



IBUA!

IBUA!
#Hauraa Nifanya Maaburu

Annual Report

2018 -2019

Listening
Engaging
Delivering
Transforming

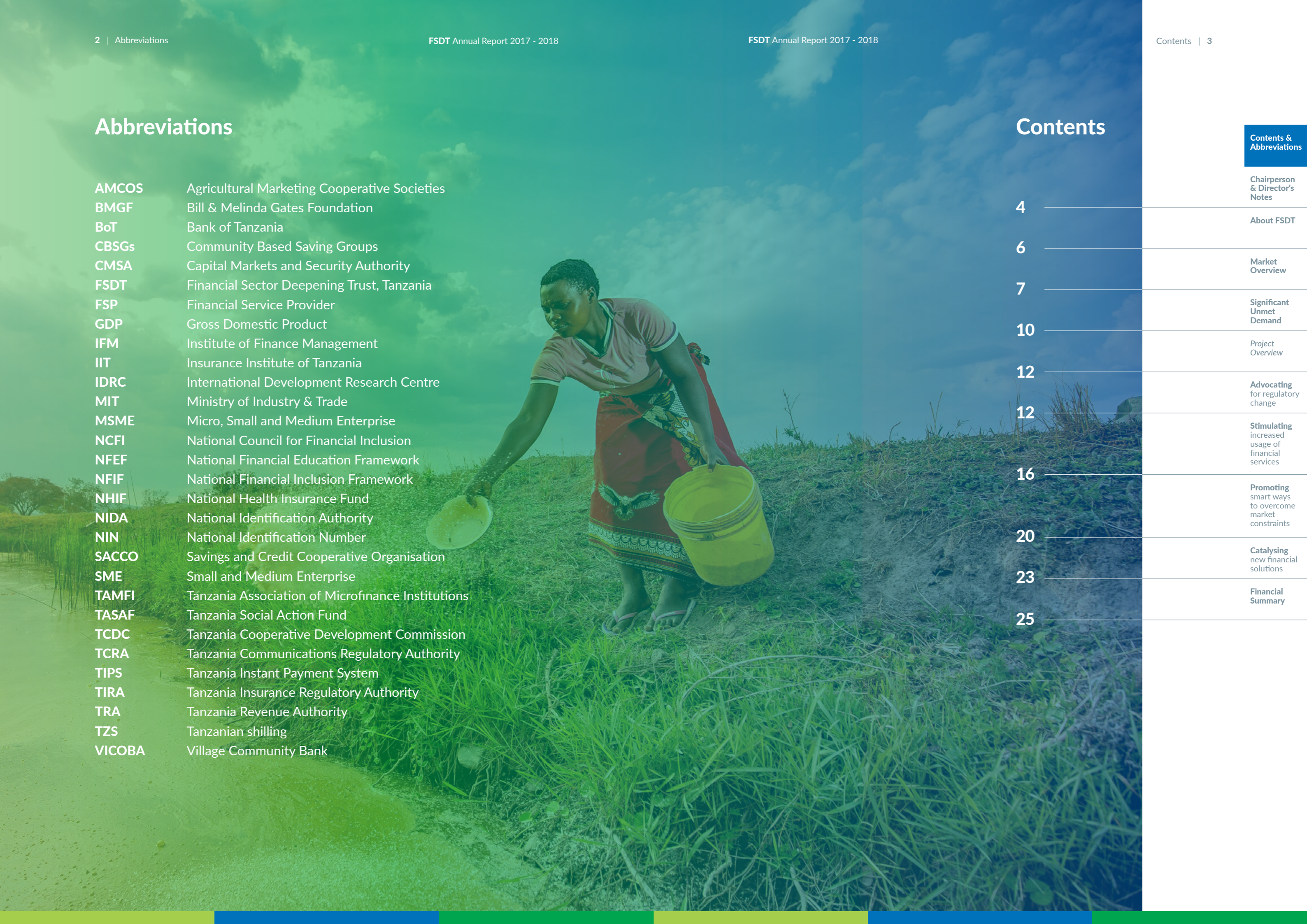
 **FSDT**
FINANCIAL SECTOR DEEPENING TRUST

Abbreviations

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

Contents

	Contents & Abbreviations
4	Chairperson & Director's Notes
	About FSDT
6	Market Overview
7	Significant Unmet Demand
10	Project Overview
12	Advocating for regulatory change
12	Stimulating increased usage of financial services
16	Promoting smart ways to overcome market constraints
20	Catalysing new financial solutions
23	Financial Summary
25	



Chairperson's Notes



There is widespread recognition of financial inclusion as an important development priority and a means to reduce poverty and inequality by helping people invest in the future, smooth their consumption and manage financial risks.

