Triodos Facet

TANZANIA

MICROFINANCE COUNTRY SCAN

For Hivos / MicroNed

FINAL REPORT

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LIST OF ABBREVIATIONS

ACB	Akiba Commercial Bank Ltd
ACIST	Arusha Community Initiatives Support Trust
ADB	African Development Bank
AGTIF	Agricultural Input Trust Fund
ASCA	Assisted Savings and Credit Associations
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
CCM	Chama cha Mapinduza
CCBRT	Comprehensive Community Based Rehabilitation in Tanzania
CDD	Cooperative Development Department
CGAP	Consultative Group to Assist the Poor
CFP	Central Finance Programme
CIDA	Canadian International Development Agency
CRDB	CRDB Bank Ltd.
CMSA	Capital Markets and Securities Authority
COASCO	Cooperatives Audit and Supervision Corporation
CORDAID	Catholic Organization for Relief and Development
CUF	Civic United Front
DANIDA	Danish International Development Agency
DFID	Department for International Development (UK)
DID	Développment International Desjardins
DSM	Dar es Salaam
EAC	East African Community
EDI	Economic Development Initiatives
EFA	Equity for Africa
EKN	Embassy of the Kingdom of the Netherlands
FERT	Formation pour l'Epanouissement et le Renouveau de la Terre
FICO	Financial Cooperative
FMiA	Microinsurance Agency Tanzania
FSDT	Financial Sector Deepening Trust
GBA	Global Banking Alliance
GDP	Gross Domestic Product
GOT	Government of Tanzania
GRI	Global Reporting Initiative
HIPC	Heavily Indebtedness Poor Countries
HIVOS	Humanist Institute for Cooperation with Developing Countries
ICA	International Cooperative Alliance
ICCDE	Institute of Continuing Cooperative Development and Education
ICCO	Inter Church Organization for Development Cooperation
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFM	Institute of Finance Management
ILO	International Labour Organization
IMF	International Monetary Fund
KFCB	Kagera Farmers Cooperative Bank
MDG	Millenium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFC	Microfinance Company
MFI	Microfinance Institution
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Sized Enterprises
MUCCOBS	Moshi University College of Cooperative and Business Studies
NMB	National Microfinance Bank Ltd.
NGO	Non-governmental Organisation
ODA	Official Development Assistance
POS	Point of Sale
PPP	Public Private Partnership
PTF	Presidential Trust Fund
RFSP	Rural Financial Services Support Project
RFSS	Rural Financial Services Strategy
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperative Society
SADC	Southern African Development Community
SBU	Small Business Unit
SCCULT	Savings and Credit Cooperative Union League of Tanzania Ltd
SECO	Swiss Government's State Secretariat for Economic Affairs
SEDA	Small Enterprise Development Agency
SELF	Small Enterprise Loan Facility
SIDA	Swedish International Development Agency
SMEs	Small and Micro Enterprises
SME-CGS	SME Credit Guarantee Schemes
TADB	Tanzania Agricultural Development Bank
TANZALEP	Tanzania Leasing Project
TBA	Tanzania Bankers Association
TCRA	Tanzania Communications Regulatory Authority
TFC	Tanzania Federation of Cooperatives
TIOB	Tanzania Institute of Bankers
TMRC	Tanzania Mortgage Refinancing Company
TNBC	Tanzania National Business Council
TZS	Tanzanian Shillings
UN	United Nations
UNFPA	United Nations Population Fund
VICOBA	Village Community Banks
VSLA	Village Savings and Loan Associations
WAT	Women Advancement Trust
WB	World Bank
WCRP	World Conference on Religions for Peace
WEF	Women Entrepreneurs Finance
WOCCU	World Council of Credit Unions

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INTRODUCTION

This Country Scan on Microfinance for Tanzania is an updated version of the original report produced by Triodos Facet in 2007. This document will serve as input to Hivos and MicroNed in the review of their country sector development strategy for Tanzania.

MicroNed is a network that brings together the five Dutch development organisations: Cordaid, Hivos, ICCO, OxfamNovib and Rabobank Foundation. It was created in 2006, and aims to provide a structural basis for coordination and establishment of a specialized sector approach to microfinance.

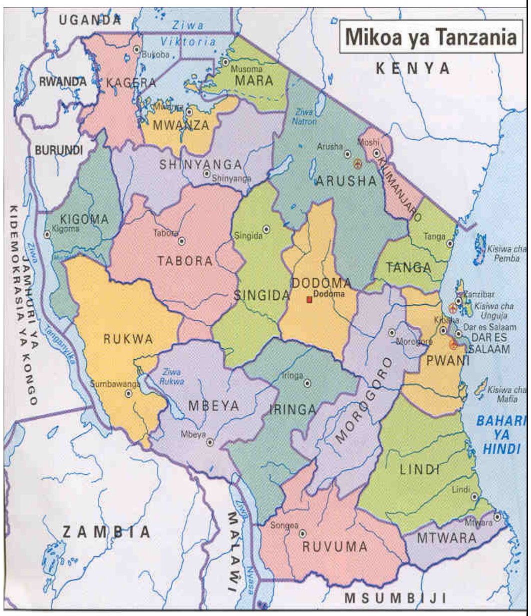
MicroNed specifically aims to strengthen microfinance sector interventions on a national level, geared to the development of an enabling environment. Coordination and collaboration in countries and regions, as well as on specific themes, plays a central role. MicroNed will not provide direct support to retail MFIs. This is the exclusive domain of its members. It will however, harmonize its members' activities as far as grant support for sector development in selected focus countries is concerned.

Tanzania is one of the nine focus countries of MicroNed. Hivos is country coordinator for Tanzania within MicroNed, and responsible for establishing a country sector development strategy, to serve as the basis for coordination between the five MicroNed members.

Triodos-Facet
Dar es Salaam, December 2010

1 THE SOCIO-POLITICAL AND ECONOMIC CONTEXT

Basic Socio-Political Indicators	
Area, km²	945,087 km²
Capital	Dodoma (political) ; Dar es Salaam (commercial)
Population	41.3 Million (2007)
% below 15 years	44.7% (2009)
% living in rural areas	73.6 (2007)
Population growth	2.9% per year (2005 – 2010)
Population density	45 people per km² (2008)
Ethnic composition	> 80% Bantus (over 120 ethnic groups) Indian minority, dominating trade
Religious composition	Christianity (35%), Islam (35%) and traditional beliefs (around 30%)
National language	Swahili, English
Adult literacy	Female 65.9%, Male 79.0% (>15 years) (1999-2007)
Life expectancy at birth	Female 55.8 years, Male 54.6 years (2007)
People with HIV/Aids	6.2% (in age group 15-49 years) (2007)
Ranking in Human Dev. Report	151st (out of 182 countries, 2007)
ODA Category	Least Developed Countries & Territories
Population below income poverty line	35.7% (2000-2006)
Ranking in Gender Empowerment Measure	69th (out of 109 countries, 2009)



1.1 Political and social context

Since independence in December 1961, Tanzania has developed one of the strongest track records of political stability in Africa, despite contentious elections on Zanzibar. Executive power rests with the president and the ruling CCM. On 30 October 2010 Jakaya Kikwete was re-elected as president for a second term, though with a substantially reduced majority. This represents a major shift of power at least among youth in all the major towns in Mainland Tanzania. Candidates fielded by Chadema have taken the heavily populated urban constituencies in Dar es Salaam, Mwanza, Arusha, Mbeya, Iringa and Musoma municipalities. Ali Mohammed Shein has been elected with 50.1% to head the Government of National Unity (GNU) on Zanzibar. His cabinet is composed of nine ministers from the ruling CCM and eight from the opposition Civic United Front (CUF). It is notable that only 20 million voters - 42% of the electorate - participated in the 2010 election.

Tanzania is a member of the East African Community (EAC) and is an active member of the Southern African Development Community (SADC). The EAC Common Market began to operate on 1st July 2010. In late 2010, a high level task force with strong backing from EAC central bank governors of EAC member states formed to start negotiations on the convergence across the single currency area.

After over four decades of independence Tanzania remains one of the ten poorest countries in the world. Poverty remains widespread and deep. Nearly three quarters of Tanzanians live in rural areas where income is largely dependent on small scale farming. Poverty is closely related to the low profitability of agricultural activities. Major causes of concern are the unequal distribution of wealth and resources. The HIV/Aids situation in the country is less worrisome than in neighbouring countries, but it is still a leading killer disease for the age group 15-49. Tanzania has a very young population with nearly half (44.7%) being under 15 years of age.

Although Tanzania experienced relatively rapid growth in per capita GDP, decline in poverty has been low and concentrated in urban areas. Unemployment is formally about 6.4%; underemployment is widespread. Corruption at all levels remains a major - and increasing - challenge.

1.2 Economic Context

Basic Economic-Financial Indicators[1]	
Gross Domestic Product	US$ 22,249.2 million (2009)
GDP per capita	US$ 525 annually (2009)
Real GDP growth rate	7.4% (2008)
Main exports	Sisal, cloves, coffee, cotton, cashew nuts, minerals, tobacco
Inflation rate	6.3% (July 2010)
External debt ratio	33.9% of GDP (2008)
Exchange rate	The TZS has depreciated against the US dollar; this is partly due to reduced confidence in the market arising from the global financial crisis, leading to a demand for foreign exchange.
Treasury bills weighted aver.yield	3.89% (July 2010)
Overall lending rate	14.38% (July 2010)
Short term lending rate (< 1yr)	14.11% (July 2010)
Time Deposit (1 yr)	7.27% (July 2010)

General economic development
Tanzania's economic performance has been relatively strong over the past decade. The structural reform agenda has focused on economic liberalization, improved public financial management and tax and customs administration, and financial sector development. The onset of a series of globally-induced crises including fuel price hikes, and the second and third round effects of the global financial crisis have since curtailed this record. Economic growth in 2009 is estimated at 5.5%. Inflationary pressure has also intensified since 2008 pushing the inflation rate up to an annual average of 10.3% in 2008 and 12.2% in 2009. Nevertheless, GDP per capita is $534 (2008) and there is widespread poverty. The Government is developing its second National Strategy for Growth and Reduction of Poverty (NSGRP), which will begin to be implemented in 2010/11.

Agricultural sector
Agriculture remains the mainstay of nearly three quarters of the country's population although it accounted for only slightly over a quarter of GDP and a little shy of 20% of exports in 2007 and 2008. Subsistence cultivation and smallholder cash crop production are predominant. The main subsistence crops, accounting for 55% of total agricultural output, are maize, sorghum, millet, cassava, rice plantains, wheat and pulses. Yields are poor due to low input use and limited access to new technologies. The agricultural sector has been growing modestly, although production levels are still far below potential, and have been affected by recurrent droughts. Environmental degradation is widespread in many rural areas.

Monetary indicators
In 2008/09, the Government implemented a range of policy and institutional reforms in order to strengthen revenue collections. Despite the efforts, revenue collections as a percentage of GDP declined slightly (from 16.9% of GDP in 2007/2008 to 15.9% in 2009/2010) mainly on account of a slowdown in economic activities due to the global economic and financial crisis. On the other hand, total government expenditure was equivalent to 25.1% of GDP. Overall, fiscal operations registered a deficit of about 4.5% of GDP, of which 82% was financed by borrowing from abroad. The balance came from domestic sources. The demand for Treasury bills, bonds and repurchase agreements declined substantially. This was largely due to increased loan syndications, Initial Public Offers by companies, and the increase in the minimum reserve requirements on government deposits from 10% to 20% in January 2009.
The national debt stock which includes external and domestic debts rose up to 15.1% to $8.7 trillion at the end of June 2008. The increase was attributed to new disbursements, exchange rate fluctuations, accumulation of interest arrears and issuance of new domestic bonds.

The Millennium Development Goals - Tanzania's performance
To reach MDG targets, Tanzania must reduce by half the number of people below the poverty line by 2015. In order to do so, agriculture must grow by at least 10% annually (the present growth rate is 3.3%). There remain considerable concerns about the achievability of many MDGs in Tanzania. Poverty, underweight children, maternal mortality and access to clean water are still areas in which the set goals are unlikely to be reached. The reduction of infant and child mortality is the only indicators which are forecast to improve over the next few years.

[1] Sources: IMF Country Report No. 10/173, June 2010; BOT Monthly Economic Review, August 2010; BOT Annual Report 2008/2009, June 2009

2 THE FINANCIAL SECTOR

2.1 General

The first generation Financial Sector Reforms in the 1990s created an effective and efficient financial system and strengthening of the banking regulatory framework. However, even though the supply of financial services diversified, it did not increase access to financial services particularly by low income and the rural population. Credit to the private sector remains a critical constraint on investment and business development. The ratio of private sector credit to total private sector deposits held in the banking system increased to 73.1% by the end of June 2009, compared to 66.2% recorded in the corresponding period in 2008. Credit to the private sector registered a growth rate of 33.2% in 2008/09. The growth of credit to private sector was however less than 38.6% registered in 2007/08, manifesting the increased cautiousness of banks in lending to the private sector in the wake of the global financial crisis.

The major trends in the supply of financial services have been characterized by a number of issues including a small financial sector in terms of access to credit; formal financial services for SME, MSME and low income individual clients concentrated on urban and peri-urban areas; informal financial institutions, which are the main supplier of financial services to urban and rural Tanzanians. MFIs and SACCOS only facilitate limited access to financial services for individuals excluded from the formal financial services, as revealed by the 2009 Finscope survey. Where physical access to financial services has been a barrier, technological innovations have started bridging the gap (mobile POS, mobile payment systems, ATMS etc). Some banks successfully offer agriculture finance through institutional arrangements with informal, semi-formal providers and individual customers. The Government is moving into development finance through the conversion of TIC into a Development Bank and the proposed Tanzanian Agricultural Development Bank. There is a general lack of data about the demand for agriculture, housing and equity finance and financial literacy.

The findings of a joint financial sector assessment by the Government, the IMF and the World Bank in 2003 resulted in the Second Generation Financial Sector Reform Programme (SGFSRP) in 2005. It is to be implemented by the Financial Sector Program (FSP) which is chaired and coordinated by the Bank of Tanzania. The second-generation Financial Sector Reform Action Plan approved by Cabinet 2006 – 2011 is funded with $22 million from the World Bank and DfID. For the first time, rural and micro finance issues have been recognized and included in financial sector reforms.

2.2 National Policies

To address the expanding gap in the financial system, the Government has produced a number of initiatives in order to create and enabling environment. These included the National Microfinance Policy in 2000, the Financial Laws Act (2003) and the he Cooperative Act (1991). Microfinance therefore was integrated into the macro development policy framework, and sector policies and strategies targeting the poor and rural population. A number of policies relevant for microfinance are briefly mentioned below.

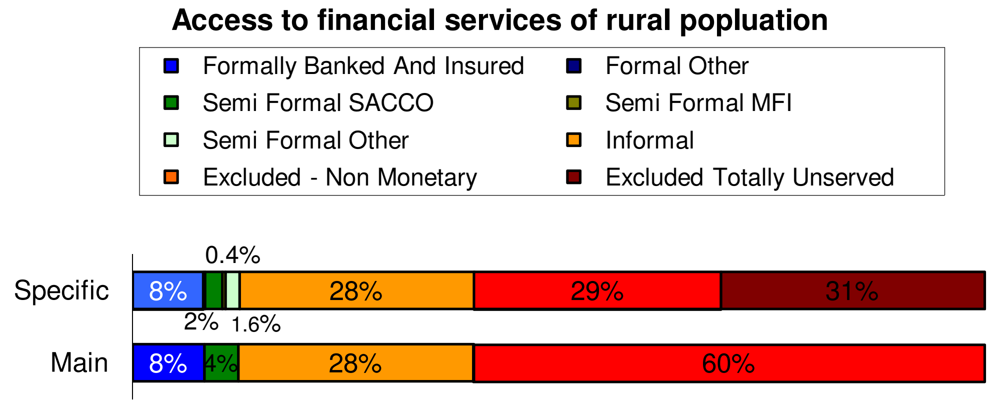
MKUKUTA
Mkakati wa Kukuza Uchimi na Kupunguza Umaskini Tanzania (The National Strategy for Growth and Reduction of Poverty or MKUKUTA) is a high profile policy at the centre of the Government's poverty reduction drive. Mkukuta I (2005-2010) was organized around three clusters: Growth and reduction of income poverty, Improved quality of life and social well-being, and Governance and accountability. Although there have been positive results, Mkukuta I failed in a number of key indicators, including the reduction of income poverty and maternal mortality. The many areas of priority in Mkukuta I coupled with limited resources also made it difficult to achieve the objectives. The second phase of Mkukuta (2011-2015) has the same three clusters, but the number of priorities have been scaled down. There is also more focus on agriculture.
The government of Tanzania established the Tanzania Social Action Fund which will allow local and village government to respond to community demands for interventions. This should contribute to the attainment of specific Millennium Development Goals.

MKURABITA
The Property & Business Formalization Programme (Mkurabita, Swahili acronym) is part of the Government's drive for economic growth and prosperity. The intention is to enable the use of land to get credit and create capital. The aim of the programme is to change land ownership in Tanzania from traditional and communal to more formal and private individual ownership. Implementation of the programme is yet to reach its fourth

and final stage. Although there has been some progress, the overall impact (especially beyond Dar es Salaam) is still limited.

The Rural Finance Services Strategy (RFSS)
A complex rural finance policy framework evolved from the policy efforts to streamline microfinance and rural finance (refer Annex 7). Every policy however, approaches rural finance from the perspective of its own core focus. The result is that the approach of rural and agricultural finance varies from one strategy/policy to another. Therefore there was a need for a separate Rural Financial Services Strategy. The RFSS was developed with the financial support of the FSDT. The RFSS is still waiting to be formally endorsed by the Ministry of Finance and Economic Affairs.

Rural Tanzanians have little access to financial services: nearly one third (10 million) have no access at all; 29% use non-monetary means to transact and 28% use informal financial service providers. Only 4% use semi-formal providers, while a mere 8% have access to a bank account or insurance policy[2].



Only 650,000 rural Tanzanians are served by semi-formal service providers: 70,000 use MFIs while SACCOS serve 320,000. When the second FinScope survey was carried out in 2009, mobile payment systems were on the rise but had not yet spread to rural areas. Since mobile payment systems by mobile phone providers are included in the “other semi-formal financial services” category, the percentage of the population using other semi-formal financial services may now have changed considerably. This begs the question, do MFIs really have the potential to meet the demands of rural population?

