



# Annual Report

2019 - 2020



**FSDT**

FINANCIAL SECTOR DEEPENING TRUST

MENGI SI HAYO TU

## Abbreviations

<b>AMCOS</b>	Agricultural Marketing Cooperative Societies
<b>BMGF</b>	Bill & Melinda Gates Foundation
<b>BoT</b>	Bank of Tanzania
<b>CBSGs</b>	Community Based Saving Groups
<b>CMSA</b>	Capital Markets and Security Authority
<b>FSDT</b>	Financial Sector Deepening Trust, Tanzania
<b>FSP</b>	Financial Service Provider
<b>GDP</b>	Gross Domestic Product
<b>IFM</b>	Institute of Finance Management
<b>IIT</b>	Insurance Institute of Tanzania
<b>IDRC</b>	International Development Research Centre
<b>MIT</b>	Ministry of Industry & Trade
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NCFI</b>	National Council for Financial Inclusion
<b>NFEF</b>	National Financial Education Framework
<b>NFIF</b>	National Financial Inclusion Framework
<b>NHIF</b>	National Health Insurance Fund
<b>NIDA</b>	National Identification Authority
<b>NIN</b>	National Identification Number
<b>SACCO</b>	Savings and Credit Cooperative Organisation
<b>SME</b>	Small and Medium Enterprise
<b>TAMFI</b>	Tanzania Association of Microfinance Institutions
<b>TASAF</b>	Tanzania Social Action Fund
<b>TCDC</b>	Tanzania Cooperative Development Commission
<b>TCRA</b>	Tanzania Communications Regulatory Authority
<b>TIPS</b>	Tanzania Instant Payment System
<b>TIRA</b>	Tanzania Insurance Regulatory Authority
<b>TRA</b>	Tanzania Revenue Authority
<b>TZS</b>	Tanzanian shilling
<b>VICOBA</b>	Village Community Bank

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## Director's Notes



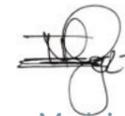
Over the years, the Financial Sector Deepening Trust (FSDT) has facilitated sustainable, systemic, and inclusive advancements in policy and regulatory reform in Tanzania. As a result, eight vital legislative changes have taken place to improve access and usage of financial services, with the most notable being the recent enactment of the Microfinance Act, but also the development of frameworks to redefine the financial inclusion agenda in the country, such as the National Financial Inclusion Framework (NFIF) 2.0. In efforts towards transforming payments infrastructure, FSDT has supported the National Identification and Tanzania Instant Payment systems, which aim to promote digitization of cash in the ecosystem, increasing efficiency in payments, and bridging the gap between the banked and unbanked.

FSDT's pioneering work to catalyse innovative financial solutions and models has grown stronger over the years by leveraging on linkages, platforms, such as innovation hubs to spark new thinking and transform innovative ideas into practical business plans. This has resulted in over 10 solutions being deployed into the market, with notable achievements in the Smallholder Farmers Aggregation Model (Mfumo Jumuishi), that has linked 801,228 smallholder farmers and financial service providers (including insurance companies, mobile money providers, and MFIs) through Agricultural Marketing Cooperative Societies (AMCOS) in several agriculture value chains in Tanzania (cotton, coffee, edible oils, and Cashews).

Recently, FSDT has embarked on the development of the new FSDT strategy 2022-2026. In the new strategic direction, FSDT will intentionally prioritise women and youth. Focusing on these two underserved markets will provide the necessary weight and foundation required to contribute towards the country's overall goal of poverty reduction through improved wellbeing, livelihood, and empowerment of women and youth. The national strategies (Tanzania Vision 2025, Five Year Development Plan (FYDP) III, FSDMP, NFIF II) also highlight the importance of women and youth in accelerating growth, and considers them as being the priority beneficiaries of various developmental responses.

The next FSDT strategy aims to achieve the outcomes of increased equality, improved livelihood and economic empowerment, as well as improved capabilities of women and youth in Tanzania. This will be achieved through supporting development of improved policies and legal and regulatory frameworks that drive the utilisation of quality financial solutions. It also aims to provide the improved availability of relevant financial sector infrastructures that unlocks opportunities for youth and women participation in finance. The strategy also intends to catalyse financial sector players with the capabilities to develop and scale innovative and responsive financial solutions/tools that meets the needs and aspirations of women and youth. In addition, the Covid-19 pandemic gave us a new lens on how financial services can be delivered,

and opportunities that should be explored by financial service providers to ensure delivery of services using appropriate channels. In the new strategic direction, FSDT looks forward to conducting more research on the impact of the pandemic on the financial sector and financial inclusion, especially for women and youth.



Irene Madeje Mlola  
Interim Executive Director, FSDT

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## About FSDT: Driving Alternative Financial Solutions to Improve the Lives of Women, Youth, Farmers & Enterprises

The Financial Sector Deepening Trust (FSDT) continues to make strides towards the goal that all Tanzanians derive value from regular use of financial services, which are delivered with dignity and fairness.

As a facilitator of the financial sector, FSDT has witnessed great progress in its strategy of leveraging public-private partnerships to push the financial inclusion agenda. More efforts have been directed towards strengthening these partnerships and identifying new areas of opportunities for sustainability, as well as for encouraging more players in the financial sector to move in the same direction.

FSDT remains committed to the financial sector by going above and beyond to gather and share insights on the needs of women, youth, smallholder farmers and businesses to promote and encourage market innovation by implementing appropriate and responsive policies, regulations and solutions. Such evidence has highlighted key challenges in access and usage, which limit efforts to deepen the financial sector. FSDT is committed to eliminating such barriers to ensure that all Tanzanians benefit from regular use of financial services.

In times of calamity as 2019-2020 has shown with the global pandemic, FSDT, alongside our partners, was instrumental in pushing for alternative financial solutions to ease the constraints of accessing and using financial services caused by the rapid change to our regular way of life.

Our shared vision is that, as financial service providers launch solutions which are more innovative, adaptable, affordable and consumer driven, people and businesses derive more value from the solutions and use them regularly in their everyday lives, benefiting themselves and the economy as a whole.



