

# Annual Report

2017 -2018

Listening  
Engaging  
Delivering  
Transforming



## Abbreviations

<b>AMCOS</b>	Agricultural Marketing Cooperative Societies
<b>AMDT</b>	Agricultural Markets Development Trust
<b>BCF</b>	Bima Challenge Fund
<b>Bima</b>	Swahili for “insurance”
<b>BMGF</b>	Bill & Melinda Gates Foundation
<b>BoT</b>	Bank of Tanzania
<b>CTF</b>	Catalytic Trust Fund
<b>FSDT</b>	Financial Sector Deepening Trust
<b>FSP</b>	Financial Service Provider
<b>GDP</b>	Gross Domestic Product
<b>GEPF</b>	Government Employee Provident Fund
<b>KYC</b>	Know-Your-Customer
<b>MNO</b>	Mobile Network Operator
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NFIF</b>	National Financial Inclusion Framework
<b>NHIF</b>	National Health Insurance Fund
<b>NIDA</b>	National Identification Authority
<b>NIN</b>	National Identity Number
<b>PASS</b>	Private Agricultural Sector Support Trust
<b>PIC</b>	Project Investment Committee
<b>REPOA</b>	Research on Poverty Alleviation
<b>SACCO</b>	Savings and Credit Cooperative Organisation
<b>SAGCOT</b>	Southern Agricultural Growth Corridor of Tanzania
<b>SME</b>	Small and Medium Enterprise
<b>TADB</b>	Tanzania Agricultural Development Bank
<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>TZS</b>	Tanzanian shilling
<b>VICOBA</b>	Village Community Bank
<b>VSLA</b>	Village Savings and Loans Association



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## Chairperson's Notes

Financial inclusion is the key to Tanzania's economic development and to improving the livelihoods of millions of Tanzanians.

### Win-win-win partnerships

Lasting change is not possible without significant transformation of policies and strategies of stakeholders across the sector and we would like to offer thanks to our donors and partners for their considerable efforts to realise common goals to improve financial inclusion for both individuals and businesses.

Thanks to this effort, catalysed by the Financial Sector Deepening Trust (FSDT)'s facilitation initiatives, access to financial services has risen to 65% of the adult population, as reported by FinScope Tanzania 2017.

An enabling environment is crucial for the successful evolution of new products and services and, in our role as a thought leader, we would like to recognise the forward-thinking approach of the government and regulatory bodies to facilitate conducive legal and regulatory frameworks.

This report highlights new thinking among financial service providers based on robust evidence that FSDT has commissioned and shared, resulting in impressive public-private initiatives that have had positive impact on access and usage of financial services. FSDT is always keen to share its findings and learnings with the broader public. As such we encourage anyone who is interested to contact us and request that you also spread the word on FSDT's activities for the benefit of all Tanzanians.

### Governance

On behalf of the members of the Programme Investment Committee (PIC), five donor representatives and a representative from the Bank of Tanzania, I would like to express my delight in our work to provide strategic direction and oversight of the governance structure of FSDT and its work.

We look forward to building on the considerable success of the FSDT team and our partners to realise our goal that all Tanzanians and businesses derive value from regular use of financial services which are delivered with dignity and fairness.



John Ndunguru  
Chairman, Programme Investment Committee



## Director's Notes

Over 2017-2018, the financial sector has seen the continued evolution of innovative solutions to the challenges facing both individuals and businesses in accessing and using financial services, and facing service providers in overcoming the barriers to providing affordable, convenient and customer-centric products and services. This success would not have been possible without the support of policy makers at national, regional and local levels who have continued their work to facilitate positive change, by developing policies and regulations that are conducive to the creation of solutions that ensure that all Tanzanians derive value from regular use of financial services.

### Moving from increased access to usage

Based on data from our acclaimed FinScope Tanzania 2017 study, we have successfully shifted the focus of our programme strategy to improving financial service usage among individuals and businesses, with particular emphasis on "hard-to-reach" groups including youth, women and people living in rural areas. These groups make up a significant segment of the national population and improvements to their financial behaviour will create lasting impact on their livelihoods and household resilience and provide significant market opportunity for financial service providers.

The Annual Report 2017-2018 provides an overview of the wide-ranging successes of partnership initiatives over the past year, which pave the way for sustainable development in financial inclusion across the country. Key successes include not only the continued rise in the number of people using transaction and mobile money services, but the creation of insurance, banking, payment, credit and savings solutions for people on lower-incomes.

As the Executive Director of FSDT, I would like to extend my thanks not only to the talented and dedicated team at FSDT, but also to our committed partners, without whom the great strides we have made this year would not have been possible.



Sosthenes Kewe  
Executive Director, FSDT



## About FSDT: Driving the shift in the financial inclusion agenda from access to usage and quality

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

Building on the remarkable progress made over the past decade in improving access to financial services across the country, FSDT is leading public-private partnerships to further drive financial inclusion by encouraging regular and effective use of financial services, increasing value for end users in their daily lives.