The central element in the RFSS in the medium term is development of SACCOS, since they have a strategic presence in the rural areas already and are relatively low cost structures. Three key components are required to guide development: Firstly, creating an enabling environment within which rural financial markets are encouraged to develop and evolve to include a greater proportion of potential suppliers and users of financial services. Secondly, the demand side of financial services needs to be improved by focusing on interventions aimed at improving financial literacy for current and prospective users of financial services, and supporting skills for private enterprise development. Finally, the supply side of financial services needs to be promoted by assisting SACCOS to provide better products and services. The RFSS foresees the establishment of integrated networks of SACCOs. It is not clear when the RFSS will be formally endorsed.

The National Financial Literacy Strategy
A national financial literacy strategy to enhance public knowledge on financial matters was developed in 2008/2009. It was officially launched in August 2010 pending its endorsement by the BoT and the Ministry of Finance and Economic Affairs. The strategy states:
“Many opportunities can be found in working through existing networks, such as financial service providers, youth organisations, enterprise development and support organisations, and the formal educational system. The Government (national and local) as the main formal employer, together with unions, can be used as communication channels. Audio-visual and pictorial print has also been used very successfully in other developing countries to overcome low functional literacy. Radio talk shows and innovative programmes such as village theatre are particularly appealing to the youth and have an established track record in communicating important messages in Tanzania”.[3]

[2] Source: Finscope Survey 2009.
[3] Draft Framework for Financial Education in Tanzania, Marketworx Africa, April 2010

Kilimo Kwanza

Kilimo Kwanza[4] was launched in August 2009. It was formulated under the auspices of the Tanzania National Business Council. It follows a sequence of government initiatives aimed at unlocking Tanzania's agricultural potential, which so far have not been very successful. It is too early to assess whether Kilimo Kwanza will be able to succeed, where earlier initiatives have failed. The fact that the private sector is expected to be the lead implementing agent is a positive sign, as is the holistic approach intended to address the many challenges in the agricultural sector.

The Kilimo Kwanza policy, however, is only available in Swahili. A ten-pillar guideline has been developed to aid the implementation of Kilimo Kwanza. The second pillar addresses the mobilization of financial resources from the private sector financial institutions, government, development partners and financial and community based organisations.

The establishment of **The Tanzania Agricultural Development Bank (TADB)** is a major component of this pillar. According to its business plan: 'TADB is proposed to be formed as a private company under the Companies Act with the GoT as the promoter and majority shareholders. Being a financing entity with a specific role it is proposed that it seek licensing from the BoT as a financial institution to carry out banking business whose scope of operation is prescribed. TADB is not envisaged to be a deposit taking bank in the initial years. TADB will not be among the 32 commercial banks that BoT supervises and regulates. It will be a special bank tasked with an important development role, i.e. enhancing the flow of credit to the agriculture sector'. The business plan apparently also foresees that 'given that TADB will be extending medium and long terms loans to the agriculture sector it is recommended that the existing prudential norms be suitably modified'. It seems the proposed set-up might not fully take into account the lessons learned from the failures of state-owned agricultural development banks over the past decades[5]. See also 2.6.1 on Agricultural Finance, for more details on products and services.

The Government of Tanzania is strongly in favour of reviving and strengthening SACCOS. The second pillar of Kilimo Kwanza aims to empower SACCOS and farmer cooperatives to mobilize, manage and channel funds for agriculture production; to allow commercial banks to lend a percentage on concessionary terms to agriculture production, and to extend the establishment of community banks in every region. It will also institute policy instruments to facilitate insurance companies to extend cover and lending for agriculture production.

The National Economic Empowerment and Job Creation Programme (NEEC)

In 2006, the Government introduced the National Economic Empowerment and Job Creation Programme. The programme encourages the establishment of SACCOS at Ward level and offers to lend them a total of TZS 21 billion (TZS 1 billion per region, popularly known as the 'JK Billions'). In phase I, TZS 10.5 billion was allocated to guarantee 50% of the loans. In phase II TZS 10.5 billion (TZS 600 million for Zanzibar) was allocated to a revolving fund. This was disbursed by the financial service providers and other financial institutions. Phase II targeted underserved areas in phase I. Since the disbursement was carried out by a number of financial institutions, the performance of the portfolios guaranteed during phase I and disbursed during phase II is not easy to obtain. It is therefore unclear if the funds fulfilled their objective.

2.3 The Legal Framework

2.3.1 BOT supervised institutions

Tanzania has a tiered structure of licensed and prudentially regulated and supervised financial institutions. There are different entry requirements in terms of required minimum core capitalization, for commercial banks, non-bank financial institutions, Micro-Finance Companies (MFCs) and Financial Cooperatives (FICOs), as summarized in the table below:

4 Meaning 'agriculture first' in Swahili.

5 See also State-Owned Agricultural Development Banks: Lessons and Opportunities for Microfinance, Claudio Gonzalez-Vega and Douglas H. Graham (1995).

Minimum Capital Requirements	In Tsh	In USD	In Euro
Commercial Bank	5 billion (to become 15 billion)	$ 3,335,579 ($10M)	€ 2,408,780
On Unit Regional Bank	250 million	$ 166,779	€ 120,439
Non-Bank Financial Institutions	2.5 billion (to become 7.5 billion)	$ 1,667,789 ($5M)	€ 1,204,390
Micro Finance Company (MFC)	200 - 800 million	$ 133,423 - $ 533,693	€ 96,351 - € 385,405
Financial Cooperative (FICO)	800 million	$ 533,693	€ 385,405

A raise in minimum capital requirements for commercial banks and non-bank financial institutions was officially announced in the Monetary Policy Statement in June 2010, in a response to the worldwide financial crisis. The statement does not mention the transition period for raising the minimum capital requirement given. As per February 2011 the banks had been notified, but the regulation had not yet been gazetted.

The regulatory and supervisory framework includes the Banking and Financial Institutions Act (2006); the Bank of Tanzania Act (2006) and the Companies Ordinance (Cap 212).
In addition, a number of regulations are relevant for microfinance activities. These include the Microfinance Companies and Microcredit Activities Regulations (2005); the Banking and Financial Institutions Regulations (1997) which prescribes conditions of entry or exit into the banking industry in Tanzania (licensing requirements); the Capital Adequacy Regulations (2001) which provides for capital adequacy requirements for various forms of banking institutions in Tanzania.

With respect to Mortgage Finance (Special Provisions) passing of the Act No. 17 of 2008 has created a strong momentum in Government for the development of housing finance and has also generated a high level of expectations. The Act has been widely welcomed by the banking community, as it strengthens the ability of creditors to enforce collaterals. Unit Titles Act of 2008, as well as reforms to the titling process, has significantly improved prospects for mortgages. Other regulations are those on management of risk assets, liquidity assets ratio, credit concentration and exposure limits, internal control and audit.

Entities applying for a license from the BoT as a commercial bank, non-bank financial institution or MFC have to be legally registered with the Registrar of Companies (the Business Registration and Licensing Agency, BRELA) as companies limited by shares under the Companies Ordinance (Cap 212).

Transformation to MFCs
Over the past few years, not much has been accomplished with regards to MFCs; so far no MFC has been licensed. The MFCs which considered the transformation to a MFC (e.g. PRIDE, FINCA) are still in the process of applying. The major hurdle to overcome is the ownership structure of the MFIs. It is not clear why MFIs in Uganda have successfully managed to transform into MDIs, while in Tanzania the process seems to be stagnant. It seems this might be related to various factors, including possibly that regulations are more stringent in Tanzania, and/or less urgency and importance is given to the transformation process by either or both the applicant and the regulator.

2.3.2 SACCOS

SACCOS are formally registered by the Ministry of Agriculture, Food Security & Cooperatives. The Cooperatives Audit and Supervision Corporation (COASCO) are mandated to conduct an annual external audit of all SACCOS. In practice, supervision by the Ministry (through the Registrar of Cooperatives) is weak. However, there also seems to be lack of willingness (and/or political determination) to take action against SACCOS that do not abide by the laws.

The Cooperative Societies Act, 2003 creates four cooperative tiers: primary, secondary and apex and federation. The allocation of powers between the different levels, however, is not clearly indicated in the law. In addition, the Cooperative Rules 2004 were formulated, containing amongst others prudential guidelines for SACCOS.

In 2005, the Financial Cooperative Societies Regulations were approved. These regulations specify that Savings and Credit Cooperatives engaged in accepting savings and deposits from their members for an amount totalling or greater than TZS 800 Million will be licensed as a Financial Cooperative (FICO), supervised by the BoT. So far, no FICO has yet been licensed. Again, it seems there is limited interest in licensing FICOs at both the SACCO level and at the regulator level.

2.3.3 NGOs

The NGO-type MFIs are virtually unregulated, even though a number of governmental authorities are involved in the registration of both international and local NGOs: the Registrar of Societies under the Societies Ordinance; the Administrative General under the Trustees Incorporation Ordinance; the Registrar of Companies (the Business Registration and Licensing Agency, BRELA) for companies limited by guarantee, under the Companies Ordinance (Cap 212). The BoT is currently reviewing a proposal to draft regulations for non-deposit taking financial NGOs.

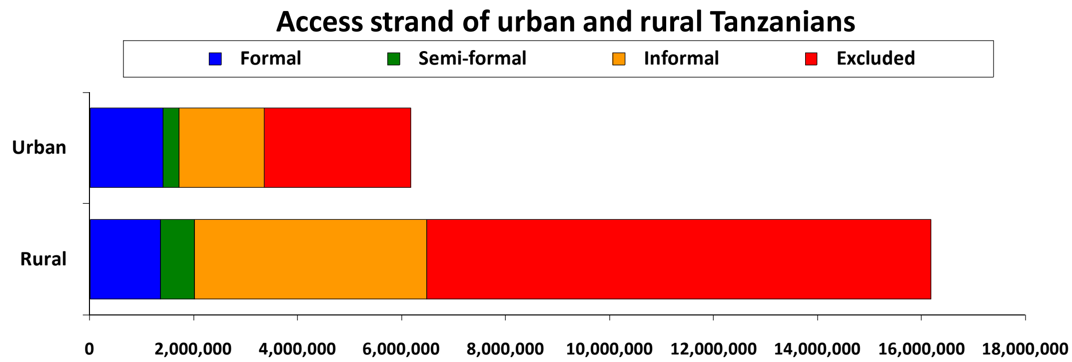
Financial NGOs in Tanzania, being credit-only institutions, are un-regulated and prohibited from collecting voluntary deposits from the public. This explains in part the limited expansion by these institutions of the scope and scale of their operations. Typically, their portfolios are characterized by loans with very short maturities. Their funding structure combines the use of concessional and commercial borrowing with grant funds usually sourced from public agencies or donor groups. Therefore, their operations tend to adjust to this constraint not only in terms of their capacity to expand the scale of their services, but also where and how their services are provided.

It is also important to note that it is difficult to obtain reliable and regular routine performance data on the sector, since reporting by NGOs is not mandatory and is currently not standardized because there no designated authority in charge of licensing credit-only institutions.

2.4 Demand for Financial Services

There is a huge unsatisfied demand for financial services both in rural and peri-urban areas of Tanzania. More than 70% of the population lives in rural areas and has limited or no access to financial services. In 2009, the FSDT commissioned a second national survey of the demand for and barriers to, accessing financial services. 7,680 interviews were conducted across every region of the country, representing the national population of 16 years and over, on the mainland and Zanzibar (22 million people).

FinScope contains a wealth of data, which is available to interested parties for further analysis (per region, per segment of the population, etc). Analysis of the data undertaken by the FSDT has been presented and discussed in a series of workshops and presentations across the country for a variety of different stakeholders (local authorities, commercial banks, SACCOS, MFIs, mobile phone companies, researchers). Some of the main findings from FinScope 2009 include:



Population profile: the population of Tanzania is very young: nearly half (45%) is under the age of 15, and almost three quarters (72%) live in rural areas. Over the past three years, the overall population of adults aged 16+ has grown at just over 3% a year. The gender split in the adult population of 53% female, 47% male.

Inclusion/Exclusion: more than half the adult population (60% of rural, and 46% of urban dwellers) have no access at all to financial services, either formal or informal. Overall, only 12.4% are in the formally included category. This represents a rise of 3.3% which is largely attributable to the increased use of ATMs, In the

2009 survey, the semi-formal category included new mobile phone bank services for the first time, and this probably accounts for the 2.2% increase to 4.3%. Fewer people now fall into the informal category (including ROSCAs/VICOBAs, VSLAs and money lenders) which had decreased 7.8% to 27.3% by 2009.

Financial literacy: is generally low, especially for women and people living in rural areas. A general lack of awareness and understanding of financial service providers, products and services is a constraint. Of those with a bank account, several appear to be 'under-banked' with limited use of products and services, and deposits/ salaries often withdrawn almost immediately. It should be noted that the vast majority of adults admitted they would like to know how to save more, wanted to know how to open a bank account and to be taught how to manage their money more effectively. This indicates a huge need for better and more communication on financial services with the larger population, in the right language.[6]

Sources of income: The number of adults employed in the formal sector has risen 2% to 6%. Most people (69%) make a living from agriculture, either by selling food crops, cash crops, cattle/ livestock produce, or livestock. Others run an informal small business (28%), not (directly) related to agriculture. Nearly a third (31%), depend on family and friends for money.

Use of credit and loan facilities: the most common form of loan used by Tanzanian adults is taken from a kiosk: 9.3% use this method, while 5.5% of the adult population borrow from family or friends. 3.3% use non-monetary means while SACCOS and MFIs serve only a small percent of all borrowers: 2% and 1.2% respectively.

Use of savings facilities: most people with money do not save it with a bank or financial institution. Almost half the population (48%) save in non-monetary goods (for e.g. livestock, rice, a bicycle etc), while 40% also admit that they use a secret hiding place to keep money 'safe'. Many people use several different methods of saving, often choosing a combination of the formal, informal and non-monetary products. Relatively few use either SACCOS (2.7%), MFIs (0.8%), or invest in insurance products 2.7%.

Non-monetary financial services: of the 56% of adult Tanzanians who have no access at all, 24% uses non-monetary products and transactions (e.g. barter, savings-in-kind). Of those Tanzanians who exclusively use non-monetary transaction, 87% live in rural areas and 13% in urban areas Savings in-kind are primarily in livestock (goats, cows), but also to a lesser extent in agricultural produce, food, entertainment items (e.g. radio), means of transport (e.g. bicycle), household items (e.g. salt), agricultural inputs and clothing.

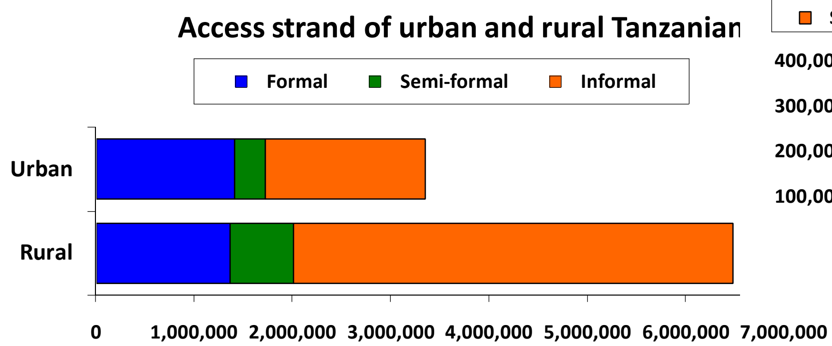
Transferring money: 90% of all remittances are within Tanzania. When people want to transfer money around the country, the most popular method is a personal contact. Of those who remit, over 47% choose this method. Non-monetary means of remittance is also common, used by 18% of adults who transfer. The use of mobile phones is increasing in importance: over 22% transfer by airtime vouchers, and an growing number (nearly 6% but growing rapidly), now use mobile banking facilities offered by many mobile companies.

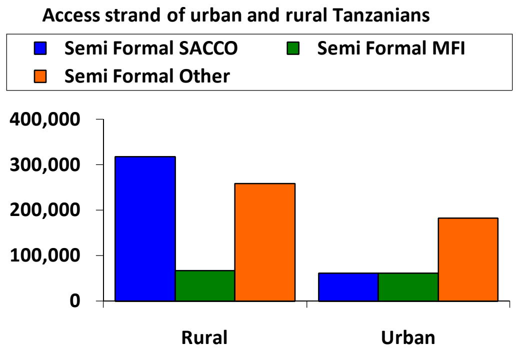
Technology: mobile phone technology and the internet are expanding the potential for financial service customers more rapidly than anything else. Although the number of people who use internet is very low (9% overall, 23% in urban and 4% in rural), well over half the adult population (13.4 million) has access to a mobile phone. Internet access is increasing and competition growing. Tanzania is now connected to international glass fibre network which has improved access (higher speed, lower cost) for many users.

2.5 Microfinance Suppliers

Licensed commercial banks, regional community banks, non-bank financial institutions and insurance companies provide financial services to 12.4% of Tanzanians. Semi-formal services are used by 4.6%, while informal provision is used by 27.3%, nearly a third of the population. Informal sources include ROSCAs, Village Savings and Loans Association (VSLAs) or Village Community Banks (VICOBAs). Many more rural Tanzanians use semi-formal financial institutions than do their counterparts in urban areas. Note the chart below displays the numbers of people in urban or rural areas, not the percentage.

[6] FinScope 2009 & Financial Education Framework report, 2010.



