



Annual Report

2016-2017

Listening
Engaging
Delivering
Transforming



FINANCIAL SECTOR DEEPENING TRUST



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ABBREVIATIONS

Bima	Swahili for “insurance”
BoT	Bank of Tanzania
FSDT	Financial Sector Deepening Trust
FSP	Financial Service Provider
GDP	Gross Domestic Product
KYC	Know-Your-Customer
MFS	Mobile Financial Services
MNO	Mobile Network Operator
MSME	Micro, Small and Medium Enterprise
NFIF	National Financial Inclusion Framework
NIDA	National identification Authority
NIN	National Identity Number
PIC	Project Investment Committee
SACCO	Savings and Credit Cooperative
SME	Small and Medium Enterprise
TZS	Tanzanian shillings

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CHAIRPERSON'S NOTE



This past year has seen much progress in financial inclusion as a result of innovative initiatives in the financial sector. Working with donors, partners and stakeholders, the Financial Sector Deepening Trust (FSDT) has actively pursued its 2013-2018 strategic plan to facilitate new thinking to improve the financial lives of all individuals and businesses in Tanzania. In addition to the cooperation we have received from various stakeholders from Tanzania and beyond, I'd like to use this opportunity to recognise and thank both the stakeholders and the dedicated team at FSDT for their tireless efforts towards attaining our objectives..

Working together to achieve our goal

We end the 2013–2018 strategy period with our latest widely-acclaimed FinScope Tanzania 2017 report and a review of the impact of the projects that have helped transform the financial sector. Our projects have addressed not only the potential for digital financial services to provide access to financial services in remote and rural areas, but also the potential for the banking, insurance, credit and savings industries to meet evolving consumer needs through new products and services, technology and delivery channels.

We are delighted with the working relationships we have built with both the public and private sectors. Furthermore, we continue to advance our role as a thought partner to both these sectors in our pursuit for advancing financial inclusion in Tanzania.

Governance

Together with other members of the Programme Investment Committee (PIC→), five donor representatives plus a representative from the Bank of Tanzania (BoT), we have been delighted to support FSDT by setting the strategic direction and ensuring that the governance structure is effective.

We look forward to building on this success in the future to realise the country's goal that all Tanzanians and businesses derive value from regular use of financial services which are delivered with dignity and fairness.

A handwritten signature in dark ink, appearing to read 'John Ndunguru', written in a cursive style.

John Ndunguru

Chairman, Programme Investment Committee (PIC)

DIRECTOR'S NOTE



Since the launch of our 2013-2018 strategy, we have seen great change in the landscape of financial inclusion across the country and we are proud to have played our part as a catalyst for change.

Such progress is highlighted when comparing the latest FinScope Tanzania 2017 report with that from 2013, showing a rise from 58% to 65% of the adult population who are now using financial services and an increase from 37% to 86% who now live within easy access.

Encouraging evidence-based innovation and decision making

FinScope Tanzania 2017 has been well received by the national government, fintech and financial sectors not only as a benchmark on the progress made in financial inclusion, but also as a valuable data source providing clear signposts in the drive for financial inclusion in Tanzania. Working with valued partners, FSDT aims to facilitate deepened inclusion among the most excluded, women and youth in particular, and to encourage wider capacity-building to narrow the relevance gap between users and financial service providers.

FSDT's partners

We are proud of the achievements that have been made over the past year in supporting financial inclusion through our strategy of thought leadership, galvanising stakeholders to create new solutions that meet all people and businesses' needs and enabling a supportive regulatory environment. We would like to offer our sincere thanks to all our funders and partners for their significant contribution and support and look forward to defining the new impact of our work as we address future challenges together.

Sosthenes Kewe,
Executive Director

Funding organisations:

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

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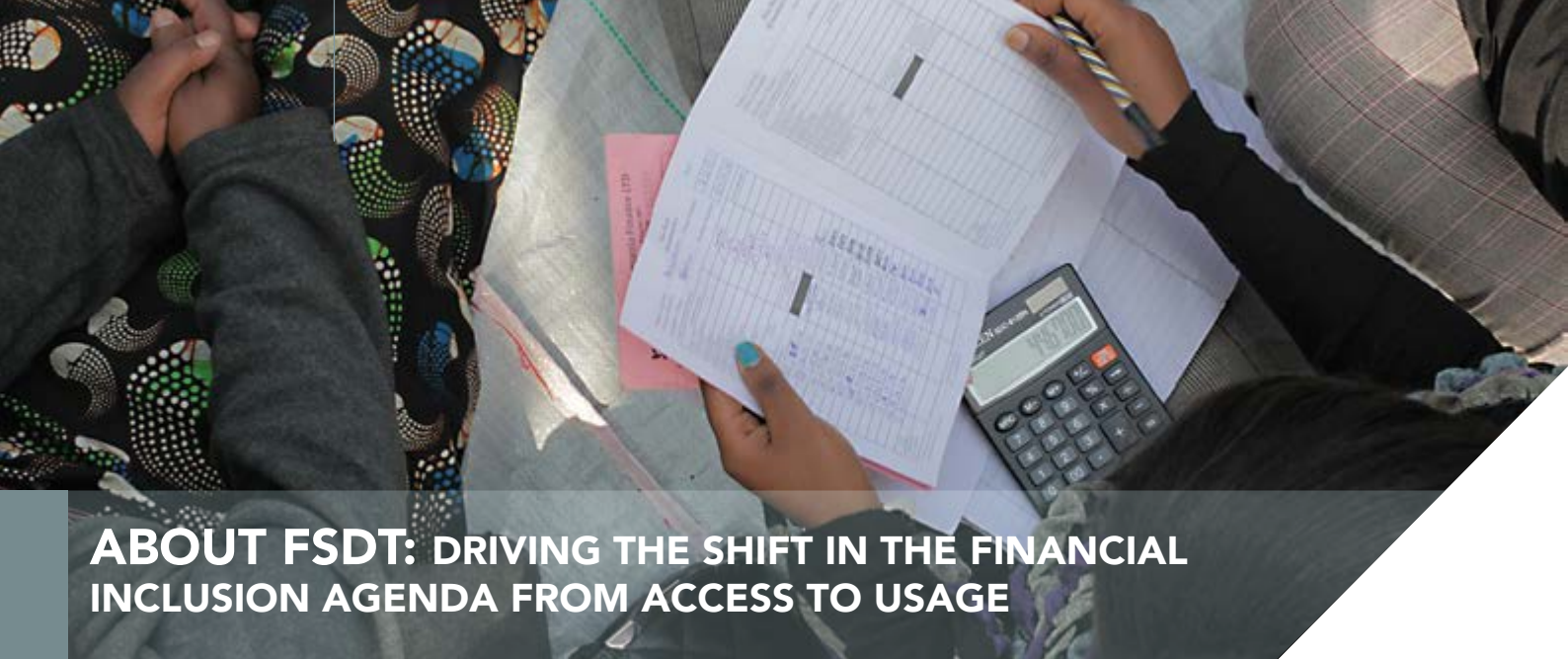
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ABOUT FSDT: DRIVING THE SHIFT IN THE FINANCIAL INCLUSION AGENDA FROM ACCESS TO USAGE

FSDT works to the goal that all Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness. Given the remarkable progress the country has made in expanding opportunities for people to access financial services, FSDT is working with partners to drive the next phase in the financial inclusion agenda, to encourage users to derive benefit and value from using services regularly and effectively.

In its role as a facilitator, FSDT's strategy is to catalyse market innovation and interventions, enabling stakeholders to implement policies, regulations and solutions which are responsive to the needs of individuals, smallholder farmers and businesses.

In relation to both access and usage, recent evidence has identified key challenges to deepening the financial sector. To drive more regular and effective usage, our objectives are to enable supportive legal and regulatory frameworks and a conducive infrastructure and to help address the "relevance gap" that arises both from inappropriate product design as well as from inappropriate communication of benefits.

FSDT works with government and regulatory bodies to provide robust market intelligence and to create opportunities to learn and share new thinking to help shape the development of not only national policy, but also financial inclusion strategies within regional and local government.

Since 2009, we have seen the percentage of the adult population using formal financial services quadruple due to a responsive regulatory environment, the rapid adoption and usage of electronic platforms offering financial services and massive investments by the private sector. To encourage enhanced usage, the financial sector needs to become more responsive and create a sustainable environment that offers consumer choice and protection.

When people and businesses derive value from financial services, they will use them regularly as part of their everyday life. Our aim is to stimulate financial service providers to launch products and services which address the relevance gap and are innovative, affordable and responsive to the needs of individuals and businesses, benefitting both them and the economy as a whole.



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KEY CONSTRAINTS

Tanzania has seen remarkable improvements in accessibility of financial services in recent years. Formal inclusion has now reached 65%, growing by 17% between 2013 and 2017, supported by the ever-increasing take-up of mobile financial services and the growth in the proportion of adults within access of a financial service point.

Client on-boarding challenges

Despite such positive trends, there are a number of challenges to overcome, particularly regarding registration of customers to digital financial services caused by strict Know-Your-Customer (KYC) documentation requirements, including proof of identity. Although notable progress has been made in providing proof of identification, with the majority of people (83%) now using voter ID cards issued before elections, many young people are still excluded due to eligibility challenges.

Cash is still king

Whilst the usage of financial services through formal providers has grown, cash is still the most popular way to make and receive payments, limiting opportunities for countrywide transactions.

Marginalised groups

FinScope Tanzania 2017 showed that there are still many groups who remain financially excluded – namely people living in rural areas, young people, women and smallholder farmers. Members of these groups face ongoing challenges, not only in providing required identification documents, but also because of their low literacy and numeracy, which prohibit understanding and trust in financial solutions. In addition, many people continue to experience challenges with cash flow management, coping with risks and fulfilling aspirations for asset building and productive investment.

Opportunities for the future

Looking ahead, there are great opportunities to deepen the financial sector by expanding the uptake and utilisation of financial solutions. FinScope Tanzania 2017 illustrates the potential demand for new services in the insurance, pension, payments, savings and credit markets. As ever, an improved financial sector requires rethinking the design and implementation of respective policies and regulations to encourage and drive greater usage.