FSDT is committed to its strategy to proactively gather and share evidence of the needs of individuals, smallholder farmers and businesses and to catalyse stakeholders to develop 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. Our aim is to bring together financial service providers to support the expansion of both access and usage by understanding and identifying opportunities within the “relevance gap” that arises from inappropriate product design and marketing.

We strive to gather and share robust market intelligence and to work with government and regulatory bodies to galvanise evidence-based innovation in national, regional and local financial inclusion policies to create supportive legal and regulatory environments.

Our FinScope studies have been recognised as an authoritative measure of progress and have shown that improvements in the regulatory environment, increased private sector investment and the rapid adoption and usage of digital financial services have led to a fourfold increase in the percentage of the adult population using formal financial services. Building on this, our focus going forward is to encourage enhanced usage by supporting a more responsive and sustainable financial sector which can offer greater consumer choice and protection.

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



## Market overview

Over 2017/2018, Tanzania has continued to show steady economic growth and moderate inflation supported by infrastructure improvements, investment in communication, expansion in the industrial sector due to stable power supply and increased crop production due to favourable weather.

Within this environment, the financial sector has remained dynamic with multiple financial service providers, an additional mobile money supplier and a growing fintech sector, all working to expand distribution channels for financial services across the country.

Financial stakeholders are continuing to work together to drive the national financial inclusion agenda through connected thinking and coordinated action. On the regulatory side, the government has responded to market need through its ongoing work within the second Five-Year Development plan (2016-2021) and second National Financial Inclusion Framework 2018-2022 (NFIF 2.0), as well as setting the National Microfinance Policy 2017, the National Payment System Strategy 2017-2027, National Payments Act and new Savings and Credit Cooperative Organisations (SACCOs) regulations.

FinScope Tanzania 2017 has been widely recognised as a robust measure of financial inclusion and reported promising results on access to financial services of 60% of the population using mobile money and 86% living within 5km of a financial access point. However, many groups including women, youth, rural dwellers and the agricultural and medium, small and micro-sized enterprise (MSME) sectors, remain excluded and further analysis of the evidence revealed that usage is not being maximised due to the persistent demand-supply gap.

The Tanzanian financial sector service providers are manifold, stretching from banks, microfinance institutions, insurance providers, self-organised SACCOs, social security and pension providers to non-traditional financial sector players, such as mobile network operators that offer a wide range of products. In 2017, over fifteen hundred different products were observed in the market and the number keeps on growing. Innovation and continuous iteration are part and parcel of the sector, with a 16% growth in the number of products and 14% growth in the number of products modified in the market between 2015 to 2017.



**“ In today’s digital era, customers are no longer readily available, but they must be created. If you invest in digitalisation of your products and services, you will be able to expand your reach by serving customers wherever they are and thus drive financial inclusion.”**

*Florens Luoga, Governor of the Bank of Tanzania, meeting at CRDB Bank, November 2017, reported by The Citizen*

Nonetheless, uptake and usage of the offered services is limited. Mobile money, the biggest contributor to financial inclusion in the country, is limited in its usage, with only 60% of the Tanzanian adult population using the service. The majority of transactions are peer-to-peer, cash-in and cash-out, hence frequent usage and diversification of financial portfolios are yet to pick up. However, the initial exposure to formal financial services through mobile money provides potential for deepening usage. Linkage of more sophisticated financial services to mobile money platforms can utilise the already acquired customer base, build on established trust and provide information easily through existing channels. Similar synergies can be unearthed through connecting community microfinance groups to formal channels, hence leveraging on the social coherence, trust, financial records and financial behaviors already nurtured by the groups. Such connected thinking, paired with innovative solutions can lead Tanzania to new financial inclusion frontiers and, in so doing, boost usage and value generation through financial services.

The challenge going forward is to close the demand-supply gap through public-private partnerships, innovative policy and customer-led financial service provider strategies. Key barriers to increased usage on the supply side are information asymmetry which limits appropriate, customer driven innovation, as well as legislative barriers and rigid requirements for customer registration. On the demand side, the needs of marginalised groups must be understood and inform appropriate, cost-effective provision of new products and services.



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## FSDT's impact during 2017-2018