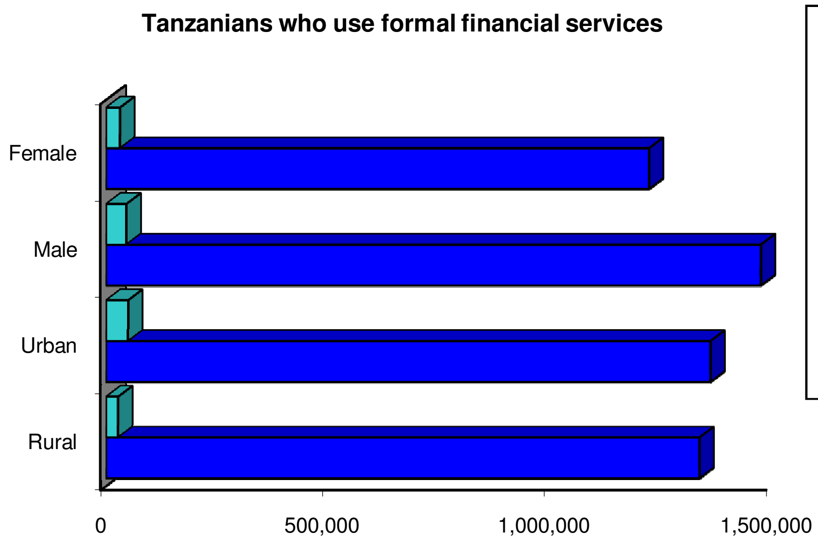


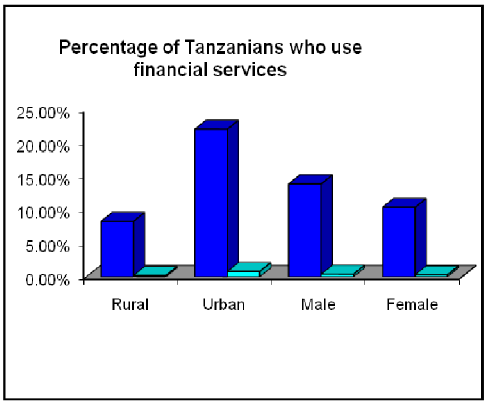
NGO-MFIs cater for as little as 0.6% of the adult population, SACCOS for 1.7% and other semi-formal organisations such as government schemes and mobile phone service providers for another 2%. The most important providers to poor and low income households in Tanzania are informal financial institutions regardless of setting - urban or rural.

The only reliable source of supply side information is the Microfinance Directory of the Bank of Tanzania. An update was completed recently including the collection of additional information of the microfinance suppliers. It is yet to be published.

2.5.1 Regulated and Supervised Institutional Providers

Of the 12.4 % Tanzanians who have access to financial services from a regulated service provider, slightly more come from urban (1.41 million) than from rural areas (1.36 million). There are more men (1.52 million) than women (1.25 million).





Commercial Banks: There are now 28 regulated commercial banks and 707 ATMs nationwide. Most banks, however, are concentrated in Dar es Salaam. They provide financial services to approximately 12% of the adult population. Some banks have also started to offer services and products aimed at the poor and low income households. However, the main players are still National Microfinance Bank (NMB) privatized in 2005 by a consortium led by Rabobank Netherlands, with 140 branches; CRDB with 52 branches nation-wide, including CRDB Microfinance Services Limited; Akiba Commercial Bank, with six branches in Dar es Salaam and Arusha; Access Bank, with four branches. All now cater for SMEs, some of them even on MSMEs. Also in 2009, Mkombozi Commercial bank opened its doors in Dar es Salaam. Two further branches, in Dar and

Mwanza were opened in August 2010. The bank provides savings and loans facilities to micro, small and medium sized enterprises.

As per BoT regulations, unsecured loans to a single borrower may not exceed 5% of a licensed bank's capital, with acceptable collateral limited to cash or near cash securities. This ceiling is likely to have an adverse impact on the wholesale lending by licensed banks, including regional banks, to microfinance NGOs or SACCOS.

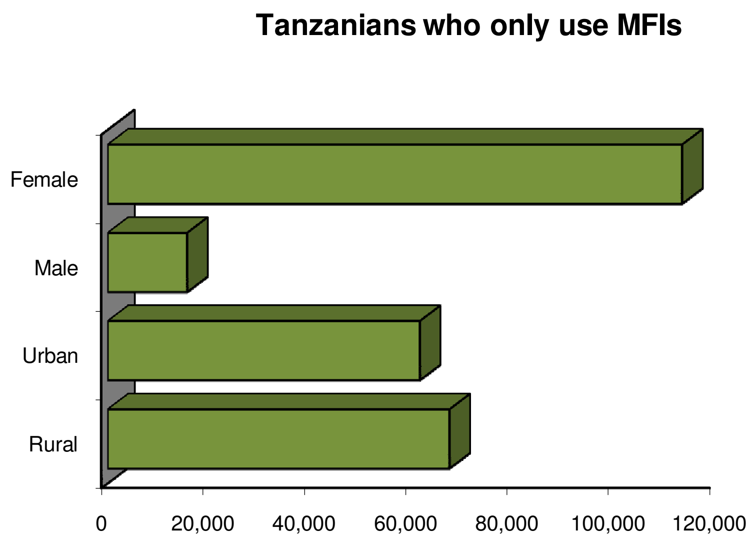
Regional Unit Banks: There are now seven regional unit banks (Kilimanjaro Cooperative Bank, Kagera Farmers Cooperative Bank, Dar es Salaam Community Bank, Mbinga Community Bank, Uchumi Commercial Bank, Tandahimba Commercial Bank Ltd (Mtwara) and Njombe Commercial Bank Ltd (Iringa)). Uchumi Commercial bank is also on-lending to SACCOS, as are Mbinga Community Bank, KFCB and KCB.

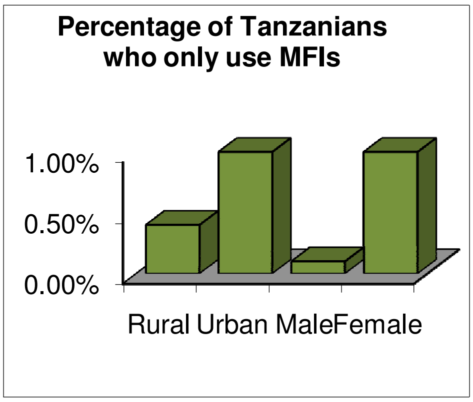
Community banks operate by maintaining a branch in the regional town and establishing mechanisms that help them serve some target groups located in more remote areas of the regions (about 150 km from the branch where they focus their operations. However, unlike commercial banks, regional community banks tend to have a relatively lower core capital level, which limits their capacity to provide loans on a wider scale. Community banks therefore continue to seek new investors to address this limitation and to strengthen their position in a market where they face competition with branches of other larger commercial banks.

Non-bank financial institutions: By 2010, Efatha Bank Ltd (Dar es Salaam) and Tanzania Women Bank (Dar es Salaam) had been added to non-bank financial institutions regulated by the BoT (the other three are Tanzania Investment Bank, Tanzania Postal Bank and Twiga Bancorp). There are still two regional unit non-bank financial institutions (Mufindi Community Bank and Mwanga Community Bank).

2.5.2 NGOs

Despite the considerable support given to the microfinance industry in Tanzania in recent years, its contribution to increasing access to financial services, in particular for the rural population, is negligible. At the end of 2009,all MFIs in Tanzania had only 233,000 active borrowers and 357,000 depositors.





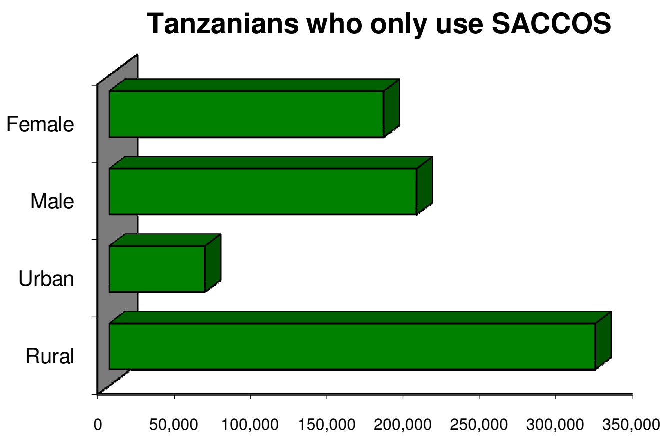
Since 1990 the number of financial NGOs operating in Tanzania has grown continuously. It is estimated that about 100 NGOs provide microfinance services, whether alongside the provision of other, non-financial services or as purely financial NGOs. These institutions, however, tend to concentrate more on the urban / peri-urban areas of the country. The success of their business model relies heavily on the delivery of a certain volume of services, which makes it difficult for financial NGOs to set-up sustainable operations in areas that are sparsely populated or remote from centres of activity, where there is a higher concentration of population. This explains why the FinScope survey shows a negligible proportion of rural respondents served by financial NGOs. These MFIs often combine individual and group-based schemes and typically target micro-entrepreneurs or small-scale traders. The use of group-based lending schemes is effective in decreasing the costs that an institution must bear in appraising and monitoring a high volume of very small-scale transactions. Moreover, as clients/members are expected to guarantee one another in a group, the monitoring cost that is passed onto the clients/members must also be within a reasonable scope. Thus, very rarely will one find group lending mechanisms that cover a widely dispersed population.

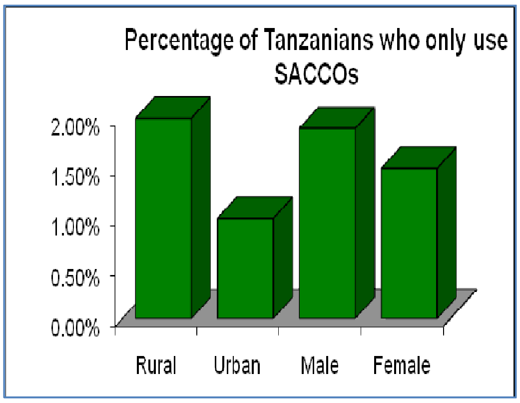
Most NGO-type MFIs are registered as companies limited by guarantee, societies or trusts. The main players include PRIDE-Tanzania, FINCA-Tanzania, SEDA, BRAC-Tanzania, Tujijenge Tanzania and Tujijenge Microfinance Company (who acquired SEF in 2008), SELFINA, FAULU-Tanzania, Yosefo, WEDAC and FAIDERS.In addition there are a number of smaller NGOs, whose outreach is limited to their immediate geographical area. Other regional Microfinance ventures are likeGrofin and FAIDIKA are running institutions in Tanzania.

Most of the NGO-type microfinance players are credit-driven and based in (semi-)urban areas. Some (notably SEDA, PRIDE, FINCA, Tujijenge) initiated the process of transforming into Microfinance Companies (MFCs) years back and still haven't completed the process. The BoT mentioned as the major problem of the transformation process the ownership structure of the MFIs. It seems that there is little drive behind this process from the regulator side as much from the NGO site. The BoT at the same time considers developing regulating non-deposit taking NGO-MFIs because of their importance and adverse effects those institutions can have on many small borrowers.

BRAC has become one of the largest NGO MFIs in Tanania within a spectacular short time. In 2002, it expanded its programs beyond Bangladesh with operations in nine Asian and African countries. BRAC's success in Tanzania and other African countries can partly be explained by its knowledge management culture of feeding back knowledge of beneficiaries into their programs. At the core of its holistic approach is its Empowerment and Livelihoods for Adolescents (ELA) program reaching far beyond microfinance. Program implementation is cost effective and simplicity in the program design contributes to easy replication. But also the long term commitment of BRAC to develop a national program contributes to its success.

2.5.3 Savings and Credit Cooperative Societies





[7]

The SACCOS movement has also received a lot of support, particularly from Government. However, the number of SACCOS members has increased only marginally, giving cause for concern. There are now more SACCOS serving on average fewer members, making them vulnerable to inherent risks of loss of efficiency.

Nevertheless, although informal service providers are the most commonly used in rural areas, SACCOS are still important. In May 2009 there were approximately 5,042 SACCOS registered with the Ministry of Agriculture, Food and Cooperatives, with approximately 822,685 members. However membership numbers are unreliable and differ vastly depending on the source.

Of the 43 SACCOS in the RFSS supply side mini-survey, about 38 were externally motivated. This means that they were initiated from outside the confines of the immediate community, either by a local district or

[7] The numbers indicate the SACCOS members who do not have a bank account or hold and insurance policy or use financial services of other regulated financial service providers.

cooperatives officer, a politician, or a bank. In some cases, establishing a SACCOS was complicated by the negative experience of the community of cooperative institutions that had collapsed in the past, resulting in a loss of savings. This also explains why there is a general tendency for most SACCOS to have been in operation for five years or less.

There is a wide variety of SACCOS operating in Mainland Tanzania, both in urban and rural areas. A small minority is fairly large, with membership greater than 2000, but the vast majority has members numbering between 100 and 200 each. The average (mean) size is 120 members for all registered SACCOS, based on the Registrar's records dated November 2007. Urban-based SACCOS have a tendency to be larger (in absolute terms), although there are a number of rural-based SACCOS covered in the study that have achieved considerable scale by having more than 700 members. The majority of client-members (in excess of 60-70%) are male.

The key challenges SACCOs are facing include human resource capacity and governance. Current trends in microfinance thinking, based on worldwide experience, show that stand-alone SACCOS are not likely to survive in the long run. External monitoring, supervision and support will be continuously required, in order to allow SACCOS to grow and prosper. In addition, there are common, specialized needs amongst SACCOS like liquidity management, insurance and auditing, which are better placed in an intermediary organisation.

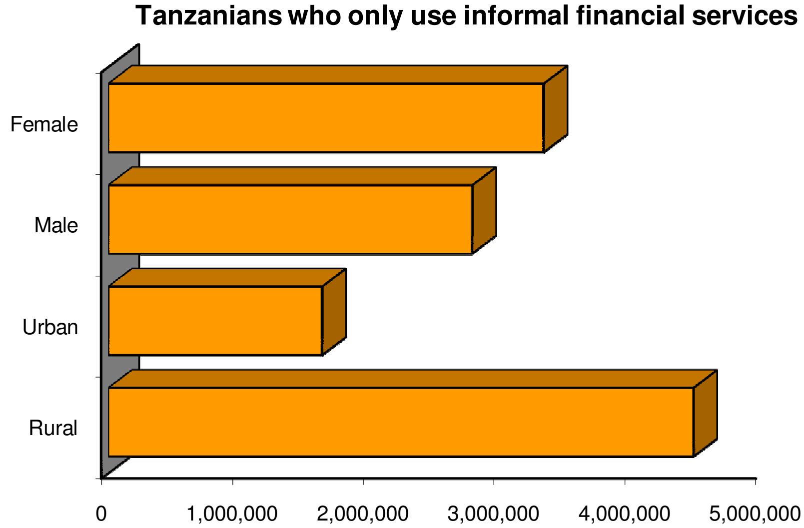
There are several SACCOS network entities or apex institutions in Tanzania, where SACCOS own shares in the intermediary organisation and pay for the services delivered:

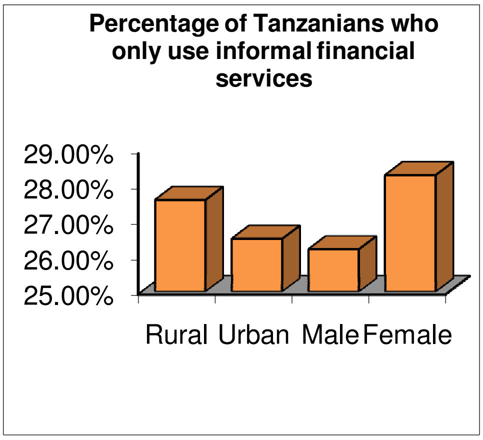
Dunduliza Limited: Dunduliza is a company limited by shares, an off-spring from FISEDA, registered in 2004. It receives funding from the FSDT and technical assistance from Desjardins International Development (DID). Dunduliza (the network), is aiming to become licensed by the BoT as a FICO. It has recently restructured and reduced its member SACCOs from 35 to around 20. Its initial model, with extended operations in three spread-out geographical regions (Lake Zone, Southern Highlands and Dar es Salaam) was not sustainable and restructuring was required.

Umoja wa SACCOS Wakulima (USAWA) was registered in 2006 as a company limited by shares. It is an off-spring of a four-year project where FERT (a French NGO) provided support to SACCOS in Kilimanjaro region, with funding from the EU. Technical assistance is provided by FERT, and funding from the FSDT. Since 2003, the network has grown to 31 SACCOs, nearly 12,000 members, share capital of Tsh. Tsh. 530 Million, savings of Tsh. 1.1 Billion and Tsh. 2 Billion outstanding loan portfolio (December 2010). USAWA plans to be financially sustainable as a network by 2014.

There are a number of other organizations and financial institutions that provide financial services and/or capacity building services to SACCOS. These include Oikocredit Tanzania; World Credit of Council Unions; Savings and Credit Cooperative Union League of Tanzania (SCCULT); CRDB (see above); Rural Financial Services Programme, a 9-year IFAD-funded programme under the Prime Minister's Office, focusing on strengthening SACCOS; KADERES, an NGO in Karagwe; MuCCOBs through its field wings, e.g. ICCDE-Dodoma; Small Enterprise Loan Facility (SELF); Arusha Community Initiatives Support Trust (ACIST) in Kilimanjaro. With financial assistance from Norwegian Aid (loan to ACIST for wholesale lending to SACCOS) and technical assistance from TRIAS (Belgian volunteer).

2.5.4 Informal financial service providers



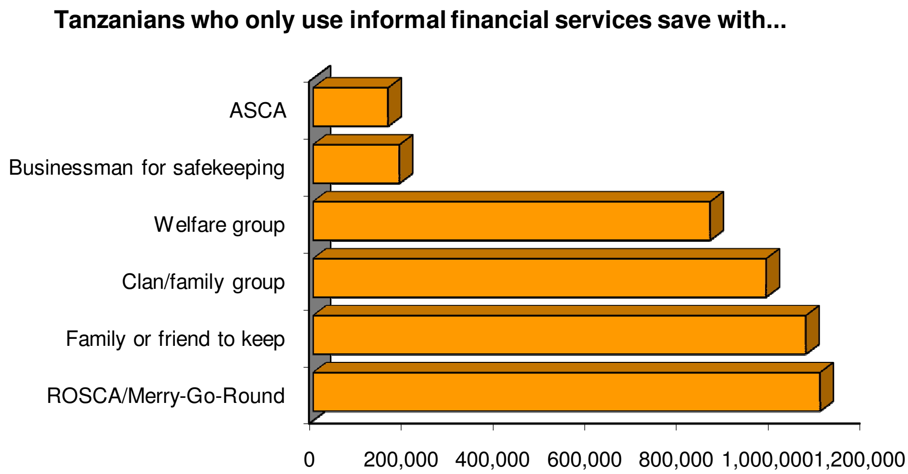


Based on the 2009 Finscope results, informal financial service providers are actually the main source of access to finance for most Tanzanians.
These services are comprised of all those which do not have a legal status of any kind. Their service does not bear a cost. ROSCAs, ASCAs, Upatu, merry-go-rounds, money lenders and family and friends, all fall into this category[8].

Although there is much discussion on the subject, family and friends are classified as an informal financial service provider in Tanzania because of the associated potential cost (risk, in-kind repayment etc).

