The microfinance sub-sector comprises commercial banks with a specific focus on the low income clientele, NGOs, community banks and SACCOs (Savings and Credit Cooperatives).

⁴ As mentioned in the Introduction, demand for improved sanitation facilities in Tanzania is low and constitutes a real challenge for improvement of sanitation access. The present study focuses on microfinance as a mean to ease the burden of sanitation financing on households, when demand for this type of product has been established through complementary interventions (such as sanitation promotion).

Few commercial banks extend financial services to the low end market (i.e. unsalaried self-employed market segment) either in urban or rural areas. The leading commercial banks active in the low end market segment include National Microfinance Bank (NMB) and Akiba Commercial Bank.

The most commonly mentioned MFIs in Tanzania include BRAC Tanzania (NGO/MFI), PRIDE Tanzania (NGO/MFI), FINCA Tanzania (NGO/MFI), SELFINA and Tujijenge Tanzania (Company Limited by shares).

The Tanzania Association of Microfinance Institutions (TAMFI) is the network organisation for microfinance organisations. TAMFI reportedly comprises of 42 microfinance organisations, most of which are relatively new and small. Data presented to Mix Market⁵ show that in 2010, reporting financial institutions had a gross loan portfolio of USD 591 million. Other sector performance indicators are presented in Table 2 below.

Table 2: Microfinance sector performance, as of end 2009

Loans	591.3 million (USD)
Active Borrowers	233,451
Deposits	1.2 billion (USD)
Depositors	357,105

Source: <http://www.mixmarket.org>

The MFIs in Tanzania generally use the joint liability group lending methodology, though individual lending is also practiced for larger secured loans. In the joint liability lending model, clients are trained for a period of 6-8 weeks on group leadership and credit management. Upon completion of the training, the clients open accounts with the MFI and deposit cash collateral – usually referred to as compulsory savings. A few members of the group then access initial loans co-guaranteed by the fellow group members and the cash collateral deposited with the MFI. Group members may access part or all of the deposits upon exiting. Some of the MFIs may offer interest on the deposits referred to as bonus.

Unlike commercial banks, MFIs have a limited range of financial products. MFIs in particular provide enterprise working capital loans with short maturity periods, usually 6 to 12 months. The joint liability model also hinders the development of diversified loan products since fellow group members need to be guaranteed that the borrower will make the repayments from the proceeds of the income generating activity. As such, consumption loans are implicitly discouraged especially, for the first loans.

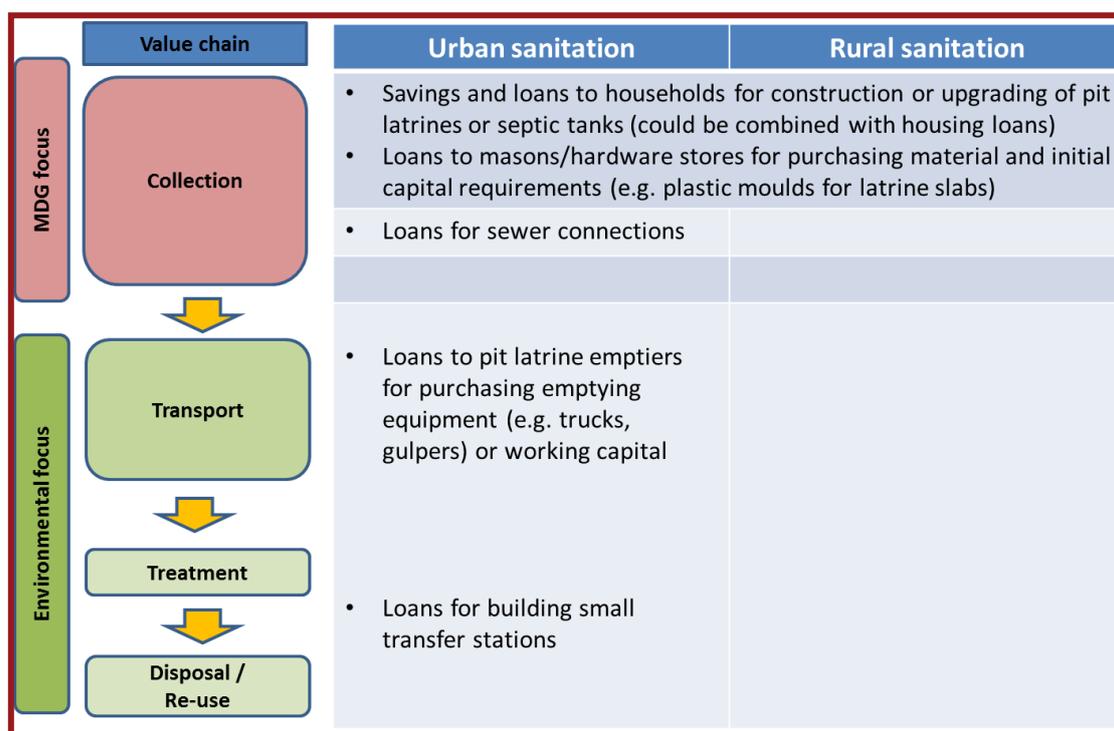
⁵ The Microfinance Information Exchange (MIX) is a non-profit organisation that provides data and analysis on microfinance providers and manages the Mix Market website (www.mixmarket.org), which gathers self-reported information on financial and social performance information.

3. Evaluating the potential of microfinance for sanitation in Tanzania

Based on discussion with sector stakeholders, microfinance could be used in two main ways in order to leverage private financing (including household financing) for sanitation:

- To mobilise resources from within households to build or upgrade their sanitation facilities;
- To mobilise resources from financial institutions to support the development of sanitation service providers at different steps of the sanitation value chain.⁶

Figure 2: Potential market segments where sanitation microfinance could apply in Tanzania



In this section, we evaluate each area of potential demand in turn. Common recommendations for expanding the use of microfinance in both of these market segments are discussed in Section 4.

3.1 Household-level sanitation microfinance

Where are the needs?

As mentioned in Section 2, households are expected to be the main investors in on-site sanitation solutions in Tanzania. They do not receive any government funding for carrying out such investments, although in some NGO-run programmes, hardware subsidies are sometimes provided for demonstration toilets.

⁶ Although this segment is not specifically included in the research funded by SHARE, it is included here for the sake of comprehensiveness and given that this is a segment that WaterAid, a co-funder of the research in Tanzania, is particularly interested in.

Most households in Tanzania use a basic latrine, which means that they have already adopted fixed-point defecation practices. The present challenge is to convince them to invest in improved sanitation facilities, which may consist of various types of sanitation facilities as set out in Box 4 below.

Box 4: Examples of improved sanitation facilities

Simple pit latrine. This is the most common type of technology, as it is simple and quick to build. It usually consists of a pit (at least 2 meters deep, which can be lined on part of the walls), a slab (with lid) and a superstructure, which can be made of various materials, such as wood, mud and grass or brick and mortars, depending on local material available. The slab can be made from concrete or wood, or from a prefabricated plastic material (which is much lighter and cheaper to transport).

A variation of the simple pit latrine which employs an “ecological” approach is the **Arborloo**. These are constructed with simple, often unlined pits. When the latrine is full, the superstructure is moved and the site of the pit is used to plant a crop-bearing tree so as to make use, at least in part, of the nutrients available in the pit.

Ventilated improved pit latrine (VIP). An improvement on the simple pit latrine consists of adding a vent pipe covered with a gauze mesh or fly-proof netting in order to remove smell and prevent the flies entering the pit to fly away. This is a more expensive solution (due to the addition of a PVC pipe) and more difficult to build, as the design is often not fully understood. The interior of the latrine must be kept dark, which makes it somewhat less acceptable by local populations and more difficult to use, particularly for children and the elderly.

Pour-flush or flush latrine. These latrines rely on water to act as a hygienic seal and to help remove excreta to a wet or dry disposal system. They require access to a source of water and are more expensive to build as a sealed pan and piping to the pit must be added. A variation on this approach is the Twin Pit pour-flush latrine (pioneered in India), which has two offset pits, linked by a short plastic pipe. When one pit fills, the second is brought into use. In the meantime, the first pit can be safely emptied to be brought back into operation when the second one fills up.

Latrine connected to a septic tank.⁷ A septic tank is designed to collect and treat toilet wastewater and other grey water. Such solution is used when the volume of wastewater produced is too large for disposal in pit latrines and when water-borne sewerage is uneconomic or unaffordable. All septic tanks require a system for removing the sludge and disposing of it hygienically.

Composting / urine-diverting latrine. Various types of latrines have been designed to separate urine and faeces in such a way that either or both can be re-used. These are based on ecological sanitation principles, which consist of recycling nutrients from human excreta for agricultural production. This requires separating faeces from urine through the use of a special slab and, in some cases, the addition of ash, carbon or sawdust to the content of the latrine.

Source: Harvey (2007).

The costs of investing in improved sanitation can vary quite substantially depending on the chosen type of sanitation solution, the building materials used, availability of skilled labour in the area and transport costs for bringing the material on-site. There are no clear indications at this stage that a more permanent structure provides higher health benefits, but other factors such as durability or convenience also need to take into consideration when comparing solutions.

⁷ Some latrines connected to a cesspit or soakaway are sometimes wrongly referred to as being connected to a septic tank. The key difference between those solutions is that septic tanks treat sewage whereas cesspits are only used to store it. Septic tanks require more careful and therefore more expensive maintenance but are more effective in stemming contamination.

Basic components that make up simple but improved pit latrines include (as shown below):

- A pit, which is preferably lined with concrete rings;
- A slab (with a lid), which can be easily cleaned and effectively separate humans from their excreta. There are many designs for such slabs. They can be made in local material, concrete, plastic or ferro-cement;
- A superstructure, for privacy and protection from the rain, which can be built in local materials (such as mud walls and thatch roof) or cement blocks.

Box 5: Examples of key elements for an improved pit latrine

Cement-block lined pit



Superstructure in local materials



Ferrocement slabs



Superstructure in bricks covered in cement



A recent Master Thesis (Odiachi, 2010) sought to estimate investment costs in rural areas, based on an extensive collection of cost data in 3 wards in Singida, Tabora and Manyara regions in northern Tanzania. This analysis found considerable variations in the costs of improved sanitation, ranging from TZS 100,000 (for a very simple Arborloo) to TZS 320,000 for a more elaborate one (with dome slab, brick walls and corrugated iron roof).

The basic investment to upgrade a basic latrine to an improved one involves buying a concrete slab, which is put on top of the existing pit to separate humans from their excreta. In the centres visited by Odiachi (2010), slabs were typically priced at about TZS 5000 (slightly under USD 4). The price of a slab is about the same cost as a chicken: it is deemed that as most households own a chicken, most of them can also afford a slab. However, the researcher noted that in certain rural areas the actual costs of producing a slab can be significantly higher (up to TZS 33,000) due to the costs of transporting the material, for example. Therefore, selling slabs at such a low cost may compromise the long-term viability of artisans building such slabs.

Households do not currently prioritise such investments, given that the rate of improved sanitation coverage remains very low throughout the country (21% according to UNICEF). The main factors holding back such demand are not fully understood,⁸ but preliminary assessments indicate that affordability may be a key issue. For example, the WaterAid (2010) study found that investing in an improved latrine with a temporary superstructure can represent up to 82% of a poor household's annual income in Dar es Salaam, whereas obtaining a sewerage connection (where available) would represent only 41% of a poor household's annual income (see figures in Table 3 below). This is due to the fact that sewerage networks are heavily subsidised by the government whereas household sanitation is not.

Table 3: Comparative costs of sanitation options for households in Dar es Salaam

	Initial costs (construction)	Running costs
On-site sanitation		= emptying
<i>Improved latrines with temporary superstructure</i>	550,000	54,000 – 100,000
As a % of average yearly income	11%	1 - 2%
As a % of below poverty line yearly income	82%	8 - 15%
<i>Improved latrines with permanent superstructure</i>	750,000	75,000
As a % of average yearly income	14%	1 – 1.7%
As a % of below poverty line yearly income	112%	9 – 13.4%
Networked sanitation		= monthly tariffs (2008/09)
Pipes extension	250,000	51,422
Connection charges	26,000	
As a % of average yearly income	5%	1%
As a % of below poverty line yearly income	41%	8%

Source: Compilation by WaterAid (2010) based on DAWASCO Accounting System and interviews. The capital and running costs for on-site sanitation solutions have been estimated based on interviews with local experts. Capital costs for networked sanitation comprises of pipes extension costs and connection charges from DAWASCO and running costs, i.e. sewerage tariffs, were derived from the total revenues billed from sewerage tariffs divided by the number of active sewerage connections.

What microfinance products could be considered?

Microfinance products could be used in order to help spread investment costs over time, thereby making them more affordable for households. As mentioned in Box 1, microfinance products that could be considered include loans, savings and potentially, micro-insurance products.

In other countries, such as Vietnam, Bangladesh and India, “toilet loans” are provided to households as a way of spreading the cost of their investment over time. These can be provided either combined with mandatory savings or in isolation. In Vietnam, for example, a revolving fund helped poor households in peri-urban areas finance the construction of septic tanks or sewerage connections. The programme, which combined savings and loans, was initially started with support from international donors but then scaled up through the Vietnam Bank for Social Policies (see Box 6 below).

⁸ SHARE has recently commissioned CCI to carry out a one-year research programme on the determinants of demand for sanitation in Tanzania.

Box 6: Revolving funds for water and sanitation in Vietnam

In 2001, a Sanitation Revolving Fund (SRF) component was incorporated in the World Bank-financed Three Cities Sanitation Project in Vietnam to provide loans to low-income households for building on-site sanitation facilities. The SRF provided small loans (USD 145) at partially subsidized rates to low-income and poor households to build a septic tank, a urine diverting / composting latrine or a sewer connection. To access the loans, households needed to join a Savings and Credit group, which bring together 12 to 20 people who must live close to each other to ensure community control. The loans covered approximately 65% of the average costs of a septic tank and enabled the household to spread these costs over two years. The loans acted as a catalyst for household investment although households needed to find other sources of finance to cover total investment costs, such as borrowing from friends and family.