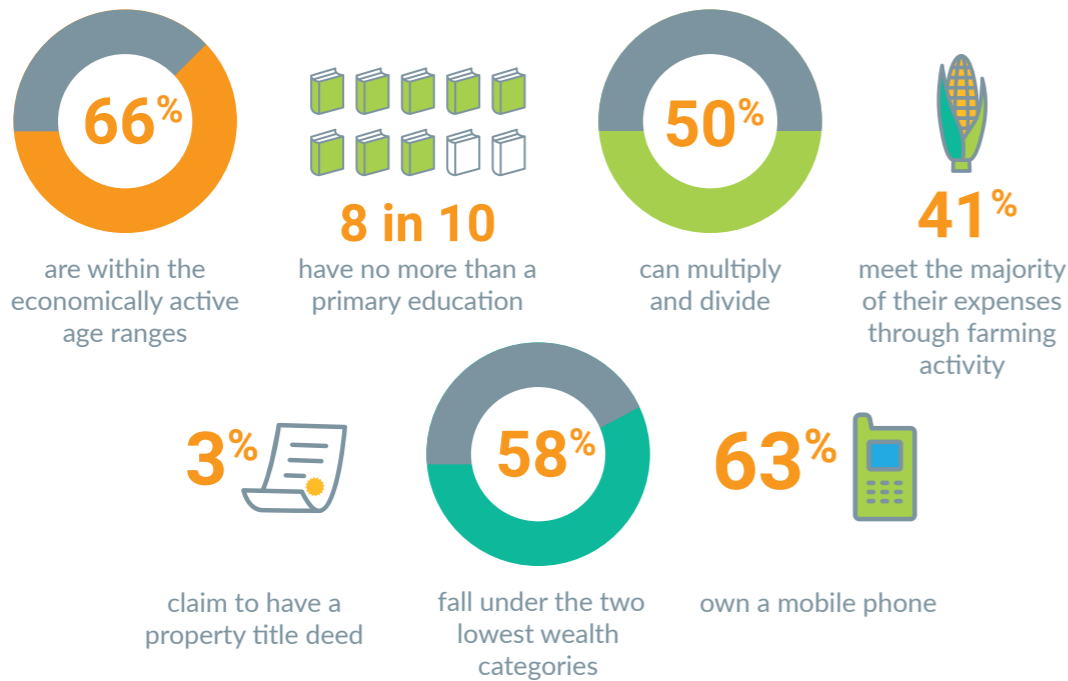
As a result of multi-stakeholder efforts, formal financial inclusion increased from 58% of the adult population in 2013 to 65% in 2017, while the proportion using these services also increased from 37% in 2013 to 86% in 2017. These increases were attributed to the rapid uptake of mobile financial services and the expansion of financial service access points across the country.

To further increase access and usage beyond 86% and 65% respectively, FSDT has been working with partners in government and the private sector to close the gap between the financial services that Tanzanians need, and the type of services that financial service providers can offer.

**“The poor know that financial services are important to helping them manage their lives more securely. It's our job to make sure that we keep making those services available, affordable and useful for the poor, while at the same time ensuring that the technological developments that make this possible do no harm.”**

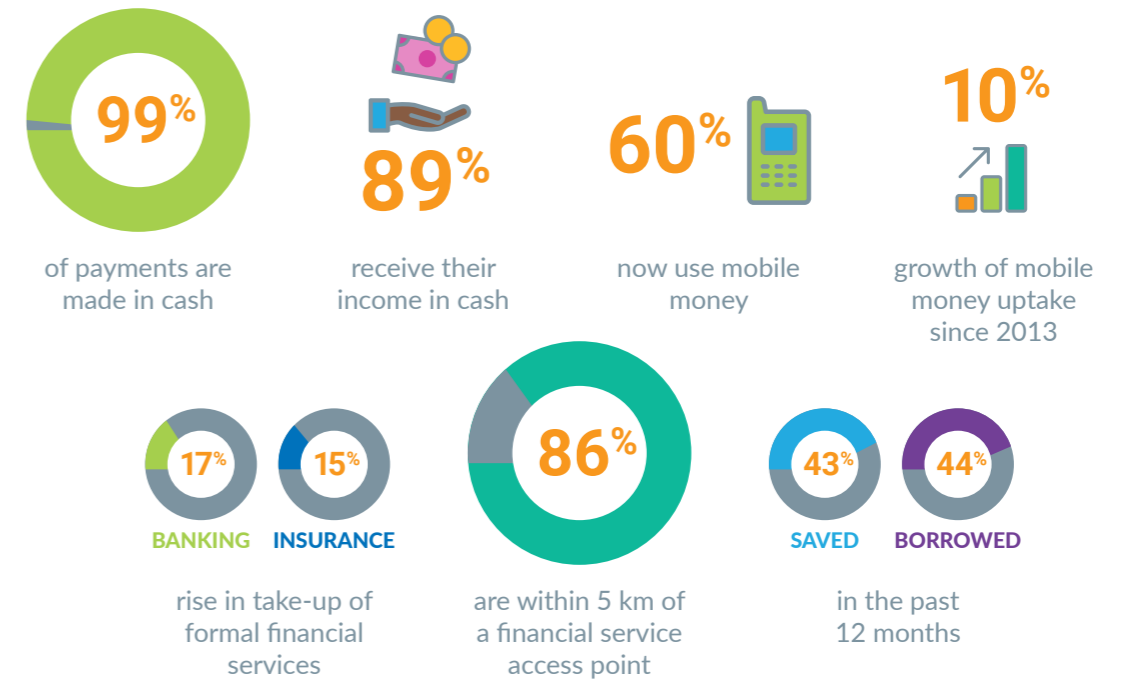
Greta Bull, CGAP CEO  
Dakar, May 2018

### Demographics



Source: FinScope Tanzania 2017  
Base: Adult Tanzanians

### Demand-side



Source: FinScope Tanzania 2017  
Base: Adult Tanzanians

### Supply-side



Financial service providers must understand customer needs and develop customer centric products that respond to the needs.