## Market overview

Like many countries, Tanzania was not immune to the impact of Covid-19 on its economy. According to the World Bank, Tanzania's GDP growth rate fell from 5.18% in 2019 to an estimated 2% in 2020, and the country experienced a negative per capita growth for the first time in over 25 years. The implications of the pandemic were felt across all industries, with almost a complete standstill in tourism, exports/imports, and leisure industries, as well as foreign investment.

The social impact of the pandemic was evident as businesses either closed or adopted strict precautionary measures in fear of spreading infection, which hindered domestic economic activity. As a result, many businesses suffered a decline in sales, but also unemployment increased, especially for those working informal jobs.

The financial sector did not fare so well either, as such an environment increased non-performing loans, while slowing down the growth of credit to the private sector. As a result, the Bank of Tanzania reduced its discount rate to banks from 7% to 5% to boost financial activities and ease the pandemic effects on the economy.

As devastating as this year was, the silver lining from was the solidification of the need for the country to begin embracing the digital economy. The COVID-19 outbreak led to a surge in online food orders, teleconferencing, e-learning, and a growth in social media businesses. For the financial sector, many financial service providers turned to digital services as alternative solutions for customers to continue to use their services. The ongoing initiatives supported by FSDT, such as the Digital ID, National Payments Switch (Tanzania Instant Payment System-TIPS) with a promise of a low-cost inclusive payment system are some of the key ingredients to a robust digital economy vision that will serve women, youth, farmers and SMEs by delivering income, job opportunities, and improved wellbeing.

Financial service providers continued to show their commitment to support SMEs this year. NBC, NMB and NCBA banks have reaffirmed their commitment to support SMEs by reviewing their credit policy and developing solutions tailored for SME. Equally Standard Chartered Bank provided three months relief on SMEs affected by the effects of COVID-19 pandemic. Further, TDB has issued a \$1 Million debt facility to support Women and Youth led SMEs.

The Government continues to pay attention to SME sector development and growth. This is exemplified with the development of a new policy that will respond to the challenges limiting enterprise growth in Tanzania. Through thought-leadership, technical and financial support, FSDT has supported and will continue work with stakeholders in the development of this policy.

Early in 2020, the Tanzania Insurance Regulatory Authority (TIRA) led the way in terms of innovation with the introduction of the TIRA MIS Reinsurance portal to facilitate the placement of all applications for externalization of risks being submitted and processed electronically, alongside new age motor insurance stickers with increased security features. The regulator issued a circular to suspend the Direct Sales Force (DSF) business model for the distribution of insurance and that new guidelines would be provided in due course.

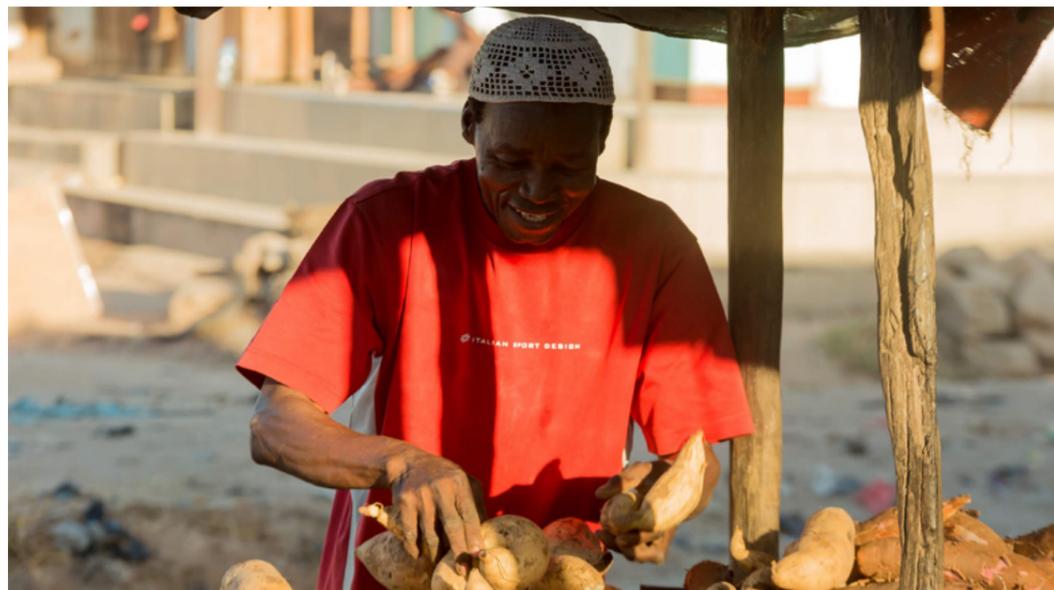
This financial year also saw the financial sector laying a strong foundation for deepening of financial services for farmers and rural dwellers. It has become standard knowledge that farmers paid by AMCOS will be paid through a bank and other formal accounts and not by cash. In the meantime, market exchange and information systems such as the commodity exchange are also being taken closer to farmers in the coffee and cotton sectors. Initiatives for digital financial services for farmers are growing, this year saw the launch of Vodacom’s M-Kulima platform which aims to provide payment solutions for AMCOS.

In the microfinance sector, the Ministry of Finance, with support from FSDT, launched the awareness campaign of the Microfinance Regulations on December 13th, 2019. This awareness campaign is to bring clarity to financial sector players and the general public of the new Microfinance Act and the subsequent regulations.

In this financial year, TASAF Productive Social Safety Net II (PSSN II) program was officially launched by the President of United Republic of Tanzania with commitment to ensure the fund is directly reaching the beneficiaries and they derive value from the support received. The Government commitment is well aligned with e-payment and D3 philosophy (Direct, Digitize & Design Female Transactions), which is the core area of FSDT support to TASAF.

The Ministry of Health, Community Development, Gender, Elderly and Children is reviewing the National Gender Policy [2000] and the strategy (2005). FSDT is among the partners supporting the review process including technical support to ensure that the revised policy and strategy provide policy statements on financial inclusion for women and clear KPIs are set to cut across different sectors. FSDT is supporting the Women Affairs Committee of National Financial Inclusion Council to actively participate in the review process.

