

# Annual Report 2015/2016

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Listening  
Engaging  
Delivering  
Transforming

 **FSDT**  
FINANCIAL SECTOR DEEPENING TRUST

# Contents

- 03 Chairperson's Note & Director's Note
- 04 FSDT's Goal & Purpose
- 05 Financial Inclusion in Tanzania
- 08 Key Constraints
- 09 A New Strategy for Post-2016 Tanzania
- 10 Areas of Focus & Mechanisms for Influencing Change
- 20 Financial Summary
- 22 Project Matrix



## Abbreviations

<b>Bima</b>	Swahili for “insurance”
<b>BoT</b>	Bank of Tanzania
<b>CBSG</b>	Community Based Savings Group
<b>DSE</b>	Dar es Salaam Stock Exchange
<b>EGM</b>	Enterprise Growth Market
<b>FSDT</b>	Financial Sector Deepening Trust
<b>FSP</b>	Financial Service Provider
<b>GDP</b>	Gross Domestic Product
<b>MNO</b>	Mobile Network Operator
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>PIC</b>	Project Investment Committee
<b>SACCO</b>	Savings and Credit Cooperative
<b>SME</b>	Small and Medium Enterprise
<b>VICOBA</b>	Village Community Bank
<b>VSLA</b>	Village Savings and Loan Association



## Chairperson's & Director's Note



### Governance

FSDT's operations are overseen by the PIC who represent key stakeholders and funding organisations. The current Committee is composed of 7 members – 5 donor representatives and one representative from the Bank of Tanzania and another from the Ministry of Finance and Economic Affairs. The role of the Committee is to provide strategic guidance and manage a robust governance structure that holds FSDT accountable for its actions, yet allows it flexibility to meet its goals.

### Funding

We would like to thank partner and funding organisations for their continued support, without which FSDT would not be able to undertake innovative and challenging projects that contribute to the common goal that all Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness.

### Funding organisations:

Bill & Melinda Gates Foundation, Global Affairs Canada (GAC), Embassy of Denmark  
Department for International Development (DFID)  
Embassy of Sweden.

As Chair of the Programme Investment Committee (PIC) and on behalf of the funders of the Financial Sector Deepening Trust (FSDT), I am delighted to introduce FSDT's Annual Report 2015-2016.

**Samweli Kilua,**  
PIC Chairman



### FSDT's approach

Together with key partners, we are working to support a financial sector in which stakeholders implement policies, regulations and solutions which are innovative and responsive to the needs of MSMEs, individuals and smallholder farmers.

### FSDT's work

We are proud to continue our work to promote financial inclusion in Tanzania by initiating and sharing valuable research and evidence, as well as adopting new mechanisms to enable stakeholders to bring financial services to those without access.

I would like to acknowledge the considerable contribution of our partners in achieving results and thank everyone for their continued support. We look forward to working together to meet new challenges for improved financial inclusion.

We are delighted to bring news of significant improvements in financial inclusion in this report, notably how national financial inclusion targets, set for 2015, were achieved a year ahead of schedule. Key contributing factors to the increase in financial inclusion have been the rise in active users of digital financial services, greater take-up of insurance, particularly inclusive or health insurance, and the increase in the number of people using formal banking services for their savings.

**Sosthenes Kewe,**  
Executive Director, FSDT

## FSDT's Goal & Purpose

### Goal

All Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness

### Purpose

A financial sector in which stakeholders implement policies, regulations and solutions which are innovative and responsive to the needs of MSMEs, individuals and smallholder farmers.

“Access to financial services opens doors for families, allowing them to smooth out consumption and invest in their futures through education and health. Access to credit enables businesses to expand, creating jobs and reducing inequality. Financial inclusion is the bridge between economic opportunity and outcome.”

**Mitsuhiro Furusawa,**  
IMF Deputy Managing Director,  
Conference on Financial Inclusion  
in West Africa, September 2016



# Financial Inclusion in Tanzania

Our national FinScope Tanzania surveys provide valuable insights into the extent of uptake and usage of financial services in Tanzania and highlight factors that either prohibit or drive uptake and usage.

**The latest survey was published in 2013 and is available on our website.**

The surveys, over time, show a continued large proportion of exclusion, widespread informality, continuing consequences of a limited range of affordable financial services and little improvement in inequalities across marginalised groups.

## Impact of digital financial services

The comparison of FinScope surveys from 2009 and 2013 show a dramatic decrease in overall financial exclusion from 55% to 27%. The largest contributing factor to this was the extensive take-up of mobile money services which make up most of the increase in formal access to non-banking services from 7% to 44%.

In fact, in early 2016, over 30% of Tanzanians had mobile money accounts and were making transactions which represented over 50% of Tanzania's GDP.

## Continued barriers to take-up of formal services

Lack of infrastructure, low financial literacy, perceptions of high cost and risk and lack of appropriate, affordable products have limited the rise in uptake of formal services. About a third of Tanzanians continue to use informal means for managing finances with just 10% of Tanzanians saving formally, 2% with credit with formal Financial Service Providers (FSPs) and almost all insurance offered by formal institutions.

## Inequality of access to financial services

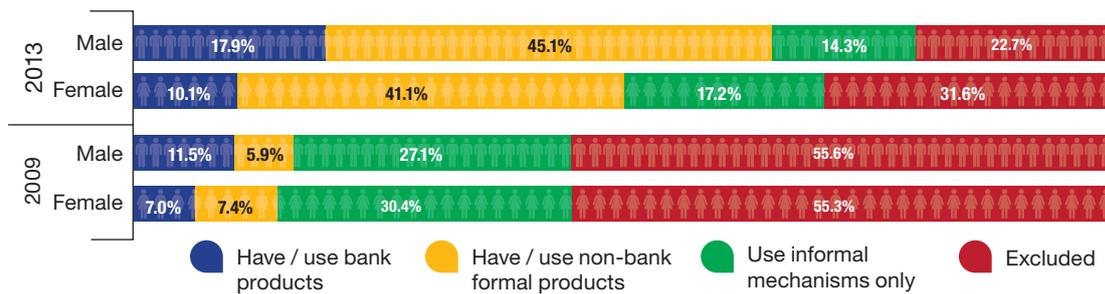
Improvements in financial services have not been universal with significant financial inclusion gaps. Overall, those excluded are likely to be young (more often female farmers), living in a rural area, with low levels of education and dependent on others for money.

“Regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness”

**NFIF, 2013**

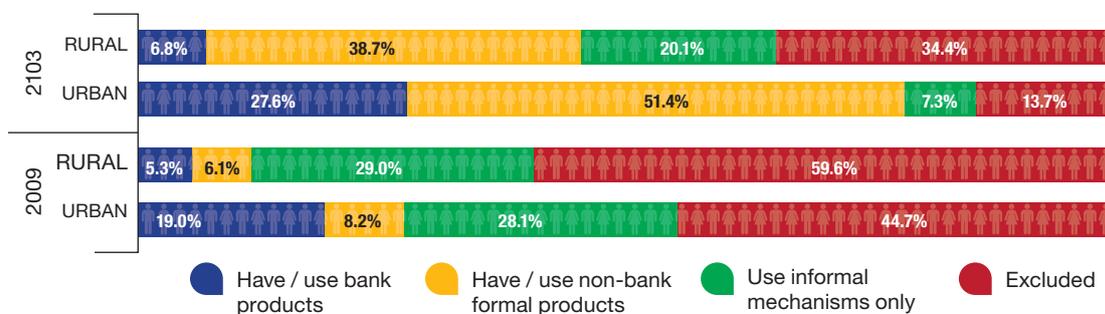
% of Tanzanians Excluded from Financial Services	
Rural adults	83.0
Females	60.6
Youth (under 30 years)	48.1
Primary school or less	87.6
Lowest 2 quartiles of welfare index	69.0
Subsistence farmers	26.7
Agribusiness	18.7
Dependents	18.1





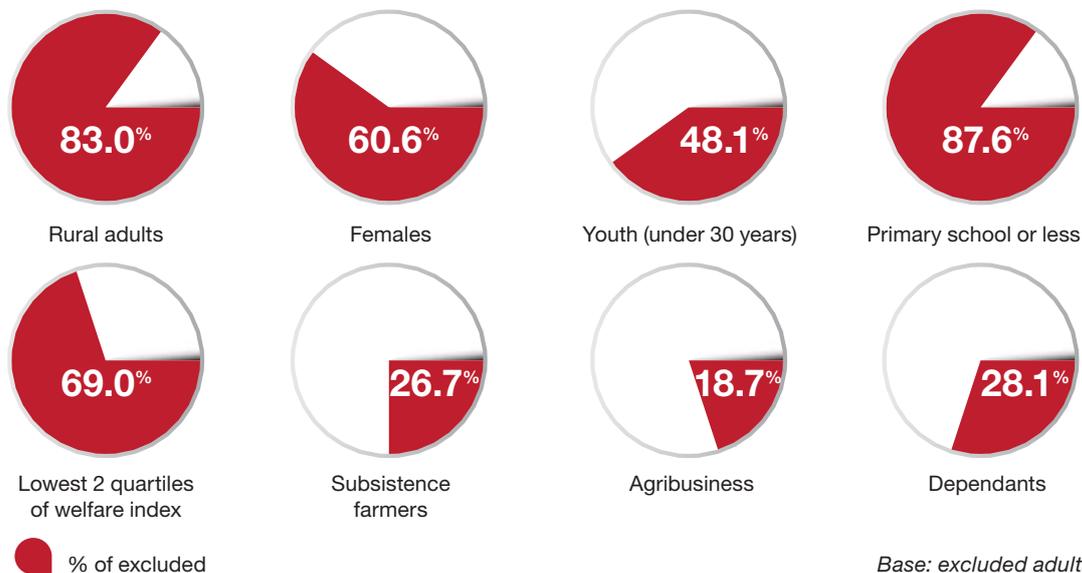
## Gender

There is now a significant gender inequality gap, particularly for formal banking services. In 2013, 23% men and 32% women were excluded from access to financial services compared with equal levels of financial exclusion for men and women of 55% in 2009.



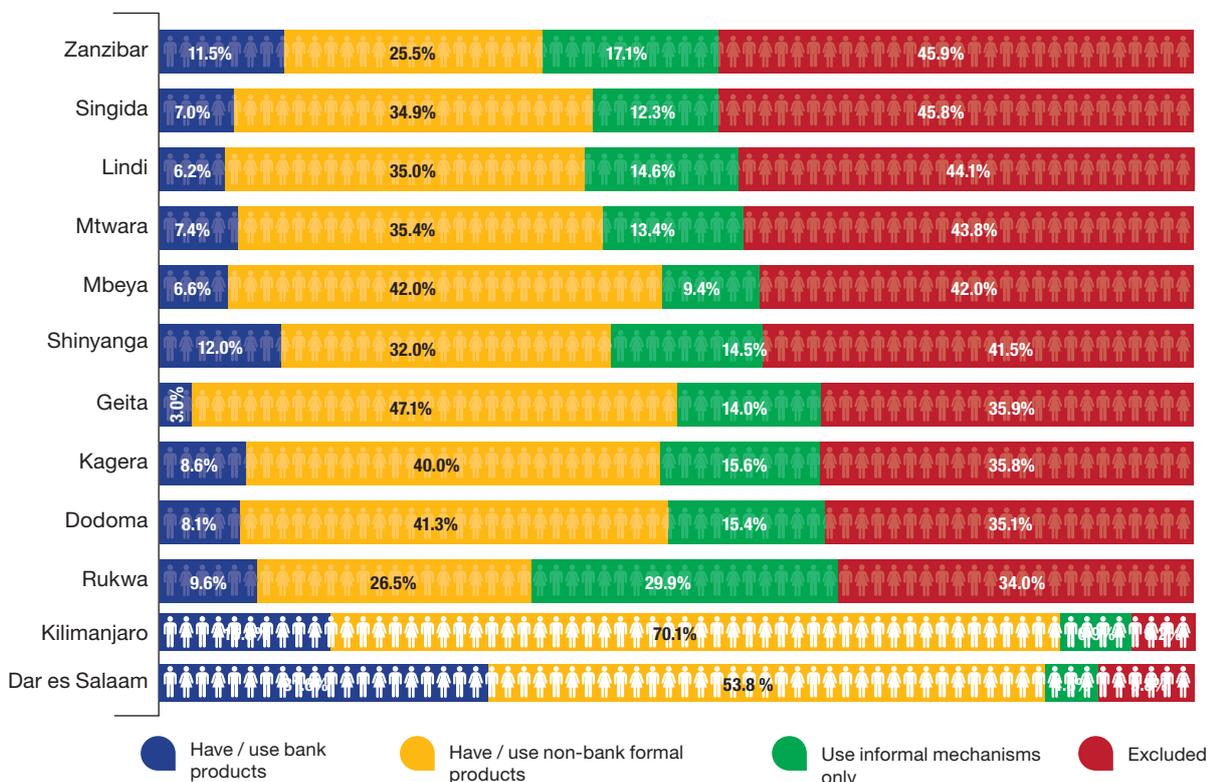
## Urban-rural

Although halved since 2009, the proportion of Tanzanians living in rural areas without financial access remains at 34% against 14% among those living in urban areas. There has, however, been a significant increase in the take-up of non-bank formal products in rural areas, from 8% to 39%, attributed to the increase in mobile phone ownership and mobile money usage.