The initial working capital for the revolving funds (USD 3 million) was provided as a grant by the World Bank, Denmark and Finland. The SRF was managed by the Women's Union, a countrywide organisation representing the rights and interests of women that has a long experience with running micro-finance schemes. The initial working capital was revolved more than twice during the first phase of the project (2001 to 2004) and was then transferred for subsequent phases to be revolved further. Combined with demand generation and hygiene promotion activities, the SRF helped around 200 000 households build sanitation facilities over the course of seven years. The revolving fund mechanism allowed leveraging household investment by a factor of up to 25 times the amount of public funds spent. Repayment rates are extremely high (almost 100%).

This pilot approach has since been scaled up, via other World Bank-funded projects (with an outstanding working capital of about USD 25 million as of March 2009) or through the Vietnam Bank for Social Policy (VSBP). The latter offers separate products for water and sanitation, through the Safe Water and Rural Environmental Sanitation Program (SWRESP). In 2007, the amount of loans for SWRESP was USD 20 million.

Source: Trémolet, S. with Perez, E. and Koslky, P. (2010); Mehta (2008).

In India, straight "toilet loans" are offered by a growing number of MFIs to women members of Self-Help Groups. These MFIs mobilise financing from commercial banks. For example, BWDC in Tamil Nadu made 9,000 toilet loans in the last 3 years. Guardian, the first "water and sanitation-focused" MFI (spun-off from an NGO) has provided with support from water.org over 20,000 micro-loans in the last 3 years, 60% of which were for sanitation. They are targeting rural areas and urban slums, with variable loan terms. Typically, toilet loans are between USD 180 to 225, repayable over 12 or 18 months with an 18% yearly interest rate (reducing) and 3% charges.

What are existing experiences in Tanzania?

There are very few experiences in Tanzania with sanitation microfinance targeted at households. Two programmes run by NGOs have provided microfinance products to households, i.e. the savings and loan programme run by CCI (Centre for Community Initiatives) and the lending programme that was run by MAMADO in Dodoma.⁹

Both of these experiences have been initiated with a predominant focus on water and sanitation activities and no prior experience with running microfinance schemes or saving programmes. Those schemes have remained at a limited scale, although they are potentially promising. Table 4 below summarises the key characteristics of such schemes whilst Annex A presents them in more detail, together with recommendations for scale-up.

⁹ Other NGO-run programmes, such as the CARE/iWASH programme, include an overall microfinance component for economic activities at village level but no specific sanitation programme.

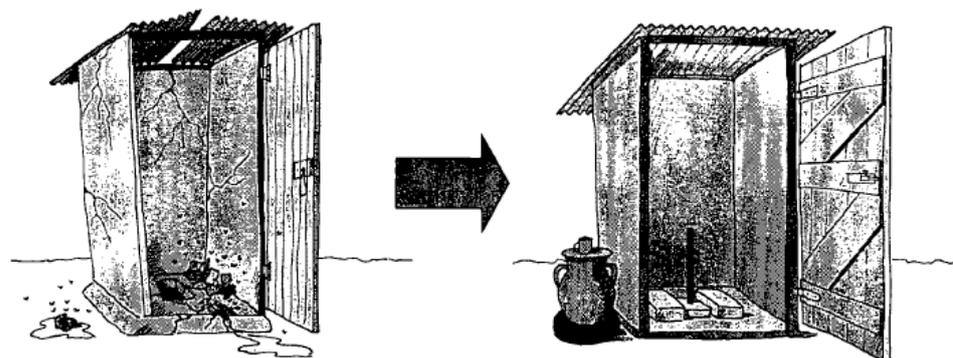
Table 4: Existing household sanitation microfinance schemes in Tanzania

	CCI	MAMADO
Date initiated	2008	Late 2010
Product offered		
• Average loan value	TZS 200,000 (USD 150)	TZS 350,000 (USD 260)
• Maturity	1 year	12 or 18 months
• Interest rate¹⁰	10% per year	12% over 12 months 18% over 18 months
• Saving contribution?	Mandatory	Not mandatory
Number of "toilet loans" made	211 through "Jenga Fund" Not estimated through local saving schemes	20 during pilot phase More expected with additional funding in scale-up phase

Figure 3 below shows how MAMADO markets these sanitation microloans to households in its area of operation.

Figure 3: Extracts from an information leaflet for microloans for sanitation, prepared by MAMADO (NGO) in Dodoma

Microcredit for Sanitation



Improve your health and status — get yourself a clean and safe toilet!

Why do you need a hygienic sanitation facility?

Safe sanitation is a key measure for the mitigation of diseases like diarrhea, typhoid and cholera. It offers you privacy and dignity. Have you ever calculated how many days of your life you spend on the toilet? - About 1 year! It's worth making it a nice place!

Become active!

- ⇒ Read the leaflet to get informed about your possibilities
- ⇒ Form a sanitation group with your neighbours
- ⇒ Choose a toilet and inform the project officer. Do not only consider the construction costs as the maintenance costs can be substantial.
- ⇒ Save for the pre-payment of the loan
- ⇒ Sign the contract with MAMADO and the Fundi
- ⇒ Join in for the construction of the toilet
- ⇒ Enjoy your new toilet and repay the loan

Info about the loan

Sanitation groups of 3 to 5 families can apply for a loan. The loan covers the material and construction of the toilet. The new toilets will comply to pre-defined quality standards.

The loan only covers the construction costs. The sanitation groups are themselves responsible for a proper pit emptying. Depending on the option you choose, the emptying of the pit can be dangerous and costly. So do not only look at the construction costs but also at the maintenance costs.

¹⁰ These rates are below commercial rates.

When they were interviewed in mid-2011, both organisations believe that demand for household sanitation microfinance products is high, although these organisations had only conducted partial demand studies to support this claim. The main constraint in terms of extending such financing tends to be limited available funding rather than limited demand by households.

Did financial institutions express an interest in this market segment?

As of mid-2011, no formal financial institution in Tanzania (including commercial banks or MFIs) was offering sanitation microfinance products to households. This is due to a number of factors, including these financial institutions' general lack of awareness of the financial needs of the sanitation sector and to the fact that such products may not be in line with their current strategic directions.

Some of the Tanzania-based financial institutions consulted as part of this study appear to be interested in providing microfinance products for sanitation. Specifically, Tujijenge Tanzania Ltd, Mkombozi Commercial Bank, Dar es Salaam Community Bank, and Kenya Commercial Bank Tanzania Ltd showed some level of interest in considering financing sanitation facilities and services.

Most of these financial institutions are relatively new and appeared to be open to new product development. They indicated that they could lend to households as long as the latter can demonstrate their ability to repay the loans advanced (through a clear income stream for example). These institutions have product development or marketing departments that are actively looking for ways to diversify their product offerings. For example, Tujijenge is currently offering a "solar lamp" loan and is looking to diversify into micro health insurance products. Mkombozi bank, the most recently licensed commercial bank in Tanzania, is seriously considering offering housing microfinance products in the near future. Similarly, Dar es Salaam Community Bank Ltd is keen on developing low income housing loans. However, these institutions would need to conduct a thorough market demand assessment before deciding on whether to enter this market or not. Such a market demand assessment could start with asking their existing customers whether they would be interested in this type of loan product, for example.

More established microfinance institutions, such as FINCA or PRIDE, are showing limited interest for household-level products as they equate those to consumer loans. These institutions are currently focused on lending to small-scale entrepreneurs, via income-generating loans and are less likely to be willing to diversify into consumer loans.

However, the traditional MFIs could be encouraged to embed sanitation financing in wider social programs. For example, Tujijenge Tanzania Ltd indicated that sanitation financing could be incorporated into their planned medical insurance loan product. Discussions with managers of Mkombozi Commercial Bank Ltd and Dar es Salaam Community Bank Ltd respectively indicated that sanitation financing could be included and prioritised in the housings schemes the institutions are planning to develop. All the same, there is need to actively develop the interest of financial institutions in Tanzania to consider financing their customers to access improved sanitation facilities and/or services.

Annex B contains more detail on the interest expressed by each financial institution consulted on the different market segments, and for household-level microfinance sanitation in particular.

Could this segment be developed further and if so how?

Based on the analysis of future investment needs and given the fact that households are responsible for such investments, it appears that the potential size of the household sanitation microfinance market is large. Given current coverage figures, 4.9 million households do not have access to improved sanitation at present. If no investments take place, this figure could actually grow given the high population growth rate in Tanzania (estimated at 2.9% per year by the National Bureau of Statistics).

According to the CSO2 (see Table 1 above), meeting the MDG for sanitation would require that 3,491,000 people gain access to sanitation every year till 2015, three quarters of which reside in rural areas (2,590,000 people per year). To reach this objective, they estimated that the necessary annual investments from households at USD 150 million per year in rural areas and USD 40 million in urban areas, roughly equivalent to USD 58 and 44 per household per year in rural and urban areas respectively.

At present, the Government offers no specific support to households to make these investments. Given that affordability constrains households' ability to invest, this means that microfinance could potentially play a role in helping households invest in improved sanitation.

Microfinance may not be appropriate or forthcoming for some population groups or in certain parts of the country, such as for the extreme poor (below the basic needs poverty line) or those in rural areas where very few microfinance organisations are involved. This still leaves a substantial potential market for microfinance institutions to facilitate access to finance for sanitation.

A number of issues have emerged in discussions with local stakeholders and at the workshop with respect to how the development of such a market could be fostered, as discussed below.

Should an approach combining savings and loans be used?

Sanitation microfinance products around the world are usually centred on loans, with or without a compulsory saving component included. At the workshop, some stakeholders expressed the view that given low levels of disposable income, household sanitation should be financed via a combination of savings and loans, or even only via savings products.

There is one key regulatory limitation to the approach of seeking to combine savings and loans. Incorporating savings may only be possible where MFIs are regulated and legalised to mobilise deposits. In Tanzania, only one new MFI has recently been registered as a deposit taking microfinance institution so far. As such most of the microfinance institutions may only develop loan products to finance household sanitation facilities. But they may consider savings-led products in future since some of the MFIs are actively seeking deposit-taking licences.

An interesting approach developed by CCI (an NGO) has consisted of combining savings with lending products within the context of an overall approach to community mobilisation and structuring of these communities (see Annex A for more detail). This is a relatively unique approach, promoted by SHACK/Slum Dwellers International (SDI) at the global scale. The sanitation lending component has so far remained limited, however, but could be scaled-up should more funding become available, either by CCI or by other organisations adopting a similar approach.

Are household microfinance products most likely to be viable in urban or rural areas?

Although needs are great throughout the country, needs are even greater in rural areas where improved sanitation coverage has been going down rather than up in the last few years. However, the demand for sanitation microfinance products may be more difficult to stimulate in rural areas, for a number of reasons. First, the size of required investments is likely to be lower, given that poor households may choose to buy only a concrete slab to improve their existing latrine and use low-cost local materials for the rest (pit lining and superstructure). Second, due to affordability constraints in rural areas (and the lack of a cash economy), the solvable demand for sanitation microfinance is also likely to be lower. In addition, fewer MFIs operate in rural areas on a large scale.

We would therefore recommend that sanitation microfinance products be tested and scaled-up first in urban and peri-urban areas, which are also generally closer to most MFIs' areas of operation. Demand in urban areas is likely to be relatively easier to stimulate, the synergies with housing are likely to be greater and building and sanitation regulations are stricter and better enforced by the municipal authorities. MFIs could test the products with their existing urban customers before potentially rolling out those products to rural areas (evidence from India gathered in a parallel SHARE-funded research shows that there might be significant demand for such products in rural areas).

Who should be targeted by the loans?

A key issue that was brought up by stakeholders which applies particularly to urban areas is that a high proportion of urban dwellers are tenants, particularly in unplanned settlements. As a result, it may be preferable to target landlords with microfinance products and toilet loans in particular, at least in the first instance, as this is done by MAMADO for example. For Dar es Salaam, another suggestion was that it would be easier to test out these products in areas that have been surveyed as part of the World Bank-funded Community Infrastructure Improvement Project, which included slum-upgrading activities and land and property registration in a number of areas throughout the city.

Should sanitation microfinance products be offered as stand-alone or integrated products?

An issue that frequently comes back to the fore is that sanitation investments (such as in latrines) may not be sufficiently attractive for households as stand-alone investments. In rural areas in particular, earlier emphasis on sanitation as a "stand-alone" product has sometimes resulted in awkward situations, where the stand-alone toilet is constructed with better standards than the house itself. A number of stakeholders therefore support the idea of financing sanitation investments via broader programs such as "housing microfinance" products, a segment that is currently being developed in Tanzania, as discussed in Box 7.

According to interviews with key members of the housing microfinance working group (Stephen Wanjala, founder and chair of the working group, and Tim Ndezi of CCI), there are widely diverging views within the working group members about whether sanitation microfinance could simply be a sub-set of housing microfinance. Each institution that is part of the working group has a different view, depending on its strategic direction. Whereas traditional microfinance institutions are not interested in promoting sanitation as part of the package, other organisations (such as CCI) see the need to incorporate sanitation specifically into the package. When financing new constructions, financial institutions by law have to include the financing of a sanitation facility. When financing incremental housing improvements, however, making the financing of sanitation facilities optional often results in them not being financed in many cases or them being under-prioritised.

As a result, sanitation-sector champions (such as Tim Ndezi) recommend treating sanitation microfinance as a specific category rather than incorporate it into housing microfinance. Although there are pros and cons for both approaches (and they are not mutually exclusive), we would support supporting sanitation microfinance specifically, at least during the initial few years when both housing microfinance and sanitation microfinance markets need to get established. Promoters of sanitation microfinance (via a dedicated working group, for example) should also argue for strict enforcement of building regulations, so that new buildings constructed incorporate a sanitation solution. To this end, stakeholders were asked to consider develop a specific working group for sanitation microfinance. WaterAid Tanzania could facilitate the establishment of such a working group, gaining from the experience of the already functional housing microfinance working group mentioned above.

Box 7. Recent developments in the housing microfinance market in Tanzania

The need for housing microfinance products is direly felt in most developing countries (including in Tanzania), where mortgage products are usually only available for the wealthier customers and there are no financing sources for incremental housing improvements. According to CGAP (2004), "Housing microfinance consists mainly of loans to low-income people for renovation or expansion of an existing home, construction of a new home, land acquisition, and basic infrastructure (e.g., hooking up to city sewage lines). As of 2004, CGAP indicated that most of the successes in this then new field had been with home improvement loans, whereas land acquisition and new housing construction are still dominated by subsidies, rather than financial services.

