

A woman with a determined expression carries a large green basket filled with yellow corn cobs on her head. She is wearing a colorful headwrap with red and blue patterns and a dark floral-patterned top. The background is a blurred outdoor setting.

# FSDT ANNUAL REPORT JULY 2022 – AUGUST 2023

Catalysing Inclusive  
Finance for the Growth  
and Wellbeing of the  
Underserved



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# ABBREVIATIONS

<b>AMCOS</b>	<b>Agricultural Marketing Cooperative Societies</b>
<b>BMGF</b>	<b>Bill &amp; Melinda Gates Foundation</b>
<b>BOT</b>	<b>Bank of Tanzania</b>
<b>CAG</b>	<b>Controller and Auditor General</b>
<b>EU</b>	<b>European Union</b>
<b>EUR</b>	<b>Euro</b>
<b>FATF</b>	<b>Financial Action Task Force</b>
<b>FSDT</b>	<b>Financial Sector Deepening Tanzania</b>
<b>FSP</b>	<b>Financial Service Provider</b>
<b>MIT</b>	<b>Ministry of Industry &amp; Trade</b>
<b>MSME</b>	<b>Micro, Small and Medium Enterprise</b>
<b>NCFI</b>	<b>National Council for Financial Inclusion</b>
<b>NFIF</b>	<b>National Financial Inclusion Framework</b>
<b>NIDA</b>	<b>National Identification Authority</b>
<b>NIN</b>	<b>National Identification Number</b>
<b>PO-RALG</b>	<b>President's Office- Regional Administration and local Government</b>
<b>TMA</b>	<b>TradeMark Africa</b>
<b>TMX</b>	<b>Tanzania Mercantile Exchange</b>
<b>TZS</b>	<b>Tanzanian Shillings</b>

Disclaimer: To ensure improved operational efficiency of the Trust, the 2022-2023 FSDT Business Plan was extended by the FSDT board to the 31st of August 2023; hence the reporting period for this annual report has equally been extended to cover July 2022 to August 2023.



## INTERIM CEO'S NOTE



At FSDT, our unwavering commitment propels us as catalysts for positive change, fostering vibrant collaborations with Financial Service Providers (FSPs) and strategic partnerships with regulators, policymakers, and other players in the financial sector. Envisioning a future where barriers to financial services are shattered, we focus on enabling women and youth. We seek to be agents of tangible, transformative change, actively elevating the adoption and utilization of financial solutions by women and youth farmers and MSMEs.

Our FSDT 2022-2026 strategy is a resolute response to the persistent challenges faced by women and youth farmers and MSMEs in taking up and using financial services. Aiming to enhance their economic empowerment, livelihoods, and overall well-being, our strategy addresses gender and age biases by catalysing the development of financial policies, regulations, infrastructure, and solutions for women and youth.

As progress unfolds across various fronts, outcomes will be reported with achieved milestones. Together, we journey toward a more inclusive and resilient financial landscape, impacting the lives of Tanzanian women and youth. Our commitment drives access, inclusion, and quality financial solutions, prioritizing women and youth for a positive impact on their livelihoods, well-being, and empowerment, contributing to a more equitable financial landscape.



This financial year, our fundraising efforts have yielded significant results. We secured USD 6.5 million from BMGF and proposed 5 Million of additional funds to new funders wanting to support FSDT's strategy. Furthermore, a joint investment proposal with TradeMark Africa (TMA) for digital and financial inclusion for women in trade is underway.

The progress made in this financial year has given us the edge to continue to push for a transformative financial sector that offers inclusive, quality, and sustainable financial solutions in the market that will meet the needs of women and youth farmers and MSMEs. The goal is to leverage the achievements and lessons from this year to continue to improve on our interventions design, market engagement mechanisms and scale successful projects to the benefit of an increased target market.

### WHAT TO EXPECT FROM FSDT IN 2023-24

For financial year 2023-2024, FSDT will seek to capitalize on the recent directive by Her Excellency President Samia Suluhu Hassan for universal identification numbers, digital Government processes, and affordable internet. This presents FSDT with a strategic avenue to utilize its thought leadership. Furthermore, opportunities like technological advancements, particularly in mobile banking, digital payments, and FinTech, have been recognized. These innovations provide FSDT with opportunities to enhance financial services delivery, boost financial literacy, and advance financial inclusion, particularly in alternative financing and secured transactions.