## Regional

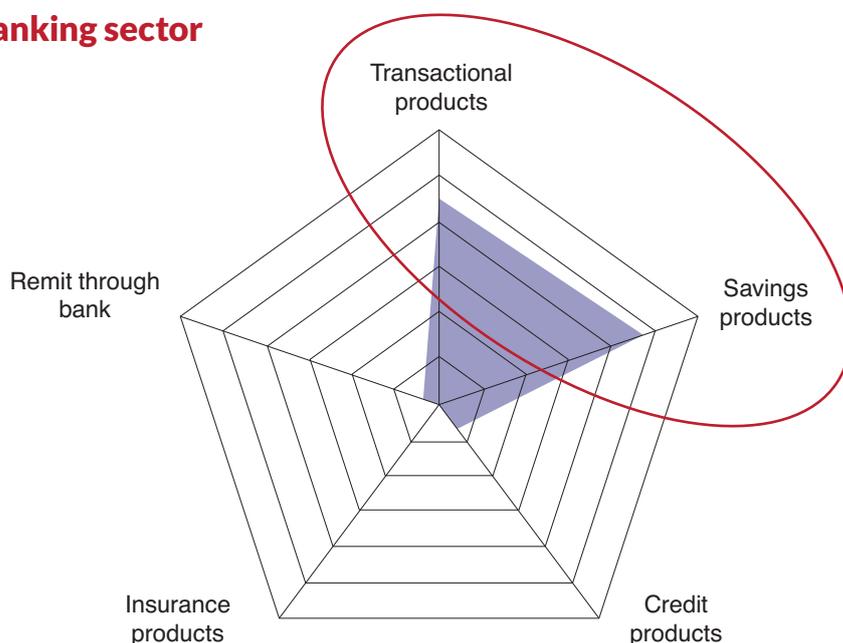
Geographic differences prevail with nearly half the population of marginalised regions being excluded (Zanzibar, Singida, Lindi, Mtwara, Mbeya and Shinyanga) compared with under 10% in Dar-es-Salaam and Kilimanjaro.



## Savings and insurance

Take-up of savings and insurance services remains low with the majority of Tanzanians either using informal mechanisms or not having savings or insurance at all.

## Banking sector



## Key Constraints

Over the last decade, Tanzania has sustained relatively stable growth through significant economic and structural reforms. However, despite reductions in poverty levels, the number of people still living below the national poverty line has remained unchanged at 12 million out of the current population of over 50 million.

Financial inclusion is one of the key drivers of economic growth, leading to poverty alleviation, reduced economic vulnerability for individuals and businesses, and improved quality of life for all people in Tanzania.

Access to formal financial services remains low in Tanzania at under a third of the adult population. In order to achieve the Bank of Tanzania's target of 80% financial inclusion by 2017, there are still many barriers to overcome:

- › Unfavourable policy, legal and regulatory frameworks which affect development of customer-focused products and channels and limit consumer protection.
- › Inadequate infrastructure, poor geographical access and low population density which reduce market opportunities for Financial Service Providers (FSPs), and leave the majority of Tanzanians without access to financial services
- › Low financial capability and a lack of consumer understanding of financial services which restrict the growth of customer demand
- › Lack of innovation and weak capacities which prevent FSPs from providing new products that meet consumer needs

As a result, a large share of the population, particularly those living in rural communities, women and young Tanzanians, are still excluded from formal financial services for savings, credit and insurance.



# A New Strategy for Post-2016 Tanzania

## 2004

FSDT was established in 2004 to support economic growth and poverty alleviation across Tanzania through the development of inclusive and sustainable financial markets. Our vision is to enable all Tanzanians, particularly those who have been economically marginalised, to manage financial shocks, increase income and improve their livelihoods.

Our aim is not only to support excluded groups but also Financial Service Providers (FSPs). Financial sector development makes two mutually reinforcing contributions to poverty reduction through its impact on economic growth and the benefit to customers of financial products and tools which meet their needs.

## 2006-2012

Since 2006, Tanzania has seen an impressive growth in the number of people with access to financial services. FSDT has acted as a catalyst in enabling this growth through its efforts to:

- › **Deepen financial services:** working with the private sector to enable FSPs and technology companies to develop innovative new financial services and channels which meet customers' needs
- › **Improve market intelligence:** developing essential intellectual capital for all stakeholders
- › **Build capacity:** working with policy makers, regulators and FSPs

## 2013

FSDT was one of the key drivers of Tanzania's 2013 National Financial Inclusion Framework (NFIF) which set the objective of 50% financial inclusion by 2016.

## 2015

Having exceeded the NFIF target of 50% by 2014, we commissioned a review of our strategy. The review identified that, with a strong foundation in place to achieve its vision, FSDT now needed to complement efforts within the private sector with those to support the improvement of access and usage of financial services across all groups, prioritising those who have been marginalised.

## 2016 onwards

FSDT is committed to the Bank of Tanzania's objectives for financial inclusion of 80% by 2017, with 70% of the population living within five kilometres of a financial access point.

## FSDT objectives

- › Advocating for an improved policy, legal and regulatory framework at national and sub national levels
- › Promoting more relevant market infrastructure and ways to reduce transaction costs between FSPs and potential clients
- › Stimulating improved access to financial products and services that respond to the needs of MSMEs
- › Stimulating improved access to financial products and services that respond to the needs of households and individuals



## Areas of Focus and Mechanisms for Influencing Change

FSDT aims to achieve its goals and affect change through a programme of projects using the following areas of focus and mechanisms:

### Areas of focus

Micro, Small and Medium Enterprises (MSMEs)  
FSDT strives to empower Micro, Small and Medium Enterprises (MSMEs) to overcome constraints of poor infrastructure and market opportunities and to contribute to economic competitiveness, growth, employment and poverty reduction.

#### › Agriculture and rural finance

A key goal for FSDT is to enable improved access for marginalised people living in rural areas. We are committed to building capacity of all stakeholders and finding alternative channels to address the constraints of poor infrastructure, low consumer awareness, and weak market opportunities.

#### › Digital finance

Formal access to financial services has increased dramatically from 44.6% to 73.2% since 2009 due to the increased use of mobile financial services offered by non-bank formal providers. In partnership with financial institutions, Mobile Network Operators (MNOs) and regulators, FSDT is committed to improved access to digital finance across Tanzania, with particular focus on marginalised people.