In Tanzania, a number of financial institutions have recently started developing and promoting housing microfinance, partly with the support of the Financial Sector Deepening Trust, international donors such as the World Bank or international NGOs such as Rooftops international.

Establishment of a housing microfinance working group. A housing microfinance working group was set up in November 2009 and gathers institutions (13 in total so far) that are interested in fostering the development of this market in Tanzania, including potential providers of housing microfinance as well as the Bank of Tanzania (Central Bank) and international NGOs.

The working group placed its main outputs on a webpage (see: <http://hmfwtz.blogspot.com/>), which contains a wealth of information about their activities and about the market as a whole. Membership is opened to any interested institution and free, in exchange for transparency about their products. As of July 2011, working group members have jointly provided no more than 2,000 housing loans (with an average value of TZS 1 million), whilst the potential demand is in the range of millions, the underlying idea is that members should not treat each other as competitors but rather seek to work collaboratively in order to develop the market.

The World Bank Housing Finance project. In March 2010, the World Bank initiated a 5-year USD 40 million project aimed at developing the housing mortgage finance market in Tanzania, including initiatives to foster the development of a housing microfinance market. There are three components to the project. The main component of the project is the development of the mortgage market, centred on the creation and development of the Tanzanian Mortgage Refinance Company (TMRC) to provide medium and long-term liquidity to mortgage lenders. The second component of the project is development of housing microfinance. An initial study will assess the potential to develop this product and examine how a Housing Microfinance Fund (HMFF) could help in providing longer term funds to allow loans for up to five years or longer to be granted. Regulatory reform and capacity building around this product will also be necessary to foster a safe lending environment. The setting up and implementation of HMFF is likely to take place during the second half of the project. The third component of the project is expansion of affordable housing supply. Work will be undertaken to support the development of a private developer industry. A range of measures will be undertaken, which includes: conducting a baseline housing market study, improving the capacity of the National Housing Corporation (NHC), improving capacity of banks to provide real estate developer finance, and promoting the use of lower cost construction technologies.

Sources: Interview with Stephen Wanjala; <http://hmfwtz.blogspot.com/> and World Bank's website.

3.2 Microfinance for sanitation entrepreneurs

The second segment of the market relates to sanitation entrepreneurs which are operating at a scale where accessing microfinance lending products may help them scale up their business. As indicated earlier, microfinance institutions have not yet “discovered” this type of entrepreneurs. Stakeholders at the workshop agreed that there are opportunities in developing sanitation entrepreneurs in general and microfinance for sanitation entrepreneurs in particular. Some of the opportunities discussed include, for example, individual or small private company providing public toilets or mobile toilet facilities for large gatherings such as wedding or religious activities that are common in Tanzania.

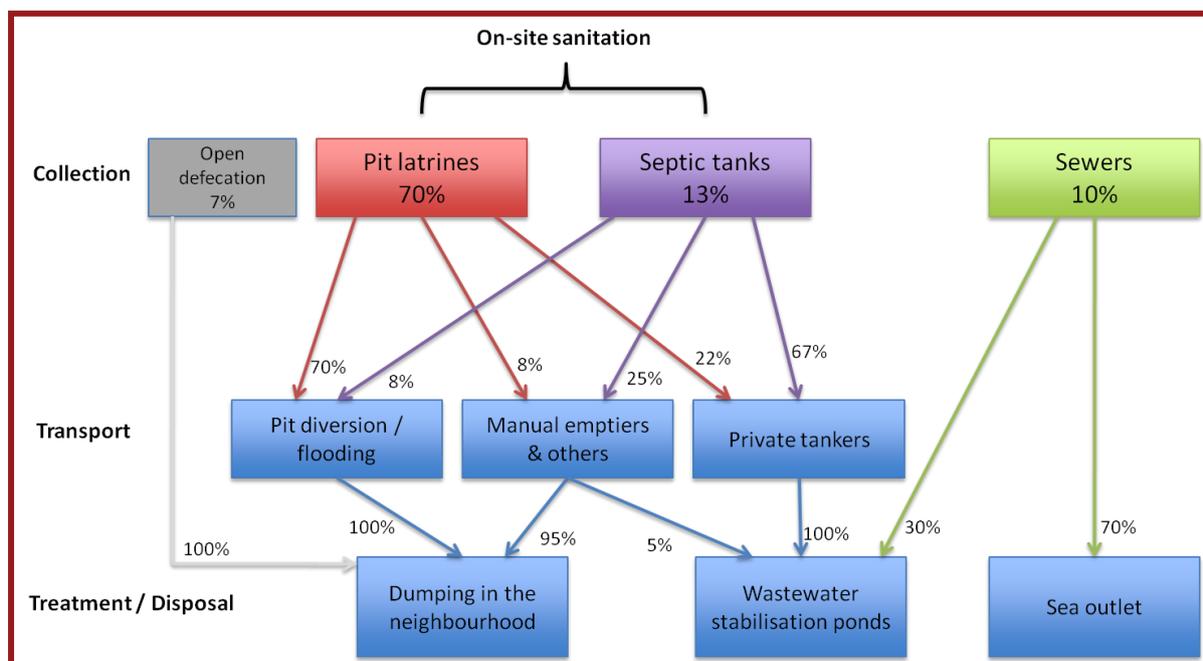
Second, stakeholders also indicated that there is opportunity for group managed sanitation services. These may include youth groups that provide solid waste collection, public toilet facilities and toilet emptying services.

WaterAid Tanzania’s sanitation department has pioneered the development and promotion of liquid waste removal and disposal services using the gulper technology and low cost tank and tricycle transport system. Both groups and a small company are involved. The small company has shown more potential of expansion and quick decision making thereby indicating greater entrepreneurial capacity.

What is at stake?

In Dar es Salaam, whilst the proportion of people using open defecation is still significant (7%), the majority of people (70%) use pit latrines as shown in Figure 4 below. Most of the waste however is not properly discarded. A high proportion of the liquid waste is dumped directly in the neighbourhood thus exposing communities to health risks, partly due to the lack of available services for disposing of this waste hygienically.

Figure 4: Volumes of wastewater and methods of disposal in Dar es Salaam



Source: WaterAid (2010).

What microfinance products could be considered?

Sanitation entrepreneurs, like any other entrepreneurs, are in need of working capital to acquire tools and equipment. In addition, two microfinance products are likely to be demanded by sanitation entrepreneurs. These are asset financing loans and construction loans. In the first case, sanitation entrepreneurs may require funds to purchase equipment for liquid waste disposal. Similarly, such entrepreneurs may require funding to purchase better means of transport such as motorcycle, truck or tanker.

With regards to sanitation entrepreneurs that choose to provide public toilet services there may be the need to construct such toilets and link them to an existing sewer system or construct a septic tank. Such entrepreneurs may require toilet blocks construction loans besides other financial needs such as purchasing or leasing land from local authorities.

At the household level and more so in the rural area, there are opportunities to support the development of artisans to promote and/or construct improved toilets for households. In such cases, microfinance institutions may consider financing the artisans as individuals or in groups to develop and promote their trade as well as finance clients to construct improved toilets.

What are existing experiences in Tanzania?

With respect to providing small loans to sanitation entrepreneurs, WaterAid is the main organisation with experience in this area. They have been examining the sanitation entrepreneur financing issue in the context of their urban work supporting the establishment of small-scale entrepreneurs providing pit emptying services to households. This is usually one the service that these entrepreneurs provide, amongst other services such as street cleaning and garbage pick-up for the municipalities.

WaterAid has been supporting the development of this type of services over the last five years, with the provision of an innovative technological device (the “gulper”). Interviews with leaders of two community groups under the WaterAid gulper project indicated that the demand for pit latrine emptying services is high in the unplanned settlements in Dar es Salaam. These CBOs need funding to acquire a second gulper pump and tanks and motorcycles (See Annex A for more info).

Market traders associations have also entered into partnership with municipal council, in Temeke for example to lease and manage market toilet blocks at a fee. Refurbishment of such public toilet blocks require financings and such market traders associations have approached Tanzania Financing Sanitation for Underserved Settlements (TAFSUS) for financial support and/or linkage with commercial banks for financing.

Did financial institutions express an interest in this market segment?

Financial institutions visited have limited interest in financing sanitation entrepreneurs. This is largely due to low understanding of this type of business. However, a few of the financial institutions contacted have expressed an interest if it is possible to demonstrate that sanitation businesses are a viable financial proposition (see Annex B for more detail).

In addition, banks already provide asset financing for purchasing of trucks and tankers for transport services. Discussions with a banker in Dar es Salaam could not confirm whether these trucks or tankers are used for sanitation services. MFIs provide smaller loans hence have limited interest in financing those entrepreneurs.

Could this segment be developed and if so, how?

Potentially there is a significant demand given the number of latrines in existence that need to be either upgraded, replaced or emptied on a regular basis. Strict enforcement of the municipal by-laws in unplanned settlements would be a key trigger to stimulate the demand for this kind of sanitation services, particularly in urban areas. Partnership between MFIs and sanitation organisations or CBOs may develop the possibility of MFIs financing small sanitation entrepreneurs both in urban and rural areas.

4. Recommendations on next steps

Although the potential market for sanitation microfinance appears to be large, there are only a few isolated experiences that have tested the market for such products. To this date, no formal sector-level dialogue has taken place on whether microfinance could play a role in mobilising the substantial household and private sector investments required to deliver sustainable sanitation services.

This section examines how the various institutions that have expressed an interest in developing the sanitation microfinance sector in Tanzania could work collaboratively in order to achieve such objectives. It sets out a series of steps that can be taken in order to foster the development of sanitation microfinance and leverage private financing to achieve the country's ambitious goals for expanding access to improved and sustainable sanitation.

As a first step, we would recommend disseminating information to microfinance institutions about opportunities in the sanitation sector. This can be done through existing information channels. For example, TAMFI (the Tanzanian Association of Microfinance Institutions, <http://tamfi.com/>) holds regular meetings at which they share information on upcoming topics of common interest. They have shown a strong interest in putting sanitation microfinance on the agenda for their next events, including a TAMFI workshop in August on Social Performance measurement and their General Assembly in September. The sanitation financing market could also be brought up and discussed during meetings of the housing microfinance working group (see Box 7 above).

As a second step, a collaborative working group could be set up to move the agenda forward. This could be done based on a model similar to the housing microfinance working group set up in late 2009 (see Box 7 above). We would recommend that such a working group remain relatively informal during an initial stage, until at least some institutions begin extracting the lessons from pilot sanitation microfinancing schemes, either as stand-alone products or combined with other objectives.

A sanitation-sector institution should take the lead for the establishment of such an informal working group. We would suggest that WaterAid is particularly well-placed to do so, given its interests in sanitation in general and in sanitation financing in particular.

The following tasks are to be undertaken by the working group leading institution:

- Identify which institutions are interested in joining and what their level of prospective involvement is likely to be – this can be done partly based on the present report;
- Convey a meeting of interested institutions, including government officials, financial institutions, NGOs and donors. The results of the present report could be presented and discussed at such a meeting, followed by a presentation of existing microfinance experiences in Tanzania in both market segments by the organisations that are leading on this (including CCI, MAMADO, TAFSUS and WaterAid);

- Assess the need for an informal working group to be set up, draft Terms of Reference for this working group, establish loose governance arrangements and set up a light web-based platform for sharing presentations and information amongst its members;
- Identify areas in need of joint action to foster market development, including at the policy level or through influencing international donor funding allocations and programme design.

These actions are discussed in more detail below.

Getting the right type of institutions interested in the sanitation microfinance market

The working group should encourage organisations to get involved in the sanitation microfinance market by sharing information and knowledge about the sector. As mentioned in Section 3 above, the vast majority of financial institutions in Tanzania are not aware of the needs and potential demand for sanitation microfinance, whilst the NGOs that are currently providing sanitation microfinance products lack microfinance skills and experience.

Identifying which institutions are best able to design appropriate products and scale them up. A common issue emerging with both market segments (also encountered in other countries) is whether it is preferable to build up the awareness and capacity of a microfinance institution to develop sanitation or sanitation-related products or to develop the ability of a water and sanitation NGO to offer microfinance products.

Previous research has highlighted that it would be preferable to build the capacity of existing MFIs to develop sanitation microfinance products, as they have established systems for evaluating and monitoring risks and revenues. Short of being able to do so or if microfinance institutions are not showing much enthusiasm for developing sanitation microfinance, a good middle point would be to facilitate partnerships between NGOs and financial institutions. Such partnerships could go two ways:

- If existing NGOs, such as CCI or MAMADO, are going to develop microfinance “operations” (either as part of the existing organisation or separately), they will need considerable support along the way. This could be provided by financial institutions or consultancies through “training arrangements” or through targeted consultancy services (for product development or establishment of internal fund tracking systems for example). These arrangements will need to be funded, hence the need for mobilising external sources of finance (from external donors for example) to finance those initial “transition” investments. Ultimately, NGOs with a microfinance arm should be able to stand on their own feet so as to graduate from cheap subsidised funding to commercial funding.
- For financial institutions to become players in the sanitation market, they will require entering into partnership arrangements with NGOs that can deliver sanitation demand promotion, hygiene promotion, technical assistance and community mobilisation activities alongside the offer of credit products. Given the potential difficulties in stimulating demand for sanitation and the need to encourage investments in appropriate technologies (rather than expensive ones that people cannot afford), such partnerships would be critical to ensure that sanitation microfinance leads to the construction of appropriate facilities.

Identifying the type of microfinance products for which they might be highest demand. With respect to microfinance for households, the debates referred to in the case study indicate that there would be a strong need for conducting more demand analysis and product development activities in order to identify what are key constraints preventing households from financing, what type of financing they might need to access and what type

of microfinance products could help them overcome these constraints. Given affordability issues, it might be preferable to start with savings products and to introduce micro-credit only gradually and in specific circumstances.