FSDT will continue to center its interventions on four key market system constraints that hinder the effective involvement of women and youth in the financial system. These constraints include the lack of enabling policies and regulations, inclusive financial infrastructure, evidence-driven solution and product design for enhanced capabilities and consumer confidence, and timely and actionable insights. To tackle these challenges, FSDT has devised various interventions using the Making Systems Development (MSD) approach.

We look forward to engaging with key stakeholders in the financial and real sectors to achieve a more inclusive and sustainable financial sector that serves the underserved and aspire to do so through increased collaboration with private and public sector players.





## ABOUT FSDT

### Catalysing a Transformative Financial Sector that offers Inclusive and Quality Financial Solutions for the Improvement of Livelihoods, Wellbeing, and Empowerment of the Underserved.

FSDT is dedicated to transforming Tanzania’s financial landscape to alleviate poverty, envisioning a sector that transcends boundaries with inclusive and sustainable solutions.

As a catalyst for positive change, FSDT focuses on women and youth through the Market System Development (MSD) Approach, fostering financial market systems for the economically marginalized. Serving as a convener and advocate, FSDT forges strategic partnerships to co-create solutions, policies, and regulations, challenging perceptions and promoting thought leadership. Championing an inclusive digital economy, FSDT believes in the transformative power of technology for economic empowerment.

As a neutral voice, FSDT connects private and public sectors, providing capacity strengthening and technical support for the evolving financial sector. Committed to diverse financial instruments and innovation, FSDT mitigates risks, fostering increased inclusion, reducing vulnerability, and enhancing Tanzanians’ welfare. Positioned as a driving force in Tanzania’s financial ecosystem, FSDT steers it towards a more inclusive and resilient future.

#### CATALYSING CHANGE, STRATEGICALLY

Our 2022-2026 strategy addresses the challenges faced by women and youth in taking up and using financial services. Key focus areas include overcoming poor digital financial infrastructure in rural areas, addressing informality among women and youth-owned enterprises, and tackling barriers such as limited access to mobile phones, lack of collateral, and high costs associated with digital financial services.

Our strategic focus is on the most financially and economically marginalized groups—women and youth MSMEs in both urban and rural areas, as well as women and youth farmers engaged in strategic value chains in rural settings.

Despite the progress made in the financial sector, women and youth continue to face significant barriers to accessing financial services. Our strategy is rooted in addressing gender and age biases, providing financial solutions for MSMEs, particularly those owned by women and youth, and supporting agriculture and rural employment. We aim to bridge the gap by ensuring that financial solutions reach women and youth farmers and MSMEs.

Therefore, through FSDT facilitation, the Market System Changes we hope to see include:

- ▶ Improved policies and regulatory frameworks that promote gender equality, as well as economic and financial opportunities for women and youth.
- ▶ Improved availability of relevant financial sector infrastructures that will equip the financial sector players and other stakeholders with the ability to meet the needs and aspirations of women and youth.
- ▶ Financial service providers developing and scaling innovative and responsive financial solutions/tools for women and youth to promote equality, empowerment, and wellbeing.
- ▶ Improved confidence and capability of women and youth to demand and use financial solutions.







## MARKET OVERVIEW

From July 2022 to August 2023, Tanzania's financial sector underwent transformative changes, embracing regulatory adaptability, financial inclusion initiatives, and technological advancements.

A key initiative during this period was drafting of the circular for the introduction of the Fintech Regulatory Sandbox Regulations by the Bank of Tanzania. This move indicates the Bank of Tanzania's clear commitment towards creating a flexible regulatory environment, allowing innovators in the financial sector to test their projects using real market data. This hands-on test environment will facilitate the refinement and validation of innovations before full-scale implementation and provides an opportunity for the regulator to equally amend regulations, thereby mitigating risks and increasing the likelihood of success.

Further shaping the regulatory landscape was the Finance Act, 2023 implemented on July 1, 2023. This act ushered in substantial changes to electronic money levies, partially reverting the previous introduction of extensive levies on mobile money and bank transfers. The strategic shift aimed to enhance financial inclusion by making formal financial services more accessible, aligning with broader national efforts to create a more inclusive financial landscape.