#### › Insurance and consumer protection

FSDT acts as a market facilitator to achieve improved capacity and sustainability of the insurance sector to meet the needs of MSME's and poor men and women.

In the case of Consumer protection, FSDT aims to address consumers' low levels of knowledge, awareness and confidence in FSPs and thus enable them to make informed decisions to better manage their finances. We will work to support the responsible provision of financial services and to ensure that increased usage benefits consumers and the economy as a whole.

### Mechanisms for influencing change

#### › Facilitation in the market

FSDT's role as a facilitator is to guide stakeholders, provide leadership and act as a 'third voice' between the private and public sector. FSDT serves as an agent for positive and inclusive market change, but does not take on any direct market function.

#### › Financial instruments

FSDT is working to promote the provision of a broad range of financial instruments to spur innovation and development of the financial ecosystem.

#### › Thought leadership

FSDT aims to provide and promote thought-provoking viewpoints and usable evidence to generate innovative solutions through new platforms for discussion, research and sharing market insights.

#### › Evidence generation and sharing

To drive the agenda to improve access and usage, FSDT seeks to gather and share evidence. High quality relevant research leads to an expansion of knowledge and improves the quality of decision-making by FSPs and policy makers. Through research findings, public and private stakeholders are able to gain a better understanding of customer behaviour, determine constraints and their impact on the target markets.

## Moving Financial Services Closer to People

Despite considerable increases in financial inclusion over the past decade, access to financial services in Tanzania, as measured by population coverage and range of services, scores lower than neighbouring African countries and leaves marginalised groups excluded, particularly those who are geographically remote.

Financial Service Providers (FSPs) face many challenges to providing sustainable access in isolated areas due to geographical constraints, economies of scale, lack of consumer trust in financial services and poor infrastructure.

Although Tanzania's economy is largely agricultural, poverty stands at 33% in rural areas where agriculture accounts for more than one-quarter of GDP (CIA World Fact Book, 2016). In order to achieve more and better financial services that meet the needs of underserved individuals and enterprises, FSDT has been working with partners to overcome structural constraints to bring services to areas which have been hitherto excluded

“Tanzania is the lead country in Sub-Saharan Africa and ninth globally to demonstrate the most conducive environment for financial inclusion.”

*Global Microscope 2014,  
The Economist Intelligence Unit*

“Now financial services can be accessed through new, innovative groups such as Informal Financial groups or mobile money.”

*Dr Deo Mtasiwa,  
Deputy Permanent Secretary  
(H) Prime Minister's Office  
FinScope Tanzania 2013 video*



## Improved Access In Remote & Rural Areas

### Moving financial services closer to people:

As part of the country's goal to increase the proportion of the population living within five kilometres of a financial access point, FSDT has been working to both enable improved access and channels, and also to support end users in increasing their awareness, knowledge and trust in financial services.

#### › Improve access to financial services in remote communities through multi-agent model

FSDT has been working with the CRBD Microfinance Service Company Limited bank to create a network of over 100 agents, with bank branches acting as hubs for more remote mobile branches and service centres. Additional access is offered through mobile phone services. The aim is not only to develop sustainable banking, retail and wholesale microfinance services in isolated areas, but also to provide financial education for communities living there, empowering them to make informed choices to improve the management of their finances. More than 800,000 new clients in remote areas using microfinance services. Partners: CRDB Bank

#### › Develop agency-banking to reach excluded groups and businesses

Many people, particularly women, living in regions with high levels of financial exclusion are self-employed but with low levels of financial literacy and without access to bank services. FSDT has been working with Equity Bank Tanzania to support the scaling up of agency-banking in Tanzania, offering micro-savings, credit and insurance to excluded households and MSMEs. Completion of comprehensive baseline survey to identify constraints specific to target groups.

**Partners:** Equity Bank Tanzania

#### › Increase access and take-up through market development of microinsurance

One of FSDT's goals is to increase access and take-up of microinsurance from 13% to 50% by 2019 through the development of a sustainable insurance market in Tanzania. FSDT has been working with insurance providers and industry stakeholders on a programme to provide essential market intelligence, to build capacity for innovation among industry leaders and stakeholders, and to publish the 2015 Landscape Survey and Industry Statistics. We are proud to have launched the Bima Challenge, an innovative fund to create partnerships with rural-based institutions to develop new products aimed at currently underserved communities. Several new insurance products aimed at low-income groups are in development.

The 2015 Landscape Survey is published and available from FSDT. The Financial Education conference was held to launch the NFEF report 2016-2020 and the dissemination of FinCap 2015 baseline findings. **Partners:** Tanzania Insurance Regulatory Authority (TIRA), Microinsurance Steering Committee and Microinsurance Technical Working Group (TWG)

"Tanzania is the lead country in Sub-Saharan Africa and ninth globally to demonstrate the most conducive environment for financial inclusion."