**“Financial inclusion allows people to save for family needs, borrow to support a business, or build a cushion against an emergency. Having access to financial services is a critical step towards reducing both poverty and inequality, and new data on mobile phone ownership and internet access show unprecedented opportunities to use technology to achieve universal financial inclusion.”**

Jim Yong Kim, World Bank Group, President  
Washington, May 2018

## Project Overview

### ADVOCATING for regulatory change

A key aim for FSDT in its role as a thought leader is to facilitate the creation of enabling environments for innovation and new opportunities for industry players.

#### Key Challenges

- Inadequate, fragmented and expensive payments system infrastructure, supporting dependency on cash
- Stringent Know-Your-Customer (KYC) identification document requirements for client onboarding, limiting consumer acquisition
- Disproportionate exclusion of women, rural dwellers and youth in financial systems, which slows progress in achieving financial inclusion goals

#### Progress

**50%** of proposed changes acted on

National Financial Inclusion Framework (NFIF): FSDT has helped drive the multi-stakeholder initiative to develop frameworks which shape “connected thinking, connected action” to improve financial inclusion on a national scale. The initial NFIF ran for 3 years from 2014 and successes include the development of the National Payment Act, Payments Licensing rules and E-Money regulations, as well as new procedures within the Bank of Tanzania for issuing licences to e-money traders. FSDT helped evaluate the first framework and formulate NFIF 2.0 to run from 2018 to 2022 which places emphasis on the requirements for the supply-side ecosystem to implement solutions that are innovative, affordable and responsive to the needs of individuals and businesses. Plans are in progress for the National Payments Switch initiative which will help overcome key challenges of lack of

oversight and data which impede regulatory monitoring and evaluation.

Microinsurance policy: According to FinScope Tanzania 2017, insurance was one of the significant contributors to elevating the achievements in the country’s financial inclusion agenda with 16% of adults using insurance products. FSDT has continued to engage the insurance sector by sharing knowledge and facilitating the process to develop a new legal framework for microinsurance. Launched in October 2017, the Microfinance Policy has influenced market change, resulting in an increased number of providers, as the realisation is growing of the potential demand for both existing products and new microinsurance solutions for low-income groups.

National Payments System Strategy (2018-2022): During 2016-2017, FSDT and the Bank of Tanzania, under the Directorate of National Payment System, supported the development of the National Payment System Strategy to support strategic alignment between transactions and pave the way to drive digital payments, ultimately leading to the reduction of cash payments.

SME Finance Coordination Framework: This initiative aims to convene various stakeholders under the leadership of the Ministry of Industries, Trade & Investments to develop a framework that will solve the problem of lack of coordinated activities for the MSME sector, and lead to effective coordination, with specific focus on access and usage of financial services.

**“ To drive the development of relevant and appropriate financial products and services to meet the needs of individuals and businesses consistent with supporting livelihood improvement, household resilience and job creation. ”**

NFIF 2.0 Aim



#### Complete

- ✓ Revised NFIF 2.0
- ✓ Microinsurance policy
- ✓ National Payment Systems Strategy 2017-2022

#### In progress

- ⚙️ National Finance Sector Skills Development
- ⚙️ SME Finance Coordination Framework
- ⚙️ Consumer Protection Framework (review completed)

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### STIMULATING *increased usage of financial services*

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

- Information asymmetry in the market preventing financial service providers and policy-makers from using insights to inform solutions and policies

#### Progress

over **50%** initiatives reporting improvement

**FinScope Tanzania 2017:** Recognised as an authoritative measure of financial inclusion in Tanzania, FSDT's 2017 FinScope study was well-received at its launch during the first quarter of 2017-2018, with requests for tailor-made presentations made by bank leadership teams of NMB and NBC, bank and donor senior representatives and an industry meeting organised by the Tanzania Communications Regulatory Authority (TCRA). Results have been disseminated via the FSDT website, the launch event, Conversation with the Minister of Finance & Planning event in Dodoma which addressed the role of the financial sector in development, Regional Consultative Council gatherings in Mtwara and Songwe, FinDisrupt sessions for fintechs, Youth and rethinking financial inclusion session as part of the development of NFIF 2.0 and four Data Solution Sprints which covered insurance, digital financial solutions, banks and microfinance institutions. Participants at the launch event have confirmed that they are actively using the data for product design, for reaching mass markets and to inform policy.

**FinSights Lab studies:** With technical support from the research organisation Busara and collaboration with Mastercard as a technology partner, FinSight Lab has been designed as a nimble and flexible research platform which responds to market demand. Outputs over 2017-2018 include studies on merchants' solutions, gender and age gaps in financial inclusion and affordable housing. FinSights Lab is currently onboarding and working with financial service providers looking to develop successful business solutions.