The Bank of Tanzania launched the National Financial Inclusion Framework-NFIF III (2023-2028), which was informed by the recent FinScope Tanzania 2023 findings. NFIF III focuses on addressing the persistent barriers from the previous frameworks (NFIF I and II) relating to access and usage of formal financial services. It amplifies the dimension of quality and welfare through interventions that focus on customer centricity for product design and delivery models to enhance sustained usage of a broad range of high-quality financial products and services.

The Ministry of Information, Communications and Information Technology also launched the Tanzania Digital Economy Strategic Framework 2023-2033. The framework refers to a conceptual model that describes the key components and principles of a modern economy driven by advances in digital technologies and platforms; outlining how Tanzania can harness the power of digital

technologies to boost economic growth, create jobs, and improve the lives of citizens.

Both the NFIF III and Digital Economy Strategic frameworks will serve as guides to FSDT, financial service providers, and likeminded organizations in improving financial inclusion in the country for economic development towards a cash light society.

In addition, Tanzania's National ID discourse gathered momentum as the Government highlighted the necessity for Universal National Identification Numbers issued from birth. This was stated by the Permanent Secretary-Treasury, Dr. Natu Mwamba during the launch of FinScope Tanzania 2023 and NFIF III. Later, it was emphasized as a directive by H.E. President Dr. Samia Suluhu Hassan for implementation by her government under the stewardship of Prime Minister Hon. Kassim Majaliwa. Currently, the Registration and Identification of Persons Act (1986) only allows people to obtain a National ID from the age of 18. Therefore, this advancement will be an important step towards enabling all Tanzanians to access essential social and financial services right from birth.

In the realm of anti-money laundering efforts, the Government, through the Financial Action Task Force (FATF), established the National Anti-Money Laundering, Counter Terrorist Financing, and Counter Proliferation Financing Strategy for the period 2022/23 - 2026/27.

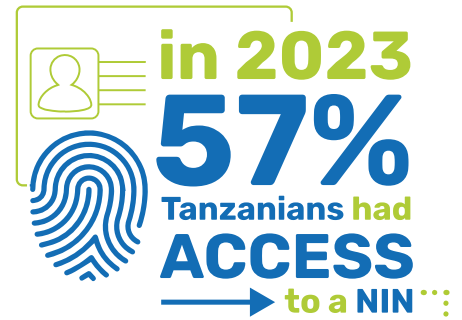
In response to the queries from the Controller and Auditor General (CAG), the Government suspended the 10% council loans for the remainder of the financial year 2022/23 (April to June 2023). This revolving loan scheme, designed for Youth, Women, and People with Disabilities, is set to be reevaluated, with H.E. President Samia Suluhu Hassan suggesting the utilization of commercial banks in the issuance and recovery of these loans due to the limited capacity of local government authorities to effectively manage these NPLs.

These interconnected market dynamics portray a dynamic landscape characterized by regulatory adaptability, financial inclusion initiatives, and technological advancements, laying the groundwork for a more inclusive and resilient financial sector in Tanzania.





## PROJECT OVERVIEW: MAKING OUR MARK IN THE FINANCIAL SECTOR



### A. Promoting the use of evidence, data, and insights in the financial sector.

#### Market System Changes Targeted:

- Improved policies, and regulatory frameworks that promote gender equality as well as economic and financial opportunities for women and youth.
- Scaled-up innovations and responsive solutions to ease access and deepened financial usage by women and youth to promote.
- Improved availability of relevant financial sector infrastructures that will equip the financial sector players and other stakeholders with the ability to meet the needs and aspirations of women and youth empowerment.

FSDT, along with our implementing partners the Ministry of Finance, Bank of Tanzania, National Bureau of Statistics, and the Office of the Chief Government Statistician-Zanzibar launched the nationally representative demand-side survey, FinScope Tanzania 2023. The triumphant FinScope Tanzania 2023 Report launch, attended by over 350 stakeholders who either joined physically at the Bank of Tanzania Auditorium or online, elevated FSDT's status as a market thought leader. The report provided most recent insights on financial behaviours; status and challenges in terms of access, uptake, and usage of financial services; risk profiles; as well as satisfaction of formal financial services. Post-launch, FSDT gained visibility on social and traditional media, driving discussions on financial services access, uptake, and usage among Tanzanians. Recognized by the National Council of Financial Inclusion, the report is set to garner further citations from users, solidifying FSDT's impactful presence.