As discussed above, the potential for combining sanitation financing with overall housing finance should also be considered in more detail. Finally, the potential for microfinance to support micro and small businesses to engage in sanitation activities (such as in the case of the “gulper project” supported by WaterAid) could be further explored, once again through engaging with established microfinance institutions and helping those small businesses develop their business case and apply for funding.

Linking sanitation microfinance to the broader social performance measurement indicators of microfinance institutions. One potential way of fostering the interest of microfinance institutions would be to present the development of sanitation microfinance products as a way to improve their social performance. The benefits from sanitation investment are generated for the borrowers but also for their neighbours, through reducing the risks of diseases. Although the pressure to report on social performance has remained limited in Tanzania so far, it could increase over time as pressure on microfinance institutions to improve their social performance increases in the wake of crisis in Andhra Pradesh or in Bangladesh. Placing more emphasis on social performance indicators would also help MFIs attract funding from a broader range of funders, including social investors.

Influencing policy to trigger a debate on sanitation financing

At the policy level, sanitation microfinance should be discussed as part of the broader debate on sanitation sector financing. As indicated in Section 2, the current sanitation policy assumes that households are responsible for investing in household-level sanitation but there is no clearly articulated strategy as to how such investments could be mobilised. Approaches have been developed that centre on demand promotion and support to artisans in order to stimulate supply. However, an analysis of how households can mobilise financing for sanitation investments is currently missing.

This report argues that sanitation microfinance tools could be considered in order to overcome affordability constraints, at least for those households that are able to repay the loan or to save towards this investment (i.e. those that are above “basic needs poverty line”, estimated at 62% of the rural population and 74% of the urban population as per the Poverty and Human Development Report (2009) estimates). Microfinance is unlikely to be appropriate for the poorest and most destitute households, who may need to receive specific assistance to invest, but could still serve the majority of the population as per those estimates.

For those who may not be able to afford microfinance loans, a reorientation of subsidies, away from expensive sewerage solutions and potentially towards hardware subsidies for onsite sanitation investments by the most destitute should be discussed. This could be incorporated into a broader discussion about how to finance affordable housing solutions. Other areas that would benefit from subsidies are the construction of a network of transfer stations and decentralised treatment plants, so as to bring down the costs of emptying latrines (through a reduction in transport costs).

Outside the sanitation sector, it may also be necessary to influence financial sector policy, so as to provide external stimuli for developing the sector. In India, for example, the Central Bank has identified certain priority lending sectors, where financial institutions need to make lending. The sanitation working group could identify financial regulatory changes that could be made in order to make it more attractive for financial institutions to

enter the sanitation microfinance sector. To do so, it may be advisable to define joint initiatives with the housing microfinance working group, as interests would be aligned in this area.

Influence the allocation of public funding to stimulate the market

The inclusion of a microfinance component in the National Sanitation Campaign should be considered as soon as possible, whilst components of the Campaign are still being defined. As the campaign aims to develop activities both on the demand and on the supply side, we would recommend that some of the funding be allocated to stimulate microfinance for sanitation. Although the campaign is primarily focused on rural areas, we believe that the potential for such microfinance products could be explored in rural areas as well as urban ones. Funding could be channelled in several ways:

- Awareness campaigns targeted at financial institutions, so that they become aware of the potential market for sanitation microfinancing and start offering products;
- Seed funding for revolving funds, guarantees or fixed-deposit receipts with the common objective of lowering the interest rate for sanitation microfinance clients.

With respect to the latter component, other large donors may be interested in allocating funding for guarantee funds or providing seed financing for revolving funds. For example, PROPARGO (attached to the Agence Française de Développement) has recently developed a similar arrangement to support the Kenya Women Finance Trust with a guarantee in Kenya. Similarly, the World Bank housing finance programme will support the establishment of a Housing Microfinance Fund (HMFF), in order to help in providing longer term funds to allow loans for up to five years or longer to be granted. Such examples could be built upon and applied to stimulate the sanitation microfinance sector.

Next steps: testing the demand for and supply of sanitation microfinance in Tanzania

Building on the findings of present study, an action research programme was designed and obtained funding from WaterAid and SHARE.

The research is due to start in mid-2013. Detailed activities that could support the development of a sanitation microfinance offering in Tanzania will be carried out as part of this research with the following objectives:

- To establish a network of NGOs, CBOs and FIs (financial institutions) that are mobilised to improve and finance sanitation and hygiene education in Tanzania through a Sanitation and Hygiene microfinance working group;
- To improve the capacity of selected partner NGOs, CBOs, and Microfinance institutions to provide appropriate financial services/products to individuals and/or community based organisations or enterprises to facilitate access to sanitation facilities and services;
- To enable community based organisations and financial institutions to trigger demand for sanitation services and pilot test sanitation and hygiene financing among poor and vulnerable communities;
- To document and disseminate the gaps and lessons learnt from the overall research project both at the country and international levels.

Researchers will work with selected organisations to develop and test a small number of microfinance products specifically designed to fulfil sanitation sector investment needs.

Annex A: Overview of sanitation microfinance pilot initiatives

This section includes a summary presentation of the activities of three NGOs that have developed pilot sanitation microfinance initiatives, including:

- Microfinance for household sanitation (latrine construction): CCI and MAMADO;
- Microfinance for sanitation entrepreneurs (pit latrine emptying): WaterAid and TAFSUS.

The fiches give a brief introduction to the institution, details about how they are using microfinance tools for sanitation, the support they have received from donors and emerging learning from these experiences. We also include our recommendations for how these programmes may be scaled-up.

Name of institution	Centre for Community Initiatives
Type of institution	NGO and microfinance institution
Type of sanitation programme	Microfinance for household sanitation (latrine construction)
Name of contact and contact details	Tim Ndezi, +255 786 796 795 ccitanzania@gmail.com
Website	Not available
1. Main characteristics of the institution	
<p>The Centre for Community Initiatives (CCI) is an NGO set up in 2004 by Tim Ndezi, a former WaterAid employee. CCI's objectives are to conduct development activities that can improve the quality of lives of people living in informal settlements and rural settings (with a particular focus on improving the situation of the urban poor and women in particular).</p> <p><i>Overview of CCI and its approach</i></p> <p>CCI is still a relatively small organisation, with 9 members of staff, 8 of which are in Dar Es Salaam and one representative in Dodoma. The organisation has activities in the following areas:</p> <ul style="list-style-type: none"> • Land, housing and shelter development; • Water kiosks and borehole development; • Sanitation: solid waste management and toilet construction (with the provision of soft loans to build toilets, as described in more detail in section 2 below); • Health programmes (focused mainly on HIV aids); • Safety surveys and community policing. <p>CCI in Tanzania was set up as part of the international SHACK/ Slum Dweller International (SDI) network, which aggregates federations of slum dwellers in various countries across continents (including in India, Malawi or South Africa). The funder, Tim Ndezi, was inspired by the experience of CCODE (Centre for Community Organisation and Development) in Lilongwe, Malawi. He had tried setting up small savings and loans groups during his time at WaterAid but these had failed to the lack of a supporting organisation. He therefore decided to bring the SDI approach to Tanzania. As a first step, slum-dweller members of the Federation in Malawi were invited to Tanzania to present their experience.</p> <p>The SDI approach uses savings and credit schemes as an entry point for mobilising the community and leveraging influence to obtain government or religious officials to access their demands. Slum dwellers are encouraged to form groups, comprising between 20 to 100 group members. As a first step, CCI encourages them to start saving schemes. The</p>	

groups are also encouraged to conduct socio-economic surveys about how to improve living conditions for the community as a whole (this is referred to as “enumeration”) with respect to issues such as housing, water or sanitation. The groups can therefore act as “agents of change” by using this information to advocate for changes and improvements with government officials.

To date, CCI has supported the establishment of 52 saving schemes throughout Dar Es Salaam; 37 in Arusha, 40 in Dodoma, 3 in Morogoro, 31 in Mara and 11 in Mwanza. The saving schemes in each town join together to form a Federation at town or city level. These city-level Federations then joined to form the Tanzania Federation of the Urban Poor.

The Tanzania Urban Poor Fund or “Jenga Fund”

With support from CCI, the Tanzania Federation of the Urban Poor has developed its own funding mechanism, the Tanzania Urban Poor Fund, or Jenga Fund (meaning “let’s build” in Swahili) which is used to mobilise savings from the Federations, combine them with other sources of funding (presently from SDI and Homeless International) and give loans to a variety of programmes. The Jenga fund has evolved organically since it was started in 2006.

At the time of its creation, members used to save in their respective savings accounts. Regional Jenga funds accounts were opened in 2011. Since 2008, CCI has supported the coordination of the donor funds for housing and sanitation to the groups.

Saving and credit schemes formed at the local level can be used to make two types of savings:

- *Small savings into a local saving scheme*, into which they save anything they can spare (it could be as low as 50 or 100 TZS per day. These funds stay with the community and can be used to carry out their own lending activities. Group members need to have been saving for 2 to 3 months before they can access a loan.
- *Savings into the Urban Poor Fund*. Group members are expected to save 500TZS per month into the Urban Poor Fund: these funds are contributed as a donation/subscription which entitles them to receive loans. There are then internal rules to Jenga that organise how the pooled funds are then distributed between the different Federations and their members.

Jenga Fund contributors can obtain loans for water connections, sanitation and housing. Members can obtain other small loans for livelihood activities from their own savings schemes.

Members can obtain one-year loan at a flat annual interest rate of 10%, with values ranging between TZS 150,000 and 200,000 (between USD 110 and 150). The interest rate is equivalent to 0.83% monthly, when other MFIs would typically charge much higher rates (FINCA, for example, charges 3% per month for individual loans and 4% for group loans). This comparatively lower interest rate is due to the fact that they have their own sources of funding from member savings and donations from international organisations. If they were borrowing from a bank as other MFIs do, they would need to charge a higher interest rate.

The Jenga Fund is managed as a slightly separate entity from the rest of CCI, with a separate manager (whose costs are covered by CCI’s general budget). However, CCI is on the Board of Jenga, together with a few community members. The separation is clearly explained to the communities so as to avoid confusion between the two. Funds that are lend for water and sanitation activities are meant to be revolved within the community and are not necessarily paid back to the Jenga fund.

Within each group, there is a Jenga treasurer, whose role is to manage the contributions, loans and repayments. They are supposed to prepare a monthly financial report, which is then aggregated at the ward level, and then again at the regional level. Regional-level reports are then sent to CCI and the Jenga national coordinator. Although such systems of reporting are theoretically in place, it appears that CCI and the Jenga national manager are facing substantial challenges in obtaining reliable information on the group activities.

Loans can be provided for all types of activities, including housing projects or water and sanitation investments. Regarding housing, CCI has identified a clear gap in the market, since no financial institution in Tanzania is currently offering housing loans to the urban poor. Interest rates offered by microfinance institutions can be as high as 35 to 40% annually, which is clearly too high for a housing investment. With the view to stimulate a mobilisation of range of actors for the development of the housing microfinance sector, CCI was also one of the founding member of the Tanzania housing microfinance working group in 2009 (see Box 7 in the main report).

An example of such process in Dar es Salaam took place in the Chamazi area, near the port. In order to build an extension to the existing port, the government decided to expel a community of 35,000 people. There was a saving scheme in the area, where more than 70% of the people were tenants, with no alternative shelter solution. The Federation mobilised its members to go to the Ministry of Land and to the municipality and obtained support from the Government to obtain new land, get financing to have the land surveyed and ready for a low-cost housing project as well as for the construction of sewers. Funds from the Tanzania Urban Poor Fund were used to provide housing loans. The land at Chamazi was bought by community members at a cost of TZSs 24 million (close to USD 18,000). Housing loans are provided for incremental housing construction where members obtain loans ranging from TZSs 2.5 million to 4.5 million (USD 1800 to 3,000). Moreover, communities are required to provide a down payment of 10% of the value of the loan and to provide free labour to assist with the construction.

2. Activities in microfinance for sanitation

As with housing, CCI observed that no financial institutions is currently providing financing facilities to enable households to invest in household sanitation solutions. To address such gap, CCI has started disbursing “micro-loans” for the construction of household toilets, out of the proceeds of the Jenga Fund. Details of the loans provided since 2008 are given in the Table below. The loans have an average value of TZS 200,000 (USD 150). As for the other loans provided by the Jenga Fund, they have a one-year term and carry a flat annual interest rate of 10%.

The selection of the target population for the loans was purely demand-driven, as the communities are supposed to demonstrate their willingness to participate and to contribute labour. All communities can take loans, although landlords have more opportunities as they own land. A loan of TZSs 150,000 could be repaid for 12 month which means a repayment rate of TZSs 12,500 per month. Given that the average income of the majority of the population is TZSs 60,000 (USD 45) per month, this represents about 20% of their total income. The loans are sufficient to cover the costs of the substructure, the toilet and in some occasion the superstructure. In all these cases, the beneficiary has to contribute free labour and local materials.

Table A. 1 - Microloans by Jenga Fund for construction of household toilets, 2008-2011

Region	Number of household toilets	Amounts loan disbursed (TZS)	Repayments (TZS)
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Dar es Salaam	19	5,320,000	0
Dodoma	123	23,440,000	2170650
Mara	10	3,395,000	0
Arusha	50	7,945,400	482,500
Morogoro	9	3,382,000	0
Total	211	43,482,400	2,653,150
<i>Average loan amount</i>		206,078	
<i>Repayment rate</i>			6%

As shown on Table A.1 above, the number of toilet loans made by the Jenga Fund has remained very small (especially when compared to potential demand). According to CCI, a number of factors can explain why this initiative has so far remained limited in size:

- Demand for sanitation remains relatively low, and it is therefore necessary to carry out demand creation activities in parallel with offering financing;
- The lending schemes are currently run by community members, who are doing the promotion on a voluntary basis. They do not have credit officers, who could provide support with marketing, fund management or demand promotion.

Another concern is that the repayment rate appears abysmally low at 6%, even though this may be due to the fact that some of the repayments remain at the level of the local savings and credit schemes and are not necessarily transferred to the national-level Jenga fund. However, systems to track actual repayments would need to be put in place in order to ensure that repayments do indeed take place so as to guarantee the financial viability of the scheme.

3. Sources of funding

CCI currently receives support from SDI (Slum Dwellers International) and Homeless International, an international NGO based in the UK. The amounts provided and sector allocation are shown on the table below. The Tanzanian government has so far not contributed.