*“ The data has helped us to understand where Mtwara region lies in terms of usage of financial services. The insights are a platform for us to look at how to improve financial services for our citizens. ”*

*Elias Nyabusani, Regional Administrative Secretary - Mtwara*

**Credit Market Diagnostic study:** Aligned with FSDT's objectives of promoting a more relevant market infrastructure and reducing credit risk and transaction costs, this study aims to address information asymmetry within the financial sector and develop tools and mechanisms to gather credit data. The study gathered both quantitative and qualitative data from commercial banks, microfinance institutions, SACCOs, informal community-based financial groups (Village Community Banks (VICOBAs) and Village Savings and Loans Associations (VSLAs)). The report and supplementary briefs were published and FSDT will be working with the Bank of Tanzania, Tanzania Cooperative Development Commission (TCDC), Tanzania Association of Microfinance Institutions (TAMFI) and Community Based Saving Groups (CBSGs) on recommended action plans.



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**FinDisrupt:** Building on lessons learnt from previous rounds, FinDisrupt continued to push the utilisation of insights in product and solutions development with an online call for proposals to overcome challenges set by FSDT. Over 25 teams applied for the innovation sprint, 28 fintechs attended the initial bootcamp on using consumer insights and, in December 2017, 10 fintechs completed the bootcamp programme. Participating fintechs reported changes to their thinking, pitches and solutions development and are now launching new products in the market.

**Financial Service Registry (FSR):** Working with the Bank of Tanzania, FSDT seeks to establish a financial service registry system that will provide access to data on financial access points such as their geolocation and types of services provided. The FSR system aims at automating the data collection process and providing digital access to the data with functionality that not only allows the capture, storage, reporting and analysis of financial access point data, but also affords the ability to integrate with other stakeholders' existing systems.

**'Using evidence to unlock value':** FSDT is on a continuous journey to bring research closer to business development and impactful decision-making, unlocking economic viability through evidence to connect financial inclusion to the finance sector and its future direction. Through its research work, FSDT strives to drive business choices and facilitate researched new products, solutions, policies and regulations.

The value of research is to demonstrate potential business cases or impact pathways. Over 2017-2018, building on the positive response to the FinScope studies, FSDT has provided channel-specific insights through DataSprints, which support organisations to build their processes and capacity to use evidence to drive their business choices and identify bankable potential, as well as the pioneering FinSights Lab, which seeks to demonstrate the value of venturing into new and untapped markets.

**“ I believe that if this data is used properly at the regional and municipal level it can be a catalyst for the right kind of progress in the financial sector in Tanzania. ”**

*Richard Kasesela,  
District Commissioner - Iringa*



**Complete**

- FinScope Tanzania 2017
- FinSights Lab studies
- Credit market diagnostic study
- FinDisrupt

**In progress**

- Financial service registry
- 'Using evidence to unlock value'

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### PROMOTING *smart ways to overcome market constraints*

#### Key Challenges

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

- Lack of appropriate, affordable and innovative solutions for rural dwellers, women, youth, agricultural sector and enterprises, pushing more Tanzanians to informal financial services and coping mechanisms
- Lack of capacity by financial service providers to design and roll out appropriate solutions for the market, due to poor understanding of customer needs.

#### Progress

over **50%** initiatives reporting improvement

**National Identification Numbers:** FSDT entered into contract with the National Identification Authority (NIDA) in 2016-2017 to support the delivery of National Identification Numbers (NINs) to the adult population in Tanzania, which will aid the reduction of information asymmetry in the financial sector. Results to date show that over 20 million unique records have been added to the database, 18 million people have been registered and nearly 4 million National Identification Numbers have been generated. In addition, FSDT has been working with NIDA and financial service providers in driving use cases, which include a project with the Bill & Melinda Gates Foundation (BMGF) to drive Tanzania Social Action Fund (TASAF) cash transfers using national IDs, development of an

attendance register for government employees with the support of E-Gov and facilitation of the Know-Your-Customer (KYC) process using digital IDs together with the TCRA and mobile network operators (MNOs). Over 25 providers and four MNOs have already piloted e-KYC and sim registrations using unique national biometric records.

#### Agricultural value chain financing model:

Following the completion of the Soya Value chain study, FSDT, together with other members of the Fit4Ag platform (SAGCOT, AMDT and CTF), progressed work to mobilise investors, validate potential buyers and investors in the soya, sunflower and potato value chains through stakeholder workshops and secured the Tanzania Agriculture Development Bank (TADB) as a financing partner.

**Agriculture project financing model:** As part of its goal to create sustainability, FSDT has been working to facilitate project finance products for agriculture, starting with irrigation projects. Success to date has included completion of the financing model, mobilisation of implementing partners and development of a partnership between the TADB and the Private Agricultural Sector Support Trust (PASS) to develop bankable business proposals, where TADB has launched a rural innovation fund for which PASS would provide guarantees for loan applicants.

#### Expanding the interoperability environment:

FSDT has been actively engaged in the efforts to develop oversight, a retail payment switch system and infrastructure, together with teams at the Bank of Tanzania and the Bill & Melinda Gates Foundation. An industry workshop was held in October 2018 to sensitise the principles and gauge the Central Bank's appetite for the initiative. Work is ongoing to develop the business case which aims to generate funding and build capacity.