Working in partnership to drive financial inclusion

It is worth acknowledging that our strategy and priorities are aligned with the National Financial Inclusion Framework 2018-2022, whose implementation is also supported by the Financial Sector Deepening Trust (FSDT). This year, a good number of interventions have been made in partnership with the public sector, especially ministries and government departments, to further drive the financial inclusion agenda and enable innovation and collaboration among stakeholders.

We have continued our commitment to embed evidence-based new thinking into the development of customer-focussed solutions that meet the needs of all Tanzanians. This report highlights new analysis of the acclaimed FinScope Tanzania surveys, highlighting positive outcomes to our initiatives to bridge the demand-supply gap with transformative financial solutions, as well as identifying persistently marginalised groups, namely women, youth, farmers, rural dwellers and small enterprises.

To advance our goal to stimulate inclusive financial services for all Tanzanians, we have placed these marginalised groups at the centre of our work. Focussed strategies are embedded across our whole programme to support all stakeholders to better understand and address market, regulatory and social challenges facing these groups.

As part of our youth strategy, over 2018-2019, we have been working with finance industry players, as part of the FinSights Lab initiative, to use evidence-based new thinking to inform the development of youth-focussed products and policies. In addition, to further our understanding of the age gap in financial inclusion, we launched the IBUA campaign, a multi-channel platform for young people to share insights into solutions which meet their financial needs.

FSDT is dedicated to sharing our evidence across the sector and with the broader public. 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.

Finally, I would like to thank our dedicated team at FSDT and our partners for their considerable contributions and look forward to building on our success to further drive the financial inclusion agenda for all Tanzanians.

Jenny Akerback
Chairman, Programme Investment Committee

Director's Notes



Through flexibility and collaboration

Over 2018-2019, FSDT has been engaging with policy makers, regulators, financial services providers and innovators, driving innovation, to put users of financial services at the centre of decision-making and to walk their journey to ensure finance is not only inclusive, but offers better value for the wellbeing of all Tanzanians.

We are proud of the achievements made in collaboration with our partners within the policy environment and financial sector infrastructure. Efforts have been directed towards addressing the constraints detailed in the National Financial Inclusion Framework, in our strategy, in analytics generated from research work and in learning from our interventions with partners. This led to developing and improving relevant, appropriate and affordable solutions for financially excluded and underserved groups.

Addressing persistent financial exclusion

The needs articulated by markets like women, youth, farmers, rural dwellers and enterprises can hardly be met with fragmented approaches, weak competition and an undercapitalised financial sector. The quest for an effective and efficient financial system manifests itself in the demand-supply analysis illustrated in FinScope Tanzania 2017, the aspirations communicated in the National Five-Year Development Plan, Economic and Social Transformation for Zanzibar and strategic goals of markets players and policy makers.

The Annual Report 2018-2019 documents our success over the year in influencing change through evidence, thought leadership, facilitation and financial instruments. We have seen positive results in delivering the NFIF goal that aims to ensure that all Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness.

Key achievements include important regulatory reform in microfinance, support for enterprises, registry for financial services, progress made on digital identification uptake and drive for payments ecosystems. Our pioneering work to catalyse innovations in financial solutions and models has grown from strength to strength, with new thinking transformed into practical business plans while working with platforms, FinTechs and innovation hubs.

To further our work in thought leadership, we have deepened our analysis on the needs, challenges and aspirations of women, youth, enterprises and rural farmers, and conducted further research in the credit and microinsurance markets, as well as the cost of transactions.

It is my pleasure, as the Executive Director of FSDT, to acknowledge and thank not only our dedicated and effective FSDT staff, Investment Committee, but also our donors and partners, without whom the key achievements highlighted in this report would not be possible.