Informed by women and youth analytics from FinScope Tanzania, FSDT continued to advocate for responsive financial products and services in the financial sector. Under this period, CRDB bank reduced interest rates for women entrepreneurs from 24% to 14% and enhanced loan provision mechanisms to promote more women’s access to credit. On the same note, NMB bank launched NMB Mwanamke Jasiri capacity building programme targeting women in micro, small and medium enterprise categories.



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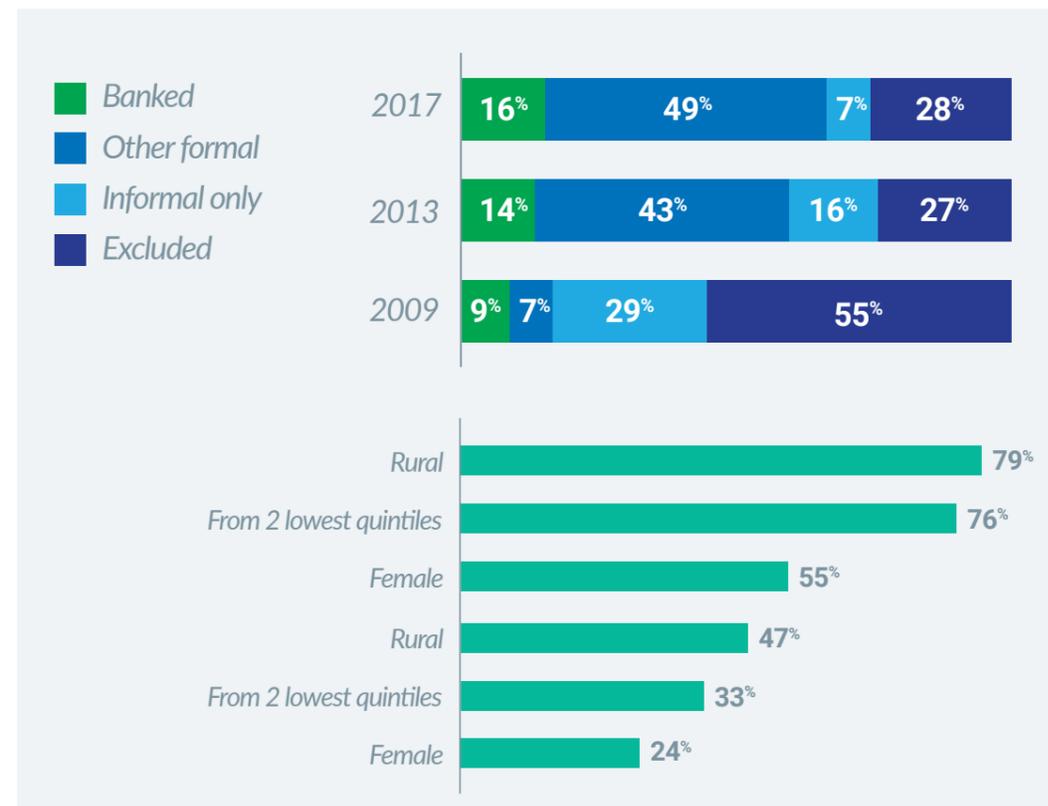
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## Understanding significant unmet demand

Overall statistics show the significant progress which has been made in developing an inclusive financial sector. Formal financial inclusion has increased from 58% of the adult population in 2013 to 65% in 2017, while the proportion regularly using these services also increased from 37% in 2013 to 86% in 2017.



Source: FinScope Tanzania 2017



### Only 61% of Tanzanian women are financially included



Making up over 50% of the population and workforce, and owning over half of the country's micro and small enterprises, the gender gap in accessing formal financial services remains at 10%. It is clear that women face considerable challenges in becoming financially included due to their lack of literacy and numeracy skills, a wide range of social, cultural and economic challenges, as well as lower levels of mobile phone ownership.

### 3/10 unbanked are between the ages of 15 and 24



A dynamic and diverse group, but with the highest levels of financial exclusion among socio-demographic groups, Tanzanian youth are considered a difficult market to serve in terms of financial service provision. Challenges include the stringent Know-Your-Customer requirements and the perceived high costs of acquisition of youth as customers, compared to the expected value on the accounts.

### 10% of farmers use banking services



Nearly 80% of the households in Tanzania engage in agriculture, but less than 60% of farmers have taken up formal financial services. Many farmers have opened mobile accounts, but the seasonality of their incomes and the lack of targeted products and services have led to low levels of usage within this group across the formal sector.

### 4% of small businesses are formally registered

The small business sector has the potential to make a significant contribution to the economy of Tanzania, but without formal registration, there are millions of business owners who are unable to access financial solutions to develop and grow their business.

### 79% of those who are financially excluded live in rural areas

People living in the rural areas make up 70% of the Tanzanian population; however, despite the rise in mobile money agents across the country, they remain excluded from the full range of financial solutions due to their lack of formal education and barriers to distribution.

# Project Overview

## ADVOCATING for regulatory and policy changes

A key aim for FSDT in its role as a thought leader is to facilitate the creation of an enabling regulatory environment that encourages innovation and new opportunities for financial service providers, users of financial services, and regulators.

### Key Challenges

- Lack of policies and regulations promoting usage of formal financial services among women, youth, rural farmers and SMEs (Small, Medium Enterprises);
- Disproportionate exclusion of women, rural farmers, MSMEs and youth in financial systems, which slows progress in achieving financial inclusion goals.
- Lack of consumer confidence in financial services, which limits their participation in financial systems.

FSDT responded to these challenges by providing technical and financial support for the development and implementation of several policies and regulations. Among these include:

### SME Policy review

The Government continues to pay attention to the development and growth of the SME sector. This is exemplified by the development of a new policy that will respond to the challenges limiting enterprise growth in Tanzania. This is a collaborative effort, led by the Ministry of Industry and Trade (MIT), other relevant ministries, Ministerial Development Agencies and private sector partners. It is expected that the new policy will be submitted to the Cabinet Secretariat before the end of June 2021. Through thought leadership, technical and financial support, FSDT has supported and will continue to work with stakeholders in the development of this new SME Development policy as it creates the required environment for inclusive finance for SMEs to be a reality.