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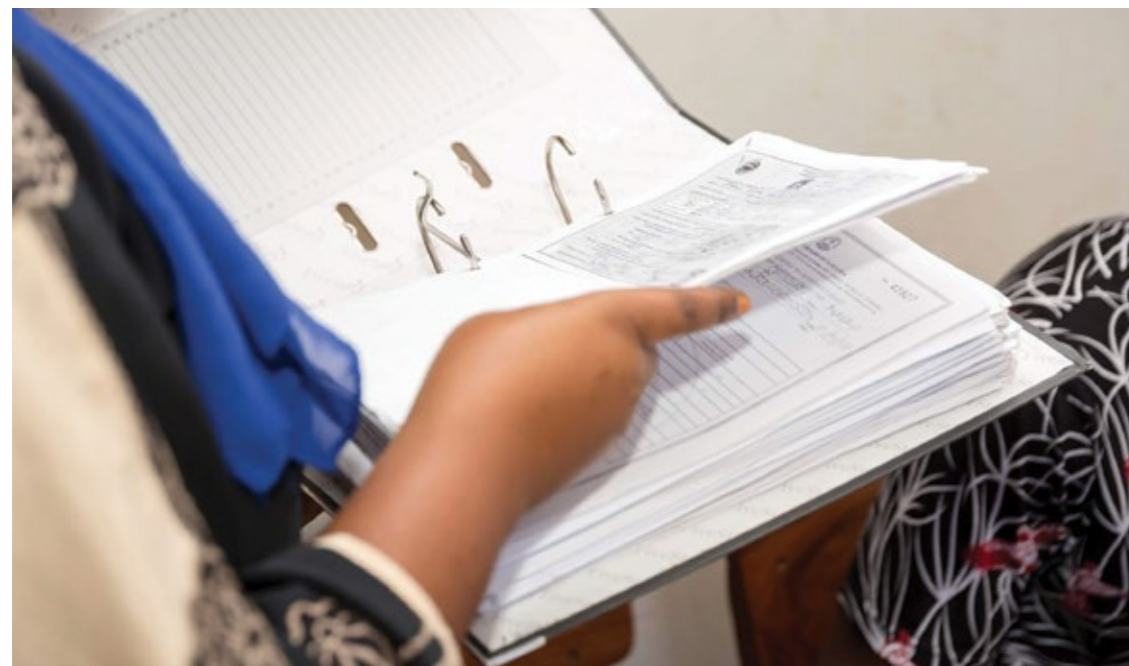
**Democratisation of insurance distribution channels:** FSDT's insurance theme focuses on interventions to increase penetration through policy facilitation, innovative inclusive insurance solutions, capacity, coordination and measurements. The democratisation of insurance agents is an activity with the National Microinsurance Action Plan project (NMAP) that will explore innovative channels for the distribution of insurance outside the traditional insurance business models comprising of insurance companies, brokers and agents. Possible channels will include banks, wakala shops, mobile money shops and outlets like petrol stations, department stores and supermarkets.

This can only be achieved through revisions to constraints in the existing insurance laws that restrict the scope of the nature and type of entity that can carry out insurance agency business. The enactment of the National Insurance Policy (NIP) will lay the foundations for revisions to the various laws.

**Expanding the remit of credit reference bureaux:** This study was conducted to review the current challenges and opportunities to enhance the effectiveness of client information-

sharing in Tanzania. Specifically, the study aimed at establishing gaps that exist between supply and demand in credit referencing systems and recommend appropriate actions or interventions that will need to be implemented to narrow the gaps and increase remittance and usage of credit information systems.

**National Payment Strategy:** Tanzania has taken a journey to define and implement a payment strategy for the banks and non-bank financial service providers in support of the vision that everyone participates and benefits from an inclusive economy. In December 2018, the Central Bank announced the initiative to implement the Tanzania Instant Payment System (TIPS), aligned to the revised national payment strategy, which will allow for interoperability of digital financial services to all providers in the country, allowing for ease in oversight, reduction of transaction costs, provide additional use cases for digital financial services and allow for the creation of innovative services. The TIPS development project, an interoperable platform connecting all financial service providers, will officially be launched in February 2019 and is expected to take 18 months to finalise its development and implementation.



**Complete**

- ✓ 20.9 million records in database available for biometric verification, 18 million registered individuals and generation of 3.6 million National Identification Numbers
- ✓ Agriculture Value Chain
- ✓ Agriculture project financing model

**In progress**

- ⚙ Expanding the interoperability environment
- ⚙ Democratisation of insurance distribution channels
- ⚙ Expanding the remit of credit reference bureaux
- ⚙ National Payment Strategy

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### CATALYSING *new financial solutions*

#### Key Challenges

FSDT is committed to its aim to support the development of innovative products that are appropriate, affordable and convenient by overcoming key challenges:

- Insufficient financial capability amongst individuals and enterprises, limiting their ability to use financial services efficiently and to derive benefits
- Lack of consumer confidence in financial services which limits their participation in financial systems