Consumers in this category incur a heightened risk of either losing their savings, or not being able to repay their loan. They are, for example, vulnerable to unfair pricing, and/or suffering other further losses associated with having to make a repayment according to the terms specified by the lender and or family and friends. This is why people who have access to finance only through an informal provider (as defined above) may need to be regarded as technically among those financially excluded, or as part of the base market when we consider an expansion of financial services.

It would appear from the FinScope data that the more unstructured a provider, the more its services are used by consumers. For example, many more used a ROSCA and family and friends compared with those using ASCAs: Assisted Savings and Credit Associations under which VICOBAs and VSLAs fall.



[8] This classification of service provider is in line with the definition of the informally served consumers of the FinScope survey Access Strand

Informal savings and credit associations, in all their various forms, play a significant role in creating access to financial services in Tanzania, as the FinScope survey confirmed.

Village Savings and Loan Associations (VSLA) are informal, time-bound accumulating savings and credit associations (ASCAs) of 15-30 people. CARE Tanzania has been using this model since 2001. By June 2010, with the support of the FSDT, CARE established >8,000 VSLAs in 40 districts and eight regions, with slightly less than 190,000 members. In 2006 a study[9] was undertaken to establish how sustainable and robust VSLAs were after years of operations. Although CARE does not provide back up after initial training has been concluded, the study found the VSLAs on Zanzibar performed well in terms of sustainability, growth and profitability. Despite the very limited resources of the apex which was supposed to take on the support to new VSLAs after Care withdrew, they created many new VSLAs. In terms of the socio-economic situation, VSLA membership is more likely to be better educated than their non-VSLA neighbours. One in five VSLA members reported either an improved standard of living, housing condition or income.[10]

VSLA members in Tanzania are using mobile delivery channels to make savings. One of the issues with the VSLA programmes is there is often excess cash in the cash box. This presents a risk which can be resolved by mobile systems can offer short term savings.

CARE tries to maintain transparency and collective action (group action) as one of the most important characteristics of the VSLA groups. With respect to the effect mobile delivery channels might have on group solidarity or repayment rates, mobile banking is considered as transparent. CARE Tanzania is trying to work out with M-PESA and ZAP a three pin system so the three key holders would have a separate pin and they would each enter the pin before making transactions. E.g. in Kibera, a lot of people felt uncomfortable carrying around a lot of cash, so they started opening M-PESA accounts and at the meeting they will transfer the money into their group account. Loans are made to the group (not individuals in the group) and the group mediates. The debt to equity ratio for the loans are 2:1, providing a further safeguard.

Village Community Banks (VICOBA) are another kind of informal, village based savings and credit groups being promoted in various parts of Tanzania. With the support of the FSDT over a period of more than two years the Orgut-Sedit programme has established >2,000 VICOBAs with 54,000 members in twenty districts in six regions by June 2010.

2.6 Products and Services

2.6.1 Agriculture

Currently, only 12% (Tsh. 500 Billion or €240 Million) of the commercial banking credit to the private sector goes to develop agriculture and most of that is used for marketing agricultural products. Only 0.8% of that (Tsh. 4 Billion or €1.9 Million) goes to agricultural production[11]. Key constraints financial institutions face in the agricultural sector include: inherent risks due to unpredictability of weather; lack of collateral due to low value, un-surveyed land; price volatility of crops; underdeveloped local markets due to poor rural infrastructure (roads, telecommunication) and outdated agricultural technology. This leads to high interest rates, while at the same time declining to offer long-term loans. It is hoped that the Kilimo Kwanza policy (see 2.2) will assist to push for changes. The key current players active in agricultural finance include:

NMB is offering agricultural finance through the out grower loan scheme, warehouse receipt financing and agro-dealer finance facility. It is difficult to determine how many individual farmers get access to finance through this facility. However, it is fair to assume that the between 500,000 to 1 million are benefitting, since hundreds of primary cooperative societies are involved in either facility. Key figures for 2009: Tsh. 65 Billion in Input Voucher Redemption scheme (redeems vouchers deposited by agro-dealers who sold inputs to farmers); Tsh. 30 Billion input loans, mainly to tobacco farmers, some to sugar cane, tea, paddy, sunflower, barley; Tsh. 19.2 Billion to warehouse receipt scheme; Tsh. 31.3 Billion to large companies for fertilizer imports, processing and trading. In addition it established the NMB Foundation for Agricultural Development (€250,000 p/yr for 4 years from Rabobank Foundation, October 2009) for capacity building to farmers and cooperatives.

9 Village Savings and Loan Associations - experience from Zanzibar
10 E.Anyango, 2007
11 BOT Monthly Economic Review, December 2010.

CRDB In total, about 35% of CRDB's lending portfolio goes to agriculture (mainly coffee, cotton and cashew). In addition, CRDB Microfinance Company provides wholesale lending to 445 SACCOs in 19 regions. With support from FSDT, CRDB provides capacity building support to over 200 SACCOs and MFIs. CRDB is also expanding its out grower financing services. A number of SACCOS will be established close to where farmers live to cater for their financial needs, including deposit products and remittance services. These will provide farmers with more convenient services. In efforts to modernize operations of partner SACCOS, CRDB has started to introduce ATMs, POS, and debit card (Tembocard SACCOS) for SACCOs.

Exim Bank manages a Tsh. 2.8 Billion (€1.4M) Agricultural Input Fund on behalf of the GoT since 2003, and is used for loans to primary associations, SACCOs and individual farmers. In addition, Exim provides value chain finance for export crops, especially coffee, cashews and cotton as well as non-traditional crops such as sesame and pulses.

Tanzania Agriculture Development Bank (TADB). Tanzania Investment Bank (TIB) will be transformed into TADB. The main lending function of the TADB (in the process of being established) would be to refinance the lending facilities for agricultural projects in commercial and community banks, SACCOS and MFIs. Refinancing would be structured against short-term lending, direct lending for the medium-term, and for long-term for projects in the agriculture sector. TADB will administer specific lines of credit for the agriculture sector on behalf of the GoT, BoT or international lending institutions on an agency basis. It also aims to strengthen the financing value chain through training, research and consultancy, and coordinate and monitor all agriculture and rural lending activities. The TADB will also: assist the BoT and the GoT to develop the sector; create a suitable policy, legal and regulatory framework; coordinate government intervention; interface with the stakeholders; gather relevant information and monitor the performance of the sector. TIB has already opened an agricultural finance window for SME farms (SACCOs, out growers, cooperatives, farmer associations), wholesale lending to CBs and SACCOs, and medium/large scale farms. Interest rates are 5-8% p.a., for 6 months to 15 years. Maximum grace period 3 years (perennial crops) and 1 year for annual crops.

Private Agricultural Sector Support Limited (PASS) was established in 2000 with support from Danida, and is based in Morogoro. It provides Business Development Services (feasibility studies; development of business plans; capacity building/technical advice; organisation of farmers into groups, which can be used as focal points for contract farming, input supply credit, produce-price negotiations and provision of advisory services; marketing and market linkages), as well as funding (loans, guarantees) to agri-businesses – from private commercial farming and animal husbandry, to related businesses such as transport, input supply and crop trading. Per August 2010, PASS had assisted 6,500 farmers, and had issued Tsh. 7 Billion in loans to farmers for agricultural inputs and to establish irrigation schemes. In addition, PASS facilitates access for farmers to CRDB, NMB, TIB, Exim Bank and FBME Bank.

The SACCO-networks **Dunduliza** and **USAWA** are also provide agricultural finance. USAWA SACCOs consist mainly of farmers and mainly offer loans for agricultural inputs, leasing equipment and storage loans. Since 2008, Dunduliza has a warehouse receipt programme for paddy with a number of its SACCOs, with funding provided by FSDT (on-lending to SACCOs at 12% p.a.). In addition, its SACCOs offer agricultural loans for cash crops and leasing equipment.

The **Agricultural Inputs Trust Fund** (AGITF) was established by the GOT in 1994. Currently, it provides wholesale lending for input loans and equipment loans (tractors) to Kagera Farmers Cooperative Bank, Mbinga Community Bank and SCCULT. Dunduliza also accessed these funds in the past (2008).

In addition various **international donors and investors** focus on funding agri-businesses and value chain financing in Tanzania, through both loans and grants. These include, amongst others, Africa Enterprise Challenge Fund, Kilimo Trust, African Agricultural Capital Ltd, Africa Seed Investment Fund, Ashoka Changemakers and Africa Agribusiness Investment Fund.

Notwithstanding these efforts, currently small rural farmers who are not organized or in any way part of an out-growers scheme, remain almost completely excluded.

2.6.2 SME finance

SME finance, in terms of volumes and number of entrepreneurs, is on the rise in Tanzania. SMEs contribute over 40% of Tanzania's GDP, but lack business skills, track record and/or collateral to meet existing lending criteria from banks. Various banks have started to develop more appropriate products for SMEs. These include AfDB together with the Government of Tanzania provided $6.83 million to 70,000 people in the first phase of the Small Entrepreneurs Loan Facility (SELF). SELF combines credit with capacity building. In its second phase 820,000 small entrepreneurs in Tanzania are set to benefit from a $23 million loan facility and business training scheme.

Since 2009 SMEs in Tanzania benefit from the fourth phase of the Grofin Africa Fund - a finance facility for developing countries. CRDB participates in the Bank of Tanzania's SME Credit Guarantee Scheme. NMB finances SME and MSE through its MSME facility and NBC established a SME Business Unit to respond to the financing needs of the Small and Medium Enterprise (SME) segment customers. TIB offers structured loan schemes to SMEs through its Small Business Unit (SBU). Akiba Commercial Bank has traditionally focused on SMEs. Barclays Bank Tanzania offers several products and services for SMEs. Exim Bank is a member of Global Banking Alliance for Women (GBA) and focuses on women entrepreneurs. BOA Bank (former EurAfrican) offers to SMEs the SME spark loan and the SME extra loan.

The FSDT is in the process of finalizing the SME survey. It will assess the demand for financial services and barriers to access from MSMEs. The survey will allow profiling MSME into customer segments with specific demand and also barriers to accessing financial services. First headline findings will be available early 2011.

2.6.3 Housing Finance

Long-term financing for housing is scarce at present, in part because lenders do not have reliable access to sources of long-term finance on conditions that could help them to mitigate the associated business and lending risks. As part of the Second Generation Financial Sector Reforms, the Tanzanian authorities are in the process of developing an integrated strategy and an action plan for mortgage finance development. This includes implementing recommendations on regulatory changes, liquidity mechanism and credit enhancement schemes. It will also contain recommendations on options for enhancing mortgage finance provision to lower income groups. The strategy will distinguish between actions needed to support development of the primary mortgage market and extra actions eventually needed to address the needs of low income households.

In March 2010 The Word Bank approved an International Development Association (IDA) credit of US$40 million to support implementation of a Housing Finance Project in Tanzania. The project's objective is to develop the housing mortgage finance market through the provision of medium and long-term liquidity to mortgage lenders. The objective will be achieved through the creation of a mortgage liquidity facility, a possible housing microfinance fund (US$ 40 million) to develop the housing mortgage finance market through the creation of a Tanzania Mortgage Refinancing Company (TMRC). and a programme of technical assistance and capacity building.

The institutions which have so far started to address the clear need for housing finance in Tanzania include Habitat for Humanity; Women Advancement Trust (WAT); SCCULT and Shelter Afrique, a pan-African real estate development facilitator.

2.6.4 Leasing Finance

The leasing finance market in Tanzania is still at his infancy. The Tanzania Leasing Project (TANZALEP) was an IFC/SECO supported project to develop and support the growth of financial leasing from 2005 to 2008. The outstanding leasing portfolio as of December 2008 was roughly $150 million, compared with $32.5 million when the program started operating in May 2005. At least eight new lease providers started operations since the programme's launch. In addition, a national leasing association (TALA) has been established.

One of the new leasing providers is Equity for Tanzania (EFTA). It provides leasing products for equipment in the range of USD5,000 - USD15,000. Based on pilot project results in Moshi-Arusha, EFTA is raising funds for a 3-5 million USD fund for expansion to other areas in Tanzania, and possibly Uganda in a later phase. Leasing loans will be increased up to USD50,000.

SELFINA has been a pioneer in micro leasing in particular to women in Tanzania. However, problems with respect to SEFINA's reporting to funders has raised suspicion that SELFINA faces financial problems.

2.6.5 Micro-insurance

Micro-insurance is still in its infancy in Tanzania. There are now two specialized providers and several initiatives to promote insurance:

The First Aga Khan Microinsurance Agency provides health and life coverage under risk-pooling mechanisms that charge as little as US$5 per person/per year in premiums. Microensure also concentrates on low-cost health and life products and is interested in breaking into agricultural insurance. However, this kind of product development is entirely dependent on more and better data and infrastructure, particularly weather stations, being established throughout the country.

In 2004 **SCCULT** introduced risk management option to SACCOS members. Members from 156 SACCOS joined and, for a reasonable premium, they benefit from direct settlement, payment of rebate, writing off loans and payment of funeral expenses.

MicroEnsure and CARE address the issue of the unplanned nature of a death in the family. They jointly developed a low-cost funeral benefit product to distribute to village savings and loan associations (VSLAs) via community-based trainers (CBTs). CBTs will provide VSLAs with initial training on the basics of micro insurance and the benefits of the funeral product. VSLAs will then have to unanimously vote on whether or not they would like to purchase the product. MicroEnsure, a wholly owned subsidiary of Opportunity International, provides a range of products including health, life, property and weather index-based insurance to over 3.5 million people across 10 countries.

The **Investment Fund for Health in Africa (IFHA)** a Dutch private equity fund bought 20% of AAR to which AAR Tanzania is affiliated. IFHA invests in healthcare and medical services in Africa. **PharmAccess Foundation** as a partner of the IFHA manages programs of the Health Insurance Fund to provide private health insurance to low-income groups such as farmers, market traders and people with a micro-credit in Africa. PharmAccess also supports other programs which provide subsidized health insurance packages to specific target groups or which offer treatment to groups of HIV-positive people.

2.6.6 Remittances

As highlighted by FinScope, the large majority of remittances are undertaken through personal transfer. The formal financial system is responsible for handling only a very small number of remittances. Mobile banking has revolutionized the way in which money is transferred in Tanzania. A large portion of remittances taking place within the country is made through mobile payment systems such M-pesa, Zap, Tigo Cash and Z-pesa. Users of mobile banking mostly send money to their family and friends. Figures from Vodacom's M-pesa show that TZS 17 billion monthly transactions exchanged between 4 million subscribers.

2.6.7 Microfinance and health

Hardly any MFIs specifically address health issues. One of the few is BRAC. Among BRAC's programs to help alleviate poverty is its health program, which relies on an all-female team of Community Health Volunteers (CHVs) to conduct monthly home visits to provide health education and support. Each CHV visits 150 – 200 homes each month, asking health related questions and providing healthcare information. In Tanzania, D-Tree has been collaborating with BRAC to provide the CHVs with a mobile phone-based tool called Commcare, to help improve the effectiveness of their home-based programs. About a year ago there was discussion with the CHVs of providing them with health education videos suitable for use on phones to provide additional support for their home visits.

2.6.8 Microfinance and renewable energy

This market is also still in its infancy in Tanzania. Various NGOs and development organisations promote the use of renewable energy solutions like solar, biomass, hydropower and cooking stoves, but sustainable financing of the value chain from production/import to increased rural outreach remains a challenge. MFIs like FINCA and Tujijenge have started to offer products for financing renewable energy solutions. Similar to SME financing, commercial banks often lack the skills and knowledge to assess and monitor such projects effectively. The World Bank is currently funding a project where a number of commercial banks in Tanzania will be trained and coached on the job in assessing, financing and monitoring small to medium-sized renewable energy projects, e.g. in hydropower (with technical assistance from Triodos Facet).

2.6.9 Technology innovation

There are number ways in which technology has helped to make access to financial services cheaper and easier. The rapid expansion in the number of mobile phones provides scope for enabling the expansion of financial services. Umoja Switch: card enables customers of member banks to transact on any member ATM bearing UMOJASWITCH logo anywhere in Tanzania. Most of the financial institutions offer debit cards though with different conditions. CRDB offers SACCOS members the Tembo Card SACCOS. Credit Cards: several banks are now offering credit card services.
SMS banking: various banks have started introduction of SMS-banking, e.g. CRDB and NMB. Internet banking: various banks have introduced internet banking, e.g. NBC, CRDB, NMB etc. However, with a very limited population having access to internet, this is not likely to be a driver for access to financial services for those currently excluded.

2.6.10 Mobile phone banking

The introduction of mobile banking in Tanzania has helped extend banking facilities to the banked and unbanked community. Launched in early 2008, Vodacom M-pesa is Tanzania's leading mobile payment services provider. M-pesa enjoys widespread influence with over TZS. 17 billion monthly transactions and 4 million subscribers served by 4,700 M-pesa agents and Vodashops around the country. Other providers offering mobile money services include Zain's Zap, Tigo Cash and Zantel Z-pesa. Mobile phone users can use their phone to make deposits, withdrawals, check balances, transfer, pay utility bills, purchase airtime etc.

The uptake of mobile payment solutions in Tanzania has been a bit slower than in neighbouring Kenya. This is partly due to technical differences (e.g. M-PESA in Kenya is technically more user-friendly) and partly due to weaknesses in the communication and marketing strategies. Nevertheless, as supported by evidence from Kenya, mobile banking is expected to revolutionalize microfinance – and the financial sector at large.
Mobile technologies include applications, mobile web, SMS, USSD (e.g. when you request airtime balance, confirmation SMS upon effecting MPESA payment). Mobile phone solutions and mobile payment systems are here, and they are the future. Applications that are already being developed and used in East Africa include:

- Instant lending via automated credit check, e.g. use transactional history of MPESA. Mobile repayment history can also be used as credit check when borrower graduates to larger financial institutions like banks;
- Control fungibility by directly purchasing items for borrowers instead of giving cash;
- Can provide social intermediation services, e.g. receive information/tips over mobile;
- Asset tracking can be enhanced using mobile. Assets used as 'security' for loans, e.g. taking photos with the mobile of business assets, GPS triangulation of premises;
- Impact analysis, e.g. questionnaires delivered over mobile or tablets;
- Security of mobile technologies vary, but can be encrypted and as strong as a banking system;
- Handsets as low as USD38 can use internet communication;
- Low cost, at $0.0625 per MB, which turns out to be a lot cheaper than SMS.