FSDT has begun dissemination of these findings to the market players, with CRDB Bank among the early financial service providers to request for a deep dive discussion around these findings tailor made for the bank up to a zonal level. Over the course of 2023-2024, dissemination of the findings will continue to various financial service

providers, as well as policymakers, regulators, and academicians to promote the use of data and insights for well-informed decision-making in the development of financial solutions and policies that meet the needs of the excluded and the underserved.

Moreso, we are proud to have seen FinScope Tanzania 2023 insights being used for the effective measurement and evaluation of the NFIF II, as well as the design and development of the NFIF III.

#### National Identification Number (NIN) or Cards and KYC guideline.

During this reporting period, FSDT convened meetings to discuss and refine potential areas of support. Additionally, FSDT engaged in high-level strategic discussions with NIDA, the Ministry of Home Affairs, and other development partners regarding issues related to Universal ID Access. These efforts were reinforced by the findings of FinScope Tanzania 2023, which revealed that only 57% of Tanzanians had access to a NIN. Consequently, this contributed to H.E. the President's endorsement of universal ID access from birth in August 2023. In line with this development, FSDT will collaborate with NIDA to implement the President's call to action as part of the 2023/24 Business Plan.



## B. Improving access to credit for women and youth smallholder farmers and MSMEs



# 1,626 FARMERS

### System Changes Targeted:

- Scaled-up innovations and responsive solutions to ease access and deepened financial usage by women and youth to promote empowerment.
- Improved confidence and capability of women and youth to demand and use financial solutions.

**821**  
female farmers  
financially  
educated

**805**  
male farmers  
financially  
educated

FSDT has been working with partners to improve access to credit through the development of an industry Credit Scorecard for smallholder farmers and MSMEs. This initiative is the first of its kind and is expected to be the infrastructure that will improve direct lending to smallholder farmers and MSMEs using a credit scoring and decision tool. This initiative is going to be piloted in Kilombero, with women and youth farmers and MSMEs engaged in the sugarcane value chain in Kilombero. Kilombero sugarcane value chain was selected for the pilot after valuable insights were gained through engagements with the women and youth farmers in the sugarcane value chain ecosystem.

The intervention's success lies upon reliability of the value chain off-takers, in this case Kilombero Sugar Company Limited, and collaboration with Credit Reference Bureaus such as CreditInfo Tanzania Limited, Digital

Financial Development firms such as Warioba Ventures and other public and private partners. The Agricultural Marketing Cooperative Societies (AMCOS) have also been central to this project as they have been the point of aggregation of the Smallholder Farmers involved in Sugarcane production.

To date, the crucial data collection from 10,500 AMCOS members is nearing completion, a pivotal step toward digitizing smallholder farmers and creating a Credit Scorecard. The project surpassed targets, achieving a 240% increase in digitalizing members' databases for 17 AMCOS. Financial literacy education reached 1,626 farmers, of which 821 were women and 805 were men, maintaining a balanced gender distribution. Governance training achieved a perfect 100% for all 17 AMCOS leaders, and the ongoing initiative continues to yield valuable insights.





## C. Making Policies Work for Women and Youth

### Market System Changes Targeted:

- Improved policies and regulatory frameworks that promote gender equality, as well as economic and financial opportunities for women and youth.

The Local Government Finance Act allocates 10% of LGAs' revenue for interest-free loans to women, youth, and people with disability. The report by the Controller and Auditor General (CAG) 2021/2022 highlighted that fund is facing operational challenges thus affecting its effectiveness in serving women and youth who need loans and to start and grow their enterprises. Key Challenges include (among others), non-Recoverable loans, deviation of loans given to groups that are used for other activities, misuse of funds intended to be loaned to groups, Issuance of loans without complying with the loan process, and Insufficient capacity to monitor and manage loans. In hindsight of the scale of LGA Funds and their potential positive impact to women, youth, people with disabilities and other marginalized groups, FSDT (leveraging on its test and learn approach) saw this as a paramount opportunity to support the re-thinking of a national scope loan project to core target segments of the Trust, and did not hesitate to support the review by:

Facilitating the National Technical Team to review current operational guidelines, regulations and draft report that provided recommendations to the new operating model and change of regulations.