Sosthenes Kewe
Executive Director, FSDT

Contents & Abbreviations

Chairperson & Director's Notes

About FSDT

Market Overview

Significant Unmet Demand

Project Overview

Advocating for regulatory change

Stimulating increased usage of financial services

Promoting smart ways to overcome market constraints

Catalysing new financial solutions

Financial Summary

About FSDT: Catalysing innovation to overcome persistent financial inclusion among marginalised groups

Since 2004, when the Financial Sector Deepening Trust (FSDT) was formed, great strides have been made towards achieving our goal that all Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness.

The results are promising, but evidence shows that there is more work to be done to reach significant groups who remain financially excluded, namely women, youth, rural dwellers, farmers and small business enterprises, to encourage their regular and effective use of financial services, increasing value in their daily lives. These groups present considerable opportunity for market expansion as, for example, nearly 80% of the population live in rural areas and, despite the evolution of mobile financial services, are not able to fully benefit from products and services which meet their needs.

Meeting the needs of these groups requires a coordinated approach and a competitive financial sector with the motivation and capacity to bring about widespread change. The challenge going forward is to close the demand-supply gap among these groups through public-private partnerships, innovative policies and customer-led financial service provider strategies.

FSDT is committed to working with its partners to address information asymmetry and stimulate market innovation by proactively gathering and sharing evidence of consumer needs, particularly where they are unmet, enabling a forward-thinking regulatory environment and catalysing responsive evidence-based solutions to ensure finance is not only inclusive, but offers better value to all Tanzanians.

FinScope Tanzania

Formal financial inclusion rose from **11%** of the adult population in 2006 to **65%** in 2017, attributed to innovative strategies among financial service providers and regulators, the rapid evolution of mobile solutions and the expansion of access points across the country.



Market overview

In 2018, Tanzania enjoyed another year of GDP growth at 7.0%, slightly higher than 6.8% in 2017, and inflation remained low due to stable global oil prices and positive food supplies. Over the medium term, growth projections are between 5% and 6% as a result of planned reforms to the financial sector, business environment and fiscal management.

The social perspective looks positive too, as efforts to improve access to education, health and water have led to a reduction in basic needs poverty from 34.4% in 2006 to 26.8% in 2017 and indications are that the positive trend continues. The challenge now is to support sustainable improvement to poverty levels within a rapidly growing population.

By understanding consumer needs and offering better value to both individuals and businesses, the financial sector can make significant contributions to economic growth and inclusive development through innovation, flexibility and collaborations. These collaborations can define and drive the financial inclusion agenda by improving the type, texture and architecture of the financial sector and realising the opportunities offered by the millions of underserved Tanzanians through a regulatory environment which supports innovative financial services and delivery mechanisms. 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).

The financial sector continues to be dynamic with significant challenges and opportunities. Due to the increase in transactional charges for banks, there is greater recognition of the need for a centralised platform for interoperable transactions and improved oversight. To support this, the Tanzania Communications Regulatory Authority (TCRA) and the Bank of Tanzania are working to digitise service provision, with biometric authentication provided by the National Identification Numbers database.



“ Governments’ support is imperative – we will continue to engage with the government of Tanzania to enable articulation of the right to basic accounts in public policies and legal frameworks. The extended support will create impetus for other public and private sector stakeholders to work towards fulfilling the duties ascribed by this right. Multi-agency cooperation will be enhanced, and innovative policy solutions will be implemented that embed incentives for deployment of appropriate, and affordable basic accounts to access financial services.

*Prof Florens Luoga, Governor of the Bank of Tanzania,
Making access to financial services a citizenry right, November 2018*

For the insurance market, the opportunities presented to expand services to the excluded and underserved are increasingly being acted on. Over the year, bancassurance regulations were launched which open up insurance distribution business to banks to sell insurance, offering the opportunity for access to about 35% of the population reached by the banking services. In addition, insurance service providers have recognised the impact of low literacy and knowledge on take-up and usage and are providing public awareness campaigns in efforts to increase literacy rates on insurance matters. The public has been engaging in such campaigns, indicating that the demand for insurance knowledge is high.

Evidence from FSDT’s FinScope Tanzania studies have highlighted changing dynamics in the economy, politics and society, which have become shared priorities in achieving the goal of a more inclusive financial sector. Key groups, namely women, youth, farmers, rural dwellers and small businesses, are facing persistent challenges in realising their full potential in terms of participation in the financial sector.



