

## Mobilizing Knowledge: A Peer Learning Exchange Experience on HMF with KWFT in Nairobi, East Africa:

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On my flight from Johannesburg (South Africa) to Nairobi (Kenya), I reflected on the few benchmarking and exchange programmes I have attended. The common themes that resonate with me based on my past experiences, relate to “*sharing*”, “*innovation*”, “*financial inclusion*” and “*peer learning*.”

Peer learning exchange programmes are becoming increasingly relevant in leadership and professional development arenas in a knowledge-based world. It is this knowledge sharing approach and practice that the **Terwilliger Center for Innovation and Shelter** values as a way to make information explicit, so it can be applied with intention and shared with others. The Center firmly supports interaction among peers within the financial services industry, thereby eliciting fruitful and deep learning exchanges between peers on each other’s common challenges, experiences and practices. Naturally, sharing of ideas, experiences and best practices amongst fellow peers in the financial industry can be elusive. It is noteworthy that the Center enables a non-tenuous knowledge sharing platform allowing for cross-pollination of ideas between peers who are part of the same community of practice. The Terwilliger Center for Innovation and Shelter team recently hosted a **Peer Learning Exchange** in Nairobi between a leading Micro-Finance institution, namely the Kenyan Women Microfinance Bank (KWFT) based in Nairobi Kenya, and the Centenary Commercial Bank and Pride and

Opportunity Bank based in Uganda. Kenya, a close neighbor to Uganda, represents the epicenter and business hub across East Africa.

Though the financial institutions based in Uganda and Kenya differ geographically, economically, and culturally, they have been exposed to the same Housing Micro-Finance (HMF) technical advisory services provided by the Terwilliger Center for Innovation and Shelter, through the MasterCard Foundation (MCF) Grant.

With the support of the MCF grant of \$6.6 million, and four years on, in excess of 40,000\* HMF loans have been advanced to low-income households, supporting financial inclusion across Kenya and Uganda. Furthermore, over \$30 million of capital has been mobilized for the advancement of incremental HMF across the two countries. KWFT’s commanding performance with the HMF Nyumba<sup>1</sup> Smart Loan, culminated into the **Peer Learning Exchange** programme between the two countries, with an objective of sharing their experiences in developing, rolling out and scaling the incremental HMF loan product.

The **Peer Learning Exchange** programme workshop brought together an eclectic mix of leadership and management teams sharing intrinsic knowledge that has shaped the HMF loan product across the two countries. I was afforded the opportunity of opening the first day for the exchange programme, and reaffirmed the Center’s commitment towards partnerships, financial inclusion, social impact and developing innovative



<sup>1</sup> Nyumba refers to Housing. <sup>2</sup> Center for Affordable Housing Africa 2017 \*As of June 2017

solutions in housing “where everyone has a decent place to live.” In fact, Mr Mwangi, the Managing Director of KWFT, affirmed his support and is “happy with the exchanging of ideas” shaping HMF in Africa.

Leading on from this, Mr. Mwangi elaborated that central to KWFT’s success as the leading microfinance institution in Kenya, is a “strong mission on social impact and women in particular, ingrained in its shareholders’ agreements, values and mission statement.” The delegation from Uganda found this to be an example of best practice and thought provoking. A senior manager from Centenary Bank commented that this is a “great learning for us at the bank, on the importance of



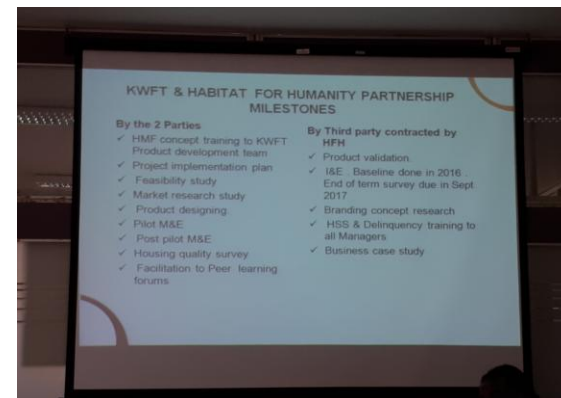
social impact, especially within the bank’s strategy.” Mr. Mwangi particularized that they have incorporated a triple-bottom line consisting of **People, Planet and Profit** in their business operations. One of the pillars and keys to its

successful microfinance strategy, and possibly the most important, is KWFT’s top-down buy-in to its overall social impact approach. The visiting delegation promptly responded that this is indeed an important strategy in practice, which they intend implementing.

There are forty five financial institutions and banks in Kenya, of which thirteen are Microfinance institutions. Significantly, KWFT is the only microfinance institution adopting a niche strategy, focusing primarily on women-led households in rural Kenya. The discourse on housing points to the “unequal power relations” between the “domestic and public

spheres” for women, encouraging KWFT to equally recognize the importance of financial inclusion for women-led households by developing products and services that meet their needs and expectations. In comparison, the Ugandan institutions have adopted an open market strategy focusing on Urban and Peri-Urban low-income clients. KWFT felt that they will benefit by visiting Uganda and understanding the Urban/Peri-Urban HMF strategy.

Though the financial institutions in attendance have developed various products for low-income households, KWFT positioned that they lacked the expertise to concretize a viable housing microfinance product solution for low-income households. Through the provision of technical advisory services, and a dedicated Habitat team, KWFT was able to develop a housing product that met the needs of women-led rural households. A Senior Executive at KWFT affirmed that “Habitat was a partner in it for a solution and not a product.” Through this strategic partnership with the Center, KWFT and the Ugandan financial institutions, were able to achieve key milestones, namely: **market research, feasibility study, HMF product development, project implementation plan, a pilot roll-out, staff training, delinquency management and branding.**



Evidence emanating from the market research in Kenya signaled a demand for housing: “Housing backlog of 1.85M units in Kenya<sup>2</sup>.” The

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market research enabled KWFT to conceptualize, develop and launch the successful Nyumba Smart Loan housing microfinance product.

The impact of the Nyumba Smart Loan is evident when we visited the KWFT loan branches and clients that took-up the HMF loan. It is glaringly obvious that staff



members are passionate about customer service, meeting the needs of clients and the financial inclusion of women, an infusion of its triple-bottom line approach. KWFT's mixture of 247 physical branches, digital platforms and third party agents has enabled it to embrace 'financial inclusion', reaching over 700 000 low-income households. The Ugandan delegation realized the importance of a multi-channel approach in servicing and reaching low-income households. In propelling its customer centricity and reach, KWFT is piloting an end-to-end digital platform that will advance the origination and disbursement of all loans. It is apparent that Centenary Bank is also following this best practice, launching an end-to-end digital platform in 2018.

While technology is a key differentiator, product mix is an important consideration for financial inclusion of low-income groups. Consequently, KWFT has partnered with a variety of market suppliers in the housing value chain, positioning products that support these clients (**solar, water harvesting tanks, bio-gas, BURN-clean stoves**). Delegates from Uganda acknowledged that partnerships are central to developing viable housing marketing systems and solutions, which support financial inclusion of

low-income households. The Terwilliger Center for Innovation and Shelter is critically looking at developing the market perspective in housing to better achieve impact in a sustainable manner for low-income households in Kenya and Uganda.

In closing, delegates thanked KWFT and the Center for their support, and expressed, "we have so much to learn regionally from one another." Delegates felt that a regional



exchange programme is beneficial as there is a "shared spirit of challenges, opportunities and innovative housing solutions."

The next steps considered will be an exchange visit by KWFT to Uganda.



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