#### Progress

**3** new solutions launched to market



of target number of MSMEs, individuals and smallholder farmers are using them

#### Three new solutions:

**Efficient financial aggregation for smallholder farmers:** This project aims to test and prove that innovations and uptake of financial services to smallholder farmers can be enhanced by aggregating marketing, payments, health insurance and financial services. One aspect of the initiative was to leverage both a system of collective crop marketing through agriculture marketing cooperative societies (AMCOS) and a marketing system where crops are sold collectively and funds are disbursed centrally through a warehouse receipt system. This project has been implemented in partnership with the Warehouse Receipts Regulatory Board, the Tanzania Cooperative Development Commission (TCDC) and the Bank of Tanzania. This project also facilitated health insurance (Ushirika Afya), a savings solution (Ushirika

**“FSDT has done a great job in connecting us with other stakeholders; the Bank of Tanzania and other institutions like the capital market. All of us have been brought together by FSDT. But also, in providing the farmers with health insurance. Essentially those are joint efforts on the part of TCDC, FSDT and the National Health Insurance Fund”**

*Tito Haule, Registrar of Cooperatives*

na Akiba) and a mobile money solution (Tigo Korosho), in partnership with the National Health Insurance Fund (NHIF), the Government Employee Provident Fund (GEPF) and Tigo Money. Over 700 new bank and mobile money accounts are now being used by farmers, over 300 loans taken out and 300,000 farmers have registered on the Tigo Korosho platform, receiving over TZS 1.9 billion. Mercy Corps AgriFin Accelerate conducted a review of the pilot in 2018.

**JAMII & MHI micro health insurance:** The Bima Challenge Fund (BCF) aims to contribute to the acceleration of the development of an inclusive insurance market in Tanzania by improving scale, client value and sustainability of microinsurance products. As one of the winners, JAMII paperless microinsurance has been rolled out in the regions of Mbeya, Mwanza, Arusha and Kilimanjaro in partnership with Vodacom and Jubilee insurance. By September 2017, it had reached over 180,000 people. The Micro Health Initiative focusses on micro health insurance distribution through various channels in partnership with the underwriter AAR Insurance. Identification of the regional and district hospitals has been finalised and over 75 health providers have been contracted, as well as the development of new partnerships with Maxcom, Bumaco and new Vodacom aggregators, reaching nearly 300 sales points on smart devices.



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**Banking agency model:** With support from FSDT, the Equity Bank has increased operational cost-efficiency in distribution by using agents and replacing expensive POS machines with cheaper smartphones. In addition, to address the lack of financial education amongst existing and potential customers, of the 5,500 beneficiaries who were mobilised, over 4,700 received financial education training, 32% of whom were women.

**Other progress:**

**Integrated model and demonstration:** Based on the success of the CRDB integrated model, an increasing number of commercial banks have been implementing agency banking, serving MNO agents, venturing into small and medium-sized enterprise (SME) loans to the informal sector, adopting simplified outlets and branch-on-wheels, as well as establishing insurance services.

**Merchants' solution:** During the year, this solution was developed to digitise merchants' business by providing a single merchant platform to accept mobile money, credit cards and cash. The solution reduces leakages, increases productivity and efficiency and expands merchants' footprints. There are over 1,000 merchants using the pilot, of whom two thirds are women.

**AKF Boresha Maisha project:** FSDT has supported the digitisation of savings groups through the Aga Khan Foundation (AKF) Boresha Maisha project which has already established over 9,000 community-based savings groups and provided unprecedented access for finance and economic inclusion. There are approximately 180,000 savers in the initiative, two thirds of whom are women, who have collectively saved over TZS 120 billion (US\$ 60 million). Growth continues as the scale and acceleration of mobile money adoption continues. Quantitative research has been carried out with over 400 groups to

test the impact of digital saving. Results were shared through the Small Enterprise Education and Promotion (SEEP) network and with other stakeholders.

**Automated account opening:** FSDT is supporting the FINCA Microfinance Bank to design and develop a remote account opening solution linked to a credit scoring system via mobile phones. This solution will enable FINCA to offer remote account opening and credit scoring to all individuals through mobile phones. Piloted in 4 branches in Dar es Salaam, Phases I, II and III of the project covering online KYC, account opening, credit scoring and live operations have been completed. Results show that over 16,000 accounts have been opened and nearly half of the new account holders qualified for loans based on their credit scores. So far, out of all the loans issues there are zero default rates.

**School Management System:** Developed as a tool to manage financial activities in schools, the system was piloted in the Mlima Mbeya School with an app for parents to access their children's academic progress. After successful training and testing, feedback was captured from the school administration. The system will be rolled out to more schools and there are plans to incorporate loans and other value-added features in Phase II of the project.

**VICOBA Endelevu:** This platform was designed to demonstrate the savings group management portal, taking a step towards formalising the management of VICOBA Endelevu groups by helping them to build a management platform with a defined hierarchy. The system was developed successfully with ongoing registration of members. Successful ease of operations, data input, maintenance and report production has been reported by VICOBA management. This intervention has the potential for scaling and will be monitored for further learnings.