### Microfinance Act

The main objective of the Act is to promote safe and sound microfinance financial services provision, guard against systemic risks, establish a competitive market, protect consumers and improve access.

After the enactment of the Act in November 2018, the Ministry of Finance developed Microfinance regulations to guide both service providers and users to comply and ensure continuity of services. These regulations provide guidelines and roles of the Minister of Finance, as well as non-deposit taking microfinance Institutions, money lenders, SACCOS, and Community Microfinance Groups in the provision of their services to the users. Market awareness and capability building campaign for the Policy, Act and Regulations have started.

Tools developed for the campaign include a media strategy, publications and brochures for the public, as well as presentations for different stakeholders to ensure general understanding and appreciation of the Microfinance services to women, youth, and the community.

To manage the market hype on the changes in legal and regulatory frameworks, an engagement workshop was held for journalists, who were identified as key partners towards influencing positive public reception and compliance to the Act. After the workshop, the messages broadcasted by various media channels facilitated understanding of the changes to the market, and more service providers under the sector started complying to the law for continued service delivery.

The implementation of the Microfinance Act shifts the landscape of financial services in Tanzania and creates opportunities for formalization of financial services and emergence of new institutions. FSDT played a catalytic role to initiate and influence changes in the regulations/policies/framework and managed to crowd in complementary initiatives to support the implementation of the policy. Furthermore, FSDT facilitated the development of groups constitution guidelines, and building capacity to PO-RALG staff involved in development of the guidelines required for onboarding Tier IV actors in the new Legal and regulatory environment. The Microfinance Act 2018 and regulations will ensure undisrupted, continued, and increased use of microfinance services, and will deliver value of these services to women and youth, who are the majority users of the microfinance services in Tanzania.

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**The Bank of Tanzania (Financial Consumer Protection) Regulations**

These regulations, enacted in 2019, are a product of the National Financial Consumer Protection Framework (NFCPF), which intended to enhance the scope of the regulation of Financial Consumer Protection for customers in the banking sector, beyond the existing functions of the Complaints Desk at the Bank of Tanzania (BoT). These regulations will ensure that customers of financial services are legally protected from harm, including fraud, malpractice, and misconduct.

The taskforce that spearheaded the drafting of the NFCPF and its implementation plan, include: BoT, Ministry of Finance and Planning Tanzania, Ministry of Finance and Planning Zanzibar, Tanzania Communications Regulatory Authority (TCRA), Tanzania Cooperative Development Commission (TCDC), Tanzania Insurance Regulatory Authority (TIRA), Capital Markets and Securities Authority (CMSA), Prime Minister’s Office (PMO) - Social Security Division, Zanzibar Fair Competition Commission – ZFCC and FSDT. The Fair Competition Commission(FCC) has been integrated as an invited entity to the National Council for Financial Inclusion.

**Bancassurance Regulation**

This is a regulation that allows banks and insurers to collaborate in the distribution and marketing of insurance products in order to make insurance products accessible to many Tanzanians. The regulation was achieved as part of the National Insurance Education Strategy (NIES), which was being implemented in partnership with the Tanzania Insurance Regulatory Authority (TIRA). The policy work on Bancassurance was completed, Bancassurance regulations have been enacted and now in use by the insurance and banking sectors.



**Project Overview**

**STIMULATING** *increased usage of financial services*

FSDT is committed to its mission to provide and facilitate robust, up-to-date market intelligence to support customer centric policy making and solutions development to increase usage of financial services.

**Key Challenges**

- Information Asymmetry in the market prevents financial service providers and policy-makers from using insights to form solutions and policies.
- Lack of capacity by financial service providers to design and roll out appropriate solutions for the market, due to poor understanding of customer needs.

FSDT responded to these challenges by providing demand and supply side insights and data to enable market players understand, design, test and scale solutions. FSDT platforms and research used to accomplish this include:

**FinSights Lab**

This is a solutions-driven interactive research and development platform working with finance industry players from private, public and regulatory sectors. FinSights Lab is designed to be an information and solution “one stop shop” in the Tanzanian financial sector. FSDT set up an interactive ‘Go-to’ place (physical and virtual), where financial stakeholders investigate and test solutions. Stakeholders bring Sick Products, New Ideas, Decrees, Problems, Nuances, Draft Policies to FinSights Lab.

FinSights lab brings the best of methodologies, research and financial sector experts in trying to resolve the issues brought forward by the stakeholders. The overall aim is to solve specific market problems by building new solutions, improving existing ones or designing inclusive strategies, regulations or policies by walking a customer-focused journey to understand, design, test and scale. During the first call of applications, 45 applications were received from players from various industries, out of which four were selected to undertake a full FinSights Lab project. The following year we sent out the second call for applications focusing on youth specific problems.

Through this approach a variety of solutions were designed in collaboration with established FinSights Lab partners:

- **NBC Shambani by NBC Bank:** This solution analyzes the farmer/pastoralist’s entire farming cycle and provides an all-round solution to support them towards increasing productivity and income security.
- **Duka Direct by Selcom:** This is a solution that brings the Gig-Economy to the Tanzanian Market and as such provides a remote ordering and shopping solution with an integrated e-payment solution.
- **EzyPesa by Zantel:** FinSights Lab collaborated with Zantel to understand the dynamics of EzyPesa usage in the Zanzibari market. From the engagement a variety of ideas were explored and solutions are currently under deployment to ensure EzyPesa use cases meet the needs of Zanzibaris, improve their livelihoods and support them in achieving their short-term goals and long term dreams.

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- Further, FinSights Lab has established a collaboration with Capital Markets and Securities Authority (CMSA) to venture into a data driven journey towards the development of an inclusive strategy for CMSA.

To amplify learnings to the wider market and promote the FinSights Lab approach beyond existing FinSights Lab partners, a do-it-yourself design toolkit was developed to allow for a more data-driven and design-thinking solution development approach to enter the wider financial service sector.