*Global Microscope 2014, The Economist Intelligence Unit*

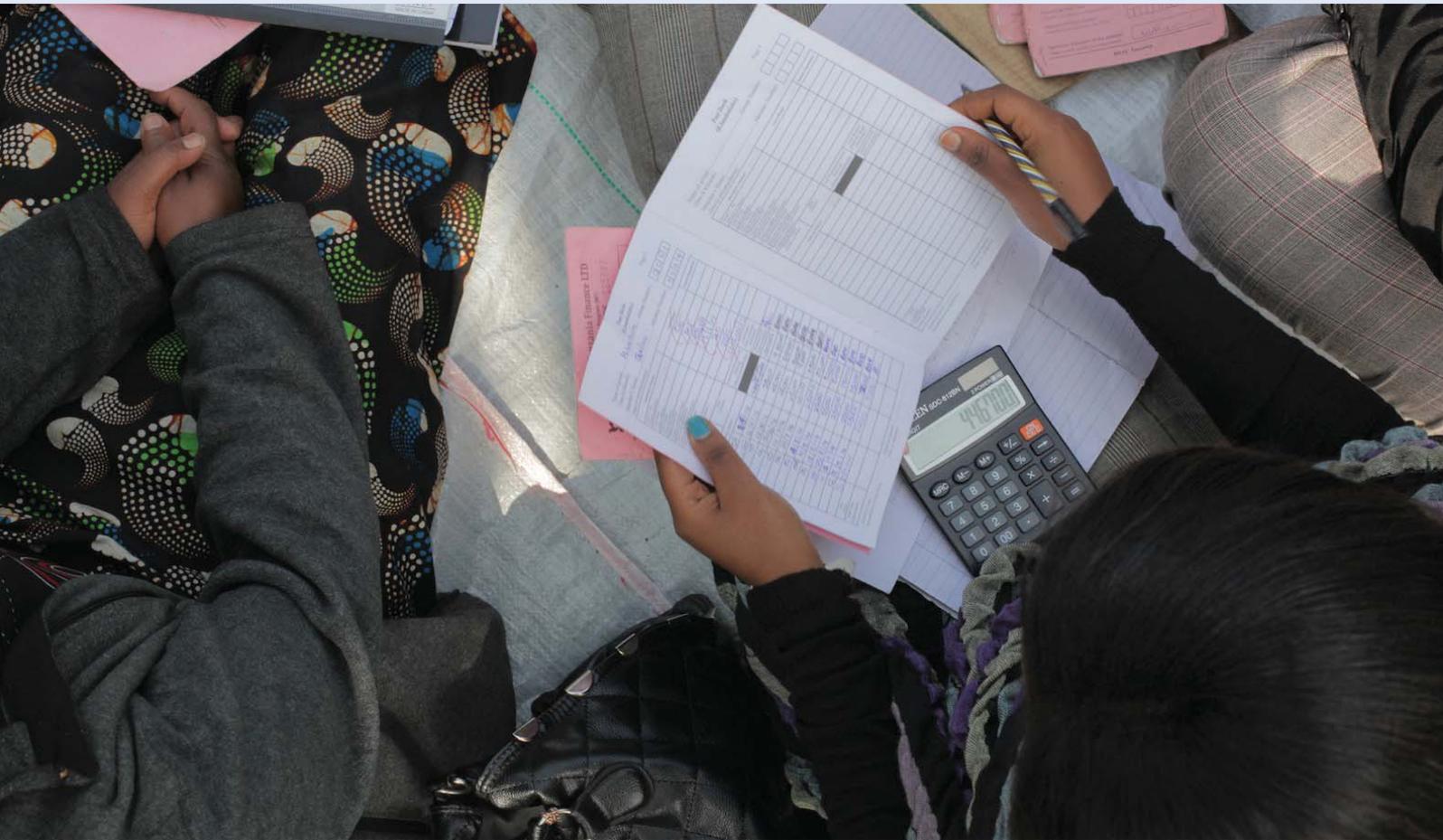
"We have planned to continue serving citizens with this new strategy to increase access to financial services to the underserved, so that they can continue to attend to their businesses and economic activities more efficiently."

*Dr Charles Kimei, Managing Director, CRDB FinScope Tanzania 2013 video*

"Banking agents help bring financial services closer to the customer because instead of having to travel long distances in search for the nearest branch or ATM, we bring the agent closer to them. At a regular grocery shop they can have access to banking services."

*Joseph Iha, Managing Director, Equity Bank FinScope Tanzania 2013 video*

## Driving Financial Services Through Alternative Channels



Improvements in financial inclusion in Tanzania have not been universal across the country, leaving a large number of people and businesses without either access to traditional financial services or opportunities to raise required capital for growth.

For many rural and remote communities, there are few options for access to formal financial services. In addition, many people lack awareness, knowledge and trust in Financial Service Providers (FSPs) and, even if services are available locally, they are reluctant to benefit from them. As a result, there has been a rise in the creation of community-based financial services although many have been unsustainable due to deficiencies in management and technical skills.

### Need for financial education

In addition, MSMEs in Tanzania face many challenges to securing required capital for growth due to lack of investment opportunities on the national stock exchange.

FSDT has been working to find alternative channels to provide financial services both to individuals living in underserved communities as well as to businesses looking for investment to thrive.

“For us to be able to reach more users we have to make sure that we use advanced technology, and deviate from the traditional bank branches.”

**Prof Benno Ndulu,**  
Governor, Bank of Tanzania  
*FinScope Tanzania 2013 video.*

## Capacity Building To Create Alternative Channels

### Driving financial services through alternative channels:

FSDT has been working to achieve its goal to enable individuals and businesses to benefit from financial services by building capacity to create alternative channels to provide investment, savings and loans.

#### › Support enterprise and investment

To aid small and medium enterprises (SMEs) to secure investment for growth, FSDT has supported the Capital Markets and Securities Authority (CMSA) to increase its capacity to develop the Enterprise Growth Market (EGM) on the Dar es Salaam Stock Exchange (DSE) which will list start-up SMEs and other companies with growth potential. We have worked with staff at CMSA, DSE, business schools, regulators and advisors to build their capacity to attract equity capital. Against a target of 4 SMEs, 5 have been listed on the EGM to date.

**Partners:** Capital Markets and Securities Authority (CMSA) and Dar-es-Salaam Stock Exchange (DSE)

#### › Develop community-based savings groups in marginalised communities

Together with the Aga Khan Foundation, FSDT has been working to improve financial access in Mtwara and Lindi, regions with some of the lowest access and usage in Tanzania. The Boresha Maisha project aimed to build sustainable Community Based Savings Groups (CBSGs) in communities with little access to traditional financial services and to include underserved groups, particularly women. 9,043 CBSGs have been established with 174,580 members against a target of 182,500 members, of which 66% are female.

**Partners:** Aga Khan Foundation

On behalf of FSDT, CARE Tanzania has been implementing the Pesa kwa Wote project to improve sustainable access to savings and credit services for rural communities in 7 regions, through the formation of Village Saving and Loan Associations (VSLA) and financial literacy training.

At the mid-term point of the project, 4,754 groups have been formed with recruitment at 75% of target and savings at 20% of target.

**Partners:** CARE Tanzania

FSDT has been working in the most marginalised districts in Tanzania (Lindi, Liwale, Nachingwea and Rufiji & Kilwa) to improve financial access through VSLAs. The WAMA (Wanawake na Maendeleo) project aims to create sustainable and inclusive VSLAs.

At the 2-year point of a 3-year term, the project reached over 50% of its recruitment target of 33,076 members in 1,317 VSLAs, of which 75.3% are female. Participation has been high and all but two groups are at break-even or profitable.

**Partners:** WAMA



## Regulations that Push for Financial Inclusion

Over the last decade, significant improvements to financial inclusion have been made as a result of the combined efforts of the government, Financial Service Providers (FSPs), Mobile Network Operators (MNOs) and technology companies and FSDT.

Much has been achieved through regulatory reforms, as well as improved infrastructure and technological capabilities, as seen with the large take-up of mobile services. Today however, many people are still excluded due to poor infrastructure in remote areas, low financial literacy among marginalised groups and inadequate market intelligence in the financial sector.

To address these fundamental barriers to financial inclusion, FSDT seeks to work with key partners to enable a broad yet robust regulatory framework to support growth of appropriate financial services, build capacity and empower individuals to make informed, and therefore better, choices to meet their needs.