**Complete**

*3 new solutions:*

- ✔ Efficient financial aggregation for smallholder farmers: Tigo Korosho (mobile payment solution for farmers),
- ✔ Micro health insurance
- ✔ Banking agency model

*Other progress:*

- ✔ Integrated model and demonstration
- ✔ Merchant's solution
- ✔ Boresha Maisha digital savings platform
- ✔ Automated account opening
- ✔ Ushirika Afya (health insurance for farmers) and Ushirika na Akiba (savings products for farmers)

**In progress**

- ⚙ School management system
- ⚙ VICOBA platform

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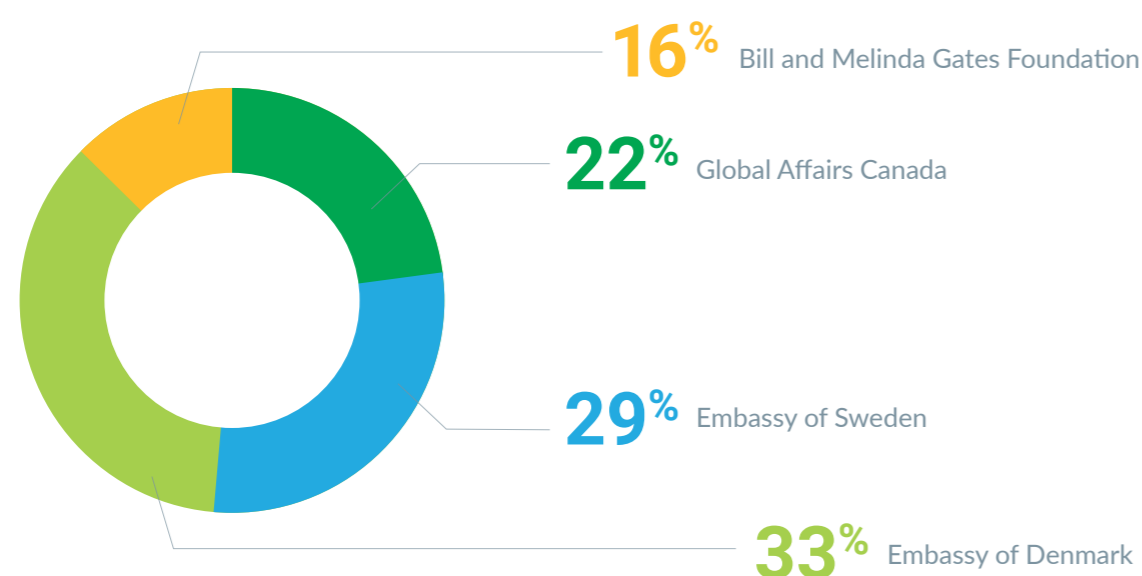
Catalysing new financial solutions

Financial Summary

## Financial Summary

Over the period of implementation of the FSDT strategy, the tireless efforts of our team and development partners have enabled us to grow at an incredible pace and work with more partners and financial inclusion stakeholders to reach more beneficiaries in Tanzania.

The Annual Report 2017-2018 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, the Trust received a total of U\$ 9,632,686 during the Financial Year 2017/18, with the total disbursement from development partners at 103% of the projected amount of US \$9,344,108, achieved due to additional disbursements received from the Embassy of Sweden.



### Financial Position

#### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

ASSETS	2016 Restated USD	2017 Restated USD	2018
<b>Non-Current Assets</b>			
Furniture and equipment	0.23	0.18	0.13
Loan receivables	1.99	1.94	1.45
Redeemable preference shares	0.29	0.29	-
<b>Current Assets</b>			
Loan receivables	0.16	0.06	-
Other receivables	0.44	0.33	0.50
Cash and cash equivalents	2.64	2.97	4.27
<b>TOTAL ASSETS</b>	<b>5.74</b>	<b>5.78</b>	<b>6.35</b>
FUNDS & LIABILITIES	2016 Restated USD	2017 Restated USD	2018
<b>Funds</b>			
Accumulated surplus	0.38	1.45	1.50
<b>Non - Current Liabilities</b>			
Deferred Income	0.23	0.18	0.13
<b>Current Liabilities</b>			
Deferred Income	5.01	3.81	3.65
Other payables	0.12	0.34	1.07
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>5.74</b>	<b>5.78</b>	<b>6.35</b>

### Income Statement

INCOME	2017 Restated USD	2018 USD
Grants	9.85	10.16
less: Pass through	(2.24)	(2.43)
Net Grants	7.61	7.73
Investment income	0.02	0.05
Other income	1.05	0.00
<b>TOTAL INCOME</b>	<b>8.67</b>	<b>7.78</b>
EXPENSES	2017 Restated USD	2018 USD
Project activities	6.03	6.00
Governance cost	1.00	0.88
Staff costs	0.43	0.47
Exchange loss	0.04	0.03
Depreciation	0.08	0.08
Loss on Disposal of Fixed Assets	-	0.00
Impairment	0.03	-
Provision for doubtful debts	-	0.27
<b>TOTAL EXPENSES</b>	<b>7.61</b>	<b>7.73</b>
Deficit / Surplus for the year	1.06	0.05



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