**DataDisrupt**

A joint initiative with the International Development Research Centre (IDRC) and FSD Africa, this programme seeks to drive evidence-based decision-making through institutional change using improved data management and analytics capabilities within financial institutions. Framework for a Toolkit to promote organizational change towards data centricity and innovation has been developed, and the Toolkit was finalized and launched. Thus far, three DataDisrupt partners have engaged in training to build capacity in the strategic use of data, market research, data analytics and data synthesis, and all of the partners have embarked on the product design process or delivery channel improvement. The supported partners were Edge Point, NMB, and Resolution Insurance. Specifically, the following solutions or process improvements were deployed:

- Edge Point’s data was restructured to allow for fraud detection and increased negotiation power with future underwriters; due to improved information delivery from the claims and settlement system to underwriter.
- Resolution Insurance, through its distribution partner Micro Health Initiative (MHI), automated the client onboarding process, as well as claims settlement. This automation led to a shift in the client base; from employer based to microinsurance (top 40% of households in urban areas). The respective insurance policy cover, AfyaBora, was changed accordingly to meet the target segment needs.
- Through the partner NMB, the Digital Kibubu product has been designed and prototyped. A component of the Digital Kibubu solution, dubbed Dunduliza, which allows for digital purchase of insurance has already gone live in the market. Overall, through the capacity building process initiated by DataDisrupt, the bank has shifted its product design process to become data centered.

DataDisrupt deployed a test, learn and scale approach. A toolkit has been developed to share the learnings and allow for scaling across the intervention. So far it has found application in the Lake Zone FinTech Challenge, which was organized in collaboration with Ennovate Hub and St. Augustine University of Tanzania, Mwanza.

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### Cost of transaction study

The study triangulated insights from the demand side, supply side and the regulatory aspects to gain a deeper understanding of the manifestation of costs of transaction from the demand side and cost drivers from the supply side, identify the rules and regulations that promote or hinder costs of transactions and lastly showcase opportunities for investment, partnership, and innovation for the purpose of reducing transaction costs.

FSDT designed and implemented the analytical framework for a cost of transaction study that was anchored on a market systems outlook. Validation sessions were held to assess the response in the market and share high level findings with the various sector players as well as regulators and policy makers.

### Rural Youth Inclusive Finance Study

In partnership with the Embassy of Switzerland, FSDT conducted the Rural Youth Inclusive Finance Study. The study adopted a mixed-methods approach using secondary and primary data sources. For secondary data, a deep analysis of the FinScope Tanzania 2017 data was conducted, alongside other financial inclusion reports and publications on key thematic areas. The primary data collected was qualitative engaging key stakeholders, focus groups and immersions.

The study was set out to explore the needs, aspirations, and current economic status of rural youth in Tanzania and how they reflect on the current communication and go-to-market strategies of financial service providers, youth empowerment programs and policies. Further, it applied a gender lens to enhance these outcomes for female rural youth. Lastly the study developed personas of rural youth (16 to 24 years old), which are to enable product and solution designers to develop targeted solutions for this emerging market segment. The report informed both partners in the development of their new strategies.

### Unlocking the power of geo-spatial data for market growth

The Bank of Tanzania (BoT), along with the Tanzania Cooperative Development Commission (TCDC), Tanzania Insurance Regulatory Authority (TIRA), Capital Markets and Securities Authority (CMSA) and their partner FSDT have developed the Financial Services Registry (FSR). The FSR is an android and web interface collection system used to capture, manage, update, analyze and visualize data regarding financial services access points. The system, hosted by the BoT, was launched by the Governor of BoT for data entry to start earlier in 2020.

Thus far, over 560 representatives from various financial service providers (FSPs) have been trained on FSR Collect, the data collection application, in 32 physical trainings across the country. These meetings were facilitated on a regional basis upcountry, in Dar es Salaam on a district level, along with trainings in Unguja and Pemba. Furthermore, over 300 FSP representatives were trained in 3 online training sessions on FSR Collect. To date, there have been over 1000 FSR collect downloads. Since August 2020, a mass registration of financial access points exercise has been initiated. The mass registration is yet to be completed and a comprehensive validation and compliance exercise is being carried out. To complete this process, the registration and training on the web interface is paramount. To date, 43 FSPs have been given user access and training on the user interface.

## Project Overview

### PROMOTING *smart ways to address the demand-supply gap*

Financial service providers face a number of challenges to provide relevant, appropriate and affordable products and services which are convenient for all groups.

#### Key Challenges

- Lack of appropriate, affordable and innovative infrastructure promoting usage of formal financial services by women, youth, rural farmers and SMEs, pushing more Tanzanians to informal financial services and coping mechanisms;
- Stringent know-Your-Customer (KYC) identification document requirements for client onboarding, limiting consumer acquisition.

FSDT responded to these challenges by providing technical and financial support for the development and implementation of several platforms and infrastructures. Among these include:

#### LittleFish Digital Market Platform for SMEs

LittleFish, previously a peer-to-peer lending platform under GETPESA Company Ltd, is a digital ecosystem that enables micro and small businesses to connect and create meaningful relationships with customers, digitize business operations, enable access to real-time business performance data and access to a broader set of financial services. In 2019, the platform was outsourced to Nybble Technologies (Pty) Ltd to support the development of the platform. Nybble developed and deployed the platform, made several iterations based on the feedback received from online users. The platform has been recognized as a game-changer in the MSMEs space. The platform has changed its name to Littlefish and has been uploaded to Apple Store and Google Play Store across Africa in multiple languages and is currently being used by MSME across Africa and other countries. To date, there are about 5000+ Downloads, 2000+ Registered Users, of which Tanzania has 914 registered users and 1800+ Active Users. CRDB AND NMB banks have shown interest in the platform given its potential and rapid growth. LittleFish is currently working with CRDB to integrate the bank's payment system into the platform. The pilot of this integration has been scheduled to commence in January 2021. FSDT has provided financial support in the beginning of this project, and continues to provide technical support for the platform to take off in Tanzania.