- Providing Technical Support through the review of Terms of References for Financial Service Providers engagement.
- Providing Thought Leadership through supply of evidence FinScope Tanzania 2017, FSDT Ecosystem Analysis of the Financial Sector, 2023, Review of Guarantee Schemes, 2012).

The support above resulted into the creation of a report proposing operational model adjustments, including collaboration with Financial Service providers. The draft report is presently pending approval by the Minister of PO-RALG before being submitted for review and endorsement by the President.





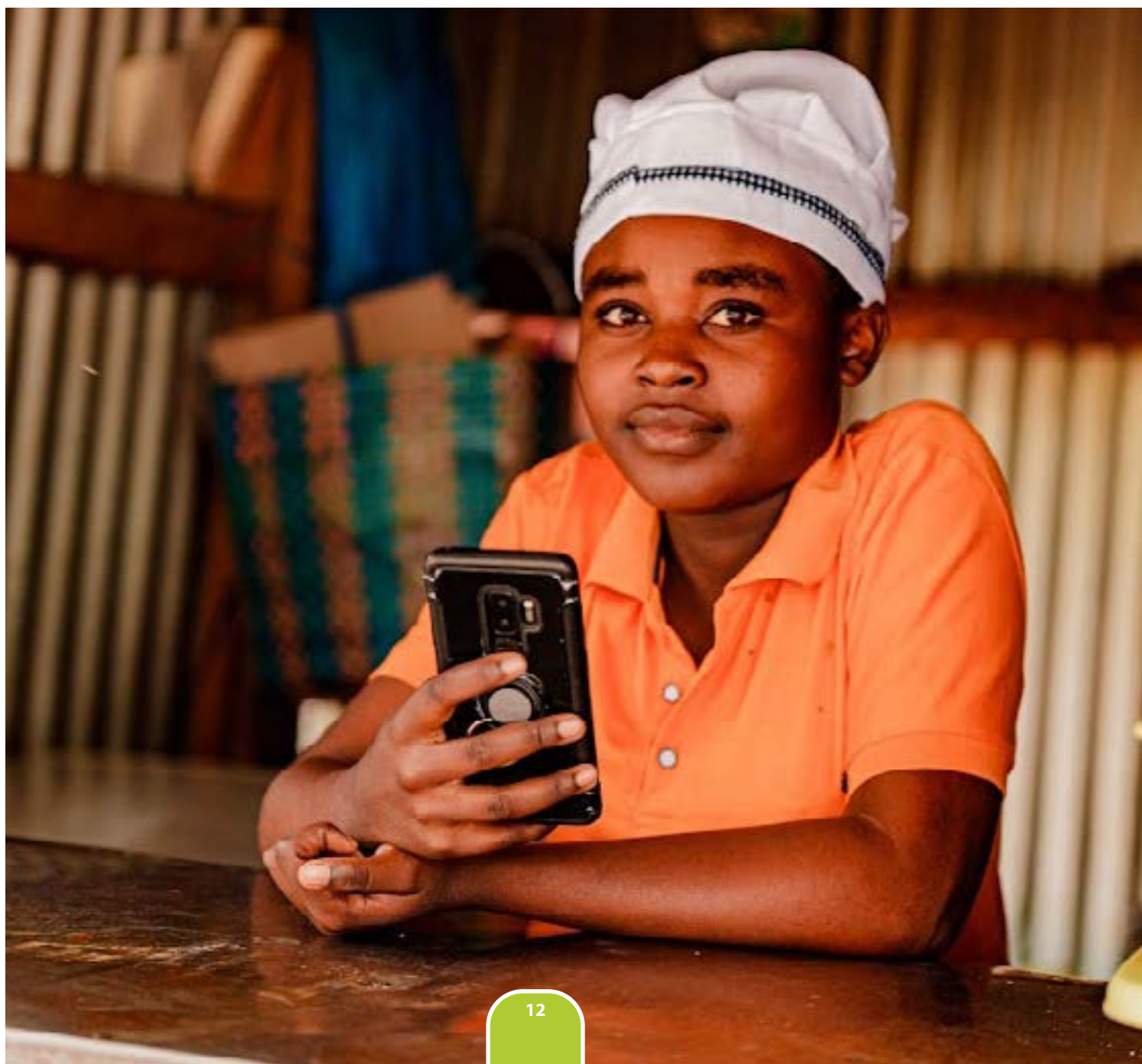
## D. Catalysing Enabling Financial Sector Infrastructure

### Market System Changes Targeted:

- Improved availability of relevant financial sector infrastructures that will equip the financial sector players and other stakeholders with the ability to meet the needs and aspirations of women and youth.