Key facts from FinScope Tanzania 2017

Formal financial inclusion: **51%** - 2013 **65%** - 2017

% Tanzanians using mobile financial services: **50%** - 2013 **60%** - 2017

Proportion of Tanzanians living within 5kms of a financial access point: **86%**

Proportion of Tanzanians considered to be low-income - **58%** of which **84%** come from rural areas

Proportion of Tanzanians struggling to cope with expected and unexpected expenses – **50%**

Proportion of Tanzanians saving in past 12 months – **43%**

Proportion of Tanzanians who borrowed in past 12 months – **44%** of whom **84%** borrow from family or friends

Proportion of Tanzanians using mobile savings platforms – **35%**

Source: FinScope Tanzania 2017



FSDT RETROSPECTIVE IMPACT ASSESSMENT 2005-2015

Financial Inclusion

Due to considerable efforts by the government, financial and private sector organisations, Tanzania's economic status looks promising. Over the last decade, the poverty rate has fallen from 60% in 2007 to an estimated 47% in 2016, supported by GDP growth at an average of 6.5%, inflation below 5%, a stable exchange rate, increased foreign exchange reserve and a healthy balance of payments.

Financial inclusion is a key driver to reducing poverty, increasing individual wealth and improving the economic potential of individuals. FinScope Tanzania 2017 shows the remarkable achievement over the past decade from 45% of people with access to financial services in Tanzania in 2009 to 72% in 2017. Through the National Financial Inclusion Framework (2014-16), the Tanzanian government, Bank of Tanzania (BoT) and financial services providers are currently reviewing the impact of their efforts and looking to develop ways not only to sustain access, but also to widen and deepen usage.

Results – at macro, meso, micro and market levels

At the **macro level** there is clear evidence to suggest that FSDT's work has supported improvements in the policy and regulatory environment for financial services. For example, the FinScope surveys have been cited as

important evidence in the development of several key sector policies, prompting renewed focus on financial inclusion by the government and Bank of Tanzania. FSDT's support to the National Payment Systems Act has been a key driver in the development of the financial sector.

At the **meso and micro levels**, there are also some notable positive contributions. For example:

- › MSME market – support for the creation of Access Bank which acted as a catalyst for other banks to venture into the SME finance markets
- › Mobile banking – facilitating the introduction of NMB's Mobile Banking product which, in turn, facilitated the roll-out of digital financial services and working to organize the first ever mobile money conference in Tanzania
- › Interoperability - as a result of the mobile financial services interoperability scheme, Tanzania was the first fully MNO-interoperable country in the world with rapid growth in both the value and volume of person-to-person (P2P) interoperable transactions.

At **market level**, FSDT has made a significant contribution to the primary drivers of financial inclusion, namely:

- › A conducive macro-economic environment
- › The commitment by the Government and Bank of Tanzania to financial inclusion and

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the wider national emergence of an agenda to address financial inclusion

- › The pragmatic approach taken by policy-makers and regulators to the development of financial sector, particularly supporting innovations.

Impact of convening role at national policy level

FSDT has not only been a key facilitator in the National Financial Inclusion Framework (NFIF), but also in the formulation of other policies relevant to financial services, through capacity-building initiatives, provision of evidence, briefings and networking events. Furthermore, the strategy of providing analysis for and consultations with industry stakeholders, has helped build a shared vision and develop a conducive policy and regulatory environment for financial services.

The Bank of Tanzania, Tanzania Telecommunication Regulatory Authority and other regulators have worked effectively to ensure that regulations kept pace with the evolving technology and markets, providing sufficient legal certainty and consistency to support growth, promote financial inclusion and protect customers.

FSDT's developing strategy

Since its **inception in 2005**, FSDT has worked to achieve its goals through a strategic approach that takes account of changes in the financial sector.

The initial strategy was to support microfinance institutions to achieve greater reach, following the national Financial Sector Assessment Programme (FSAP) in 2003.

To complement the 2006-11 Second Generation Financial Sector Reforms (SGFSRs), which sought to overcome infrastructure, policy, legal and regulatory obstacles to financial access across the country, FSDT worked with the market to design the Rural Financial Services Strategy (RFSS) in **2007**. In **2012**, FSDT conducted a fundamental review of this strategy, leading to a transition to adopt a Market Systems Approach (M4P) with an emphasis on market facilitation across functional areas of the financial system, linking them to real sector growth, particularly for the enterprise and agriculture sectors.

“There is good evidence to suggest that where FSDT has contributed to enhanced financial inclusion, this should contribute to poverty reduction in Tanzania, when it is implemented alongside other policies which ensure that economic growth is inclusive.”

Retrospective Impact Assessment of FSDT 2005-2015, itad and MicroSave, 2017



PROMISING MARKET CHANGES

FSDT has been an effective driver in the national financial inclusion policy, working with key stakeholders from government, regulatory bodies and financial service providers to create a supportive regulatory and legal environment enabling positive market change in the financial sector.

National Financial Inclusion Framework (2014-2016):

- Significant progress has been made in addressing regulatory challenges to market-led innovation of products and services in the financial sector. The National Council, comprised of representatives from the Ministry of Finance and Planning, Bank of Tanzania, government ministries, regulatory bodies and financial services, has met more than the planned biannual sessions, participated in driving joint initiatives, as well managing and monitoring the performance of individual agencies through peer-to-peer mechanisms.

National Financial Inclusion Framework

Aim: "financial products and services meet the needs of individuals and businesses consistent with supporting livelihood improvement, household resilience and job creation"

As well as the development of the National Payment Act, Payments Licensing rules and E-Money regulations, licences are now being granted to any money issuer in Tanzania and there is active engagement with market players to orient them on the regulations and the compliance requirements. The main challenge is to put in place mechanisms for oversight and data to help regulators monitor the activities of all the payments platforms. FSDT's contribution as facilitator to the National Financial Inclusion Framework 2014-2016 (NFIF) and the National Council for Financial Inclusion has been widely acknowledged.