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**KYC Use cases**

FSDT has been working with the Government of Tanzania to set up enabling infrastructures for the digital economy to thrive. A key enabler of the digital economy infrastructure is a unique National Identification Number (NIN) that enables access to key public services, with financial services being among these services i.e. mobile money, banking services, health care through the National Health Insurance Fund (NHIF). Through convening and facilitation, FSDT was able to ensure that a nationwide biometric campaign was implemented by the mobile network operators (MNOs), in cooperation with TCRA and NIDA. The campaign materialized after the government required all Tanzanians to register their mobile numbers using national identification numbers and biometrics. To date, 36 million Tanzanians have been registered biometrically to use the NIN. According to MNOs, each NIN holder owns two sims. Therefore, 18 million people who are NIN holders are using NIN to access other services such as land titles, electronic passports, business registration, drivers license, biometric attendance, and pension. To increase usage of NIN, FSDT has implemented different ID use cases to ensure people are accessing different services using their National IDs. Recently, the e-Government Agency (e-Ga) has supported the use of ID in the biometric attendance for government offices. Eight other public institutions with 1,009 employees have been utilizing the Biometric Attendance System with NIN.

FSDT will conduct an Omnibus survey to measure the performance of the usage of NIN to access services.

**The Dar es Salaam Stock Exchange (DSE) Enterprises Acceleration Program**

The DSE Enterprise Acceleration Program has been designed to provide a platform for owners/managers of SMEs with growth potential to learn and implement the right structures, management systems and processes that will support their businesses to operate sustainably, hence attract different types of investors and financiers such as investment banks, venture capital funders, private equity and the stock exchange through public offering. The DSE Enterprise Acceleration Program is a pilot program that if successful will form part and parcel of the stock exchange's mid-sized companies nurturing platform. This has been a collaborative effort of DSE, NOMADS/Stockbrokers, Business Development Service Providers (BDSPs), Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) and networks. So far, the program materials and syllabus have been developed, Training of Trainers (6 trainers) followed by awareness creation and program launch have been completed, the Enterprise Acceleration Program has been accepted, and companies have signed up with impressive attendance to all training sessions. Following BDS and other participation in the Enterprise Acceleration Program, Faculty for the Accelerator Program is in place. Over 15 companies have signed up for the program. So far the companies have undergone through comprehensive face-to-face training on key areas of Operations Management, Strategic Business Planning and Financing, Marketing and Sales Strategy, Leadership and Enterprise Governance, Managing People, Intellectual Property Rights and Financial Management. The project is now at Mentorship and Coaching phases which are done in the form of virtual panel discussions with a team of renowned business advisory and long term capital sourcing intermediaries. The panel discussions are complemented with face to face engagements with individual participating companies.

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**Timiza Biashara**

FSDT supported the scaling up of Timiza Biashara, a solution by Maendeleo Bank aimed at supporting small businesses in the form of small groups commonly known as Vicoba to save and borrow money digitally in order to grow their businesses. The bank partnered with the mobile network Airtel Tanzania to provide more technical support, improving registration and user experience in line with customer needs. Micro-enterprises are responding well on the scaling up activities and there are early signs of potential growth in rural areas with strong and stable economic activities. To date, there are 3,303 active members registered with a total savings of TZS 31.1 million and a loan balance of TZS 12.1 million.

**Setting the infrastructure for digital payments**

As part of the National Payment Strategy (NPS) that prioritizes technology and infrastructure readiness to support mobile money services, instant payment and development of efficient payment systems, the Bank of Tanzania, with FSDT's support, is developing an interoperable digital payment system known as Tanzania Instant Payment System (TIPS), which will allow the transfer of payments between different digital financial service providers (both banks and non-banks). TIPS will build on interoperability through its inclusive model and bring about affordable transactions that will reduce costs for many Tanzanians.



## Project Overview

### CATALYSING *new financial solutions*

FSDT is committed to its mission to provide robust, up-to-date market intelligence to support customer-centric policy making and solutions development.

**Key Challenges**

- Lack of appropriate, affordable and innovative solutions promoting usage of financial services by women, youth, rural farmers and SMEs, pushing more Tanzanians to informal financial services and coping mechanisms;

FSDT responded to these challenges by providing technical and financial support for the development and enhancement of several financial solutions. Among these include:

**Unlocking the power of AMCOS**

Farmers in Tanzania have enjoyed the existence of Mfumo Jumuishi and Fit4Ag models this year, models which link farmers to financial service providers and investments. The benefits accrued range from financial inclusion to creation of employment for women and youth. Tanzania Agricultural Development Bank (TADB) reported 140,000 coffee farmers, 645,941 cashew nut farmers and 200,000 cotton farmers being financially included as their sales proceedings were paid through bank accounts. The amount transacted is reported to be around 54.12billion shillings.

On a pilot basis, TADB supported two Ginneries in Kahama (KACU Ltd) and Geita (Mbogwe Cooperative Union). The intention is to support AMCOs and Unions to invest up the value chain with an intention to transform the organizations into business units and eventually increase incomes of the members/farmers. Initial results from the pilot indicated positive outcomes in income and cotton value chain market price improvements, as well as job creation for women and youth in the area.

Other partners continued creating awareness of the models (Mfumo Jumuishi and Fit4Ag), where the Tanzania Mercantile Exchange (TMX) as a core partner continued activities related to the initiatives. Sales of Sesame and pulses were promoted through the TMX system, where around 37 billion Tanzania shillings was paid to farmers through bank accounts in Singida, Morogoro, Manyara, Pwani, Katavi, Dodoma and Mtwara regions. Awareness about TMX and Mfumo Jumuishi was created for cocoa, pulses and cashew sectors.

The market has witnessed the National Health Insurance Fund (NHIF) as a partner to Mfumo Jumuishi, scaling the Health Insurance service (Ushirika Afya) provision to farmers through partnership with financial services providers such as NMB (Mpango Dunduliza) and Tanzania Postal Bank (TPB) for cotton farmers in lake zone regions.