In order to pursue its agenda to enable individuals and businesses to benefit from financial services, FSDT has been working with partners to build sustainable and supportive regulatory frameworks.

### › **National financial inclusion framework 2013 (NFIF)**

As one of the key drivers of the framework, FSDT was instrumental in efforts to create a broad yet robust infrastructure in Tanzania to support growth of appropriate financial services and use of technologically-driven delivery channels.

The aim was to achieve 50% of adults with access to formal financial services by 2016. Through strong partnership across government, the finance sector and Mobile Network Operators (MNOs), a framework was created that facilitated above-target rates of financial inclusion by 2014. The framework strategy prioritised:

- › **Proximity:** new access channels to bring services to marginalised communities
  - › **Robust electronic platforms:** facilitating cost effective access to financial services
  - › **Robust information and easy client on-boarding:** enabling development of credit rating and customer-focused products
  - › **Informed customers and consumer protection:** supporting consumer protection mechanisms and financial education
- Partners:** Bank of Tanzania, Ministry of Finance

“We have seen many developments in telecommunication, and mobile money transfers; however, there is one area that is yet to experience a similar growth, and this is in banking. We try to develop and monitor the banking system to ensure that it meets the needs of the people in the rural areas, and also fight against poverty to ensure better lives for Tanzanians.”

**Dr Deo Mtasiwa**,  
Deputy Permanent Secretary,  
(H) Prime Minister’s Office  
FinScope Tanzania 2013 video

“Uniting financial institutions in a financial system would mean that when citizens join social security funds they will be able to access various financial services, which will help them gain social security benefits, enable them to have savings that will help them apply for loans, and also help them later on in life at old age.”

**Irene C Isaka - Director**  
General, Social Security  
Regulatory Authority  
FinScope Tanzania 2013 video

› **Formalisation Project Eastern & Southern African Universities Research Programme (ESAURP)**

With no legislation or institution with specific responsibility to champion business formalisation, many enterprises, not exclusively micro or small, exist outside the tax net. As the potential contribution from business to the economy in Tanzania is considerable and currently underachieved, a study was commissioned to identify factors that promote or constrain the process of formalisation of MSMEs.

Level of confidence	Making financial decisions	Dealing with financial service providers
Very confident / confident	65%	32%
Not confident at all	35%	68%

**Key recommendations**

- › Development of comprehensive government policies, legislative framework and support organisations to encourage entrepreneurial culture
- › Clarification and scope of informal business sector
- › Private sector support for capacity-building, legal, promotion and financial services, particularly for opening bank accounts and providing credits and loans
- › Simplification and adaption of requirements to open a bank account and training for entrepreneurs on financial management and services
- › Database of success stories made freely available to all training and support centres as well as to the general public in order to share best practice. Partners: ESAURP, Akiba Commercial Bank (ACB), Tanzania Investment Bank (TIB), Azania Bank, Twiga Bancorp, Ministry of Finance, Tanzania Revenue Authority (TRA), Business Registration and Licensing Agency (BRELA), Vocational Training Institutes (VETA) and Fisheries Training Institute (FETA)

› **Financial education**

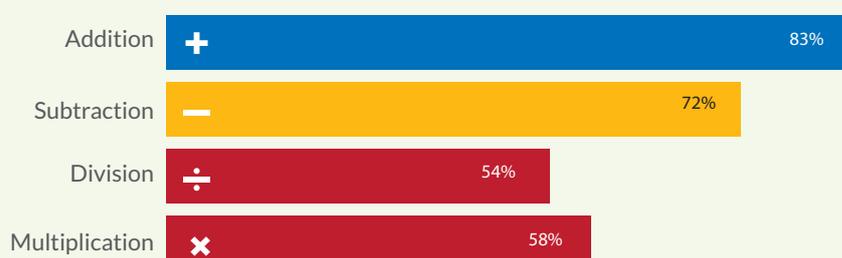
With low financial literacy and low awareness of financial products and services, many people are excluded from financial services and have therefore opted for informal mechanisms for savings, loans and insurance which can come at high cost and risk.

FSDT is committed to improving financial literacy among excluded groups through gathering and sharing evidence on financial capability and including financial literacy in our projects.

**Partners:** National Council for Financial Inclusion

**Numeracy skills**

Weak division and multiplication skills.



## Financial Knowledge

Financial literacy, or capability, is increasingly becoming a priority for policymakers as its role in contributing to financial stability, financial inclusion, and to the effective functioning of financial markets is recognised. Individuals who make good financial decisions and interact effectively with providers of financial services are more likely to achieve their financial goals, improve their household's welfare, hedge against financial risks and negative shocks, and support economic growth. FSDT has commissioned key studies and research projects to gather and share insights into the state of financial capability in Tanzania.

FSDT supports the development of data-driven solutions and innovations. To address the lack of consumer knowledge and market intelligence within private and public sectors, we have pioneered initiatives to gather and share essential market and consumer data to improve and deepen industry-wide knowledge. Our aim is to encourage financial service providers to develop a better understanding of their customers and thus to develop more effective solutions that meet their customers' needs.

### › **Financial capability Tanzania: Baseline survey findings 2014 (FinCap)**

One of the recommendations of the National Financial Education Framework (NFEF) was to conduct a study to better understand, track and improve levels of financial capability of the adult population.

The findings showed that there is a strong relationship between an individual's level of financial capability and their socio-demographic profile and that there is a need for a targeted approach in terms of the content and delivery mechanisms of financial education initiatives.

The study segmented the population into five groups by socio-demographics and levels of exclusion, and has recommended prioritising financial education for youth, women and people living in poor, rural communities.

The FinCap Baseline report is available to download on our website [www.fsd.tz](http://www.fsd.tz).

**Partners:** Bank of Tanzania

### › **MSME information portal (MIP)**

Together with the Tanzania Private Sector Foundation (TPSF), FSDT launched an online portal in March 2016 to provide digital tools and services for MSMEs, the general public, regulators and policymakers. The aim was to increase consumer knowledge and enable FSPs to create products that best respond to consumer demands. Online training is complimented by traditional training via radio and workshops.

As demand for credit in the Tanzania economy has markedly increased since the introduction of mobile money services in 2010, a credit scoring system is in development to direct consumers to banks where they are already qualified to access loans or products.

MIP and its mobile application have already attracted about 19,600 and 5,000 users respectively and 117,000 MSMEs have been reached through social media and extensive radio coverage on Radio through the BwanaPesa programme.

The portal can be accessed at [www.entrepreneurs.or.tz](http://www.entrepreneurs.or.tz) in English or [www.wajasiriamalitiz.or.tz](http://www.wajasiriamalitiz.or.tz) in Kiswahili.