	Finance source	Currency	Purpose				Total
			Housing	Water	Sanitation	Technical assistance	
2009	SDI	USD	100,000			20,000	120,000
2010	SDI	USD	50,000			10,000	60,000
2010	Homeless Int.	USD		26,651	66,626		93,276
2011	Homeless Int.	USD		45,000	7,037		52,037
	Total		150,000	71,651	73,662	30,000	325,313
			46%	22%	23%	9%	100%

As CCI was originally set up as an NGO, it has limited capacity in terms of microfinance systems, including managing savings and lending schemes. SDI has been providing support in terms of training. Homeless International has also allocated some limited budget for capacity building, to contract consultants from local banks as well as financing experts.

In the future, CCI may seek additional funding from other sources, such as the CLIFF programme funded by DFID (Community-Led Infrastructure Finance Facility). They are currently at a stage where they need to establish stronger internal systems before being in

a position to absorb more external funding.

They are also looking to mobilise financing from commercial banks in order to scale-up the programmes. They held preliminary discussions with Mkombozi bank and Akiba bank, although both of these banks offer higher interest rates than what they can afford at this stage.

4. Overall assessment of their sanitation microfinance experience

CCI has identified a significant demand for micro “toilet loans” as well as housing loans. They think that the sanitation sector has so far been under-funded and that doing promotion or sensitisation alone is not sufficient: in addition, it is crucial to consider the financing element. They believe that developing microfinance products for sanitation would make a significant contribution towards financing the sector and that demand for sanitation is rapidly increasing. To that end, the policy environment may need to be modified however, so as to instigate demand for sanitation and ensure adequate supply of services.

Their view is that sanitation financing could potentially be done via housing loans. However, given that sanitation is a very significant issue in urban Tanzania, they believe that specific attention should be paid to designing sanitation-specific financial products rather than lumping sanitation as part of housing.

They think that one key advantage of their approach is that CCI has already formed the savings and credit schemes through which such sanitation loans can be promoted, as opposed to other NGOs which may be starting from scratch without an institutional base. As an NGO with credentials in the water and sanitation sector, they also provide training to technicians so that they can provide a menu of sanitation technologies to prospective loan applicants.

They do not think that mainstream financial institutions or even microfinance institutions (such as PRIDE or FINCA) could serve this market alone, because triggering household sanitation investment requires a “social process” in which development-minded organisations need to be involved. As such, they are thinking about establishing partnerships with financial organisations, so that they can benefit from financial institutions’ experience with financial management and those institutions benefit from their experience at creating demand for sanitation, in order to share skills and knowledge. However, they had not identified a financial institution willing to enter into this kind of partnership as yet.

5. Recommendations for future development of their sanitation microfinance programmes

- Streamline their internal fund flow management systems, in order to improve tracking of financing flows and improve repayment rates;
- Seek funding from microfinance institutions to scale up;
- Consider partnership with microfinance institutions for training in order to be in a position to build an internal microfinance department;
- Seek to recruit a few microfinance experts internally to strengthen this department.

Name of institution	MAMADO
Type of institution	NGO
Name of contact and contact details	Augustine Rukeha, Project officer mamadotz@yahoo.com
Website	www.mamado.org
1. Main characteristics of the institution	
<p>MAMADO (Maji Na Maendeleo Dodoma) is a local NGO operating in the Dodoma region since its creation in 2000. Its mission is to work for a strong, self-dependent community. It helps selected marginalized communities within the municipality of Dodoma to implement and manage a safe and sustainable water supply, sanitation facilities and hygiene practices. It operates in 6 districts, with 7 permanent staff, 2 volunteers in the main office and 2 volunteers in each district where it operates.</p>	
2. Activities in microfinance for sanitation	
<p>Since October 2010, MAMADO has been running a very small pilot project, the “Microcredit for Sanitation” project.¹¹ The project offers micro-loans for toilet construction to low-income households in the unplanned settlement of Chang'ombe, on the outskirts of Dodoma, the official capital of Tanzania. The project is supported by SECO (Swiss State Secretariat for Economic Affairs) and had an intended duration of 20 months.</p> <p>Chang'ombe has a population of 39,000 inhabitants over an area of 165 acres. Two thirds of the inhabitants live on less than 40 US\$ a month and the sanitation coverage is 45% (as of 2008). Chang'ombe is very heterogeneous area with respect to religious and tribal backgrounds as well as economic and political status. It is one of the areas with the fastest growth rate in the municipality of Dodoma. The objectives of the project are:</p> <ul style="list-style-type: none"> • To increase sanitation coverage in Chang'ombe from 45% (2008) to 55-60% by the end of the project, by providing microloans for sanitation (with 40% of loans going to women); • To contribute to a 100% open defecation free urban environment • To contribute to an eradication of cholera outbreaks and related mortality in Chang'ombe. <p>The project intends, with the collaboration of the municipality of Dodoma and the Dodoma Urban Water and Sewerage Authority (DUWASA) to develop a micro-credit funding vehicle (revolving funds for sustainable sanitation coverage) for the population of Chang'ombe. It was originally planned that the micro-credit facility will also be made available to the small scale private sector to improve the supply chain for sanitation products and services.</p> <p><i>Background to the project</i></p> <p>The Microcredit for Sanitation project is the main follow up to a research project conducted in Chang'ombe in 2007/08. The research involved the application of the Household Centred Environmental Sanitation planning tool (HCES) and was conducted by MAMADO in collaboration with the Municipal Health Department of Dodoma and SANDEC, a section of the Swiss water research institute specialized in water and sanitation technologies for developing countries (EAWAG). The project was funded by the Swiss State Secretariat for Economic Affairs (SECO).</p> <p>During a participatory problem identification workshop with the community of Chang'ombe, the lack of hygienic sanitation emerged among the top ranked priorities, besides water and road infrastructure. The research led to the preparation of an Environmental</p>	

¹¹ The write-up is correct as of the time of writing in June 2011. When the case study was finalised in March 2013, the project had not been successful and SD funding had consequently been cut.

Sanitation Service Plan, which outlined four on-site sanitation options and a funding concept for microfinance for sanitation. The initial idea for testing microfinance for sanitation came from the Household centred Environmental Sanitation research work (HCES): during workshop meetings, a question was raised on how to help the poor households. A subsequent pilot project, also funded by SECO, led to the construction of 4 toilets in 4 different streets of Chang'ombe, to demonstrate potential technologies to address sanitation issues, including Ecosan toilet, fossa alterna, VIP latrine and renovating existing sanitation facilities. These toilets were provided for free to the households so as to demonstrate the technologies and train local masons.

Characteristics of the micro loans for sanitation product

Following these projects, MAMADO consulted the communities to evaluate potential demand for toilet loans and to identify the lending terms that would be attractive and affordable for the population. No existing MFI were offering loans for sanitation in Dodoma at the time.

The loans provided are for approximately TSh 350,000, to which a 1% flat monthly interest rate is applied (which is a non-commercial and therefore unsustainable interest rate). The loan amount would vary depending on the cost of the sanitation solution chosen (see Table at the end of this document for an information sheet on the sanitation solutions on offer). For existing toilet renovation, some loans are available for amounts as low as TSh 9,000. This type of loan is attractive as it results in cheaper investments.

Customers can choose between repaying over 12 months (and repay 12% of the loan amount in interest) or over 18 months (and pay 18% in interest). Most customers choose to repay over 18 months, even if that means paying more interest. They can be expected to repay between TSh 8,000 and TSh 31,000 a month, depending on the type of investment made. Initial research during project design found that very few households could not afford this level of repayment. Most borrowers are low-income but not necessarily the poorest of the poor.

Once the customer agrees on the type of toilets that they want to build, MAMADO purchases the building material (based on the bill of quantities) and get the toilet built for them. Purchasing of building materials is done in collaboration with community project representatives and MAMADO's project officer. The purchased materials are distributed according to households' choice of sanitation option. The household can choose to buy more and will be told about the price increase accordingly. The households get one month grace period after completing construction, after which they need to start repaying. Based on experience, MAMADO preferred to organise the loan in that way as they felt that households may otherwise use the funds for other purposes.

The only condition for households to obtain a loan is that they should be in a position to repay. Borrowers need to make a pre-payment of 20% of the total cost of toilet construction. The original intention was to give loans to groups (to groups of 3 to 5 households or small scale businesses in the supply chain of sanitation facilities) but they then decided to provide individual loans. They chose to focus on providing loans to landlords, to reduce the risk (if dealing with tenants, those may move without leaving anything behind). The landlords either live in the house by themselves or share with the tenants. In the latter case, they might share an agreement with the tenant so that the latter would bear part of costs (for example, by providing some of his time for construction). The landlord could choose to increase the rent once the toilet is completed as Tanzanian law offers limited protection against sudden rent increases.

Loan contracts with the landlords are signed in the presence of two witnesses: an

employee of the municipal health department and the street leader (as they would always be informed if someone tries to sell their house). There are no other collaterals requested. Loan documentation clearly specifies that this is not a grant and that it has to be repaid (so as not confuse customers with other activities conducted by MAMADO on a grant basis). There are no saving components: a saving component was originally considered but it was found that existing MFIs in Dodoma already offer saving products.

Project operational and governance arrangements

Management of the project has been entrusted to the NGO MAMADO, who was requested to create a microfinance sub-unit within the organisation. The microfinance project represents only a small part of their current activities (about 10%) and it is possible for them to engage in lending activities as long as they do not collect any savings.

The decision to entrust MAMADO with the project was taken after due consideration of alternative management arrangements. As part of project design activities, MAMADO conducted a study to identify organizations with experience in the implementation of micro loan schemes for sanitation. The objective of such investigation was to learn from them and to find a partner to assist during the course of the project or to which they could potentially hand over after the end of the project. At the time, they considered the potential involvement of the following institutions:

- MFIs active in the region, such as FINCA, PRIDE or SIDO (Small Industries Development Organisation). They found that as such MFIs are profit-orientated and focused on lending to income-generating activities; they were not interested in this type of microloans for sanitation. FINCA was helpful during the preparation of the project (e.g. provided a model for group lending contract) and have a representative on the Project Steering Committee but they were not interested in a bigger part in the project, as they would usually require a security from their borrowers (such as ownership title for the house) which most Chang'ombe residents are not able to provide.
- DUWASA, the Dodoma water and sewerage company, was not at all interested in this type of microloan scheme for sanitation;
- Large water sector organisations, such as WaterAid and UNICEF, had no experience in this area and would therefore not contribute any specific skills whilst adding to the costs;
- SACCOs (Savings and Credit Cooperative Societies) are mostly active in rural areas (to help financing mostly agricultural project) and do not exist in Chang'ombe. Therefore, going through SACCOs could not be considered as there would have been considerable costs entailed with facilitating and supervising their creation in Chang'ombe.

They therefore recommended that MAMADO be in charge of the project and create a responsible sub-unit within the organisation. The risk of facing difficulties to obtain repayment of the loans (given their status as an NGO and the fact that they conduct other activities in the same area on a grant basis) was clearly identified and provisions made to counter that risk (such as clear marketing).

The project is supervised and monitored by Swiss consultant (EAWAG-SANDEC). In addition, a Project Steering Committee (PSC) was established to provide overall guidance to the project, be responsible for key strategic decisions and approve the project's activities. The PSC is made up of one representative from each of the following: municipality of Dodoma, Moshi University (specialised in microfinance and small business development), DUWASA, the local MFI and one nominated representative from the beneficiary community.

3. Sources of funding

The micro-credit sanitation project is a component of the SECO-funded programme entitled "Improving Water Supply and Sanitation Services in Dodoma and Tabora". Funding for the microcredit project was generated from the contingency line (DUWASA component) of the main project budget. Total project budget was set at USD 50,000 (equivalent to TSh 62.5 million if converted at the rate applicable at the start of the project, i.e. TSh 1,250 to the USD).

Of this budget, 73% was assigned to seed money for microloans and the rest is used to pay for staff and travel costs of MAMADO and EAWAG/SANDEC. Project funding was split into two phases. A pilot phase, with funding of USD 10,000 for about 50 to 70 microloans was initially supposed to last for 10 months. Depending on the success of this phase, the rest of the funding would be allocated for scale up.

Conditions specified in advance for deciding on the scale-up included:

- MAMADO and the HCES Committee in Chang'ombe can prove that sufficient demand for microloans exist beyond the trial phase, to further expand the microcredit project
- Repayment of the microloans attributed in 2010 meets the donor's requirements (< 5% loan defaults), and
- MAMADO's management of the repayment process meets professional accounting standards; this will be evidenced by the financial audit of the project account.

If the conditions are not met or if the Consultant provides another valuable reason not to continue the project, the project could be stopped with no further payments.

At the start of the project, SECO stated that it had no intention to extend its financial contribution beyond the project. Part of the project activities will therefore consist of defining the future ownership, use and management of the seed and reinvested funds; this needs to be done 6 months before the termination of this project. Final decision on the future of the project (and residual funds from the seed fund) will be formulated by the Project Steering Committee.

4. Overall assessment of their sanitation microfinance experience

As of July 2011, 20 toilets have been constructed which were in use, as opposed to the original target of 50 to 70 toilets. Fewer toilets were constructed than it had been anticipated because of higher costs than anticipated, such as for making tools for brick making, watering of bricks, payments for people who watered bricks, monitoring and supervision, transportation of bricks and other building materials from the production centre to individual households where the structures are to be constructed. Two households among 20 households attempted to change the technology by applying tiles on the floor. They thought that they were decorating while unknowingly affecting the intended technology. They wanted to use both toilet rooms as a bathroom; they were told not to alter the original design.

Repayment has been good: most households are paying in a timely manner, others need some follow up and a few are not repaying in a timely manner due to deaths or disease in the family. They have not faced the challenge of someone refusing to pay as yet. Collecting repayment involves a MAMADO staff physically visiting the community with the assistance of the Community Project Committee (made up of street leaders). In addition, they have received 180 loan applications, which they are currently unable to serve as they are still waiting for the funds for the scaling-up phase.

As the project started about a year ago, it showed that demand is very high and higher than expected, as demonstrated by the high number of applications received by the office.