Insurance – With the introduction of insurance products offered via mobile phones and the development of new products and services, particularly within micro insurance, there is increasing need for an appropriate regulatory environment that keeps pace with insurance sector innovation. The Tanzania Insurance Regulatory Authority (TIRA) has been proactive in building its internal capacity to be able to regulate and oversee micro insurance products.

Rural finance – With the expansion and deepening of rural Savings and Credit Cooperative Societies (SACCOS) and following the FSDT-supported review and strategy development process, the Tanzania Cooperative Development Commission (TCDC) has moved to translate the new SACCOS regulations, build awareness of these new regulations among many SACCOS in Tanzania and issue guidelines for implementing them.

Agency Banking – The rise in the adoption of agency banking models by not only banks, but also micro-finance institutions has been rapid. With support from FSDT, agency banking guidelines laid the foundation for E-Money regulations which, by June 2017, enabled over 30 banks and 3000 bank agents to operate under agency banking regulations

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PROGRAMME OVERVIEW

FSDT has adopted a holistic approach to realising its goal of improved financial inclusion by facilitating positive change in the financial sector, working with key stakeholders to develop new ways of thinking, inspiring financial service providers to create innovative products and services based on customer need, presenting platforms for key stakeholders to learn and share and enabling supportive policies and regulations.

National Financial Inclusion Framework (NFIF)

– The future of financial inclusion hinges on the results of the evaluation of the 2014-2016 NFIF Framework. FSDT has been entrusted to facilitate both the review and the design of the new framework. One of the key activities was a FSDT-lead monitoring survey of stakeholders.

Influencing at a regional level and local level – FSDT has been a key player at a regional level, working with the Inter-Ministerial Technical Committee (IMTC) of Zanzibar and the Regional Consultative Councils (RCCs). Initial engagement with regional leadership in Mwanza, Iringa, Mtwara and Singida will pave the way for a deserved space for the financial inclusion agenda in local policy formulation and investment promotion and advocacy to drive uptake and usage of financial solutions in all the regions in Tanzania. FSDT has created opportunities to learn, as well as to share, new thinking and insights to help shape the development agenda at the Local Government Authority (LGA) level, where the financial sector is a critical catalyst to improving the financial lives of millions of people.



MOVING FINANCIAL SERVICES CLOSER TO PEOPLE

One of FSDT's key objectives is to enable improved access and solutions which meet the needs of consumers across Tanzania and to push for use of financial products and services. Over the past year, three innovative solutions have been developed which offer products and services which are appropriate, convenient and affordable to all consumers:

Interoperability: Tanzania has received widespread recognition as being the first fully interoperable country in the world. Now, person-to-person (P2P) transactions are available

between the four major mobile network operators (MNOs). From mid-2016 to mid-2017, there was 230% growth of interoperable transactions, from 1.7m to 5.9m, and 175% growth in terms of the value of interoperable transactions, from TZS 95bn (\$42M) to TZS 262bn (\$117.4M). To date, four major MNO's namely Vodacom, Airtel, Tigo and Zantel, are interoperable, with further prospects under review.

Banking agency model – The development of new business models has facilitated innovation and is transforming the way that financial services are offered. This is evidenced by the new banking agency model (agency banking through smartphones) with Equity Bank. Some of the learnings include increased operational efficiency by agents as they are already selling

"Part of the reason we value our work in Tanzania, is that it is such an important country but also because there is a lot of leadership activity on interoperability."

Bill Gates, Dar es Salaam, 8 August 2017

mobile products and services, and a reduction in the rolling-out cost of the agency model by Equity.

In addition, Equity Bank used the Financial Education Model which links people to formal financial services and has changed the way people think about savings and loans. Other stakeholders reached out to Equity Bank to train and share the financial education initiative, such as the Vocational Training Institute, primary school teachers, wives of pastors in Dodoma and Sokoine University of Agriculture.

Integrated model and demonstration effect

– In 2015/16, FSDT continued to support the Integrated Model project with the CRDB Bank, which created a network of over 100 agents, with bank branches acting as hubs for more remote mobile branches and service centres. The effect of the project has extended beyond the CRDB Bank to other financial institutions, who have taken and implemented the components of the integrated model. For example, the market has seen an increasing number of commercial banks implementing agency banking, serving MNOs' agents, venturing into extending SME loans to microfinance clients in the informal sector, adopting simplified outlets similar to Mini Service Centres, replicating simplified Branch-on-Wheels for deepening financial services and establishing insurance services (also offering health insurance). Most of these components are derived from the CRDB Integrated Model initiative, that was supported by FSDT.

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IMPROVED ACCESS TO FINANCIAL SERVICES



Access to financial services has improved dramatically over recent years. However, many people remain excluded from accessing such financial services due to information asymmetry in the financial system and Know-Your-Customer (KYC) challenges.

The use of National ID numbers (NINs) to access financial services is at its infancy stage. Their contribution to improved access to financial services depends on key critical steps such as the process of issuing NINs, effective promotion for their uptake based on use cases and acceptance by financial service providers (FSPs) to use NINs to address Know-Your-Customer issues. As at the end of June 2017, the National Identification Authority (NIDA) had started a pilot to roll out issuing NINs across the whole adult population with expected completion by December 2018.