**Partners:** Tanzania Private Sector Foundation (TPSF).

### › **Gather evidence on potential for development of Community Banking**

Community Banks (CBs), owned by the local community and licensed by the Bank of Tanzania (BoT), operate in specified geographical areas, usually rural, to address the lack of adequate banking services. To understand how well CBs have contributed to financial inclusion in Tanzania and to evaluate future prospects for the model, FSDT has commissioned a review of the past twenty years of Community Banking in Tanzania.

### **Key findings:**

- › 10 Community Banks created and 1 now publically-listed
- › Community Banking has shown moderate growth despite low business and economic growth potential, low capitalization and limited resources, increased competition from other FSPs and a tough regulatory environment
- › Partners: Community Banks Association of Tanzania (COBAT) and the Tanzania Association of Microfinance Institutions (TAMFI).

## Driving Innovation

Many of the constraints to financial inclusion are due to information asymmetry between consumers, Financial Service Providers (FSPs) and key stakeholders.

In its role in leading change, FSDT has developed platforms and networking spaces for stakeholders to work together in an innovative way to formulate concrete proposals to accelerate financial inclusion.

### › FSDT industry forum - “The Gathering”

FSDT launched this platform in 2013 to bring together representatives of government, private sector, think-tanks and international institutions to share experiences and exchange views with the goal of bridging the financial inclusion gap in Africa.

### › FinDisrupt

Despite market insights in the financial services sector from institutions such as FSDT, the World Bank, the National Bureau of Statistics and market research firms, market response in product development has clearly not reached its potential.

In response, FSDT launched FinDisrupt in February 2016, offering a 3-day opportunity for idea proliferation and project realisation. Innovative ideas were generated from participant groups comprising end users, representatives from product development and policy formation teams at FSPs, start-ups, researchers and technology developers.

### › Bima challenge

With just 13% of adults in Tanzania with insurance, many people on low-income have no protection for their families, households or businesses due to perceived high costs, inappropriate products and lack of access.

FSDT launched the Bima Challenge in June 2016 to help insurance companies develop products that offer risk management solutions that are affordable, accessible, cost-effective and responsive to the needs of the low-income market. The Bima Challenge provides financial and technical support to insurance companies, insurance brokers and agents, as well as mobile phone and technology companies and community-based organisations. The aim is to enable product design, experimentation and roll-out of innovative and customer-centric insurance solutions ranging from products, processes, business models to distribution channels.

“This country continues to wallow in the depths of poverty because financial services have yet to reach a large proportion of the population. Without these services, business development and productivity will be constrained.”

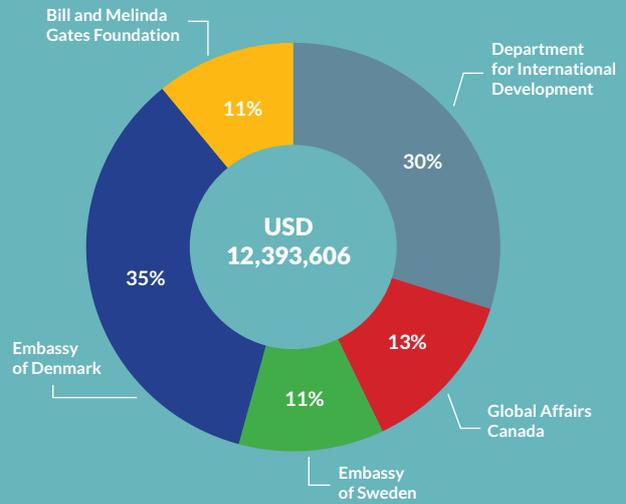
**Dr Michael Kimei,**  
Managing Director, CRDB  
*FinScope Tanzania 2013 video*



# Financial Summary

The financial statements of the Registered Trustees of the Financial Sector Deepening Trust (Tanzania) ("FSDT"), were audited by RSM Ashvir. Their opinion was that the financial statements gave a true and fair view of the state of the financial affairs of the Financial Sector Deepening Trust (Tanzania) as at 30 June 2016 and of its financial performance and cash flows for the year then ended in accordance with the requirements of International Financial Reporting Standards.

## Funding by Donors 2015/2016



## INCOME STATEMENT

<b>INCOME</b>	<b>2015</b>	<b>2016</b>
Grants	12.39	8.5
Investment income	0.05	0.12
Other income	0.07	0.13
<b>Total Income</b>	<b>12.51</b>	<b>8.75</b>
<b>EXPENSES</b>		
Project activities	10.85	10.01
Governance cost	1.19	1.16
Staff costs	0.54	0.73
Exchange loss	0.4	1.22
Provision for impairment of redeemable preference shares	0.31	-
Depreciation	0.12	0.12
Amortization	0.00	0.00
<b>Total expenses</b>	<b>13.45</b>	<b>13.26</b>
<b>Deficit for the year</b>	<b>-0.94</b>	<b>-4.51</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Non-Current Assets</b>		
Furniture and equipment	0.22	0.31
Intangible assets	-	0.001
Loan receivables	1.99	2.14
Redeemable preference shares	0.28	0.32
	<b>2.5</b>	<b>2.78</b>
<b>Current Assets</b>		
Loan receivables	0.15	0.72
Other receivables	0.43	0.15
Cash and cash equivalents	2.64	3.08
	<b>3.24</b>	<b>4.05</b>
<b>TOTAL ASSETS</b>	<b>5.74</b>	<b>6.83</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds</b>		
Accumulated surplus	5.61	6.56
<b>Current Liabilities</b>		
Other payables	0.12	0.27
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>5.74</b>	<b>6.83</b>

## Project Name

## Partners

### Output I

FinScope 2013 -Dissemination

Government of Tanzania - Ministry of Finance,  
National Bureau of Statistics, Bank of Tanzania

FinDisrupt

Financial Service Providers (FSPs),  
policymakers, researchers, Mobile Network  
Operators (MNOs), IT developers and end users

National Financial Capability and Financial  
Education Baseline-Dissemination

Bank of Tanzania

Capital Markets and Securities Authority (CMSA)  
regulatory capacity building on Enterprise Growth  
Management (EGM)

Capital Market and Securities Authorities  
and Dar es Salaam Stock Exchange

MSMEs Information portal

Tanzania Private Sector Foundation (TPSF)

Support for formalisation of MSME businesses

Eastern and Southern Universities Research  
Programme (ESAURP), Akiba Commercial Bank  
(ACB), Tanzania Investment Bank (TIB), Azania  
Bank, Twiga Bancorp, Ministry of Finance,  
Tanzania Revenue Authority (TRA), Business  
Registration and Licensing Agency (BRELA),  
Vocational Training Institutes (VETA) and  
Fisheries Training Institute (FETA)

## Description

## Mechanisms

Objective: commissioned and funded by the Financial Sector Deepening Trust (FSDT), FinScope 2013 supports the drive for greater financial inclusion by providing a holistic understanding of how individuals generate an income and how they manage their financial lives.