5. Recommendations for future development of their sanitation microfinance programmes

- Review the factors driving demand for sanitation microloans;
- Move to scaled-up phase for full testing [Note: as of December 2012, funding had dried up and full testing was therefore not undertaken]
- Consider future arrangements for developing the financing scheme early on in the life of the programmes, as otherwise there is a risk that all funds are spent and the programme stops.

Types of toilets

Ecosan

The Ecosan toilet diverts the urine from the faeces. Within six months it produces a safe soil conditioner. The vaults of the Ecosan toilet are very user friendly because they are easy to empty. Since the vaults are water tight they cannot be flooded. The life span of the Ecosan toilet is virtually unlimited.



Construction cost: 360'000 /=
Maintenance cost: 0 /=

Fossa Alterna

The Fossa Alterna also produces a safe soil conditioner. It consists of two pits which are used alternatively. After one year of maturing, the composted humus can be removed from the pit easily with a shovel because it is shallow. Its life span is virtually unlimited.



Construction cost: 160'000 /=
Maintenance cost: 0 /=

VIP

The Ventilated Improved Pit latrine reduces odors and flies thanks to a ventilation pipe. The flies are trapped in a mesh at the top of the pipe where they die. The VIP covers the basic needs of an improved sanitation facility at a low construction cost. However, the costs for emptying the pit are high.



Construction cost: 120'000 /=
Maintenance cost: ~ 30'000 /= per emptying

Rehabilitation of existing toilets

Existing pit latrines can be improved, e.g. by installing a safe slab and lid or by renewing the superstructure. Accordingly, the costs vary relative to the current state of the existing latrine. A rehabilitated latrine complies to the basic health requirements. Keep in mind that the costs for emptying the pit are high.



Construction cost: Depends on the state of the existing latrine
Maintenance cost: ~ 30'000 /= per emptying

Name of institution	WaterAid Tanzania
Name of contact and contact details	WaterAid staff. Some information drawn from interviews with UMAWA and NUMEGRO CBO leaders
Website	www.wateraid.org/uk/what we do/where we work/tanzania/
1. Main characteristics of financial institution	
<p>WaterAid is an international non-governmental organisation with presence in multiple countries. WaterAid envisions a world where everyone has access to safe water and sanitation. It transforms lives by improving access to safe water, hygiene and sanitation in the world's poorest communities through local partners and seeks to influence decision-makers to maximise impact through research, advocacy and communication.</p> <p>WaterAid Tanzania specifically is testing a new type of low-cost pump (the “gulper”) attached to tricycles to solve the problem of emptying latrines in densely populated, unplanned urban areas. In 2008, WaterAid Tanzania supported the formation of “The Tanzania Water and Sanitation Civil Society Network” that seeks to influence national commitments to water and sanitation.</p>	
2. Activities in microfinance for sanitation	
<p>WaterAid Tanzania has tested different approaches to financing sanitation over the years. The approaches included direct implementation in both in urban and rural communities as well as facilitating commercial financing for water and sanitation services. One of the leading programs by WaterAid Tanzania is the MTUMBA approach to sanitation promotion. The MTUMBA approach, named after the village where it was first tried, is a participatory approach that combines Participatory Hygiene and Sanitation Transformation (PHAST), Community Led Total Sanitation (CLTS) and traditional Participatory Rural Approach (PRA). The program has triggered demand for quality toilets and effected change in hygiene behaviour in test communities and schools where in six months the project achieved 74% of the targets for the period. The approach is anchored on four pillars which include: (i) community sanitation committees, (ii) trained artisans and animators offering training in the community, (iii) Formation of Artisan CBOs and (iv) establishment of sanitation centres where toilet and latrine designs are displayed.</p> <p>However, WaterAid Tanzania has from time to time engaged private sector actors to improve the skills and capacities of community organisations to effectively provide water and sanitation services in a more sustainable manner. For example, over the last 5 years, WaterAid Tanzania engaged Human Advancement and Creative House Ltd (HACH) on short term assignments such as for setting up payment systems and training water user associations, developing entrepreneurship skills of water and sanitation entrepreneurs. Under the urban program, HACH has been supporting sanitation entrepreneurs to sell affordable toilet facilities and promote different sanitation technologies, particularly in the Temeke district.</p> <p>Upon adoption of the gulper pump technology for emptying toilets, WaterAid Tanzania intended to link the sanitation CBOs identified in the urban areas to commercial banks and/or MFIs to access loans to acquire the pumps since this approach was deemed to be more sustainable. To this end, WaterAid approached different banks and MFIs with limited success. Only one bank - Kenya Commercial Bank (Tanzania) Ltd had a fairly positive response. However, the engagement has not gone so far due to limited understanding of the water and sanitation sector by the commercial bank on the one hand while on the other, the CBOs have not met the bank’s requirements that include presentation of a viable business proposal and evidence of strong/stable management of the CBOs. These stringent requirements caused delays and led to WaterAid Tanzania to develop an</p>	

alternative approach to deploy the gulper pumps via the setting up of a revolving fund.

WaterAid Tanzania, being an NGO, could not directly fund the CBOs but placed TZS 10 million (USD 7,407) with Harness Africa Ltd (a local manufacturing company) to adapt and develop the gulper pump technology, supply tricycles for transporting the sludge to stabilisation ponds or to the treatment plant. The equipment (including Gulper pump, Tricycle, 400 litres metal tank, 40 litres plastic containers) costs a total of TZS 5 million (approximately USD 3,700). As a result, the amount initially allocated by WaterAid Tanzania could only finance two sets of the equipment. Two CBOs, UMAWA and NUMEGRO were identified, assessed and facilitated to acquire the pumps and tricycle. These two CBOs now provide sanitation services in Temeke district within Dar es Salaam city. It is expected that the repayments from the CBOs will be used by Harness Africa to produce subsequent Gulper pumps hence the concept of the “revolving fund”.

To respond to the need of improving the management of the CBOs as well as to manage the repayments of the capital costs of the pump, WaterAid Tanzania contracted a local consultancy firm, HACH Consult Ltd, to identify potential CBOs and train them on entrepreneurial skills and business management. A second private firm, EDAT involved in enterprise development, was engaged to conduct credit appraisals, collect loan repayments and monitor loan performance. EDAT will later pass on the accumulated funds to Harness Africa to develop more gulper pumps.

HACH had originally assessed 3 CBOs and identified 2 as viable (the other one was weak, with no appropriate institutional systems, and limited understanding by the members). The viable groups were:

- NUMAGRO, which stands for *Newanga Usafishigi Mazingira*, loosely translated as environmental cleaning group. The CBO is registered as a company with a director;
- UMAWA, loosely translated as “Life of Environment and People”.

These two CBOs received the toilet emptying equipment and at the time of this research were providing toilet emptying services in the slum areas in Dar es Salaam and repaying their loans. The CBOs were also involved in solid waste management in the communities, which means that they have diversified sources of income.

Demand for toilet emptying services was estimated to be very high in the areas where these private service providers operate. Both the consultants used by WaterAid (HACH and EDAT) reported that the two private service operators received an average of 8 – 12 orders per month. Both CBOs provide services to largely low income households. These comprise tenants of low income unplanned settlements. Sometimes, they receive toilet emptying orders from the landlords – a segment that would be considered to be slightly better off than the majority of the residents of Temeke. The tenants organise themselves, contribute money and directly seek toilet emptying services from the CBOs. This is very common in situations where the landlord does not live in the same premises. The second targets are households living in self-constructed houses/homes. This category of the market is those who own homes. They may have constructed pit latrines or have septic tanks. Some of these also own a few of the rented unplanned settlements mentioned above.

Interviews with UMAWA representative indicated that the CBO only operated in one of the 12 wards in Temeke municipality, the Kigamboni ward, which has an estimated population of about 2,000 households. This means that potential demand is likely to be very high compared to the capacity of these CBOs to meet such demand. UMAWA is not able to cover the rest of the district due to lack of capacity – “we only have one pump and tricycle”, noted the chairman. Occasionally, the Municipality public health officers refer

households to UMAWA for toilet emptying services, but the CBO is not able to respond immediately since they could be at another end of the ward when called upon.

The impact of the loans is not yet clear since the revolving fund approach is still at inception. WaterAid Tanzania, is implementing the revolving fund as a short term measure. Linking the CBOs with commercial banks is perceived as the long term solution. As such WaterAid Tanzania continues to engage with the banks for financing the CBOs. As at the time of this research, WaterAid Tanzania was seeking ways of setting up a guarantee scheme to enable the CBOs access loans from the banks.

3. Sources of funding

WaterAid Tanzania depends largely on donor support. As such the funds used to set up the revolving fund system was directly from donor funds. CBOs reported that increasingly, the Municipality officers support their work by referring households to them for toilet emptying services.

There are plans by the government and other donors to start a nationwide sanitation campaign later in 2011. Such a campaign is likely to improve awareness and demand for provide sanitation services. This campaign could involve the inclusion of a microfinance component.

4. Overall assessment of their sanitation microfinance experience

Going forward, the service providers (CBOs) foresee a growing market for toilet emptying services. But it was noted that the demand also largely depends on the actual enforcement of the municipality sanitation By-laws. As such, the CBOs need to collaborate closely with the Municipality officials. WaterAid Tanzania could play a role of promoting such collaboration.

CBOs have also diversified their sources of income. For example, UMAWA also operate a small college and receives fee income, municipal payments for solid waste collections, household payments for solid waste collection, as well as toilet emptying services. However, over time income from liquid waste disposal (toilet emptying) has been growing. There is room for expansion of this line of income if the service providers accessed additional gulper pumps and purchased a second motorcycle or means of transport in general and if investments went into additional or expansion of existing transfer stations.

5. Recommendations for future development of their sanitation microfinance programmes

- Consider strengthening the entrepreneurs and building their business case via the use of the revolving fund, before approaching commercial banks for funding with a viable “business case” in hand. Access to commercial bank funding will be critical in order to scale-up the scheme, which would only grow very slowly if done on the basis of a revolving fund approach.

Name of institution	TAFSUS
Type of institution	Financial institution
Type of sanitation programme	Pit latrine emptying and construction of public toilets
Name of contact and contact details	Kenneth Sinare, Manager, +255 713 25 0221 kensinare@tafsus.co.tz
Website	Not available
1. Main characteristics of the institution	
<p>TAFSUS (Tanzania Financial Services for Underserved Settlements) is a Tanzanian not-for-profit company set up in 2010 whose main aim is to raise domestic capital, provide credit enhancement and technical assistance towards the local financing of slum upgrading and affordable low income housing. TAFSUS is registered under the Tanzania Company Act 2002 as a Company limited by guarantee. TAFSUS was set up as a non-banking financial institution with the support of UN Habitat (as part of their Slum Upgrading Facility project).</p> <p>TAFSUS is governed by a Board of Directors with members from the private sector (Azania Bank, Private Sector Foundation Tanzania), civil society (Foundation for Civil Society), Ministries (Ministry of Land & Housing; Ministry of Finance and Ministry of Local Government – PMO-RALG), academia (ARDHI University). The Chairman is a former high-ranking civil servant.</p> <p>TAFSUS is mandated to work with local actors to make slum upgrading projects “bankable” – that is, attractive to retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies. The role of TAFSUS is to assist communities develop a bankable project, i.e. to prepare project documents and negotiate with the bank. Where necessary, they can provide also a cash guarantee to soften lending terms. TAFSUS seeks to support financing of community-driven slum upgrading projects with a combination of community savings, Government subsidy, and local domestic commercial bank lending. Areas they can support communities with include sanitation, water, solid waste, land, housing and home improvements.</p> <p>TAFSUS initially identified projects in the areas targeted by the World Bank Community Infrastructure Upgrading project. Their first pipeline included 10 to 12 potential projects, with about half of them related to sanitation, including public toilets, cesspit emptying, pit latrine construction or sewer construction.</p>	
2. Activities in microfinance for sanitation	
<p>As of July 2011, TAFSUS had not funded any project as yet but they were on the verge of bringing to financial close two sanitation projects in informal settlements in Buguruni.</p> <p>Although they initially considered working on a pit latrine construction project, they identified that working on the pit latrine emptying segment could deliver more benefits and be potentially more bankable. They found that latrines are emptied regularly, existing latrines can be “revived” and become functional, with minimum needs to invest in upgrading them.</p> <p>In the first project, TAFSUS is planning to facilitate the acquisition of 2 gulper units (based on the model promoted by WaterAid) by a local CBO, the Ukonga Development Trust Fund. This CBO is well respected in the local area where it operates (where it had done a project to develop schools, built 8 classrooms, passed on to the municipality) but has no prior sanitation experience. In the planned project, the CBO will borrow from a commercial bank and operate the service. TAFSUS is helping the CBO develop a bankable project,</p>	

provide entrepreneurship training and will provide a guarantee on the Bank loan. The CBO leaders will also need to pledge their own personal assets to guarantee the loan.

Azania bank (which is represented on TAFSUS Board of Directors) has indicated a strong interest in funding the project. The loan currently under discussion is for approximately TZS 19.7 million (slightly under USD 15,000), to cover the purchase of two tricycles, two gulpers, two sludge tanks, 50l barrels, spades and operating equipment, initial operating funds and training costs. It would carry an interest rate of 13.5% (which is lower than the typical 18% they would offer, thanks to TAFSUS's guarantee). The loan maturity is 2 years with a 3 month grace period.

Another sanitation project close to financial closure entails financing the construction of boreholes, public toilets and water taps to supply a public market and surrounding communities. Although markets are owned by municipalities, the day to day activities are managed by a market committee, formed by the vendors' association. The market committee will borrow be managing and running the public toilet and will apply user charges from which to service the loan. The municipality still has to agree that the market committee can access loan. If market committee is not performing, then the municipality could dissolve it and put a new one in place. Approval for taking on the loan also has to go through the general meeting of the vendors' association. However, the project is currently on-hold due to a land dispute problem, which affects the ability to build the public toilet.

3. Sources of funding

TAFSUS was created based on the recommendations of a study funded by UN-Habitat as part of its Slum Upgrading Facility project. This initial feasibility study for setting up Local Financing Facilities was carried out in 2004 in Ghana, Sri Lanka, Indonesia and Tanzania.