2.7 Players at sector level

There are various networks and associations within the financial sector. However, representation is fragmented according to legal status (commercial banks, community banks, SACCOS). The microfinance sector lacks a network or association that can bring together the variety of players and represent their common interests.

Tanzania Bankers Association (TBA)

By 2010, the TBA had 34 members. Membership is open to all banks and financial institutions licensed by the Bank of Tanzania. In addition, ownership and management of the Dar es Salaam Electronic Clearing House will be migrated from the BoT to TBA.

The Tanzania Association of Microfinance Institutions (TAMFI)

The Tanzania Association of Microfinance Institutions (TAMFI) and the Coalition of Tanzania Microfinance Practitioners and Service Providers Limited merged in July 2010. A new Board of Directors was elected by the AGM, and the revived network is currently trying to get on its feet.

The Community Banks Association

CBA was founded by Tanzania Gatsby Trust (TGT) in liaison with all community banks in Tanzania in year 2005. CBA has 8 community banks as members. It builds capacity of bank staff and clients, networks to build economies of scale for one unit banks, lobbies and advocates and facilitates the set up of new community banks.

Savings and Credit Cooperative Union League of Tanzania (SCCULT)

SCCULT is the apex body of SACCOS in the country. SCCULT has 1205 members and regional offices in 21 regions. It is a member of TFC and aspiring membership of WOCCU. SCCULT offers its members the Central Finance Programme (CFP), lobbying and advocacy, presentation, capacity building and development, agency (Education and training), sales of stationary, accounting pool service and research, consultancy and business development.

In December 2009 the Microinsurance Agency Tanzania (FMiA) and the SCCULT signed a partnership agreement. This agreement will help FMiA to protect SCCULT customers against catastrophic losses such as the death of the breadwinner, severe illness, or loss of assets including livestock, crops or housing. However, SCCULT's capacity is limited, in terms of staffing, financial resources and equipment. SCCULT also has a wholesale Credit Fund for on-lending to SACCOS, which has attracted many new members.

WOCCU has been hired by the BoT under FSP to build capacity at the Registrar of Cooperatives' office. Part of the assignment includes a review of the role of SCCULT, networks and Joint Enterprises in the SACCOS supervisory framework in Tanzania.

Tanzania Federation of Cooperatives (TFC)

TFC was registered in 1994 and is the national cooperative umbrella organisation that promotes, serves and coordinates the development and prosperity of all cooperative societies in Tanzania Mainland. It is considered to be the main voice of the cooperative movement. Currently TFC has 14 members, 13 cooperative unions (one of them is SCCULT) and one federation. The TFC is empowered by law to make by-laws, the latest of which were passed in 1997. However the by-laws are not effective and it appears they are not being used. As an organization TFC is stable and has considerable estate property - its main source of income.

2.8 Capacity building services

In general the supply of capacity building services (training, technical assistance, consultancy) to microfinance players (banks, MFIs and SACCOS) is still very weak. Tanzania has a young and growing market economy, and there are few qualified service providers available to enhance the capacity of the industry. No local capacity building organization in Tanzania specialized in microfinance. Available training services tend to focus on particular segments of the market (e.g. commercial banks), are not always based on international best practices, and not always tailored to the level of understanding of participants (e.g. for SACCO staff it should be in Swahili). In case of consultants, the quality and availability highly depends on individuals. Some existing suppliers of capacity building and training support are described below.

BOT Training Institute

The institute in Mwanza provides a number of training courses relevant for microfinance (especially relevant for non-cooperative models, such as solidarity group lending NGOs and commercial banks involved in microfinance).

Tanzania Institute of Bankers (TIOB)

TIOB was established in 1993 and provides a Banking Certificates Programme. TOIB aims to set, promote and upgrade professionalism in the banking and financial services industry in Tanzania. Members are financial institutions and individuals.

Institute of Finance Management (IFM)

IFM provides graduate and post-graduate education, as well as short courses in banking, insurance and finance management.

Moshi University College of Cooperative and Business Studies (MUCCoBS)

MUCCOBS affiliated to Sokoine University of Agriculture, is the main institution dealing with training of cooperative officers, auditors and staff of SACCOS. In addition, MUCCoBS has a network of 20 regional branches (Institutes of Continuing Cooperative Development and Education, ICCDE). Some of these (e.g. Dodoma) have well-developed programmes for facilitating the establishment and strengthening of SACCOs. MUCCoBS also provides consultancy services. In addition, various microfinance players provide training to their SACCOS-affiliates or clients. They include Dunduliza, USAWA, RFSP, SELF, SCCULT and CRDB.

Institutions offering in-house training

Most microfinance providers in Tanzania rely on in-house training solutions. Training, TA and coaching is mostly provided by development partners. Examples include: Accion/Akiba Bank, DID/Dunduliza, FERT/USAWA, SCCULT/member SACCOs, SELF/SACCOs, CRDB/SACCOs, Rabobank/NMB.

Local Consultancy firms

There are only a small number of consultancy firms active in the sector, but most are small and few specialised in microfinance best practices, and there is very little development and entrepreneurship in this sector. Most firms depend on one or a few key individuals.

Economic Development Initiatives (EDI) is a consultancy company based in Kagera region and specialized in empirical data collection. Triodos Facet has a representative office based in Dar es Salaam, providing a broad range of consultancy services. DPC is a DSM based consultancy firm specialized in designing and coordinating research projects in areas related to financial services. MUCCoBS and IFM staff also provide part-time consultancy services.

2.9 Other Services

Rating Agencies

The practice of external ratings has yet to gain ground in the relatively young microfinance industry of Tanzania. Of the various international rating agencies, MicroRate has been most active in Tanzania, with ratings of PTF (2005 and 2007), FINCA-Tz (2004) and PRIDE-Tz (2004). There are no rating companies based in Tanzania.

Credit Information Bureau

The establishment of a credit reference bureau is in its final stages. However, its successful implementation is hampered by the lack of a national ID-system.[12]

Impact Measurement & Social Performance Management (SPM)

So far there is little attention for impact measurement and SPM amongst Tanzanian MFIs, also if compared to Kenya and Uganda, where the national networks play an active role. In 2009, PRIDE Tanzania was the only MFI who reported (some) social performance monitoring data to the Mix Market (out of 7 reporting MFIs).

Systematic data collection for financial sector benchmarking

Reliable, informed decision-making needs to be based on evidence. The second FinScope survey was conducted in 2009. It provides concrete baseline data and trends over three years. With this regular data collection and reporting mechanisms, a uniform minimum reporting standard is developing.

On the supply side, building on the mini-survey for the RF study, the first census type survey was undertaken in January 2009. Preparations are bi-annual surveys. One of the key outcomes of the supply survey will be a district level mapping exercise for all financial institutions for all districts – a very important guide for investment purposes.

[12] A National ID system has been on the Government’s drawing board for years, however, not likely to materialize in the short term.

3 DONORS AND INVESTORS

3.1 MicroNed Members

MicroNed is a network of the Dutch development organisations Cordaid, Hivos, ICCO, Oxfam Novib and Rabobank Foundation. It was created in 2006 to cooperate on a structural basis with respect to the establishment of a specialised sector approach for microfinance.

Cordaid's mirofinance policy for 2011-2015 focuses on a few selected countries : Tanzania, Ghana, Malawi, Zambia, Uganda and Sierra Leone. Support to microfinance initiatives in the form of grants will be very limited in the period 2011-2015. For TA support Cordaid works together with the Social Microfinance Facility, a specilized TA provider set up by Cordaid. Investments in Tanzania will be possible for Cordaid but will focus on rural social MFI's. Cordaid especially intends to support development of agricultural lending and value change finance in the future. Next to this, Cordaid has an equity stake (20%) in Stromme East Africa Ltd. and as such indirectly finances MFI's in Tanzania.

Hivos: Tanzania is one of Hivos´ focus countries for microfinance, and Hivos is MicroNed country coordinator for Tanzania. Hivos has developed a range of products adapted to the needs of MFIs in developing countries. These products are: seed capital and grants to young, emerging and promising microfinance institutions via Hivos, and loans and equity investments to more mature MFIs via the Hivos Triodos Fund (HTF). Following Hivos´ growth model, an MFI should become eligible for fully commercial capital after having received support through seed capital and HTF. Hivos has a special focus on rural and green finance, including finance for renewable energy products.

ICCO: Currently, ICCO is not active in Tanzania. ICCO partners with Oikocredit and Rabobank in Terrafina. Terrafina supports microfinance in Africa (especially in rural areas and lower segments of the market). Currently, Tanzania is not part of the focus regions: West Africa, Great Lakes and Horn of Africa. The number of focus countries is expected to increase in 2010. Instruments include grants, loans and guarantees.

Oxfam Novib: Oxfam Novib provides grants for capacity building to microfinance actors in Tanzania. Its microfinance strategy includes a focus on increasing rural outreach, women/gender mainstreaming and encouragement of competition, with the aim of reducing interest rates. TripleJump, a fund management company, currently manages the Oxfam Novib Fund (targets emerging MFIs, loans size between $150,000 and $1 Million) and ASN-Novib Fund (targets expanding/mature MFIs, loan size between $500,000 and $5 Million). Triple Jump Advisory Services provides technical assistance and consultancy services to Triple Jump supported MFIs.

Rabobank Foundation (RF): is a private development agency entirely funded by the 143 primary co-operative banks in the Netherlands and their apex organisation Rabobank Nederland. Rabobank is a AAA rated cooperative bank. Rabobank Foundation is part of Rabobank Development Programme. In the developing economies of Africa (including Tanzania), Asia and Latin America the Foundation supports rural member based organizations (SACCO's and producer cooperatives). Rabobank is also active in Tanzania through Rabo Development, which is an investor in NMB bank and provides part of NMB management. RF can access the country knowledge and (branch) network of NMB in order to reach more remote target groups of RF. RF and NMB have also recently established the NMB Foundation for agricultural development which takes care of training of producer cooperatives.

In 2009, the four MicroNed members working in Tanzania (Cordaid, Hivos/HTF, Oxfam Novib and Rabobank Foundation), granted €1,014,713 to 5 institutions. Their outstanding portfolio totalled €5,482,244 in loans and equity to 13 MFIs by 31st December 2009 (with one institution receiving a combination of grant and loan: Tujijenge). See Annex 3 for details.

Apart from the MicroNed members, there are a few other Dutch donors and investors active in microfinance in Tanzania. The total Dutch offer amounted to over €12 Million in 2009. See Annex 3 for details.

3.2 Other Donors and Investors

MFIs in Tanzania receive funding from a broad variety of both local and international funders, and often in a combination, including donors, social investment funds and commercial entities like banks. The terms and conditions also vary per funder, and per MFI. It goes beyond the scope of this study to provide a complete overview. However, below a number of key funders are briefly mentioned.

The Financial Sector Deepening Trust (FSDT) is the major donor in the microfinance market in Tanzania. It was established in 2004 as a joint initiative of four donors: EKN, DFID, SIDA and CIDA. DANIDA joined in 2005. Since 2006 the World Bank's Improving Access to Financial Services programme is also channelled through the Trust. FSDT supports three pillars of financial sector development: a) Expanding the scale and viability of financial institutions, b) Financial sector infrastructure (including capacity building c) The policy, legal & regulatory framework. The FSDT provides grants, loans, guarantees to commercial banks and debt/equity instruments such as convertible loans (against market interest rates/fees). All donors are members of the Programme Investment Committee (PIC). The total budget for FSDT is around US$ 90 million for 2006 to 2010.

Consequently FSDT has several focus areas under which projects and activities can be summarized:

- *Policy, Legal & Regulatory Framework + Surveys:* financed and facilitated mainly data collection and strategy documents: the Rural Financial Services Strategy, the FinScope 2009, GIS mapping of the 2002 census enumerator areas (which allows GIS mapping of all nationally representative surveys), Financial Literacy Strategy and SME survey.
- *Wholesale financial service to retail providers*: FSDT supports the CRDB Microfinance service and the wants to support the Warehouse Receipt System
- *Business Services for SACCOS and other MFIs.* The development of national training standards is on the FSDT's agenda, in particular with respect to regulating FICOs.
- *Services to MSMs:* The FSDT provides funding for TA assistance to LFS together with KfW, the International Finance Corporation (IFC), the African Development Bank (AfDB) and the Belgian Investment Company (BIO) to establish Access Bank. Another contribution went to Advans Tanzania together with Horus Development Finance.
- *Services for poor urban and rural households and individuals:* FSDT is lending to and working with various SACCOS networks throughout Tanzania. The Trust provided funds for the NMB to guarantee ODs for agri-dealers, to the Orgut-Sedit program to establish Village Community Banks (VICOBAs) and the Care Village Savings and Loan Associations (VSLAs). The FSDT has also been lending to Kagera Farmers Cooperative Bank and Mbinga Community Bank. It supported the NMB mobile phone banking initiative with good results. The FSDT is planning to provide WAT a guarantee for the housing microfinance loan from Oikocredit and is funding the Aga Khan Foundation in training communities to set up Community Based Savings Groups (VSLAs).

The Bill & Melinda Gates Foundation is the largest charitable foundation in the world. At a conference in Seattle in November 2010, the Foundation announced it was to spend $500 million on projects to encourage poor people to save. Six new grants of $40 million are to go to branchless banking and mobile money projects. The FSDT has been working with the Gates Foundation to ensure that depth and breadth of access increases to more poor people in Tanzania.

Others include:

- Africap
- Africa Loan Fund: Overseas Private Investment Corporation (OPIC)
- Hivos-Triodos Fund, Triodos Fair Share Fund, Triodos Doen Fund
- FMO
- The Norwegian Investment Fund for Developing Countries (Norfund)
- Triple Jump
- Stromme Microfinance East Africa Ltd.
- The Ford Foundation
- The David and Lucile Packard Foundation
- CARE International
- Three Guineas Fund
- Calvert Social Investment Foundation
- MMA Community Development, Inc., and Monarch Community Fund
- LLC invested into an Africa Loan Fund
- The BRAC Africa Loan Fund provides long-term, local-currency funding for BRAC to scale up its microfinance operations. The Fund will aggregate US dollar loans from investors through a special purpose company and use the capital to make local currency loans to BRAC Uganda, BRAC Tanzania and BRAC Southern Sudan over a period of seven years. A second and final closing is planned during the first half of 2009 to reach the Fund's target of $74.0 million.

- Investment Fund for Health Africa (IFHA) invests in healthcare and medical services in Africa. It is a consortium including the Dutch pension fund, ABP, African Development Bank, FMO of Netherlands, International Finance Corporation, Goldman Sachs, Pfizer and Social Investor Foundation for Africa, comprising multinationals like Unilever, Shell and Heineken.
- INCOFIN: Rural Impulse Fund and VDK MFI Loan Portfolio fund. Loans and debt securities, equity and guarantees to banks, SACCOS, NBFI and NGOs. INCOFIN provides funding to PRIDE Tanzania.
- Tanzania Gatsby Trust (TGT)
- DANIDA
- IFAD
- SIDI
- AccessHolding Microfinance (shareholder in Access Bank Tanzania)

On-line fundraising platforms like KIVA and MyC4 are becoming very popular worldwide, but still have a small clientele in Tanzania. Tujijenge is one of the few MFIs using both platforms successfully. These platforms allow an MFI to raise debt capital directly from social investors via the internet. Conditions vary (time it takes to get a loan funded, whether in hard currency or in local currency etc). But one of the biggest advantages is that the MFI does not have to provide a guarantee. In order to attract a loan from a a commercial bank in Tanzania, usually around 130% guarantee has to be provided. There is room for significant increase in on-line fundraising amongst MFIs in Tanzania. This might require more additional awareness raising as many of the smaller MFIs do not yet seem to be familiar with it.

See also Annex 5 for more details.

4 SUPPORT AND FUNDING NEEDS AT INSTITUTIONAL LEVEL

4.1 Support needs at institution level

Category	Support and Funding Needs
VLSAs & VICOBAs	• Develop supported VSLAs & VICOBAs in additional regions and districts • Develop VSLA and VICOBA apex entities to take over from development agents (e.g. Orgut or Care Tanzania) • Develop local VSLA & VICOBA agents network to train more agents
Mobile payment services and electronic data transfer	• Raise awareness about the benefits of mobile banking • Conduct training on how to use mobile for various transactions • Increase incentives for start-up companies in the field of mobile banking • Support to develop new products through loans and grants • Capacity building for management and technical staff • Banks, MFIs should collaborate with Telecom industry
Commercial Banks	• Develop appropriate loan products & risk analysis techniques for small-holder agriculture • Build staff capacity to enter into value chain agricultural finance Develop whole-sale lending links with SACCOS and smaller MFIs, in particular with VSLAs and VICOBAs • Support to develop other products (micro-leasing, housing finance, micro-insurance, remittances) • Spreading best practices & facilitate exchange of experience in mentioned innovative products and services • Support impact assessment and social performance reporting
Community Banks	• Develop whole-sale lending links with SACCOS and smaller MFIs • Capacity to select, buy, introduce and manage an appropriate MIS • Capacity building of management, staff and board members • Support to develop new products (micro-leasing, housing finance, agricultural lending, SME finance, micro-insurance, remittances) • Develop wholesale lending linkages with SACCOS and smaller MFIs, in particular with VSLAs and VICOBAs • Build staff capacity to enter into value chain agricultural finance • Support impact assessment and social performance reporting
SACCOS Support Organisations	• Develop appropriate network (legal) structures • Support in legal and regulatory issues (federated network, FICO, other options) • Business plan development (sources of income generation, financial sustainability) • Capacity building of field officers in microfinance best practices (esp. loan portfolio management) • Appropriate MIS to monitor SACCOS performance on network level • Development of other services at network level (e.g. liquidity management, insurance, security, lobby and advocacy) • Support impact assessment and social performance reporting
SACCOS	• Capacity building of SACCOS staff, leaders and members in SACCOS management, governance, record keeping • Develop adequate record keeping systems (esp. weak on loan portfolio management) • Develop appropriate facilities (secure building, safes) • Develop appropriate loan products (agriculture, micro-leasing)
NGO-MFIs	• Support in transformation into a regulated MFC (TA, subordinated debt, equity), for the largest MFIs • Capacity to select, buy, introduce, and manage an appropriate MIS • Support to develop new products (agricultural lending, micro-leasing, housing finance, micro-insurance, remittances, SME finance) • Capacity building support to scale-up outreach and manage this effectively (TA, training, grants) • Support impact assessment and social performance reporting

4.2 Support gap at institution level

There are still huge gaps to be filled at institution level. The Tanzanian economy in general and the financial sector in particular, still lacks sufficient base capacity in terms of human resources and effective and efficient organisations. This lack of 'absorption' capacity at institutional level remains a major bottleneck in developing the microfinance market in Tanzania.