Evidence Generation and Sharing

Objective: to bring user evidence to the heart of product innovation and development in the financial sector by encouraging dialogue on how FSPs can develop innovative solutions that meet the needs of the end users.

Thought Leadership

Objective: to provide a nationwide survey and establish baseline data to measure the capability of the adult population of Tanzania to manage their money matters and compliment the National Financial Education Framework project which was also supported by FSDT. The Financial Capability and Financial Education Baseline will also provide essential evidence to inform financial education initiatives as well as to anchor the monitoring and evaluation of any initiatives carried out under the Financial Education Framework.

Evidence Generation and Sharing

Objective: to support the CMSA to build its capacity to regulate the new EGM segment which lists SMEs wishing to raise long-term capital from the stock exchange.

MSMEs, Financial Instruments

FSDT supported CMSA to undertake a study visit to three chosen markets with alternative stock markets and supported Dar es Salaam Stock Exchange to launch and promote EGM to the public.

Objective: to bring together diverse MSMEs-related groups, entrepreneurs (existing and potential), associations, buyers, sellers, technocrats, training cells, business service providers, technology developers and academia to freely and openly exchange information related to MSMEs and act as a valuable resource to the desired target user groups (MSMEs, regulators, investors, financial service providers, associations).

MSMEs, Financial Instruments

The project has been adapted to address the problem of informality among Tanzanian enterprises and enhance access to financial services. The pilot is taking place in 10 regions in Tanzania - Arusha, Kilimanjaro, Mbeya, Kagera, Mtwara, Dodoma, Iringa, Kigoma, Singida and Morogoro.

MSMEs, Thought Leadership, Evidence Generation and Sharing

## Project Name

## Partners

National Financial Inclusion Framework Implementation

Bank of Tanzania, Ministry of Finance,

Review of National Microfinance Policy for Tanzania

Ministry of Finance, Tanzania Association of Microfinance Institutions (TAMFI)

Assessment of Informal Financial Groups in Tanzania

Bank of Tanzania

## Output II

Capacity Building of Network of Informal Microfinance Practitioners

Tanzania Informal Microfinance Association (TIMAP)

Integration of Retail and Wholesale Microfinance Services

CRDB MF SCL

Transformation to Deposit-Taking Microfinance Institution

Vision Fund Tanzania (formerly SEDA)

Mobile Financial Services Interoperability

Bank of Tanzania, Mobile Network Operators

## Description

## Mechanisms

Objective: to provide a vision of concrete improvements that Tanzania would like to see in the lives of all Tanzanians through the use of financial services by galvanising all relevant stakeholders in financial services under one common vision to provide strategic direction for all initiatives for Financial Inclusion in the country, defined as “regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness” (NFIF, 2013).

Regulatory

Objective: to guide the evolution of national policy that will support an efficient and effective microfinance system that will contribute to financial inclusion through the provision of diversified financial services, particularly in rural areas.

Regulatory

Objective: to gain deeper insights into the evolution, nature, characteristics, management and operational features of Informal Financial Groups in Tanzania.

Evidence Generation and Sharing

Objective: to build capacity of TIMAP to develop operational guidelines and strategies.

Thought Leadership

Objective: to support CRDB Microfinance Service Company Limited (MF SCL) to develop an integrated retail and wholesale microfinance services model through a network of outlets linked by technology by introducing new alternative marketing and service delivery channels, notably by setting up smaller outlets, increasing the number of mobile bank units, and linking all these alternative channels electronically to its growing network of permanent bank branches.

MSMEs, Financial Instruments

Objective: to enable transformation of Vision Fund Tanzania to become a regulated deposit-taking microfinance institution limited by shares.

Insurance & Consumer Protection, Regulatory

Objective: to support the formulation and agreement of the path to interoperability through the creation of a set of standards for Mobile Financial Services in Tanzania that includes banks, mobile network operators and the regulator.

DFS, Financial Instruments

## Project Name

## Partners

### Output III

Bima Challenge – Microinsurance  
Innovation Acceleration Fund

Insurance industry, Microinsurance Technical Working  
Group, Microinsurance steering committee, insurance  
associations

### Output IV

BRAC Phase 2 Loan

BRAC

Scaling Agency Banking

Equity Bank

Yosefo

Yetu Microfinance

WAMA

WAMA

CARE Pesa Kwa Wote (PKW)

CARE (PKW)

Boresha Maisha

Aga Khan Foundation

**FSPs** Financial Service Providers    **MNOs** Mobile Network Operators

## Description

## Mechanisms

Objective: to accelerate the development of the microinsurance sector in Tanzania, with a primary focus on the low-income market segment by providing a co-financing facility to enable the creation of an inclusive insurance market in Tanzania and supporting product design, experimentation and roll-out of innovative and customer-centric insurance products that will make insurance services affordable, accessible and responsive to risk management needs of Tanzanians, especially those in the low-income market segments.

Insurance

Objective: to assist BRAC to expand its outreach to beneficiaries and grow client base and loan portfolio by establishing 100 BRAC branches in Dar es Salaam, Arusha, Morogoro, Zanzibar, Mwanza, Coast Region, Shinyanga.

Financial Instruments,  
Consumer Protection

Objective: to support the Equity Bank to improve access and usage of bank-led digital financial services (saving, credit and insurance) by scaling up agency banking and increasing financial access points through the use of retail agents.

DFS, Financial  
Instruments

Objective: to support Yosefo to expand outreach of its microfinance programme and increase its client base from 15,000 to 61,000 clients and 40,000 mobile banking users by year four of the project.

Insurance & Consumer  
Protection

Objective: to support WAMA to bring financial services to almost 66,000 new people using the Village Savings and Loan Association (VSLA) methodology.

Agricultural & Rural,  
Consumer Protection

Objective: to bring sustainable financial services to rural poor and enrol about 316,300 people in 12,652 VSLA groups across eight regions in Tanzania.

Agricultural & Rural,  
Consumer Protection

Objective: to create access to basic financial services and literacy through the facilitation of community-based savings groups in 12 districts of Mtwara and Lindi regions.

Agricultural & Rural

**MSMEs** Micro, small and medium sized enterprises **SMEs** Small and Medium Sized Enterprises





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