A number of donors were involved in the setting up of the credit enhancement facility, including SIDA, DFID (with funding channelled via the Cities Alliance then transferred to UN-Habitat, the implementer of the project).

4. Overall assessment of their sanitation microfinance experience

TAFSUS is also working at a broader level to develop financial services for housing improvements, through the housing microfinance working group and through individual actions. For example, they have been working with the Dar Es Salaam Community Bank to assist them with the development of a housing microfinance product to finance housing improvements (such as a roof, a latrine). Under this programme, TAFSUS would deposit money in a Fixed Deposit Receipt account (TZS 500 million or USD 370,000 for 3 years) that DCB could use for extending housing microfinance loans. DCB currently have 11,000 solidarity group lending clients, which means that their existing customers will be able to access these housing loans. They will select the middle section of their clientele (those deemed able to repay). They see that as a way to add an additional product to their range and as a way to retain their clients.

However, they believe that sanitation has its own challenges, as few people want to talk specifically about it. Therefore, they would recommend the establishment of a separate working group to give the issue a special push as well as collaborating with the housing microfinance working group (given that investment in a latrine can represent about 20 to 25% of a housing loan).

The role of a sanitation microfinance working group could be to disseminate information, carry out advocacy activities, strengthen enforcement of existing requirements to have a sanitation facility (through working with the Ministry of health and local governments). In addition, they believe that the development of pit latrine emptying services would facilitate enforcement as people would no longer have the excuse of saying that no option is available for pit latrine emptying and therefore empty their pit content on the street.

Annex B: Microfinance institutions and their interest in sanitation

This section includes summary presentations of the activities of MFIs with a strong presence in Tanzania which we interviewed in order to assess their interest in getting involved in providing microfinance for sanitation. The financial institutions reviewed in this section include FINCA, Tujijenge, Mkombozi Commercial Bank, PRIDE and BRAC. The fiches give a brief introduction to the institution and examines whether or not they have considered entering the market of providing microfinance loans for sanitation.

Name of institution	FINCA Tanzania	
Type of institution	International NGO	
Interest in sanitation?	FINCA Tz targets traders and offers working capital loans to its clients. FINCA senior management staff would consider financing the sanitation sector if the actors can demonstrate that there are clear business venture in sanitation.	
Name of contact and contact details	Mr. Tom Kocsis (Country Director) Mr. Issa Ngwegwe (Chief Operations officer)	
Website	www.FINCA.org	
1. Main characteristics of the institution		
<p>FINCA was founded in 1994 in Ecuador. FINCA is now present in 21 countries, including 5 in Africa (DRC, Malawi, Tanzania, Uganda and Zambia). FINCA started operating in Tanzania in 1988. FINCA Tanzania works in most regions of Tanzania including Dar es Salaam coastal region, Morogoro, Dodoma, Ifakara, Iringa, Mbeya, Njombe, Mwanza, Mara, Shinyanga, Tabora, and Bukoba. FINCA's operations covers about 40% of the country overall, including 65% in population centres. The table below summarises institutional performance:</p>		
	Key parameters	Values
1	Branches/Office	65% of population centres
2	Staff members	400
3	Borrowers	70,000
4	Banking groups	3,572
5	Outstanding Loan Portfolio	US\$14,464,179
6	Average loan balance per borrower	US\$ 346
7	Savings (Cash collateral)	US\$1,920,272
8	Repayment Rate	98.5%
<p>There are concerns about the business environment in general. The staff noted that the inflation has peaked double digits. MFIs have high cost of operations due wide spread populations, noting that operations costs are much higher in Africa in general compared to say Kyrgyzstan which the team had visited earlier.</p> <p><i>Product Types:</i> FINCA offers both group and individual loans. While the value of the loan portfolio is near evenly split (50%: 50%) between group and individual loans. However, group borrowers comprise about 94% of the total client base. FINCA policy and vision focuses to support small entrepreneurs and improve their lives through improving income sources.</p> <p>The collaterals include household chattels, business fixed assets. They do not usually</p>		

take business property, basic household items such as television and furniture. FINCA Tz has been classifying their borrowers using the Standard Industry Coders (SIC) as is done by banks. However, they have not used this to the highest potential.

Funding arrangements: FINCA borrows from commercial banks and also received donor funding. Donor funding is usually directed to infrastructure development e.g. MIS installations. While commercial funds are used as working capital (funds for on lending to clients).

2. Interest in microfinance for sanitation

FINCA perceives sanitation sector as consumer lending business line. The director and operations staffs feel that consumer lending is challenging since it is never clear the source of income to service the loans advanced.

The NGO would consider lending to the sector if the operators commercialised sanitation services. In their view, they have not received requests from sanitation entrepreneurs hence have not explored this market. Groups are however registered as welfare groups under the Ministry of Home Affairs. The individual loans are rather larger and borrowers do not have to attend group meetings. The borrowers business must be legally registered and loans attract lower interest rate of 3% per months since the risks are lowers.

3. Product development experience

FINCA Tanzania envisions that the market can be developed by having sanitation entrepreneurs who have clear projected capital requirements and legally recognised businesses. Currently, FINCA lends to a maximum of TZS 15 million (USD 10,000) for a maximum of 2 years at an interest rate of 3% a month and application fee of TZS 15,000 (about USD 10). The loans are generally 60% collateralised with mandatory cash collateral of 15% of the loan amount. The group loan borrowers' businesses are not necessarily legal entities though the business must be a legal activity.

FINCA Tz regularly develops products and conduct market surveys to extend their branch network. They conduct market surveys to assess potential demand for new products or in new markets. As such it they were to take up sanitation financing, FINCA Tz would first conduct market survey to determine whether the sector could fit into their business model and viability of engaging in the sector. At the same time, it is noted that few donors are providing funding for working capital. Hence diverting funds from the enterprise loans would need close consideration.

It appears that the products offered by FINCA Tz target both the low income and middle income market segment. As such FINCA Tz is able to provide financial services for sanitation services among its clients. However, FINCA Tz would need to develop an appropriate product.

4. Overall assessment of the potential for sanitation microfinance

FINCA Tz plans to convert to deposit taking MFI. Though the regulations are perceived as stringent, FINCA Tz management feels that the MFI has capacity to meet these requirements. Subject to the conversion, FINCA Tz could provide savings accounts for clients who want to save up to finance sanitation facilities or services.

FINCA Tz regularly conducts social performance assessments through the SMART campaign (www.smartcampaign.org). This is an annual performance surveys including customer service, satisfaction, transparency in lending disclosure of fees to clients, measuring evolution of businesses, and clients and level of indebtedness. They do not provide capacity building for other NGOs or CBOs. In such cases FINCA Tz engages other partners to provide for example, health or financial education to FINCA Tz clients. FINCA Tz has been considering developing a special department for agriculture financing products But they don't have an agricultural product yet. FINCA Uganda has a wide range

of products e.g. at some point FINCA Uganda had a solar loan product.

Name of institution	Tujijenge Tanzania
Type of institution	Company Limited by shares
Interest in sanitation?	Tujijenge Africa holds two MFIs in Tanzania – Tujijenge Tanzania Ltd and Tujijenge Microfinance Ltd. Tujijenge does not offer any sanitation financing but could consider the sector through medical insurance scheme.
Name of contact and contact details	Ms. Felistus Coutinho (Executive Director – Tujijenge Africa – the parent NGO) Mr. Shafi Nambobi (Managing Director – Tujijenge Tanzania Ltd)
Website	www.tujijengeafrica.org

1. Main characteristics of the institution

General

Tujijenge Africa was founded in early 2006 by a group of six microfinance experts committed to professionalise the sector in Tanzania. Tujijenge Africa has established 2 MFIs in Tanzania and plans to establish a third MFI in Uganda. The founders contributed their own start-up capital to form Tujijenge Tanzania (TTZ) hence taking a new direction in funding MFI operations in Africa. In 2008, TA acquired the second MFI from SEF, a local MFI, and named it Tujijenge Microfinance.

Tujijenge Africa's mission is to improve lives through provision of microfinance. TTZ therefore has the propensity to offer a variety of products that may improve clients' lives. Below is a summary of the performance of Tujijenge Africa operations.

	Key parameters	Values
1	Branches/Office	3 (1 in Dar, 2 upcountry)
2	Staff members	98
3	Borrowers	17,000 (300 as individual borrowers)
4	Client groups	800
5	Outstanding Loan Portfolio	*US\$ 2,589,645 (TZS 4 Billion) Individual loans portfolio of TZS 800 million
6	Average loan balance per borrower	*US\$ 167.7 (TZS 260,000)
7	Deposits (Cash collateral)	*US\$ 517,929
8	Repayment Rate	96 - 98%

*Rate: TZS 1550

TA has made considerable growth. As of January 1st 2010 the total portfolio was TZS 3.08 billion, with 13,260 clients. As seen above, this has since reached TZS 4 billion. In 2011, Tujijenge Africa plans to open 5 branches for Tujijenge Tanzania and start another MFI in Uganda. Tujijenge Afrika will experiment with environmentally conscious programs to be introduced to clients and staff

Product Types:

TTZ offers both group and individual loans to its clients. Clients form small groups (10 clients), typically smaller than is typical in the microfinance sector. Borrowers deposit 20% of the loan amount in cash as part of loan collateral. However, individual borrowers pledge assets to access the loans.

TTZ provides working capital loans to small enterprises. This forms the largest proportion

of the loan portfolio. The MFI recently introduced a solar rechargeable lamps loan. This was pilot tested for 3 months targeting 300 households. To their surprise, the take up was double – 700 lamps were sold. TTZ partnered with a distributor who provided the lamps, TTZ provided loans to the clients and receive repayment over time. Some clients use the lamps in their shops and trade stalls in the evenings. The impact includes, clients do not spend more cash on kerosene and improved health by reducing risks to respiratory infections related to smoke emitted by the kerosene lamps used by most of the low income households. The lamps price ranges from TZS 15,000 – 65,000, though the prices have increase with increased adoption and demand. Due to limited capital, TTZ has not expanded access to the solar lamp loan product.

All loans attract 3% interest rate over 4 – 6 months. Borrowers pay application fee of TZS 4000. Maximum loan amount advance is TZS 500,000. The average loan sizes is about TZS 480,000 – this usually seasonal. TTZ targets the productive poor, majority of them living on less than one dollar a day with average loan sizes of about TZS 300,000 and daily revenue of about a dollar. However, TTZ has not done much research on poverty measurements due to limited capacity to develop social indicators and execute such assessments. But broadly, TTZ targets the lower/bottom of the pyramid.

Funding arrangements:

The founders of Tujijenge Africa put up their own start-up capital to invest in the Tujijenge Tanzania MFI operations. The share capital is about 11% of the liabilities. The organisation uses shareholders equity and debt financing to finance operations. Debt financing both from local and international banks as well as donor organisations.

2. Interest in microfinance for sanitation

TTZ does not have a loan product for financing sanitation facilities or services. However, the directors feel that there is potential in Dar es Salaam since the city is spread out with few public toilets.

There is a challenge however at the household level since most residents are tenants. However, with improved toilets, landlords would improve the value of their houses and therefore increase the rents. Upon further discussions, the directors noted that there could be opportunities in including sanitation in a medical insurance cover TTZ plans to pilot test.

3. Product development experience

TTZ, being a company limited by shares, operates as a commercial entity despite having a social mission. Unlike most of the MFIs in the country, TTZ does not have an NGO background or an international parent organization. The directors also have a strong relationship with *MicroSave Consulting Ltd* and have attended some of MicroSave market research and product development trainings. As such TTZ has developed different products within the short time of its history. Besides its core working capital loans, it has tested the solar lamp loans and plans to pilot a health loan product.

The health loan will be piloted in partnership with PharmAccess (Netherlands based development company focusing on health) to promote access to affordable health care. The partner is looking for an insurance company to provide the insurance cover. TTZ plans to provide clients with loans to pay for the insurance premium then repay the loan instalments over 6 months. The program has delayed due to limited insurance companies interested in the segment. However, TTZ is ready with a loan product and looks forward to offering their clients this product. TTZ considers the product as low risk with strong social impact as the package will cover hospitalisation with a combination of health education aimed at reducing incidences of primary illness which are largely malaria (70% of illness cases) and waterborne diseases (accounting for another 25 - 30% of the diseases among the low income people. In terms of funding for the product development, “PharmAccess

funded everything” and are willing to provide loan capital to TTZ at a very low interest rate. However, PharmAccess do not have a local health insurance provider to scale up the services.

4. Overall assessment of the potential for sanitation microfinance

TTZ has the potential to test sanitation microfinance but suggests that donor support would be important to catalyse product development. However, it is noted that there would be need for extensive client sensitisation. For example, TTZ could expand the health loan product into a broader program including sanitation promotion and financing. However, the directors noted that they would need to partner with a sanitation organisation to provide Hygiene awareness or train TTZ staff and provide information packages.

TTZ Ltd is a credit-only institution hence may not develop savings products for sanitation until it converts to deposit taking MFI. Clients currently deposit 20% of loan amount as cash collateral. This does not earn any interest. Clients can withdraw all or part of the savings upon full repayment of the loan balances.

Suggestions on how to link sanitation and microfinance, according to TTZ:

- Link MFIs to sanitation organisations to form partnership
- Other institutions that could be targeted include BRAC and TAMFI, SELFINA
- But TAMFI, the apex organisation for MFIs in Tanzania is still young. TTZ director is the secretary general of TAMFI and may take this up at the TAMFI annual general meeting.

Name of financial institution	Mkombozi Commercial Bank Ltd
Name of contact and contact details	Richard Madeni (Head of Microfinance)
Website	www.mkombozibank.com
Contacts	P O Box 38448, Dar es Salaam info@mkombozibank.com +255 22 2 137806/7 +255 22 2 136775/+255 22 2 137802

1. Main characteristics of financial institution

Mkombozi Commercial Bank is a relatively new bank licensed in August 2009 but which started operations in October the same year. MCB was founded by The Roman Catholic Church in Tanzania. Mkombozi Commercial Bank, (which is Swahili word for saviour) was opened to the general public on August 2009 at its headquarters of St. Joseph Cathedral Church in Dar es Salaam. It targets small and medium enterprises (SMEs) and low-end market clientele.