Contents & Abbreviations

Chairperson & Director's Notes

About FSDT

Market Overview

Significant Unmet Demand

Project Overview

Advocating for regulatory change

Stimulating increased usage of financial services

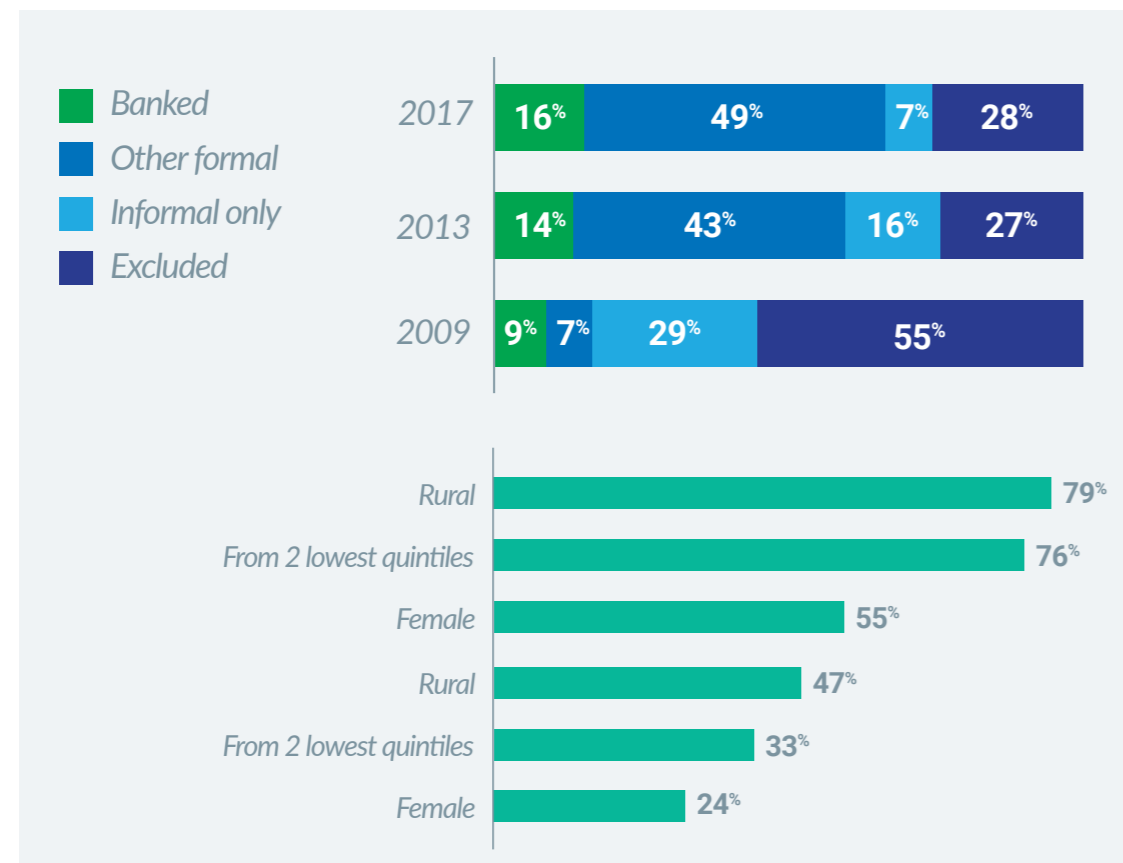
Promoting smart ways to overcome market constraints

Catalysing new financial solutions

Financial Summary

Understanding significant unmet demand

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



Source: FinScope Tanzania 2017



“ Women’s financial inclusion will be a keystone issue for the next 10 years as we look to close the gender gap. Serving the women’s market represents an incredible opportunity, certainly from a business perspective – but above all, as a way of including them economically, empowering them and helping them take care of their families.

*H.M. Queen Máxima of the Netherlands, United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA), 2019
Dakar, May 2018*

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



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

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



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

10% of **farmers** use banking services



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

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

Rural dwellers make up 70% of the Tanzanian population but, despite the rise in mobile money agents across the country, they remain excluded from the full range of financial solutions due to their lack of formal education and barriers to distribution.