Working with NIDA to ensure universal NIN delivery - In 2016/17, FSDT entered into a contract with NIDA to support the delivery of NINs to the entire Tanzanian adult population.

In addition, FSDT has been working with NIDA and FSPs to drive national identification use cases. Different use cases will help the adoption and usage of NINs to improve accessibility of formal financial services. Some of the use cases include the cash transfer programme with TASAF, working with the Communications Regulatory Authority (TCRA) and mobile network operators to facilitate the KYC process through the use of digital IDs.



DRIVING INNOVATIONS AND SOLUTIONS

FSDT has been working to address information asymmetry between consumers, financial service providers and key stakeholders by promoting relevant market infrastructures, improving access, facilitating innovative new products and services and promoting market change.

Financial Infrastructure

Expanding interoperability and interest payment research - One of the key drivers to increasing transaction volume and value in any economy is the presence of a well-functioning payments ecosystem. FSDT has been working closely with the Department of National Payment System (DNPS) at the Bank of Tanzania, to advance thinking on interoperability, interest payment research and projecting the future of the payments ecosystem in Tanzania to be reflected in the National Payment System Strategy. The objectives of the strategy are to support strategic alignments between the banks, drive digital payments and ultimately help reduce cash transactions within the payments ecosystem. These achievements should contribute significantly to creating a conducive environment for financial inclusion.

All the four major MNO's are interoperable, and marketing is ongoing under the Taifa Moja campaign. Use cases have been documented and are available to share for person-to-person (P2P) and business-to-customer (B2C) transactions, as well as customer-to-business (C2B) agent interoperability.

FinDisrupt - FSDT launched this innovative programme of events in 2016. FinDisrupt is an ambitious innovation sprint that seeks to utilise insights and product development rigour in developing innovative solutions that meet the needs of consumer and service providers in the market. In this year's instalment of Insurance

FinDisrupt in March 2017, the session was effective in catalysing behaviour change among financial service providers for the delivery of products and services to the market that meet customers' needs. Of the ideas submitted, three winners were selected, AAR, Nefrids/R&R Insurance and Vodacom, who have since received awards and technical support to help sharpen their ideas.

Financial Access

FSDT is working to stimulate improved access to financial products and services that meet the needs of MSMEs and agribusinesses. FSDT has been driving product innovation in the market to test different offerings and demonstrate different approaches, while supporting local start-ups.

Merchant Solution - This is an MSME solution that digitises merchants' businesses by providing a single merchant platform that is used to accept mobile money, cards and cash. This solution reduces leakages, increases efficiency and supports merchants in securing financial products from FSPs in the future. The solution is being piloted in the market and, out of the target pilot sample of 500 merchants, 69% are using the tool and have given promising positive feedback.

The merchant solution is an innovative tool that addresses MSMEs' concerns linked with record-keeping. This solution digitises the business operations of merchants including sales and stock, as well as building credit scoring for the merchant and his customers to later link to formal financial services.

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NEW SOLUTIONS AND SERVICES

School management system - The school management system was one of the pitched solutions at The Huddle session, a forum that gives fintechs an opportunity to pitch ideas to investors for funding and feedback. The tool aims to address pain points for schools, parents and students. The project is considered to have huge potential in triggering adaptations of digital usage through fee payment, school accounting, tracking of daily expenditure and reporting. A pilot is underway with a positive response from the training. This tool has already been developed as a Minimum Viable Product (MVP) and is undergoing user testing and refinement.

Digitisation of savings groups - FSDT has been supporting the digitisation of savings groups through the Aga Khan Foundation Boresha Maisha project, which aims to improve financial access and social inclusion. To date, over 9,200 community-based savings groups have been established, with 180,000 savers in rural areas, two-thirds of whom are women, who have saved over 120 billion TZS (\$60 million USD). This digital saving option helps channel deposits and loans, manage group decisions and transparently access group accounts, reducing the risk of theft and time required for group meetings as well as increasing transparency of group balances. A baseline quantitative survey was conducted with a planned post-project impact assessment.

Automated account opening - FSDT has supported the FINCA Microfinance Bank in developing an

automated account opening solution linked to the MNOs' credit scoring system via mobile devices. The objective of this initiative is to learn if automating client registration and using instant credit scoring technology can help improve efficiencies of MFIs.

The project will integrate digital field automation and the credit scoring model where a sales officer in the field uses a mobile phone to facilitate the remote account opening process and the core banking system to generate the credit score for the customer.

The aim is to not only support financial inclusion in underserved areas of Tanzania, but also to transform the market through the expected impact of the pilot initiative. In early 2017, FINCA successfully piloted live account opening in four branches in Dar es Salaam, using tablets linked to the National Identification Authority.

Innovating the insurance market - FSDT has made progress in promoting innovation in the insurance market. The BIMA Challenge was launched mid-2016 and, following an industry forum and promotion to the market, ten applications for new insurance solutions were submitted. Two winners were selected, micro health insurance by Edge Point and health insurance by Micro Health Initiative (MHI), known as JAMII. JAMII, which aims to provide appropriate micro health insurance cover to poor men and women in four regions, was successfully launched in Mwanza and Mbeya in mid-2017 and has already attracted 11,493 customers.



CONVENING ROLE IN THE MARKET

In its aim to provide evidence-based thought leadership to support the development of data-driven solutions and innovations, FSDT has continued to play a significant convening role influencing national, regional and local agenda on financial sector development and development in general.