The market also witnessed the National Insurance Corporation (NIC) launch the crop insurance product in the lake zone, targeting cotton farmers as a pilot. After the pilot, the product was scaled up in other crops such as maize, pyrethrum and rice in the southern highlands and Morogoro. Farmers have enjoyed crop insurance as some of the rice farmers whose crops were swept away by floods were compensated by NIC. This event was held in Morogoro, which not only targeted compensation to the victims of the floods, rather to promote the crop insurance product to farmers.

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Initiatives for digital services for farmers are growing, in terms of digital financial services to farmers, this year saw the launch of Vodacom’s M-Kulima platform, which aims to provide payment solutions for AMCOS. The solution was launched during the Innovation Week 2020, in Dar es Salaam at a session dubbed, “Digitizing Agriculture Value Chains”. The session was very well attended and highlighted the growing interest from a wide range of stakeholders to enable digital services to agriculture.

**Innovative distribution channels and development of female micro health insurance product - Dada Card:** FSDT supported Micro Health Initiative (MHI), one of the winners of the Bima Challenge Fund, in the development of a micro health initiative for young girls dubbed Dada Card. The initiative fell into the goals of Bima Challenge Fund, which aimed at accelerating access to insurance by addressing the supply side constraints, and promoted the development of innovative solutions in the form of products, process improvements, distribution channels and the use of technology. FSDT supported innovative distribution channels and development of Dada Card which was created and deployed to the market.

As of 2019, MHI microinsurance company has shown positive progress in driving the uptake of the Dada Card from both service providers and users. The initiative now has a total of 131 providers comprising regional hospitals, government designated hospitals and dispensaries. A total of 25 health facilities in Kilimanjaro, Arusha and Dar es Salaam are utilising the hospital management system to improve their efficiency, streamline processes and increase income levels at their facilities. 14 quality improvement capacity building sessions for hospitals have been facilitated. In addition, MHI has established a total of 317 sales points to date that are accessible to the 1,022 girls who are Dada Card beneficiaries or policyholders and other MHI policyholders.

**Working with Tanzania Social Action Fund (TASAF) to digitize, direct and design transactions for female beneficiaries:** Promoting access and usage of well-designed digital financial services and products may be among the alternative ways of promoting financial inclusion and economic empowerment for women on low income. Since more than 80% of household beneficiaries are women, a diagnostic study was conducted by Bill and Melinda Gates Foundation in collaboration with TASAF to understand how best the programme can be designed to enhance women’s financial inclusion and economic empowerment. The study findings were instrumental in aiding the project design, as it pointed towards the need for designing an electronic payment solution that will improve security, privacy, financial freedom and allow poor women to make decisions over their own finances.

An Over-the-Counter (OTC) electronic payment solution using biometric verification for female beneficiaries who cannot own physical bank accounts or mobile wallets was developed and piloted in 3 Program Authority Areas (PAAs). The pilot was successful in reaching 1,345 beneficiaries, which is 11% of the total number of beneficiaries who had not opted for electronic payments. Most of these were women. The OTC solution provides partial funds withdrawal options, as an initial stage towards promoting female beneficiaries’ ability to save. To date, 35,795 (84% of these being female) beneficiaries are receiving payment electronically through their mobile wallets or bank accounts in 19 PAAs as a result of ongoing robust sensitization supported by the project. At the same time, a total of 42,324 (89% of these being female) beneficiaries under livelihood enhancement programs in 6 PAAs were trained on basic skills on entrepreneurship and financial literacy as a strategic approach to enhance their experience, so that they can benefit from the digital account.

**Unlocking women’s income growth potential through appropriate business models and capacity building - The case of Women Food Vendors (Mama Lishe):** A study was carried out with our partner, Mama Alaska Jamii, to understand the behaviors, needs and pain points of selected women food vendors. The findings revealed the need for more efficient and sustainable capacity building to help women run their businesses effectively, as well as the need for establishing a profit making business model since the existing business model has, to a large extent, pushed these women into a debt cycle, making a loss on almost every plate they sell.

**Supporting the implementation of digital saving groups’ solution to reach more women in rural areas:** FSDT has been working with Vodacom-Mpesa Limited to review, redefine and enhance their M-Koba product, a digital solution for savings groups to save money, access loans, and share earnings, to reach more rural women in community savings groups, by responding to their financial needs. To date, a new business model for the M-Koba product has been assessed and accepted. Pilot of the new business model is ongoing, and sensitization has been conducted to more than 11,574 members (80% female) from 3,858 groups. 1,839 groups with more than 11,034 women have been on boarded to the platform.

A capacity building guide and a manual record-keeping and credit building tool were developed and pre-tested to 323 women food vendors in Dar es Salaam. Design of the new business model informed by the study findings will be piloted in the second phase of the project. The new business model design will address the following; how best to organize women food vendors, delivery of behavioral change capacity building, and a distribution model that will promote profit increase for the women food vendors, consequently enhancing their ability to access and benefit from formal financial services for their economic empowerment and improved wellbeing. To date, 620 women food vendors have been registered with project partner, Mama Alaska Jamii, in preparation for the pilot stage.





## Project Overview

### FINANCIAL EDUCATION *and awareness*

FSDT is committed to support appropriate financial solutions that meet the financial needs of women, youth, rural farmers, and SMEs. In order for these market groups to derive maximum value from these services, they must be aware and well educated about the services available.

#### Key Challenges

- Insufficient financial capability amongst individuals and enterprises, limiting their ability to use financial services efficiently and derive benefits.

FSDT responded to this challenges by providing technical and financial support for the development and implementation of several efforts towards increasing financial education and awareness. Among these include:

#### National Financial Education Framework (NFEF)

The National Financial Education Framework (N-FEF) is aimed at improving the levels of financial capability of the Tanzania population, so that individuals are better equipped to act with confidence in making optimal choices in the management of their personal financial matters. Phase 1 of the implementation of the NFEF is focused on its operationalization. Several important outcomes have been realised that have contributed to the national objectives and the improvement of the livelihood of individuals, women, and households.