4% of **small businesses** are formally registered

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

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 policies / frameworks / strategies implemented

COMPLETED PROJECTS:

Microfinance Act (November 2018)

As FSDT's evidence has shown, the potential demand for microfinance in Tanzania is growing amongst low-income groups. FSDT has supported the Ministry of Finance & Planning and key stakeholders to complete selected and necessary activities, instruments and tools to affect this Act, which aims to ensure uninterrupted, continued and increased use, with regulations on guidance for both service providers and users. A shared priority was the delivery of value from microfinance services to women and youth who represent a large number of microfinance users. The Act is expected to impact millions of users and thousands of financial services providers in the financial landscape in Tanzania. Therefore, to encourage effective adoption of the new rules and regulations, capacity building and market awareness campaigns are planned, with additional stakeholder engagement to facilitate targeted awareness campaigns for women and youth.



PROJECTS IN PROGRESS:

National Insurance Education Strategy

With persistent financial exclusion among women, farmers, youth and people living in rural communities, collaborative efforts have been made to amend the Insurance Act of 2009 to prioritise these market groups, as well as to elevate microinsurance. Among these collaborative efforts is the partnership agreement between FSDT and the Tanzania Insurance Regulatory Authority (TIRA) to increase knowledge and awareness among key groups in order to address consumer constraints regarding the demand for insurance. The milestone from this partnership in the area of policy facilitation includes the enactment of the bancassurance regulation, which will provide guidance on banks acting as distribution channels for insurance products.

Financial Consumer Protection Framework

FSDT has been working in partnership with the government, regulatory bodies and financial service providers to share understanding on the protection issues facing policy-makers, providers and customers in order to address gaps in consumer protection policies and practices. Key milestones include the completion of the scoping exercise, a literature review of the financial consumer protection models and familiarisation visits to markets to learn more on the multiple integrated and multiple specialised agency models. These activities are prerequisite for the drafting of the framework.

National Financial Education Framework

The implementation of the National Financial Education Framework (NFEF) is a project carried out by the Financial Education Secretariat (FES) on behalf of the National Council for Financial Inclusion (NCFI). The FES was able to successfully complete a comprehensive exercise to identify and map financial education providers and institutions in the country in order to develop a database for practitioners, identify market segments receiving financial education, identify the channels used to deliver financial education and how the use of "edtech" (education technology) is driving financial education initiatives in the market. The mapping exercise was an important undertaking because it provided important insights for the FES to enable them to develop the National Consumer Financial Education Strategy (NCFES) and Financial Education Training Guide (FETG) to be rolled-out and implemented by financial sector providers, government bodies, non-government organisations and other stakeholders.

Capacity building through the development of in-country trainers

A Memorandum of Understanding, signed by the Tanzania Insurance Regulatory Authority (TIRA), Insurance Institute of Tanzania (IIT), Institute of Finance Management (IFM) and FSDT, outlined the roll-out of the Training of Trainers (ToT) pilot. The nine trainers are insurance sector market practitioners carefully selected prior to participating in a comprehensive trainers' programme that included adult teaching modules, principles of microinsurance, trainer guidelines and Microinsurance Fundamentals (MiF) modules. The objectives of the pilot were firstly, to test the financial sector's value of the MiF as an introductory course in microinsurance; secondly, to test the financial sector's willingness and affordability for the MiF course and lastly, to test the capability and skills of the in-country trainers. Three MiF training sessions were successfully run and the next steps are for IFM and IIT to formulate a structure to ensure sustainability of the course moving forward, as it will be a prerequisite certification for all players wishing to conduct microinsurance business.

Small and Medium Enterprise (SME) Finance Coordination Framework

To address the problems caused by the lack of coordinated activities for the small enterprise sector, studies on coordination challenges, financing gaps and respective proposals for coordination have been completed and submitted to the Ministry of Industry and Trade (MIT) and acknowledged by the SME Department. The Ministry has acknowledged and accepted the coordination framework as the basis for the review and development of the SME policy, which will include stakeholders such as the Ministry of Finance and Planning, the Tanzania Revenue Authority (TRA), the Ministry of Agriculture, the Prime Minister's office, the Bank of Tanzania, the President's Office - Regional Administration and Local Government and municipal councils. FSDT will use insights and lessons to work with key enablers, including financial service providers, to develop the SME policy and design interventions that will lead to improvements in the business environment, encouraging small and medium enterprises to formally register and maximise the potential benefits for their businesses.