One of the mechanisms used by FSDT to influence change in the market, is to bring stakeholders and interest groups together, creating a community of influencers,, sharing useful insights and developing new thinking.



THE GATHERING

The Gathering - This year saw the launch of The Gathering fora, which provides a unique opportunity for partners working to promote financial inclusion, to connect, foster ideas, nurture relationships and celebrate innovation. The inaugural gathering looked at connecting information with business decisions, while the second event focussed on the evolution of digital finance in Tanzania. Both were well attended by marketers, data scientists, research personnel and local think tanks, as well as regulators and financial service providers, who engaged in lively dialogue, moderated by FSDT's in-house experts.

THE HUDDLE

The Huddle - The Huddle is anchored in leapfrogging Tanzania's development as it relates to innovative and transformative interventions, targeting start-up founders from cross-cutting sectors, angel investors and crowdfunding experts. FSDT acts to convene members of these communities to join in discussion, develop and share ideas and grow into a thriving and sustainable start-up community.

The inaugural Huddle was held in February 2017 with the Pitch Fire, which set the stage for a select group of fintech start-ups in the digital, SME, agriculture, and micro insurance fields to pitch their innovative solutions to investors for potential venture capital opportunities.

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SMART REGULATIONS FOR FINANCIAL INCLUSION



Over the past year, FSDT has continued to work with industry regulators and other players in driving the financial inclusion agenda, empowering them to develop smart regulations that create enabling environments for innovation and new opportunities for industry players to provide services in a more inclusive manner. The government's role in the development of the financial sector is to create a stable policy and regulatory environment that will enable the development of sound financial institutions that can offer services needed by households and enterprises.

National Microfinance Policy (NMP) – FSDT supported the Ministry of Finance and Planning to undertake a review of the National Microfinance Policy 2000 and to develop a new policy. The overall objective of the NMP is to guide the evolution of an efficient and effective microfinance system in Tanzania that serves as a basis to expand and deepen financial inclusion through the provision of diversified financial services, particularly in rural areas. The new policy is intended to integrate microfinance institutions into the mainstream financial system ensuring that their special features are not compromised.

National Financial Education Framework (N-FEF) – This framework aims at improving levels of financial capability of Tanzanians, so that they are better equipped to act with confidence in making optimal choices in the management of their personal financial matters. Financial education is the broad term reflecting all activities aimed at transferring knowledge and skills and influencing financial behaviour. The N-FEF was developed through a broad consultative process with stakeholders on the mainland and in Zanzibar including the National Council, the National Financial Education Secretariat, the National Financial Education Technical Committee and other interest groups. The first phase of implementation of N-FEF is ongoing.

National Financial Inclusion Framework (NFIF) –

Since 2012, FSDT has worked with all the financial sector stakeholders lead by the Bank of Tanzania to establish a common understanding on the vision, core enablers and drivers, priority areas of policy intervention and financial inclusion. In 2013, the National Council for Financial Inclusion was established and the NFIF Framework 2014–2016 was launched in December 2013. This framework clearly maps the road to financial inclusion and the roles that each financial stakeholder had to play.

From October to December 2017, FSDT played a crucial role in facilitating the review of the NFIF and has been entrusted to facilitate the design of the new NFIF. The future of financial inclusion in Tanzania hinges on the results from the evaluation of NFIF 2014–2016 implementation as a basis to formulate a new framework for the future.

National Financial Consumer Protection Framework (NFCPF) –

The need for improved financial consumer protection (FCP) was highlighted in a recent review which aimed to better understand imbalances in power, information and resources between customers and their financial service providers. The findings were further supported by the 2013 World Bank diagnostic study which identified gaps in the current regulatory landscape and provided strategic recommendations.

The NFCPF aims to address market failures by giving individuals clear and complete information to empower them to make informed decisions, by prohibiting financial services providers from engaging in unfair or deceptive market practices and by providing effective dispute-handling mechanisms. In 2016, the Fair Competition Commission (FCC), BOT and FSDT organised a training workshop for strategic stakeholders to analyse the FCP regulatory landscape and to develop a framework in line with the NFIF. The proposed NFCPF was endorsed by the National Council for Financial Inclusion (NC) in February 2017.



FSDT continues to work to address the gap in financial sector data through its programme of generating and sharing market-driven data. Over the past year, the aim has been to continue to inform the development of national strategies and regulations through research and evidence.

FinScope Tanzania 2017 – FinScope is a nationally representative demand-side survey of the financial sector in Tanzania. In response to the demand from the market, FSDT mobilised key stakeholders, both private and public, in the design, testing piloting and implementation of FinScope Tanzania 2017. The 2017 study targeted a sample of 10,000 respondents in both mainland Tanzania and Zanzibar. This edition of FinScope Tanzania will produce seven niche reports - Youth Report, Gender Report, Business Owners Report, Insurance Report, Digital Finance Report and Farmers Report, a deep dive on exclusion, as well as five regional reports focussing on Iringa, Mtwara, Mwanza, Rukwa and, Singida, and a dedicated report for Zanzibar.

SME Information Portal – This is a website portal established for MSMEs to support information-sharing and provide up-to-date information on the financial sector. The portal's features include online fora and online business

development services. The number of visitors has grown this year to 49,110 unique visitors, with 2,560,306 transactions. This growth is due to the investments in awareness-creation to the general public, through radio and TV. Recently, Noa Ubongo and the Business Development Services (a USAID-ENGINE programme) have been using the portal as a medium to drive financial education for young people.