MicroNed members mainly support microfinance institutions. It is recommended to expand their focus to the Village Savings and Loans Associations (VSLA) and Village Community Bank (VICOBA) models. These small, community based and owned institutions are being particularly successful in remote rural communities (see below).

The support and funding needs are identified at the beginning of this chapter. Dutch MicroNed members could contribute to all or a selection of categories. Many opportunities for adding input, particularly in partnership with the FSDT, exist in the smaller and more risky investments. Given the generally weak capacity in the less mature MFIs, SACCOS and their networks, the priority of grant funding should be on capacity building, including bringing in expert (if necessary international) on-the-job training, coaching and TA, with regular contact and follow-up.

Develop capacity to promote VSLAs & VICOBAs

The facilitation models of CARE International and Orgut-Sedit for facilitating communities to set up VSLAs and VICOBAs has produced very positive results. These institutions function well in terms of outreach, sustainability, profitability and replication. Linking these CBOs with semi-formal or formal financial institutions via mobile phone payment services could bring financial services to many Tanzanians who have, until now, been excluded from any financial services.

M-banking and mobile payment systems

According to FinScope survey 2009, only 1.9 Million out of 22 Million adults in Tanzania were currently banked. The majority of the population is either not served or under-served by financial services. With one of the highest figures of market penetration for mobile phone users in Africa, mobile banking can be the perfect catalyst for bringing financial services to the largely unbanked population in Tanzania. Latest statistics from the Tanzania Communications Regulatory Authority (TCRA) show that the number of mobile subscribers increased from about 16.2 million to nearly 17.5 million between September and December 2009.

Mobile phones are an important ICT tool for development due to their ability to leapfrog the infrastructure barriers easily in remote and rural areas of Africa. Tanzania had a slow uptake of mobile payment systems compared to its neighbour Kenya. This can be attributed to several factors, including market structure, poor infrastructure and reluctance to try new technology. Though the speed of success of M-Pesa in Kenya cannot be replicated, there are promising prospects for mobile banking in Tanzania. In the FinScope survey 2009, it was seen that mobile phone users were more likely to use their handsets for financial services once they have seen the benefits of mobile banking. Furthermore, 11% of registered M-Pesa users in Tanzania have no other access to formal or semi-formal finance.

Another system which can help bridge this gap and provide banking and financial services without the constraints of distance and construction costs is branchless banking. Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches. It can easily reach low-income and the unbanked to provide an efficient, secure and cost-effective financial system.

Capacity building

The lack of skilled personnel at all levels is a major bottleneck to the development on creating more access to financial services in Tanzania. For SACCOS or MFIs which cannot afford in-house training for their staff, capacity building and training is still scarce and not sufficiently institutionalized. Training and capacity building programmes and institutions are scattered across the country but there is no comprehensive data available in Tanzania.

Wholesale links
Currently, the majority of the funding of MicroNed members and other funders is geared towards contributing or lending to MFIs. With excess liquidity in the national banking system, the creation of wholesale links should be a priority.

Financial institutions (and their funders) have not yet been able to target rural markets effectively. Structural weaknesses in power supply (most rural areas have no electricity), roads and telecommunications all limit growth of microfinance actors. The introduction and speedy application of mobile phone services in the financial sector can overcome some of these traditional barriers.

4.3 Sector Needs

Legal and Regulatory System
It is necessary to improve the legal framework for land ownership and the weak judicial system (to encourage agricultural lending, leasing, housing finance). The legal/regulatory framework for mobile phone banking also needs improving, while regulatory framework for non-bank financial institutions (e.g. pension funds) needs to be strengthened. Mobile payment systems for deposit taking should be regulated, as should non-deposit taking MFIs. In addition, the regulatory network for SACCOs needs to be improved, in order to facilitate the growth and sustainability of SACCO networks (e.g. through delegated supervision by the Registrar of Cooperatives).

Market Information
There is a need for reliable market information to facilitate and encourage financial institutions to enter into new areas (geographically, as well as in terms of client segment and products). The two FinScope surveys in 2006 and 2009 have brought about a wealth of data on (potential) clients' demand for financial services. The results of the SME study commissioned by FSDT will be available early 2011. Specific data on current supply of microfinance (geographically, as well as in terms of client segments and products) is also required. FSDT intends to commission a comprehensive supply side survey to complement the extended data collection done by the BoT to update the MF directory.

There remains a need for reliable and timely information about borrowers, their credit history, and other lenders to the potential client, to facilitate risk assessment and reduce delinquency. This information should be shared between lenders, through a Credit Information Bureau. Tanzania's CIB is so far only available to regulated entities (excluding credit-only MFIs and SACCOS), and its success is hampered by lack of a national ID system. Financial education/capability data giving information about how much consumers know and what do they need to know is also needed, as well as data on the demand for financial services for agriculture value chain finance.

Networking
There is strong need for much more sharing of information, coordination, networking and exchange within the sector (involving practitioners, Government, donors and capacity builders). This could be done through organising workshops, information seminars, through an email network, newsletters etc. There is a need for an entity that coordinates and represents the various institutions engaged in microfinance – commercial banks, community banks, NGOs, SACCOS, donors and service providers (like the Association of Microfinance Institutions in Uganda). There is need to bring together the various fragmented networks, including Tanzania Bankers Association, TAMFI , SCCULT, Association of Community Banks.

Capacity building/training
Tanzania lacks specialised microfinance training agencies offering (accredited) courses open to all, as well as a dedicated entity spearheading capacity building for the sector as a whole. In order to build (more) sustainable institutions, second and third tier MFIs and SACCOS require access to capacity building and training which is in line with international best-practices, accessible in terms of language used (Swahili), knowledge level, geographical location, cost and time involved. Also, auditors, accountants and consultants should be encouraged to participate, to increase the level of professionalism of supporting services offered.

Improving financial literacy

As confirmed by FinScope, there is a huge need to improve financial literacy, especially amongst women, and especially in rural areas. As education for the majority of rural women is limited to primary education (92%), this would be a logical starting point. Financial literacy should also be supported by the government (education), but also by the financial sector itself, through improved transparency on financial products, code of conduct for consumer protection etc. Should be spearheaded through national level agency – e.g. Tanzania Bankers Association, in partnership with TAMFI, SCCULT and the Association of Community Banks.

Develop partnerships between different players for introduction of new products

A possible scenario could be that VSLAs in a remote district in Tanzania deposit savings through M-pesa into their account at the NMB. However, a lot needs to be put in place for such a partnership to work for the benefit of all.

Market Linkages

Promote market links and local wholesale financing (through linking Tier 1, Tier 2 and Tier 3 institutions). The market for wholesale lending consists mainly of SACCOS (3,500) and both large and small NGOs. This market is huge, and is currently mainly restricted by the limited capacity of SACCOS and NGOs to deliver financial services effectively and service (semi-) commercial loans.

4.4 Support gap at sector level

The main donors and investors in broader sector support include the FSDT (see 3.4.2), the World Bank and BoT through employing WOCCU, and the World Bank through the housing finance facility.

Priorities for MicroNed members at the sector level should include:

- support to networking
- support to capacity building/training
- support to ICT innovations and mechanisms. Promote approaches and methods allowing providers (mainly semi formal and informal service providers) to use ICT to broaden their outreach and introduce new delivery channels. Partnerships need to be developed.
- Market links and local wholesale financing (through linking Tier 1, Tier 2 and Tier 3 institutions) need to be developed to increase leverage of funding provided by MicroNed members.

4.5 Clients needs

Education remains the primary need at client level. But to be effective, this needs to be supported by a number of important additional requirements. An entrepreneurial culture needs to be encouraged alongside extensive training in business skills and management. Increasing access to finance in ways which are appropriate to the circumstances of the majority of poor people is also essential. This will only happen if financial literacy is improved. Information needs to be collected in order to understand the current position correctly and to have benchmarks for the future.

4.6 Support gap at client level

There remain huge gaps at client level. The 2009 FinScope survey showed a modest increase (3%) in the numbers of adults who have access to the formal financial system. This is mostly accounted for by the rise in use of ATMs and insurance. The increase in the semi-formal usage is **not** the result of any substantial increases in SACCOS membership or MFI use (with the notable exception of BRAC). The 'semi-formal other' category accounts for almost all the 2.2% increase in semi-formal usage and includes the M-Pesa mobile payments service, as well as various government housing and education loans. Slightly fewer people now use informal finance since 2006 – leaving 56% of the population over 16 years completely excluded.

The three main bottlenecks at client level on the demand side are:

- limited capacity to invest money effectively (limited basic education, lack of entrepreneurial attitude, lack of business and management skills)
- lack of financial literacy

- lack of collateral

Priorities for clients should therefore include improving financial literacy, especially for rural women and children (primary schools and adult education), starting with basic financial products. Disseminating the advantages of using ICT and technology, in particular to the rural population, is also important. Access to mobile banking services and branchless banking should also be given high priority. Other methods include accessing savings and loan products that are appropriate, are brought physically close to the (rural) client, and are tailored to their needs. A large majority of the rural poor depend on agriculture. Therefore agricultural loan products and micro-leasing should also be emphasised. Improving outreach of financial services to the currently excluded will need to be supported by appropriate strategies.

Besides the gap in financial literacy and the provision of appropriate products and services there is a information gap.
Baseline data and subsequent data collection in the areas of financial education/capability, financial agriculture is required mobile payments to benchmark progress and developments. MicroNed members should consider teaming up with other stakeholders of pro poor financial sector deepening, such as the FSDT, Gates Foundation, The Gatsby Trust and the Rockefeller Foundation.

5 CONCLUSIONS & RECOMMENDATIONS

The financial sector in Tanzania has been undergoing remarkable development in the last few years. A regulatory framework for microfinance institutions has been created, more financial institutions have been licensed while products, services and technology have all increased and diversified. As a result of structural reforms rural and microfinance issues have been recognized and included in financial sector reform measures.
In terms of financial inclusion, however, Tanzania is doing less well. With 56% of the population excluded from any financial service, it has one of the worst records on the continent. Only 16% of adult Tanzanians are served by the formal (banks and insurance companies) and semi-formal (MFIs, SACCOS and other providers with any formal character) financial sector. The informal financial sector (community based entities and service providers) is the major source of financial service, particularly in rural areas. Many amongst the excluded, especially in rural communities, are using non-monetary means for their transactions.

Socio-demographic issues are an important factor defining the economic situation in Tanzania. Three quarters of the population live in rural, often very remote areas with deficient physical infrastructure, limited market capacity (in terms of human resources and effective and efficient organizations), low levels of financial literacy and limited business skills. All these obstacles make the provision of financial services both difficult and costly. Mobile payment systems might provide a solution: they are proliferating and providing new possibilities for the provision of the financial services.

5.1 At Institutional level

Financial access in Tanzania has witnessed some definite and positive shifts over the last three years. The advance of mobile phone banking is probably the single greatest development affecting the largest number of people in the country. Many commercial banks and most mobile phone providers now offer access to banking, remitting and savings through mobile technology. The potential, both in numbers of people who can be reached using this method, and in the number of services which can eventually be provided to them, is enormous.

The growth and success of the regulated community banks, particularly in rural areas, is notable. More commercial banks now offer products and services which are specifically designed for lower income and small business customers, though significant capacity building is still needed in all areas. Community banks need to make further efforts to form stronger links with SACCOS and support increased development of products such as micro-leasing, micro-insurance, agricultural and SME finance.

5.2 At Sector Level

Support to networking including sharing of information, coordination and exchange is important. Support also needs to be given to capacity building/training and to ICT innovations. Partnerships need to be developed between different players for the introduction of new products, while market links and local wholesale financing (through linking Tier 1, Tier 2 and Tier 3 institutions) need to be established to leverage funding provided by MicroNed members. MicroNed members could encourage this between various microfinance players in Tanzania, as well as between similar players in the rest of East Africa. The industry needs reliable baseline data and frequent data collection exercises to be institutionalized.

5.3 At Client Level

There is a great deal of work to do at the client level. Lack of literacy in general and financial literacy in particular is impeding development. Access to financial services needs to be far greater to have any significant impact on the economy. In order to create greater access, more, and more appropriate savings and loans products and services need to be offered, while the culture of savings and carefully managed loans needs further encouragement and promotion. Since three quarters of the population live in rural areas and depend, in one way or another, on agriculture, specific products and services relevant to this sector must be developed. Once again, a full range of mobile technologies can and should be exploited here.

To improve outreach successfully, it will be necessary to invest heavily in infrastructure: vocational training and business support centres, better roads and transport facilities will all have a positive impact at the client level.

5.4 Coordination

Coordination of investments and by investors needs to be maintained and improved. The Embassy of the Kingdom of the Netherlands (EKN) in Dar es Salaam would like to stay informed and updated on initiatives by MicroNed members in Tanzania. EKN is one of the funders of FSDT, and part of its Project Investment Committee. In addition, the FSDT would welcome active collaboration.

ANNEX 1 – Directory of Actors at Sector Level

Institution	Contact Person	Contact Details
Authorities, Networks, Associations		
Bank of Tanzania	Directorate of Microfinance	16th Floor, PPF Tower Garden Avenue/Ohio Street Tel: +255 – 22 – 238384 (Directorate of Microfinance) Website: www.bot-tz.org Email: DMFI@hq.bot-tz.org
Savings and Credit Cooperative Union League of Tanzania (SCCULT)	Mr A. Mshaweji , Executive Secretary	Coop. Building, 10th Floor, Room No. 10,11&12, Lumumba Street, PO Box 20640, DSM Tel: +255 – 22 - 2180529; Mobile: + 255 – 741 - 326719 Email: sccult@yahoo.co.uk, sccult1992@yahoo.com
Tanzania Association of Microfinance Institutions (TAMFI)	Ms. Winnie Terry	Email: info@TAMFI.com; winedtz@yahoo.com Mobile: +255 – 22 – 2180914 Website:www.tamfi.com
Community Banks Association of Tanzania (CBA)	Ms. Stella Rwiza, Executive Director	PO Box 8695 Dar es Salaam Tel: +255 – (0)22 – 212 3245 Mobile: +255 – (0)755 – 439 533 Email: info@cba.or.tz. Website: www.cba.or.tz
Tanzania Bankers Association (TBA)	Ms. Touse M. Joune, Executive Assistant	Sukari House, 4th Floor crn Sokoine/Ohio, PO Box 70925, DSM Tel: + 255 – 22 – 212 0551 / 212 7764 Mobile: + 255 - 756 – 547707 Email: touse@tanzaniabankers.org; info@tanzaniabankers.org Website: www.tanzaniabankers.org
Tanzania Institute of Bankers (TIOB)	C. J. Nyoni, Executive Director	10th floor, NIC Investment House, PO Box 8182, DSM Tel: + 255 – 22 - 2133350 Email:bankers@africaonline.co.tz Website: www.bot-tz.org/TIOB
Capacity Building Services		
Bank of Tanzania Training Institute	Mr. Wamgimwa, Principal	PO Box 131 Capri-Point, Mwanza Tel: + 255 – 28 – 2500709 / 0983 Email: wamgimwa@yahoo.co.uk or wamgimwa@hq.bot-tz.org Website: http://www.bot-tz.org/traininginstitute
Centre for Microfinance & Enterprise Development (CEMIDE) - *consultants*	Altemius Millinga, Executive Director	Lumo area –Adjacent to Julia Nyerere international Airport, P.O. Box 10272, DSM Mobile: +255 – 754 – 376 122, +255 – 775 – 006012 Email: altemiusm@yahoo.com, cemide@uccmail.co.tz

Institution	Contact Person	Contact Details
Economic Development Initiatives (EDI) Limited – *consultants*	Ms. Louise Barnett, Managing Director (based in UK)	PO Box 393, Bukoba Tel: + 255 – 28 – 222 0188, Mobile: + 255 – 754 – 742494 Email: l.barnett@edi-africa.com Website: www.edi-africa.com
Global Associates - *consultants*	Joel Mwakitalu, Partner	Mobile: + 255 – 784 - 657718 PO Box 42110, Dar es Salaam Tel: +255 - 22 – 285 0097 or 0745 826259 Fax: +255 22 285 0972. Email: globalasstz@bol.co.tz
Institute of Finance Management (IFM)	Prof. Tadeo Satta, Dir. Center for Advanced Studies in Corporate Governance, Entrepreneurship and Finance	Shabaan Robert Street, PO Box 3918, DSM Tel: + 255 – 22 – 211 2931/4 Email: satta.tadeo@gmail.com Website: www.ifm.ac.tz
Moshi University College for Cooperative & Business Studies (MUCCoBS)	The Principal	Sokoine Road, PO Box 474, Moshi Tel: + 255 – 27 – 2751833 Email: principal@muccobs.ac.tz Website: http://muccobs.ac.tz
Triodos Facet – *consultants*	Ms. Marjan Duursma	P.O. Box 79331 DSM or PO Box 55, 3700 AD Zeist Tel: + 255 – 22 – 2600054, Mobile: + 255 – 754 – 091 618 Email: m.duursma@triodosfacet.nl; mduursma@hotmail.com Website: www.triodosfacet.nl
Development Pioneer Consultants Ltd.	Ms. Annette Altvater	P.O. Box 105660 DMS, Mobile: +255 22 2600674, Tel: +255 754 263 171, Email: Annette.altvater@dpc-tz.com Website:www.dpc-tz.com
Donor Organisations and Projects		
Embassy of the Kingdom of the Netherlands, EKN	Ms. Ank Willems, 2nd Secretary Economic Affairs	Umoja House, 4th Floor, Garden Avenue, P.O Box 9534, DSM Tel: + 255 – 22 – 211 0000 Email: ank.willems@minbuza.nl Website: http://tanzania.nlembassy.org
Cordaid	Vincent Driest, Programme Officer Tanzania (Entrepreneurship) Ms. Annemiek van der Leij (Credit)	PO Box 16440, 2500 BK Den Haag Lutherse Burgwal 10, 2512 CB Den Haag Tel: +31 - (0)70 - 3136 300; Fax: +31 – (0)70 - 3136 301 Email: vincent.driest@cordaid.nl; Annemiek.van.der.Leij@cordaid.nl; Website: www.cordaid.nl