This year, key outcomes from phase 1 of the implementation of the NFEF are the Zanzibar stakeholder’s mapping exercise report to understand the existing financial education initiatives in the country; a paper on the funding options and recommendations for the financing of the financial education initiatives in place, a paper on the consumer’s website recommendations, content and development, and the website content translations.

Additional milestones include: a paper recommending options for embedding financial education in the broader educational system and this has been well received by the Ministry of Education in Zanzibar, who intend to explore how best to integrate financial education in the Pre-Primary and Primary school curricula; development of a communication strategy that was further enhanced to be a strategy that encompasses both Financial education and Financial inclusion; and the first draft of the Consumer Strategy and Financial Education Training Guide (FETG) was completed. It is also important to highlight that the activities and updates have been endorsed by the National Council for Financial Inclusion (NCFI).

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**Unlocking the Youth Market through IBUA! Campaign**

This year saw the launch of the IBUA! Youth Awareness campaign that will steer dialogue to address existing financial inclusion gaps in access and usage of financial services, with the aim of raising awareness and igniting behavioral change in youth, including young women, towards awareness of economic rights, embracing formal financial services, investing in their future and ultimately breaking the cycle of poverty. This campaign is to raise the concerns of the youth in order to provide them a platform where they can discuss financial issues with each other and think around the solutions, but also to capture their voices and share them with relevant stakeholders.

IBUA! campaign also attempts to influence financial service providers and policy makers to effectively respond to the youth in Tanzania as a market, and spark the initial thinking of how to incorporate and support the youth market to ensure that the youth derive value from regular use of financial services, as well as encourage behavioral change in youth towards a culture of awareness of their finances and use of available financial services.

The campaign will use digital and traditional media to share compelling content that will be used to ignite this dialogue, packaged in radio dramas, short comedic skits, Story Kijiweni (candid discussions with youth on financial matters, at their work environment), intercampus university debates, as well as an industry forum at the culmination of the campaign.

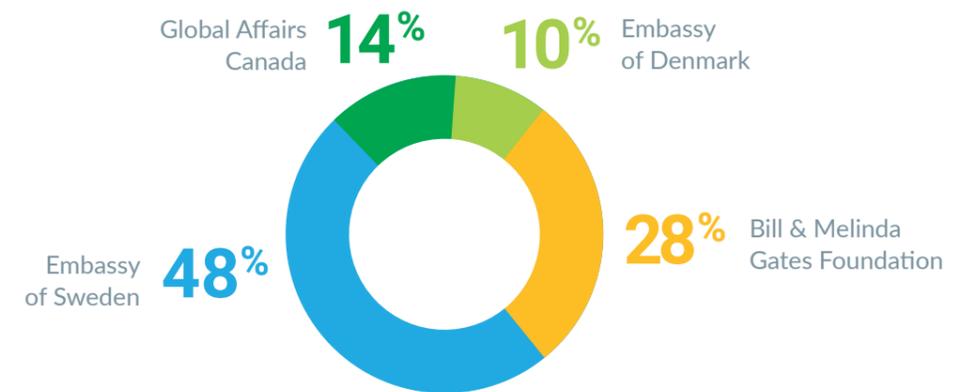


## Financial Summary

We would like to acknowledge the contribution of our dedicated team and development partners to achieve significant progress over 2019-2020 to improve financial inclusion across the country and pave the way for sustainable inclusion of women, youth, rural farmers, and small businesses.

The Annual Report 2019-2020 highlights the success of the initiatives lead by FSDT, working towards our goal that all Tanzanians derive value from regular use of financial services, which are delivered with dignity and fairness.

In support of this work, during the financial year ending 30 June 2020, the Trust received a total of US\$ 7.1 million from Global Affairs Canada (GAC), Bill & Melinda Gates Foundation (BMGF), Embassy of Denmark, and the Embassy of Sweden.



## Financial Position

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	2018 USD in millions	2019 USD in millions	2020 USD in millions
<i>Non-Current Assets</i>			
Furniture and equipment	0.13	0.11	0.12
Right of Use of Asset	-	-	0.45
<i>Current Assets</i>			
Loan receivables	-	0.43	-
Other receivables	0.50	0.30	0.47
Cash and cash equivalents	4.27	3.29	3.15
<b>TOTAL ASSETS</b>	<b>6.35</b>	<b>4.03</b>	<b>4.19</b>

FUNDS & LIABILITIES	2018 USD in millions	2019 USD in millions	2020 USD in millions
<i>Funds</i>			
Accumulated surplus	1.5	1.66	1.85
<i>Non - Current Liabilities</i>			
Lease Liability	-	-	0.36
<i>Current Liabilities</i>			
Deferred Income	3.65	1.57	1.16
Other payables	1.07	0.91	0.79
Lease Liability	-	-	0.04
<b>TOTAL FUNDS &amp; LIABILITIES</b>	<b>6.35</b>	<b>4.14</b>	<b>4.19</b>

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

INCOME	2018 USD in millions	2019 USD in millions	2020 USD in millions
Grants	10.16	7.93	8.77
Less: Pass Through	-2.43	1.52	(1.86)
Net Grants	7.73	6.42	6.91
Investment Income	0.05	0.03	0.00
Other Income	0.00	0.01	0.03
<b>TOTAL INCOME</b>	<b>7.78</b>	<b>6.45</b>	<b>6.45</b>
EXPENSES	2018 USD in millions	2019 USD in millions	2020 USD in millions
Project Activities	6.00	4.85	5.44
Governance Cost	0.88	1.03	0.87
Staff Cost	0.47	0.34	0.34
Depreciation	0.08	0.06	0.04
Depreciation of right of use of assets	-	-	0.09
Decrease in expected credit loss	-	-	-
<b>TOTAL EXPENSES</b>	<b>7.73</b>	<b>6.20</b>	<b>6.79</b>
<b>Deficity / Surplus for the Year</b>	<b>0.05</b>	<b>0.25</b>	<b>0.15</b>
Revaluation Surplus	-	-	0.04
<b>Total Surplus for the Year</b>	<b>-</b>	<b>-</b>	<b>0.19</b>

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