Noa Ubongo – FSDT, in partnership with TBWA\Khanga Rue, launched a free 12- part video class series on entrepreneurship. Noa Ubongo is a free learning channel for young people, teaching skills that are vital for them to develop their capabilities and mindset to enable them to improve their financial prospects. Twelve 30-minute video classes are offered, with demographically relevant and culturally specific content, focused on workforce readiness and entrepreneurship skills, delivered in Kiswahili, using an engaging, peer-to-peer learning video format. These videos have been hosted on YouTube and shared via Facebook, Twitter and Instagram. The first 9 videos received 11,244 views via YouTube and 1,175,595 via Facebook. The Noa Ubongo education campaign won the Gold award in the Afri Cannes Film Festival in the educational entertainment category.

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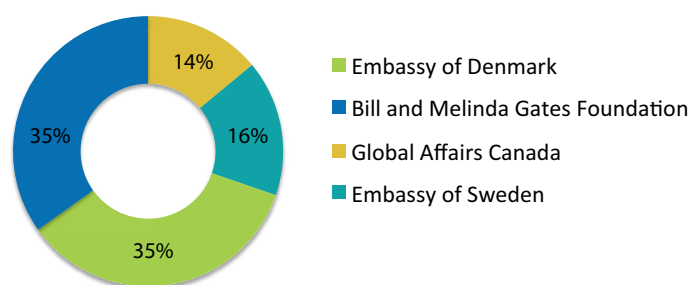
FINANCIAL SUMMARY



Income Statement

USD 1 million

INCOME	2016	2017
Grants	13.46	9.54
Investment income	0.05	0.02
Other income	0.07	1.05
Total Income	13.57	10.60
EXPENSES	2016	2017
Project activities	11.05	7.95
Governance cost	1.04	1.00
Staff costs	0.52	0.43
Exchange loss	0.41	0.04
Provision for impairment of redeemable reference shares	0.12	0.08
Depreciation	0.00	0.00
Amortization	0.32	0.03
Total Expenses	13.46	9.54
Deficit / Surplus for the year	0.12	1.06



The financial statements of the Registered Trustees of the Financial Trust (Tanzania) ("FSDT"), were audited by KPMG. 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 as at 30 June 2017 and of its financial performance and cash flows for the year ended in accordance with the requirements of applicable accounting standards.

Statement of Financial Position as at 30 June 2016

ASSETS	2016	2017
NON-CURRENT ASSETS		
Furniture and equipment	0.22	0.31
Intangible assets	-	0.001
Loan receivables	1.99	2.14
Redeemable preference shares	0.28	0.32
	2.5	2.78
CURRENT ASSETS		
Loan receivables	0.15	0.72
Other receivables	0.43	0.15
Cash and cash equivalents	2.64	3.08
	3.24	4.05
Total Assets	5.74	6.83
FUNDS AND LIABILITIES		
	2016	2017
FUNDS		
Accumulated surplus	5.61	6.56
CURRENT LIABILITIES		
Other payables	0.12	0.27
Total Funds and Liabilities	5.74	6.83

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OUTPUT I: Advocating for an improved policy, legal and regulatory framework at national and sub-national levels		
FinScope 2017 – Engagement and Dissemination	Government of Tanzania - Ministry of Finance, National Bureau of Statistics, Bank of Tanzania	Objective: FinScope Tanzania 2017 is a flagship financial sector tracker study. In response to the demand from the market, with huge commitment and interest from both the Technical and Steering committees, FSDT mobilized key stakeholders (Private and Public) in the design, testing, piloting and implementation of FinScope Tanzania 2017, achieving a sample of 9,459 respondents out of the targeted 10,000 respondents. FSDT conducted further analysis and dissemination of the FinScope data and has published 7 niche reports and 5 regional reports. There has been a
FinDisrupt	Financial Service Providers (FSPs), policymakers, researchers, Mobile Network Operators (MNOs), IT developers and end users	Objective: To bring user evidence to the heart of product innovation and development in the financial sector by encouraging dialogue on how Financial Service Providers can develop innovative solutions that meet the needs of the end users.
Review and dissemination of the National Financial Education Framework (N-FEF)	Bank of Tanzania	Objective: N-FEF aims 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. this reviewed framework includes measurements for the process and impact indicators
National Financial Consumer Protection Framework (N-FCPF)	Fair Competition Commission, Bank of Tanzania	Objective: Drafting of the process to develop the National Consumer Protection Framework (N-FCFP), based on the need for a proposed coordinated structure to incorporate mechanisms for information sharing, technical expertise sharing, joint consumer awareness initiatives and standards on re-dress mechanisms.



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PROJECT NAME**PARTNERS****DESCRIPTION**

National Financial Inclusion Framework implementation

Bank of Tanzania,
Ministry of Finance,

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).