FinDisrupt Sandbox

The aim of this project is to stimulate continued national dialogue on driving innovation in the market, achieved through a regulation and innovation workshop and an innovation ecosystem report which identified core pillars to drive Tanzania's financial inclusion agenda and to define the Innovation Strategy. This initiative has interest from financial service providers and regulators to expand the dialogue further.

Support enactment of Women's Affairs Committee within implementation of the National Financial Inclusion Framework (NFIF 2.0)

The objective of the project is to support the National Council for Financial Inclusion (NCFI) through a Women's Affairs Committee (WAC) to deliver the women's component of the National Financial Inclusion Framework (NFIF). During the year, the WAC action plan was submitted and approved by the NCFI. The plan is well aligned with FSDT's Women and Youth Strategy and linked to Southern African Development Community (SADC) and global aims towards bridging the gender gap in financial inclusion. In addition, FSDT supported the WAC to participate in the first SADC Gender Workshop on bridging the gender gap in financial inclusion.

Project Overview

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

50% projects completed

COMPLETED PROJECTS:

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. Following publication of the report and supplementary briefs, FSDT is working with the Bank of Tanzania, the Tanzania Cooperative Development Commission (TCDC), Tanzania Association of Microfinance Institutions (TAMFI) and Community Based Saving Groups (CBSGs) on recommended action plans in the following key policy areas;

- SME access to finance
- Credit infrastructure
- Agriculture financing mechanisms
- Secure transaction law and collateral registry



FinSight Labs
 FinSights Lab is a solutions-driven interactive research and innovation platform working with finance industry players from private, public and regulatory sectors. The overall aim is to solve specific market problems by building new solutions, improving existing ones or designing inclusive strategies, regulations or policies by walking a customer-focused journey to understand, design, test and scale. During the first call, 45 applications were received from players from various industries, out of which four were selected to undertake a full FinSights Lab project. In the upcoming year FinSights Lab will launch another call for applications, focusing on youth specific problems.

In addition, this programme seeks to contribute to a more data and evidence-driven financial sector by facilitating executive education training with established sector players, as well as innovation expresses with upcoming innovators and providing valuable market insights reports to the market, including an ecosystem design and development approach towards a stronger financial sector.

- Contents & Abbreviations
- Chairperson & Director's Notes
- About FSDT
- Market Overview
- Significant Unmet Demand
- Project Overview
- Advocating for regulatory change
- Stimulating increased usage of financial services**
- Promoting smart ways to overcome market constraints
- Catalysing new financial solutions
- Financial Summary

FinScope Tanzania 2017 Niche and Regional Reports

Over 2018-2019, building on the positive response to the full report and to amplify usage in evidence-based decision-making, FSDT has published niche and regional reports using data gathered during the survey, as well as through predominantly qualitative follow up studies. The reports published are the Dedicated Farmers Report and 3 regional reports for Zanzibar, Iringa and Mwanza, as well as insight decks for Mtwara, Kagera, Songwe and Kigoma. In addition, FinScope insights were shared widely with the targeted stakeholders, industry experts, regional administration and financial service providers to help define the financial sector, support the development of business strategies and to run training sessions, as well as to act as a key business tool in product development strategies.

Financial Services Registry (FSR)

The Financial Services Registry (FSR) is a sustainable registry that maps all financial services access points countrywide by capturing their geo-locations and type of services offered with the objective to unlock the power of geo-spatial data as a tool for business intelligence, decision-making and strategic planning. In short, the registry provides a list of all the publicly accessible financial service outlets, their services and locations.

It has been designed to support regulators to develop policies and monitor national financial inclusion goals, for the industry to develop and target financial services and for the public to locate service points. Depending on access rights provided, data will be available to regulators, financial service providers and the public through a website.

The system, using market feedback and validation, was designed and built with technical support and facilitation from FSDT and hosted and operated by the Bank of Tanzania (BoT) in collaboration with the Tanzania Co-operative Development Commission (TCDC), Tanzania Insurance Regulatory Authority (TIRA) and Capital Markets and Security Authority (CMSA) in recognition of the National Financial Inclusion Framework. The Bank of Tanzania has taken up a lead role in the operationalisation due to its active role in the NFIF Secretariat and as the regulator overseeing the E-Money Act.