#### ***Tanzania Mercantile Exchange (TMX) Online Trading System Upgrade***

The TMX Online Trading System (OTS) has digitized commodity trading where buyers can participate in commodity markets remotely which reduces transaction and operational costs. FSDT facilitated TMX in upgrading their OTS to facilitate same-day settlement of transactions. To date, FSDT has collaborated with TMX and Information Technology experts from the Ministry of Finance to review the system, defining new requirements, and prepare the groundwork for the system upgrade.





## FINANCIAL SUMMARY

This section provides an overview of the Trust's financial performance from July 2022 to August 2023, detailing key highlights and insights.

The Business Performance and Fund Utilization analysis reveals an overall expenditure rate of 55% (USD 3,184,101) of the total budgeted funds (USD 5,804,410). This marks a 16% increase compared to the fiscal year 2021/2022. The burn rate, though lower than anticipated, is attributed to unaccounted grants distributed for the FinScope Tanzania 2023 and Kilombero Sugarcane Growers scorecard development by August 2023. Accounting for these funds by August would have raised the overall expenditure rate to 68%.

### FSDT STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	USD 1 Million	
Income	2023	2022
Grants	2.85	1.65
Other income	0.04	0.06
<b>Total revenue</b>	<b>2.89</b>	<b>1.72</b>
Expenses	2023	2022
Project activities	2.02	0.94
Governance costs	0.39	0.49
Staff costs	0.36	0.24
Depreciation	0.04	0.04
Depreciation of right of use of asset	0.03	0.03
<b>Total Expense</b>	<b>2.85</b>	<b>1.75</b>
(Deficit)/Surplus for the year	0.04	-0.03



The financial statements of the Registered Trustees of the Financial Trust Tanzania were audited by PricewaterhouseCoopers (PWC). Their opinion on 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 2023 and of its financial performance and cash flows for the year ended in accordance with the requirements of applicable accounting standards.



Disclaimer: FSDT only publishes fully audited financial statements; hence the financial statements presented in this annual report end at 30 June 2023. For the months of July and August 2023 reported in this annual report, the audited accounts are yet to be available. They will be published in the next annual report.



## FSDT STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	USD	USD
<b>Incoming Resources</b>		
Grant Income	2,848,542	1,654,724
Other income	38,297	56,977
Gain on disposal of assets	1,232	6,557
<b>Total Income</b>	<b>2,888,071</b>	<b>1,718,259</b>
<b>Expenditure</b>		
Project activities	2,021,251	941,202
Governance costs	386,791	490,370
Staff costs	363,127	244,813
Depreciation	43,304	40,579
Depreciation of right of use of asset	34,069	33,803
<b>Total Expenses</b>	<b>2,848,542</b>	<b>1,750,767</b>
(Decifit)/Surplus for the year	39,529	32,509
Other Comprehensive Income		
Revaluation surplus		
<b>Total (Decifit)/Surplus for the year</b>	<b>39,529</b>	<b>32,509</b>

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## FSDT STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	2023	2022
<b>Non current Assets</b>		
Furniture and equipment	123,769	46,823
Right of use of assets	68,139	102,208
	191,908	149,031
<b>Current Assets</b>		
Grants receivable	6,000,001	2,418,084
Other receivables	845,406	107,104
Cash and cash equivalent	1,406,704	2,457,279
	8,252,111	4,982,467
<b>Total assets</b>	<b>8,444,019</b>	<b>5,131,498</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds</b>		
Accumulated surplus/(deficit)	381,692	385,467
<b>Non current liabilities</b>		
Lease Liability	38,780	71,191
<b>Current liabilities</b>		
Deferred income	7,722,102	4,393,162
Other Payables	265,992	246,225
Lease Liability	35,453	35,453
<b>Total funds and liabilities</b>	<b>8,444,019</b>	<b>5,131,498</b>





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