Review of National Microfinance Policy for Tanzania

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

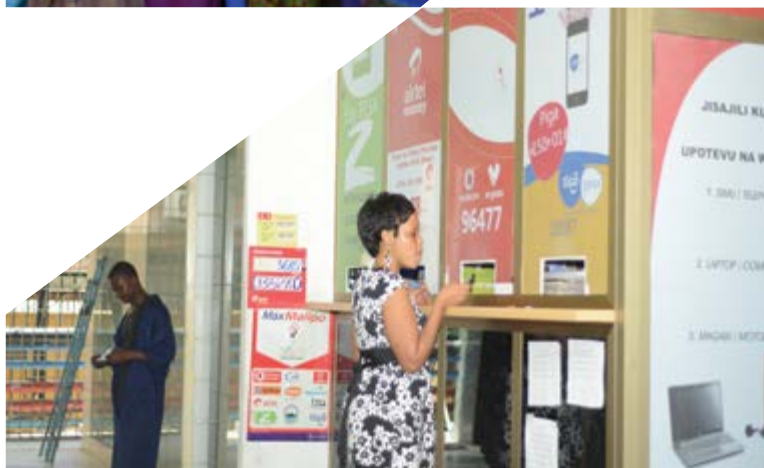
Objective: To guide the evolution of national policy that will support an efficient and effective microfinance system to contribute to financial inclusion through the provision of diversified financial services, particularly in rural areas.

Industry Forum

Objective: As part of its thought leadership agenda FSDST seeks to foster ideas, nurture relationships and celebrate innovations in Tanzania's financial sector through various fora.



PROJECT NAME	PARTNERS	DESCRIPTION
OUTPUT II: Promoting more relevant market infrastructure and ways to reduce transaction costs between FSPs and potential clients		
Integration of Retail and Wholesale Microfinance Services	CRDB MF SCL	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.
Expanding Interoperability and Interest Payment Research – (Payment Gateway)	Bank of Tanzania	Objective: To support strategic alignments between banks to drive digital payments and help reduce cash transactions.
Rollout of National ID Strategy	NIDA	Objective: To support the National Identification Authority to enable the rapid rollout of National ID numbers to the entire Tanzanian adult population



PROJECT NAME	PARTNERS	DESCRIPTION
OUTPUT III: Stimulating improved access to financial products and services that respond to the needs of MSMEs		
SME Information portal	Tanzania Private Sector Foundation (TPSF)	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 target user groups (MSMEs, regulators, investors, financial service providers, associations).
Noa Ubongo	TBWA/Khangarue Media	Objective: To bring information on entrepreneurship lessons to young people, teaching skills vital to develop their capabilities to improve their financial prospects.
Pilot of Merchant Solution for SMEs	PesaPal	Objective: To address MSMEs' record keeping and support the digitisation of business operations of merchants in terms of sales and stock keeping as well as building credit scoring for the merchants and customers
Regional Business Cases	TIRA	Objective: To extend the promotion of the microinsurance business case beyond Dar es Salaam and to stimulate microinsurance demand, as well as to establish distribution partnerships within low income communities living in rural areas. The regional business cases are intended to create direct linkages with rural informal sectors of the economy that are financially excluded, taking advantage of existing informal structures.

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PROJECT NAME	PARTNERS	DESCRIPTION
OUTPUT IV Stimulating improved access to financial products and services that respond to the needs of households and individuals:		
School Management System	IPF	Objective: The school management system looks at addressing pain points for schools, parents and students. The project has a potential in triggering adaptations of digital usage through fee payment, school accounting and reporting.
Bima Challenge – Microinsurance Innovation Acceleration Fund	Insurance industry, Microinsurance Technical Working Group, Microinsurance steering committee, insurance associations	Objective: To accelerate the development of the microinsurance sector in Tanzania, with a primary focus on the low-income market segment. This initiative provides a co-financing facility to enable the creation of an inclusive insurance market in Tanzania and supports 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.
Scaling Agency Banking	Equity Bank	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.
Automated Account Opening and Digital Scoring	FINCA	Objective: The project aims at enabling FINCA to offer remote accounting opening and credit scoring via mobile phones. The model will allow men and women on low incomes who are excluded from formal financial products and services to be linked instantly from their homes to access a bank account at a reduced cost and reduced risk and access loans instantly without having to provide collateral.



PROJECT NAME	PARTNERS	DESCRIPTION	
Yosefo	Yetu Microfinance	<p>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.</p> <p>Yosefo is a microfinance institution with client focus on youth and women and is in the process of transforming into a deposit-taking microfinance institution and will be known as Yetu Bank.</p>	<p>Abbreviations</p> <p>Chairperson's note</p> <p>Director's note</p>
WAMA	WAMA	Objective: To support WAMA to bring financial services to almost 66,000 new people using the Village Savings and Loan Association (VSLA) methodology.	About FSDT
CARE Pesa Kwa Wote (PKW)	CARE (PKW)	Objective: To bring sustainable financial services to rural poor and enrol 316,300 people in 12,652 VSLA groups across eight regions in Tanzania.	Key constraints
Digital Savings Groups	Aga Khan Foundation, SELCOM	Objective: To develop a digital product that would channel savings group members' savings and loans on a secure, transparent and efficient mobile platform, and report back to the members on transaction activity. The project will enable transformation of these savings groups from traditional ways of saving to modern and digital ways which brings about transparency, hence the first step towards formalization, helping residents to take up formal financial services via their digital savings groups	<p>Impact assessment</p> <p>Promising market changes</p> <p>Project overview</p>
  			<p>Moving financial services closer to people</p> <p>Improved access to financial services</p> <p>Driving innovations and solutions</p> <p>New solutions and services</p> <p>Convening role in the market</p> <p>Smart regulations for financial inclusion</p> <p>Financial knowledge</p> <p>Financial Summary</p> <p>Project summary</p>



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