Institution	Contact Person	Contact Details
Financial Sector Deepening Trust (FSDT)	Sosthenes Kewe, Technical Director	PPF Tower, Ohio Street, PO Box 4653, DSM Tel: + 255 – 22 – 2129060-2 Mobile: 0756 -776 336 (Sosthenes) Email: sosthenes@fsdt.or.tz Website: www.fsdt.or.tz
Hivos	Ms. Anita Jurgens, Programme Officer	PO Box 85565, 2508 CG The Hague, The Netherlands Tel: +31 – (0)70 – 376 5500; Fax: +31 – (0)70 – 362 4600 Email: a.jurgens@hivos.nl, sed@hivos.nl Website: www.hivos.nl
ICCO	Mr. Ben Nijkamp, Global Coordinator Microfinance	P.O. Box 8190, 3503 RD Utrecht, The Netherlands Joseph Haydnlaan 2a, 3533 AE Utrecht, The Netherlands Tel: +31 - (0)30 - 692 7811; Fax: +31- (0)30 - 692 5614 Website: www.icco.nl
MicroNed	Ms. Josien Sluijs, Executive Director	Joseph Haydnlaan 2a, 3533 AE Utrecht, The Netherlands P.O. Box 8190, 3503 RD Utrecht, The Netherlands Tel: + 31- (0)30 – 880 18 61 Email: josien.sluijs@micro-ned.nl Website: www.micro-ned.nl
Oxfam Novib	Thur de Kuijer, Programme Officer East and Central Africa	PO Box 30919, 2500 GX The Hague, the Netherlands Tel: +31 –(0)70 – 342 1621; Fax : +31 – (0)70 – 361 4461 Email: thur.de.kuijer@oxfamnovib.nl; Website: www.oxfamnovib.nl
PASS	Antoon Vergroesen, Danida Technical Advisor	Mazimbu Road, TTPL Building P.O.Box 146, Morogoro, Tanzania Tel: +255 - (0)755 - 555 320 (mobile) Tel: +255 –(0)23 – 2603765 / 2603658 / 2603652 E-mail: antoon.vergroesen@pass.ac.tz or pass@pass.ac.tz Website: www.pass.ac.tz
Small Enterprise Loan Facility (SELF II)	Abia Kaaya, Project Manager	Nyumba ya Maarifa, Ohio Street, PO Box 5380, DSM Tel: + 255 – 22 – 213 5321 Email: abhkaaya@yahoo.com

This directory only includes relevant actors on sector level. For additional information:

- *Commercial Banks and Non-Bank Financial Institutions (BOT, 2007): http://www.bot-tz.org/BankingSupervision/registered_banks.htm*
- *Directory of Microfinance Practitioners (BOT, 2005) with SACCOs, MFIs, Banks: http://www.bot-tz.org/MFI/Default.asp?Menu=PRACT*
- *Directory of Development Organisations, Tanzania (2006): http://www.sarpn.org.za/documents/d0001795/Country_Dir_Tanzania_2006.pdf*

ANNEX 2 – List of Documents & Resources Used

Institution	Relevant Documents	Website
Africa Economic Outlook	Country Statistics for Tanzania, last accessed on th 20 November 2010.	http://www.africaneconomicoutlook.org/en/countries/east
United Nations Development Programme (UNDP)	UNDP Human Development Report 2009	http://hdr.undp.org/en/reports/global/hdr2009/
United Nations Statistics Division (UNSD)	United Nations Statistical Database	http://unstats.un.org
International Monetary Fund (IMF)	IMF Country Report No. 10/173, June 2010	http://www.imf.org/external/pubs/cat/longres.cfm?sk=23982.0
Bank of Tanzania (BoT)	BOT Monthly Economic Review, August 2010 BOT Annual Report 2008/2009, June 2009 BoT, Monetary Policy Statement, June 2010 Feasibility study of establishment of the Tanzania Agriculture Development Bank (TADB), p. 9-12.	http://www.bot-tz.org
United Nations (UN)	UN Millenium Development Goals Report 2010	http://www.un.org/millenniumgoals/
FSDT	FinScope Survey 2009	http://dgroups.org/groups/FSDT-Tanzania
International Monetary Fund (IMF)	Roger Nord, Yuri Sobolev, David Dunn, Alejandro Hajdenberg, Niko Hobdari, Samar Maziad, and Stéphane Roudet (2009). *Tanzania, The story of an African transition*. Washington D.C: IMF. p.39 to 47.	www.imf.org/external/pubs/ft/books/2009/tanzania/tanzania.pdf
Government of Tanzania (GoT)	Banking & Financial Institutions (Microfinance Companies and Microcredit Activities) Regulations, 2005	
Government of Tanzania (GoT)	Banking & Financial Institutions (Financial Cooperative Societies) Regulations, 2005	
Bank of Tanzania (BoT)	Flora Lugangira Rutabanzibwa. (2008). Policy Initiatives for Improved Financial Services Provision in Rural Areas: Tanzania Mainland's Experience. *BOT*. AFRACA Eastern-Africa Sub-Region Workshop (Paper Presented), P. 2-3.	
FSDT & BoT	Oxford Policy Management (2009). *TANZANIA: DEVELOPING A STRATEGY FOR RURAL FINANCIAL SERVICES*. Dar es Salaam: FSDT & BoT	
DFS-Kenya and FSDU	Anyango, Ezra; Esipisu, Ezekiel; Opoku, Lydia; Johnson, Susan; Malkamaki, Markku; Musoke, Chris. (2007). Village Savings and Loan Associations - experience from Zanzibar. *Small Enterprise Development*. 18 (1), p.11-24.	

Institution	Relevant Documents	Website
World Bank	World Bank. (2010). *World Bank Approves US$40 Million for Housing Finance Project in Tanzania*	http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/
International Labour Organization (ILO) and CoopAfrica	Sam Maghimbi. (2010). Cooperatives in Tanzania mainland. Revival and growth. *ILO, Coop Africa* . Working paper 14	www.oit.org/public/english/.../ent/.../wpno14cooperativesintanzania.pdf
Tujijenge Tanzania	Tujijenge Tanzania. (2010). Present Status. Last accessed 19 November.	http://www.tujijengeafrika.org/index.html
The Citizen Newspaper	Citizen reporter. (2010). Mobile phone users now top 17 million. Last accessed 10th Nov 2010.	http://www.thecitizen.co.tz/business/13-local-business/791-mobile-phone-users-now-top-17-million.html
The Citizen Newspaper	The Citizen. (2009). Tanzania: Mobile Banking May Erode The Influence of Traditional Banks. Last accessed 10th Nov 2010.	http://www.afminetwork.org/en/news/190/tanzania-mobile-banking-may-erode-the-influence-of-traditional-banks.html
MobileActive.org	Bhavsar, Mohini. (2010). Mobile Money and Mobile Health 2: Use Cases, Limitations and Ways Forward. Last accessed 11th Nov 2010.	http://www.mobileactive.org/mobile-money-mobile-health-use-cases
Mobile Money Africa	Ochieng, Zachary. (2010). Bright days ahead for mobile banking. Last accessed 10th Nov 2010.	http://mobilemoneyafrica.com/?p=2580&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+MobileMoneyAfrica+%28Mobile+Money+Africa%29
CGap Technology Blog	Rotman, Sarah et Almazan, Mireya. (2010). Count them…4 mobile money services now live in Tanzania. Last accessed 10th Nov 2010.	http://technology.cgap.org/2010/10/04/count-them%E2%80%A64-mobile-money-services-now-live-in-tanzania/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+cgaptechnology+%28CGAP+Technology+Blog
Wikipedia	Wikipedia. (2010). Branchless banking. Last accessed 10th Nov 2010.	http://en.wikipedia.org/wiki/Branchless_banking
Bright Hub	Mojica, Stephanie. (2010). What Is Branchless Banking?. Last accessed 10th Nov 2010.	http://www.brighthub.com/money/personal-finance/articles/36034.aspx
CGap Technology Blog	McKay, Claudia et Pickens, Mark. (2010). Banking the Poor: How Branchless Banking Measures Up. Last accessed 10th Nov 2010.	http://www.cgap.org/p/site/c/template.rc/1.26.14381/
The Citizen Newspaper	The Citizen. (2010). MONEY TRANSFER:Vodacom M-Pesa takes financial sector by storm. Last accessed 10th Nov 2010.	http://thecitizen.co.tz/magazines/31-business-week/3032-money-transfervodacom-m-pesa-takes-financial-sector-by-storm
MiX Microfinance Information eXchange	MiX Microfinance Information exchange. (2009). Microfinance in Tanzania. Last accessed 3 February 2010.	http://www.mixmarket.org/mfi/country/Tanzania

ANNEX 3 – Dutch Donors and Investors in Microfinance, Tanzania (31 Dec 2009)

A: MicroNed Members' Investments

Funder	Institution	Location	Instrument	Since	Grant	Loan Outst.	Local curr?	Equity	Description
CORDAID	WEDAC	Kilimanjaro	Loan	2005		309,849	yes		Proposal for Implementation of WEDAC Business Plan
	Tujijenge	DSM	Grant	2005	51,881				Tujijenge Tanzania Ltd - Micro lending with emphasis on group lending
	Tujijenge	DSM	Loan	2008		76,157	no		Tujijenge Microfinance Ltd - Micro credit for (rural) small holders
	Equity for Africa (EFTA)	Moshi/Arusha	Loan	2005		185,000	yes		Leasing finance for equipment
	Stromme East Africa Ltd.	East Africa	Equity						20% equity stake
Hivos	KADERES	Karagwe	Grant	2008	434,832				SACCOS support organisation
Hivos-Triodos Fund	Akiba (ACB)	various	Equity	1997				579,883	Commercial bank for SMEs, microfinance
	BRAC Tanzania	national	Loan	2006		1,245,649			Micro credit NGO
	FINCA Tanzania	national	Loan	1998		172,570			Micro credit NGO
Oxfam Novib	FINCA TZ	various	Loan	2009		800,000	yes		Micro credit NGO, focus on women
	PRIDE	various	Loan	2007		800,000	yes		Micro credit NGO
	FAIDERS	Biharamulo	Grant	2009	225,000				Micro credit NGO, co-operative development
	Tujijenge Africa	DSM	Grant	2008	100,000				Micro credit for low-income earners
	Tujijenge	DSM	Loan	2008		300,000	yes		Micro credit for (rural) small holders
	SELFINA	DSM	Loan	2008		500,000	yes		Micro credit NGO, focus on women
Rabobank Foundation	Tanga Heifers Ltd.	Tanga	Loan	2009		252,000	no		Dairy cooperative union
	Mbukita Irrigators		Guarantee	2009		73,000	no		SACCO and cooperative
			Loan	2009		188,136	no		working capital for cotton trade finance (to NMB?) in USD
			Grant	2009	203,000		no		organic coffee certification of 3,000 farmers
TOTAL					**1,014,713**	**4,902,361**		**579,883**	

All figures in Euro. Loan portfolio outstanding as per 31st December 2009. Source: CGAP 2010 Microfinance Funder Survey - Donors, except Rabobank Foundation: RF report 2009

B: Other Dutch Investments

Funder	Institution	Location	Instrument	Since	Grant	Loan Outst.	Local curr?	Equity	Description
Triodos Fair Share Fund	BRAC Tanzania	national	Loan	2006					Micro credit NGO
	Access Bank	Dar es Salaam	Loan						SME commercial bank
Triodos-Doen Foundation	Access Bank	Dar es Salaam	Loan	2007					SME commercial bank
	Akiba (ACB)	various	Equity	1997					Commercial bank for SMEs, microfinance
	FINCA TZ	national	Loan						Micro credit NGO
Oikocredit	Selfina	DSM	Loan	2008					Micro leasing company
	Wazalendo SACCOs		Loan			800,000	1,600,000,000		
	Vision SACCOs		Loan			250,000	500,000,000		
	Mtoni Luthern SACCOs		Loan			500,000	1,000,000,000		2,500 members
	Young Women's Christian	Moshi	Loan			261,000			USD 354,960
	Revival Church SACCOs		Loan			150,000	300,000,000		over 5,000 members
	Vanessa Second. School		Loan			77,000	154,000,000		
	Bus.Life for Tz Dev. Trust Fund		Loan			75,000	150,000,000		3,173 active borrowers
	Mapambazuko SACCOs		Loan			75,000	150,000,000		250 active borrowers
	Wanama SACOs		Loan			400,000	800,000,000		178 active borrowers
	Usaca SACCOs		Loan			500,000	1,000,000,000		2,127 active borrowers
	Wadoki SACOs		Loan			500,000	1,000,000,000		1,350 active borrowers
	Tanz. Assoc. Of Self-Empl.		Loan			100,000	200,000,000		171 active borrowers
	Azania Bancorp Ltd.		Loan			1,980,143	3,960,285,716		
TOTAL					**0**	**5,668,143**		**0**	

All figures in Euro. Loan portfolio outstanding as per 31st December 2009. Sources: www.oikocredit.nl (Feb 2011); www.mixmarket.org (Feb 2011)

						1 Eur. = Tsh.	2,000	(February 2011)	

ANNEX 4 – Other Donors and Investors in Microfinance, Tanzania

Fund Name	Country of Incorporation	Type of Fund	Type of Instruments	Amount	Examples in TZ
Local Funds					
FSDT (1)	Tanzania	Trust	Grants, loans, guarantees	$ 50 Million	Dunduliza, FinScope survey, SEDA, KFCB, BRAC-Tz, Usawa/FERT
CRDB Bank	Tanzania	Commercial Bank	Loans	Approx. $ 15 Million	280 SACCOs
NMB	Tanzania	Commercial Bank	Loans		FINCA, SEF, SACCOs
SCCULT	Tanzania	Cooperative Union	Loans	Approx. $ 1.5 Million	to member SACCOs (total 672 members)
SELF	Tanzania	Government Project	Loans, guarantees	Approx. $ 4 Million from ADB	over 100 SACCOs . SELF II will start in 2011
Tanzania Gatsby Trust (TGT)	Tanzania	Trust	Loans, equity	Approx. $ 1 Million, Gatsby UK	FINCA, SEDA, PTF, SEF, SACCOs
International Funds					
Advans SA	SA		Equity		Advanx Bank Tanzania
AfriCap (2)	Mauritius	Investment Fund	Equity	$ 50 Million	$1.5 Million convertible debt in PRIDE Tanzania
B & M Gates Foundation	USA	Foundation	Grants and loans?		$10 Million grant to BRAC-Tanzania, Vodacom Tanzania M-pesa, Tanzania Postal Bank
CARE International	USA	NGO	Grants		VSLAs in Zanzibar
DANIDA	Denmark	Government Agency	Equity and grants		30% equity in CRDB, grant support for SACCO programme. Funding to PASS trust
Deutsche Bank MDF	USA	Commercial bank	Loans, local banks leverage 2:1		none yet
Dexia Microcr.Fund	Luxembourg	Investment Fund	loans, equity, guarantees		FINCA Tz
Ford Foundation	USA	Foundation	Grants, Fellowships		The Forum for African Women Educationalalists (FAWE)
Gatsby Trust	UK	Foundation	Grants and loans		not available
Grameen Trust	USA	Trust	loans		not available
IFAD	Italy	International Org	loans		RFSP (9-yr fund under Prime Min. Office, ended in 2010) , fertilizer partnership.
Incofin CVSO	Belgium	Investment Fund	loans, equity, guarantees		Akiba Commercial Bank (equity)
Incofin Rural Impulse Fund	Belgium	Investment Fund	loans, equity, guarantees		PRIDE-Tanzania
Incofin - VDK MFI Loan Portfolio	Belgium	Investment Fund	loans, equity, guarantees		PRIDE-Tanzania (since 1994)
KIVA	USA	on-line platform	loans		BRAC TZ, SELFINA, Tujijenge, YOSEFO
NorFund	Norway	Investment Fund	loans	$ 8 Million	Loan to Exim bank for onlending to SMEs
MyC4	Denmark	on-line platform	loans		Tujijenge Tanzania
responsibility Fund	Luxembourg	Investment Fund	loans, equity		not available
SIDA	Sweden	Government Agency	grants		VICOBA (managed by Orgut)
SIDI	France	Investment Fund	loans, equity, guarantees	$281,277 (Akiba), $56,507(Selfina)	Akiba CB (equity) and SELFINA
Stromme East Africa Ltd.	Norway	Company	loans, guarantees		Tujijenge Tanzania, Tujijenge Microfinance, PRIDE Tanzania and SELFINA (2009)
USAID Credit Guarn.	USA	Government Agency	guarantees		not available

Source: MIX Market (www.mixmarket.org), BOT Microfinance Sub-Web (www.bot-tz.org), Triodos-Facet.

(1) FSDT is funded by DFID, CIDA, SIDA, EKN, DANIDA and WB.

(2) AfriCap investors include FMO

ANNEX 5 - Overview of Microfinance Providers in Tanzania

Type / Name of Institution	Microfinance Products Offered	Market/Area of Operations	Loans Outstanding	Amount Outstanding
1. Regulated & Licensed Providers of Microfinance Services				
Commercial Banks				
Access Bank Ltd.	Main focus on (M)SMEs. Various savings and fixed deposit products, individual loan products.	Dar es Salaam, 4 branches. Plans to open 6 branches in DSM and upcountry	>14.500 loans > 42,000 depositors	Total loan portfolio US$ 33.5 mill
Akiba Commercial Bank	Main focus on (M)SMEs and microfinance. Various savings and fixed deposit products, individual loan products, group lending	DSM and Arusha, 6 branches	>16,000 borrowers, >124,000 depositors (Dec. 2009)	Total loan portfolio US$ 30.1 mill. US$ 44.6 mill in deposits
CRDB	Part of portfolio in microfinance. Various savings and fixed deposit products, individual loan products, wholesale lending to SACCOs. Also agricultural lending. SME loans between USD 3,800 and USD 377,000	National, 52 branches	345 SACCOs (Sept. 2008)	Tsh. 25 Billion to SACCOs in 2006
NMB	Individual microfinance products, agriculture finance, SME finance products Wholesale lending to 5 MFIs, and 32 SACCOs	National, 140 branches	43,000 SMSEs 4,000 SMEs SACCOs	MF-portfolio: not available
Barclays Bank	Part of portfolio in SMEs (secured and unsecured lending with flexible terms and competitive interest rates, SMEs can borrow up to TZS 10 million unsecured with a flexible repayment term of 1 – 5 years. In 2009 a microfinance programme in partnership with Plan and Care International focused on VLSAs. Led by Plan, the project is designed to benefit 60,000 people.	National, 32 branches		
Plus: Various banks are down-scaling, expanding branch network and entering into SME and whole-sale lending to MFIs and SACCOs, including National Bank of Commerce, CitiBank, FBME Bank, Exim Bank (21 branches), Boa Bank, Standard Chartered etc. New banks opened their doors such as Mkombozi Commercial Bank (since Aug. 2009) and two branches in DSM and Mwanza in August 2010 and Advans Bank Tanzania in December 2010 its first branch in Manzese, with focus on MSMEs.				