Funding arrangements:

Mkombozi Commercial Bank started with TZS 6.8 billion (USD5 million) capital raised from investors purchasing shares at Tsh1,000 (USD0.75). The minimum one could purchase was 100 shares each. MCB officers proudly say the bank is owned by Tanzanians and therefore focuses on improving the lives of its customers. Being a commercial bank, MCB mobilises deposits and therefore intermediates such deposits to provide loans and other financing arrangements.

Product types:

The bank offers a broad range of financial products across different market segments. Most important for this study is that MCB has an active microfinance unit that targets the active poor with microfinance products. These include traders and micro-entrepreneurs.

The bank's microfinance client base has reached 3,100 customers. It offers groups loans, individual loans (Mkopo Premium loan) and savings and current accounts as offered by other commercial banks. The group loan customers comprise about 25% of the customer base. The microfinance portfolio is about TZS 670 million (USD 496,296) and about one quarter of this portfolio comprise the larger loans: Mkopo Premium – offered to medium size business people. These are fully secured with assets and titles.

The group based loans size range from TZS 200,000 to 2 million (USD 150 to 1,500) for a tenure of 3 to 12 months. Repayments are made fortnightly and the loans attract an annual interest rate of 27%. MCB adopted the fortnightly repayment frequency to reduce transaction costs for customers and allow clients time to operate their business. This is unlike most MFIs that prefer weekly repayments.

As a commercial bank, MCB also offers other products such as salary, business and agriculture loans. These are usually cash flow based and fully collateralised large loans targeting well established farmers and or business people.

Salary loans are calculated on the basis of the net salary (loan amounts are a maximum of 12 times the net monthly pay). The loan tenure is a maximum of 36 months and attracts an interest rate of 18% reducing balance (equivalent to 12% flat rate). The salary loans have been low risk. However, this is changing since the new younger employees tend to

frequently change employment, which creates a higher risk: *“They are very mobile in the job market. This has introduced a new risk factor in the salary loans segment that most banks are struggling to manage.”*

2. Interest in microfinance for sanitation

MCB is a relatively new bank in Tanzania. Hence it has not provided any water or sanitation loans. These are considered as a new market segment that new banks would not tend to start their operations with. These banks may not see water and sanitation as a key sector to focus on. However, the interviewed officer expressed interest that this is an area the bank could explore in future. But this would be in a broader context of perhaps housing financing, which the bank is currently actively considering.

3. Product development experience

As mentioned earlier, the bank is still new hence has not developed a wide range of products. But to date, the bank appears to have developed successful basic products including current, savings accounts and business and group loans.

The bank is in the process of developing a product concept to provide housing microfinance loans.

This will be in response to a fund that the Bank of Tanzania (BoT) will soon announce (with World Bank funding) to improve the housing situation in Tanzania via the use of microfinance.

4. Overall assessment of the potential for sanitation microfinance

The bank has an in-house product development team which takes the lead in product development. The Head of Microfinance whom we interviewed is part of this product development team. He showed great interest in developing new products, and he noted *“we can explore other products as long as these would benefit our customers”*.

The Head of Microfinance is aware of and knows members of the Housing Microfinance working group in Dar es Salaam. He is a likely contact for sanitation microfinance working groups and therefore a potential change agent in encouraging sanitation microfinance in Tanzania. The Bank shows much potential given its religious/social mission and likelihood of having loyal clients as seen in banks with similar backgrounds e.g. Centenary Bank in Uganda.

Name of institution	PRIDE Tanzania
Type of institution	NGO MFI
Interest in sanitation?	PRIDE Tanzania sent an officer to attend the sanitation workshop organised by WaterAid Tanzania. The officer committed to make a presentation to management on sanitation and hoped the organisation would develop interest in the sector.
Name of contact and contact details	Head Office contact ptzinfo@pride-tz.org OR ptzadmin@pride-tz.org
Website	www.pride-tz.org
1. Main characteristics of institution	
<p>Promotion of Rural Initiative and Development Enterprise (PRIDE Tanzania) is a micro finance institution involved in the provision of credit to small and micro enterprise in Tanzania. PRIDE Tanzania started operations in 1994 in Arusha, from where it has its head office. It started with a pilot project for two years in Arusha, Dar es Salaam, and Tanga which was successfully led to a five year expansion program to 25 branches serving 30,000 clients. The main sources of funding have been from NORAD under a Bilateral Agreement between the Government of Tanzania and the Royal Government of Norway from 1993 to 2001. The Swedish Government joined as a donor through SIDA in 2000.</p> <p>PRIDE Tanzania was incorporated on 5th May 1993 under Cap. 212 as a company limited by guarantee. But in terms of its governance, Bank of Tanzania is the implementing agency of the program while the Board of Directors of PRIDE Tanzania is responsible for strategic policy decisions and oversees the overall program implementation. The MFI targets economically active individuals owning and operating small and medium enterprises across the country.</p>	
2. Interest in microfinance for sanitation	
<p>PRIDE Tanzania has not experimented with financing sanitation services as yet. As indicated above, the organisation participated in the WaterAid-organised Workshop on Microfinance for Sanitation in Dar es Salaam. This could indicate that PRIDE Tanzania may be interested in financing sanitation. But at the same time, it was not clear during the said meeting if there were any specific product PRIDE Tanzania was providing to their clients to improve sanitation.</p>	
3. Product development experience	
<p>PRIDE Tanzania offers the following products to clients:</p> <ul style="list-style-type: none"> ○ Market Enterprise Clients (MEC) loans – these are solidarity group loans for enterprise development. Clients join self-selected groups of 5 micro-entrepreneurs who then join into a 50-member larger group called MEC. MEC loans are largely for enterprise development. It is not clear whether MEC loans have been used to finance sanitation enterprises. ○ Members who have actively participated in the MEC, graduate to form new groups called Fahari loans. 	
4. Overall assessment of the potential for sanitation microfinance	
<p>PRIDE Tanzania is one of the leading MFIs in Tanzania. It has wide branch network and therefore has a great opportunity to develop financial services to support improvement of sanitation in Tanzania. Sending a staff to the Water and Sanitation workshop held in Dar es Salaam was a strong indication that they organisation is interested in the water and sanitation sector. However, there is need to engage with the senior management to establish the potential of PRIDE Tanzania being active in this sector.</p>	

Name of institution	BRAC Tanzania
Type of institution	MFI/NGO development organisation
Interest in sanitation?	No specific loan or program in sanitation
Name of contact and contact details	Gunendu Roy Country Representative
Website	bractanzania@gmail.com www.brac.net/content/about-brac-tanzania - United States
1. Main characteristics of institution	
BRAC started operating in Tanzania in 2006 and promotes a number of development programs aimed at improving members' socioeconomic positions. BRAC Tanzania's Microfinance Program is designed to serve large numbers of poor people with reliable access to cost effective financial services. BRAC believes that community partnerships and institution building are essential for the poor if they are to change their economic, social and political conditions. BRAC has 112 branches in Tanzania in 18 of 26 regions of Tanzania including Zanzibar, the semi-autonomous island that forms part of the United Republic of Tanzania. The main programs include (i) Small Enterprise program, (ii) Agriculture, (iii) Empowerment and livelihood for adolescents and (iv) Health.	
2. Interest in microfinance for sanitation	
BRAC does not specifically provide financial services for sanitation improvement. The closest program to sanitation is the Health care program. The overall goal of the Health Care Program is to improve health and increase access of the majority of Tanzanians to basic health care services. The program aims to provide a package of basic health care services to whole communities where BRAC operates including microfinance groups and emphasizing service delivery for poor women and children. This goal works in tandem with government's national policy to improve the current health status of its people.	
To date, the program has trained 1,716 Community Health Volunteers and 211 Community Health Workers. The service has reached about 1,561,242 people and approximately 312,248 households.	
BRAC Tanzania seeks to compliment and/or supplement government programs, whenever and wherever suggested by the authorities. Through effective collaboration with the government, BRAC takes part in the fight against important diseases like TB, Malaria and HIV/AIDS by using the community workers. The community Health volunteers can also effectively disseminate information on issues like National Immunization Days and motivate the community to use relevant government services.	
3. Product development experience	
While there seems to be a large pool of community workers under this program, BRAC does not seem to have used these community health workers on sanitation promotion. The activities in the health sector seem to be operated as livelihood programs rather than private sector driven financial products. As such, it is not clear if BRAC in Tanzania has financial products development experience. Further study and engagement with BRAC may shed more light on their experience on product development.	
4. Overall assessment of the potential for sanitation microfinance	
Overall, BRAC's approach to service delivery through livelihood development programs has some potential to extend to the promotion of sanitation services. The pool of Health workers and volunteers could readily be used to promote adoption of sanitation services in BRAC's areas of operation.	

Annex C: List of people consulted and potential contacts

This Annex includes a list of people consulted as part of the research, including workshop participants, individuals interviewed on an individual basis and potential future contacts for exploring further the potential for sanitation microfinance in Tanzania.

TYPE OF INSTITUTION	NAME	INSTITUTION	POSITION	MOBILE NO.	E-MAIL ADDRESS
WORKSHOP PARTICIPANTS					
Public sector	Mary Swai	MoHSW	Senior Public Health Officer	0784 380 899	mswai2001@yahoo.co.uk
Public sector	Stephen Greenhalgh	MoW/ GIZ	Planning Adviser	0789 333 229	stephen.greenhalgh@giz.de
Donor	Kaposo Mwambuli	WSP-TZ	Programme Officer	0784 872 224	kmwambuli@worldbank.org
Donor	Dennis Munuve	Agence Française de Développement	Programme officer	222 198 870	manuved@afd.fr
Donor	Le Huong	SNV-TZ	WASH Adviser	0789 333 228	luhong@snvworld.org
Donor	Nangula Heita-Mwampamba	GIZ	Consultant	0784 589 074	nangulahm@gmail.com
MFI	Philip Mwakipesile	SELFINA	Accountant	0714 101 828	bagolofu2000@yahoo.com
MFI	Isaac Phares	PRIDE	Operations Officer	0776 250 859	isaac@pride-tz.org
MFI	Haika Machaku	Dar es Salaam Community Bank	Credit Manager	0783 277 273	machaku@hotmail.com
Consultant	Joel Mwakitalu	Global Associates	Managing Director Global Associates & TAMFI vice Chairman	0784 657 718	joelmwakitalu@yahoo.com
Consultant, TAMFI	Salahe Chanzi	Global Associates	Programme Officer	0718 047 328	chanzi2003@yahoo.com
NGO	Tim Ndezi	CCI	Director	0786 796 795	ccitanzania@gmail.com
NGO	Theresia Ntanga	CCI	Jenga Officer	0755 248 388	teddyntanga@yahoo.com
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NGO	Mwanakombo Mkanga	CCI	Programme Manager	0773 648 513	mmkanga@hotmail.com
NGO	Margaret Ricke	CCI	Intern	-	margaret.ricke@gmail.com
NGO	Kelvin Mwanshilo	CARE-Iwash	Marketing Officer	0755 490 052	kelvin.mwanshilo@co.care.org
NGO	Makame Kitwana Makame	CARE-iWASH	Sanitation, Hygiene and Credit Coordinator	0715 981 659	makame.makame@co.care.org
NGO	Edwin Barongo	CARE-iWASH	Credit Officer	0715 512 764	Edwin.Barongo@co.care.org
NGO	Agostino Rukeha	MAMADO	Project Officer	0713 373 938	mamadotz@yahoo.com
NGO	Austin Beebe	WaterAid	Country representative	+255 22 260 2803 (office tel.)	AustinBeebe@wateraid.org
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Consultant	George Muruka	MicroSave Kenya	Microfinance consultant	+254-722346835	Muruka@microsave.org
Consultant	Sophie Trémolet	SHARE	Sanitation finance consultant	+44 773 049 6835	Sophie@tremolet.com
INDIVIDUALS INTERVIEWED					
Public Sector	Elias Chinamo	MoHSW	Assistant Director, Environmental Health Sanitation	0784831623	chinamoebm@yahoo.co.uk
Consultant	Eugene Ingwe	EDAT	Director	0732999344	eugenetz@yahoo.com
Consultant	Jackson Loyah	EDAT/Anzania	Consultant	0784313284	jlohay@azaniabank.co.tz
Financial Institution	Kenneth Sinare	TAFSUS	Manager	0713250221	kensinare@tafsus.co.tz

Commercial Bank	Jimmy Ohanya	KCB	Manager – Samora Branch	0685283200	johanya@tz.kcbbankgroup.com
MFI	Shafi Nambobi	Tujijenge Tanzania	Managing Director	0688 467 934	shafin@tujijenge.org
MFI	Felistas Coutinho	Tujijenge Africa	Executive Director	0713 232 455	felistasc@tujijenge.org
Donor	Wilhelmina Malima	UNICEF	Watsan specialist	0754 327 987	wmalima@unicef.org
MFI	Tom Kocsis	FINCA	Country Director	068 870 0995	tkocsis@fincatz.org
MFI	Issa Ngwegwe	FINCA	Chief Operations Officer	077 444 2657	ingwegwe@fincatz.org
Donor	Jason Cardosi	WSP	Team Leader		jcardosi@worldbank.org
Donor	Agnieszka Lyniewska	World Bank	Economist- Finance and Private Sector Development	0684 889 208	alyniewska@worldbank.org
Donor	Helena Goldon	WSP	Documentation officer	0684 884 508	Helena.goldon@gmail.com
Commercial Bank	Richard Madeni	Mkombozi Bank	Loan Officer (Microfinance)	0754 694243	Richard.madeni@mkombozibank.com
Donor	Phillemon Mutashurbiwa	UN-Habitat	Country Programme Manager	0784 364 439	Phillemon.Mutashurbiwa@undp.org
NGO	Stephen Wanjala	WAT-Human Settlements Trust	Housing Microfinance & Housing Development Technical Advisor	0768 684 227	swanjalak@yahoo.co.uk
Consultant	Christopher Ndangala	HACH	Consultant	0655304113/0715559696	ndangala@yahoo.com
Sanitation entrepreneur	Mr Muhando	NUMAGRO	Managing Director		
Sanitation entrepreneur	Matthias Simiranga	UMAWA	Chairman		

Annex D: References

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