Type / Name of Institution	Microfinance Products Offered	Market/Area of Operations	Loans Outstanding	Amount Outstanding
Regional Unit Commercial Banks				
Dar es Salaam Community Bank	Various savings and fixed deposit products, individual loan products, incl. microloans	Dar es Salaam region (since 2001)	n.a.	Tsh. 10.8 Billion (Sept. 2005)
Kagera Farmers Cooperative Bank	Various savings and fixed deposit products, individual loan products, incl. micro loans, wholesale lending to SACCOs	Kagera region	n.a.	n.a.
Kilimanjaro Cooperative Bank	Various savings and fixed deposit products, individual loan products, incl. micro loans	Kilimanjaro region	n.a.	n.a.
Mbinga Community Bank	Various savings and fixed deposit products, individual loan products, incl. micro loans, wholesale lending to SACCOs	Ruvuma region (since 2003)	5,382 (Dec. 2005)	$ 699,729 (Dec. 2005)
Uchumi Commercial Bank	Various savings and fixed deposit accounts, individual loan products, incl. micro loans, wholesale lending to SACCOs	Kilimanjaro region (since 2005)	63 SACCOs (Sept. 2008)	n.a.
Tandahimba Commercial Bank Ltd		Mtwara	Licensed Dec. 2008	Licensed Dec. 2008
Njombe Commercial Bank Ltd		Iringa	Licensed Sept. 2010	Licensed Sept. 2010
Regional Non-Bank Financial Institutions				
Mufindi Community Bank	Various savings and fixed deposit products, individual loan products incl. micro loans	Iringa region (since 1999)	n.a.	Tsh. 1 Billion (Dec. 2003)
Mwanga Community Bank	Various savings and fixed deposit products, individual loan products incl. micro loans	Kilimanjaro region (since 2000)	n.a.	n.a.
Non-Bank Financial Institutions				
Tanzania Postal Bank	Variety of savings savings accounts and fixed deposits, some individual micro-lending	National, over 100 outlets	> 1 million account holders	n.a.
Tanzania Women Bank (TWB)	The bank is planning to offer financial services in particular in rural areas by using third-party outlets, such as post offices, other commercial banks, mobile banking and tele-banking for cash handling	Dar es Salaam	>17,758 customers (80% women)	Total loan portfolio TSH 7 bn, deposits TSH 12bn
Efatha Bank Ltd		DSM	n.a.	n.a.
Twiga Bankcorp		DSM	n.a.	n.a.
Tanzania Investment Bank	Opened up agricultural finance window (see 2.6.1.). Will be restructured into TADB.	DSM	n.a.	n.a.

Type / Name of Institution	Microfinance Products Offered	Market/Area of Operations	Loans Outstanding	Amount Outstanding
2. Semi Formal but Non-Regulated Providers of Microfinance Services				
Financial NGOs				
PRIDE Tanzania	Group solidarity lending, individual loans. Mandatory savings.	National, semi-urban 41 branches	99,000 active borrowers (Dec. 2009)	€ 250 Million (Dec. 2009)
FINCA Tanzania (2009)	Group solidarity lending, individual loans. Mandatory savings.	National, semi-urban	>41,000 active borrowers	$ 5 Million (Aug. 2006)
SEDA	Group solidarity lending	Semi-urban	<8,000 active borrowers	$2.3 Million (Dec. 2006)
BRAC Tanzania	Group solidarity lending to women	National 112 branches, incl. Zbar), semi-urban	>89,000 active borrowers > 134,000 members	$ 6.2 Million (Nov. 2007)
Presidential Trust Fund	Group solidarity lending?	Semi-urban	10,064 (June 2006)	$ 1.9 Million (June 2006)
Opportunity International Tanzania (formerly Faulu)	Group solidarity lending, individual loans	2 branches DSM, 1 Arusha	>5,665 active borrowers >9,230 depositors	$199,899 (Dec. 2006)
WEDAC	Group solidarity lending, individual loans	Kilimanjaro region, semi-urban	2,000 (est.)	n.a.
FAIDERS		Bilaramungo / Kagera Region, rural	2,000 (est.)	n.a.
Tujijenge Tanzania	Individual and group lending	DSM, semi-urban	2,000 (est.)	n.a.
YOSEFO	Urban microfinance	DSM Ilala, Temeke, various Tanzanian cities, ZNZ	2,000 (est.)	n.a.
SELFINA	Micro leasing in particular for women entrepreneurs	National	23,000 clients	$1.8 Million (March 2007)
FAIDIKA Tanzania	Unsecured loans to formally employed individuals. In 2009 Vodacom Tanzania and launched a loan scheme for Government employees. Under the scheme, the workers will be able to start payphone and airtime recharge businesses. The scheme enables the employees to generate extra incomes and create jobs for other people.			
Mama Bahati Foundation	Group solidarity loans	Iringa	n.a.	n.a.
Habitat for Humanities, Mbagal branch office	Mkazi Bore improvement loan	DSM, Temeke district		
Shelter Afrique	Loan facility for real estate developers and housing lenders	National	TSH 42 bn for 600 housing units	

Type / Name of Institution	Microfinance Products Offered	Market/Area of Operations	Loans Outstanding	Amount Outstanding
Registered SACCO Networks				
Dunduliza Limited	Member SACCOs offer savings and fixed deposits, individual micro loans, pilot housing loans (for members only), agricultural loans.	Mara & Mwanza (7), Morogoro & Dar es Salaam (6), Rukwa, Iringa & Mbeya (7).	20 SACCOs with 4 branches(10 rural and 10 urban), total 50,500 members	
USAWA Limited	Savings and fixed deposits, individual micro loans including agriculture, leasing (for members only)	Kilimanjaro region, mainly rural	32 SACCOs, total >9,500 members, all rural and agriculture based	
SCCULT	Housing loans between 3 to 10 years, TSH 20 and 30 mill		SACCOs members of SCCULT	
Other SACCOs				
Total 5,042 SACCOs (incl. networks above) in May 2009	Savings and fixed deposits, individual micro loans (members only)	National, urban (40%) and rural (60%)	Total 822,685 members	n.a.
WAT SACCO	Housing loans	DSM	40 loans	
3. Informal Providers of Microfinance Services				
Village Savings and Loans Associations (VSLA) (2010) As promoted by CARE Tanzania	Time-bound, accumulated savings and credit associations, 15-30 people. VSLA members are using mobile payment systems as delivery channels to make savings.	Zanzibar, 40 districts on the mainland Tanzania	8000 VSLAs, 18 VSL apex organizations[13] with 190,000 members (70% women)	n.a.
Village Community Banks (VICOBA) as promoted by Orgut-Sedit (2010)	Informal, village based savings and credit groups	In 20 districts in 6 regions.	2000 VICOBAs with 54,000 members	n.a.
Financial Service Associations	Informal savings and credit associations (may be registered at local level)	Lake Zone	4,412 (52% women), 2006	n.a.

Sources: Mix market, TriodosFacet and estimates.

[13] 18 VSL apex organizations at district levels in Singida, Chamwino, Morogoro, Mvomero Kaskazini, Mvomero Kusini, Kondoa, Manyoni, Kinondoni, Kaskazini B (Unguja), Magu, Misungwi, Mwanza, Kwimba, Kahama, Bukombe, Kasulu and Kigoma rural district. This totals to 22 existing apex organizations, with the inclusion of four other old apexes (JOCDO, JUMIMAKI, PESACA and RUCDO).

ANNEX 6 – The Kilimo Kwanza Resolution

PILLAR No. 2 FINANCING KILIMO KWANZA					
	ACTIVITY	TASKS	TIME FRAME	RESPONSIBILITY	
				LEAD	KEY COLLABORATORS
2.1	Increase Government Budgetary allocation to KILIMO KWANZA	1. Allocate not less than 10% of National Budget to agriculture in 2010/11 and progressively increase thereafter	Start December 2009	MoFEA	MDA's
		2. Budget of all other Ministries to be oriented to supporting KILIMO KWANZA	Start December 2009	PMO	MoFEA, MDA's, LGA's
		3. Encourage Development Partners to support KILIMO KWANZA	Continuous	MoFEA	MDA's
		4. Increase budgetary allocation to irrigate over 7 million hectares	By 2015	MWI	MAFC, MoFEA, DP's
2.2	Establish the Tanzania Agricultural Development Bank (TADB)	Fast track the establishment of TADB with initial capitalization of US $ 500 million	December 2009	BoT	MoFEA
2.3	Mobilize resources for the Tanzania Agricultural Development Bank	1. Mobilize Loans and Grants arrangements for TADB from Multilateral and Bilateral Sources	Start August 2009	MoFEA	Ministry of Foreign Affairs; DP's
		2. Undertake consultations with Commercial Banks and other stakeholders towards holding of TADB Bonds	Start August 2009	BoT	MoFEA
2.4	Tanzania Investment Bank (TIB) to have a special window for concessionary lending for agricultural production	Increase allocation to the TIB Agriculture Window for concessionary long term lending	August 2009	MoFEA	DP's, IFI's
2.5	Establish a Special Fund for KILIMO KWANZA	Mobilize adequate resources for the Special Fund to address land survey costs, investment, capacity building and guarantees to complement the requirements of KILIMO KWANZA	Start December 2009	MoFEA	DP's, TPSF
2.6	Enhance Agriculture Sector Development Programme (ASDP) Basket Funding to implement KILIMO KWANZA	Broaden Development Partners' participation in ASDP Basket Funding	Start August 2009	MoFEA	DP's

2.7	Mobilize enhanced agricultural investment by private sector – small, medium and large	Mobilize the private sector to increase investments in KILIMO KWANZA	Start August 2009	TPSF	PMO, MoFEA, DP'S, ACT, CTI, TCCIA, HODECT
2.8	Empower Farmers' Cooperatives and SACCOs to mobilize, manage and channel funds for agricultural production to their members	1. Develop national strategy for financial literacy	Start August 2009	BoT	MoFEA, BANKS
		2. Implement financial education programs and strengthen Farmers Cooperatives and SACCOs' capacity to effectively manage resources for KILIMO KWANZA	Start August 2009	MAFC	LGA'S, NGO/CBO/FBO
2.9	Legislate for Commercial Banks to lend a percentage of their deposits on concessionary terms to agricultural production	1. Negotiate with commercial banks and other stakeholders on concessionary lending for agricultural production	Start August 2009	MoFEA	MoCAJ; BOT
		2. Review prudential regulations to encourage lending to agricultural production	Start August 2009	BoT	TBA
		3. Encourage and support banks to be innovative in agricultural value chain financing	Start August 2009	BoT	TBA
2.10	Extend the establishment of community banks in every region of Tanzania	1. Establish community banks and financial institutions in rural areas 2. Build the capacity of Community Banks' management and strengthen their Association	Start August 2009	PMO	PMO-RALG, BOT
2.11	Establish special units in financial institutions for mobilizing and disbursing agricultural credit	Community banks and other financial institutions like Tanzania Postal Bank, NGOs and microfinance institutions to establish special units for mobilizing and disbursing agricultural credit	Start August 2009	BoT	TBA, BANKS
2.12	Establish Commodity Exchanges and facilitation of floatation of agricultural companies	1. Establish Commodity Exchanges 2. Facilitate floatation of agricultural companies at the Dar es Salaam Stock Exchange	Start August 2009	CMSA	MoFEA, TPSF
2.13	Pension, empowerment and other funds to agree on mechanism and percentage of these funds to invest in	1. Negotiate with pension and other empowerment funds to lend on concessionary terms to agricultural production	Start August 2009	MoFEA	PSPF, NSSF, PPF, LAPF, GPF
		2. Establish the Vision Tanzania Fund for lending to agricultural production	Start August 2009	MoFEA	UTT

	agricultural production at concessionary terms				
2.14	Establish social security arrangements for farmers	1. Establish a specific social security fund for farmers	Start August 2009	MoFEA	PMO-RALG
		2. Mobilize farmers to join social security schemes			
2.15	Institute policy instruments to facilitate insurance companies to extend cover and lending to agriculture	Negotiate with insurance companies to provide insurance cover for agricultural production.	December 2009	MoFEA	PMO-RALG, All insurance companies in Tanzania

THE KILIMO KWANZA RESOLUTION

WHEREAS the Tanzania National Business Council (TNBC), under its Chairman, H.E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania held a two day meeting on 2nd and 3rd June 2009 at Kunduchi Beach Hotel, Dar es Salaam, to discuss the policies and strategies for the transformation of Tanzania's agriculture under the theme "KILIMO KWANZA[14]" and its implementation;

AND WHEREAS eighty per cent of Tanzanians depend on agriculture for their livelihood;

RECOGNIZING that the greatest challenge facing Tanzania is to combat poverty and that this will be possible mainly through enhanced agricultural productivity;
CONSIDERING Tanzania's endowment of agricultural land, livestock and marine resources of which a large proportion is currently underutilized;
REALIZING that Tanzania has the second largest volume of inland fresh water resources in Africa that can be utilized for irrigation;
CONSCIOUS of the fact that so far considerable efforts have been made towards the transformation of agriculture without much success;

IT IS HEREBY RESOLVED to:
Embark on KILIMO KWANZA as Tanzania's Green Revolution to transform its agriculture into a modern and commercial sector;
Integrate KILIMO KWANZA into the Government machinery to ensure its successful implementation;
Mobilize increased quantum of resources towards the realization of KILIMO KWANZA;
Mobilize the private sector to substantially increase its investment and shoulder its rightful role in the implementation of KILIMO KWANZA and
Declare that the implementation of KILIMO KWANZA will comprise the following ten actionable pillars:
Political will to push our agricultural transformation.
Enhanced financing for agriculture.
Institutional reorganization and management of agriculture.
Paradigm shift to strategic agricultural production.
Land availability for agriculture.
Incentives to stimulate investments in agriculture.
Industrialization for agricultural transformation.
Science, technology and human resources to support agricultural transformation.
Infrastructure Development to support agricultural transformation.
Mobilization of Tanzanians to support and participate in the implementation of KILIMO KWANZA.

Details of the above ten pillars of KILIMO KWANZA are elaborated in the action programme annexed hereto.

[14] Agriculture First.

ANNEX 7 – Overview of policy framework influencing microfinance in Tanzania

No.	Govt Ministry/Agency	Policies and Strategies	Intervention Programmes
1.	Ministry of Planning Economy and Poverty Reduction	1. National Development Vision 2025	1 Small Enterprises Loan Facility
		2. National Strategy for Growth and Reduction Poverty (2005)	2. National Economic Empowerment and Job Creation Programme
		3. National Economic Empowerment Policy (2005)	
		4. Macroeconomic Policy Framework 2006 - 2009	3 Uweseshaji Development Fund
2.	Prime Minister's Office	5. Rural Development Strategy 2001	4. Rural Financial Services Programme
		6 Rural Development Policy 2003	
3.	Minister of Agriculture Food Security and Cooperatives.	7. Agriculture Policy 1997	5. Agriculture Development Programme: Commodity Warehouse Receipt and Agricultural Input Trust Fund;
		8. Agricultural Sector Development Strategy 2001	
		9. Agricultural Sector Development Programme	
		10. Cooperatives Development Act 2003	
4.	Ministry of Finance	11. National Microfinance Policy	
5.	Ministry of Livestock Development	12. National Livestock Policy 2006	
6.	Bank of Tanzania	13. Second Generation Financial Sector Programmes	6. Financial Sector Support Programme (FSP)
			7. SME Guarantee Scheme
7.	Ministry of Industry and Trade	14. National Trade Policy 2003	8. Small Industries Development Organization
		15. SME Development Policy 2002	9. SME Competitiveness Programme
8.	Ministry of Labour, Youth Development and Sports	16. Social Security Policy 2003	10. District Youth Fund
9	Ministry of Community Development	17 Community Development Policy	11. District Women Fund
10	Ministry of Finance and Economic empowerment	18. The Rural Financial Services Strategy	

ANNEX 8 – Provisional timetable Rural Financial Services Strategy

Year	Year 1				Yr 2	Yr 3	Yr 4	Yr 5
	Q1	Q2	Q3	Q4				
MACRO LEVEL*								
Policy, legal and regulatory framework for SACCOS								
Identifying legal and regulatory parameters								
Policies and workplans								
Support for capacity building								
Regulations for banks and NBFIs								
Determining true impediments to rural & SME finance								
Regulatory adjustments for rural/SME banking & agreeing revisions to loan guarantee scheme								
Support for capacity building of regulators								
Possible evolution of loan guarantee scheme								
Remote access banking								
Agree appropriate regulatory & funding models								
Policies and workplans								
Capacity building for bank staff and regulators								
Possible Financial Innovation Fund								
State sponsored targeted credit schemes								
Fuller assessment of impact & market signals								
Formulation of strategies and workplans								
Possible changes to funding mechanisms								
NGO-MFIs								
Amendment of the PFA								
Regulatory/institutional implementation								
Informal service providers								
Fuller assessment of their role through supply side survey								
Integration of findings in other elements of RFSS								
SUPPLY SIDE*								
Bank of Tanzania and Registrar of Cooperatives – capacity building								
Policies/workplans in context of Macro plan								
Support for capacity building								
SACCOS – capacity building								
Establishment of National Training Standards								
Support for capacity building								
Commercial banks – capacity building								
Detailed workplan (re linkage banking, SMEs)								
Support for capacity building of bank staff								
VSLAs and VICOBAs								
Establish most effective approach to linkages								
Formulation of strategies and policies								
Sector wide interventions								
Disseminating best practice								
Supporting product innovation								
Certification of input dealers								

* A key element of the fact finding and assessment at the macro level and in relation to the supply side will be the nationally representative supply side survey being planned by FSDT.

Year	Year 1				Yr 2	Yr 3	Yr 4	Yr 5
	Q1	Q2	Q3	Q4				
DEMAND SIDE								
Financial literacy campaign								
Research and design								
Rolling out the programme								
Business Development Services for enterprises								
Research and design (in co-operation with SME programme)								
Rolling out the programme								