Cost of transactions study

The NFIF has identified the cost of transactions as one of the key barriers to the uptake and frequent usage of financial services by many Tanzanians. However, there is limited knowledge and comprehensive understanding within the market of the actual cost of transactions and its drivers. Following study design, conceptualisation and data collection in 2018-2019, a report is to be launched in the upcoming year.

DataDisrupt

A joint initiative with the International Development Research Centre (IDRC) and FSD Africa, this programme seeks to drive evidence-based decision-making through institutional change using improved data management and analytics capabilities within financial institutions. Thus far, the three DataDisrupt partners have engaged in training to build capacity in the strategic use of data, market research, data analytics and data synthesis, and all of the partners have embarked on the product design process or delivery channel improvement. One of the DataDisrupt partners has already used learnings gained from the development of a youth product to develop a product targeting women.

Lessons learned and cases studies of data usage from the implementation of DataDisrupt were shared with financial sector stakeholders. In addition, local service providers for data analytics and market research have been trained on how to be a supporting partner in the journey towards data-driven decision-making in business plan development.

Project Overview

PROMOTING *smart ways to overcome market constraints*

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

Key Challenges

- Lack of appropriate, affordable and innovative solutions for women, youth, farmers, rural dwellers and small 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



COMPLETED PROJECTS:

Mobile creditor network platform

This platform has been developed and deployed to the market as a documented case study on the value of innovation. A number of mobile providers, CBA-M-Pawa, FINCA, Haloyako, TALA, Branch and Mobisol Mobile, have registered and are already using the network and, once microfinance institution regulations are in place, we look forward to the next phase of the platform and the development of increased participation across the sector.

Focused Financial Service Provider (FSP)-SME Banking Model

The model is now operational and the organisation structure review, staff training, credit scoring model, market research, product development and process flow automation projects have been completed. Handover is in progress and the management is happy with the model. To date, the DCB bank is using the system to process micro and SME loans. FSDT will showcase the model to other financial service providers in Tanzania and East Africa and continue monitoring performance. The next phase is to facilitate the replication of the model for small and medium sized banks and Tier 1-microfinance banks.

Microfinance institution/SACCOs credit management system

Development of the product has been completed and deployed to 14 microfinance institutions (MFIs) and Savings and Credit Cooperative Organisations (SACCOs). Users are responding well to the product. FSDT will continue monitoring product performance and user experience and facilitate deployment of the platform to more financial service providers using various FSDT forums. The next phase is to scale up the product to more users in line with compliance requirements of the Microfinance Act of 2018 and Microfinance Regulations of 2019.

PROJECTS IN PROGRESS:

National Payment Switch (Tanzania Instant Payment System)

The Bank of Tanzania, following business case development in October 2018, held a launch of the Tanzania Instant Payment System (TIPS) project in February 2019 to introduce the project to sector-wide stakeholders and government entities, as well as the public at large. FSDT is supporting the Bank of Tanzania to develop TIPS to drive financial inclusion by providing an inclusive payment infrastructure for every participant in the economy. The Bank of Tanzania plans to finalise the development of the platform and launch by July 2020.

National Identification Numbers

FSDT entered into contract with the National Identification Authority (NIDA) 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.

After the first phase where FSDT facilitated NIDA system enhancements and the generation of approximately 6 million NINs, FSDT now aims to facilitate market-led use cases that will drive widespread adoption and usage of NINs and drive accessibility of formal financial services.

Wezesha merchant platform

FSDT has been working with a FinTech, GetPesa, to develop a digital platform that will empower small businesses to connect and engage with their customers, operate efficiently and access a broader set of financial services to grow their businesses. Through this platform, businesses will also be able to improve record keeping and chances to access credit from financial service providers. To date, this platform has delivered features such as financial and payment management, as well as supplier and customer management. The system is on track to be piloted in 2020.



Project Overview

CATALYSING *new financial solutions*

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

Key Challenges

- 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



COMPLETED PROJECTS:

Rural health insurance (Ushirika Afya)

Developed by the National Health Insurance Fund (NHIF) under Mfumo Jumuishi initiatives, Ushirika Afya health insurance for farmers was launched over the year. To date more than 200,000 farmers have enrolled. The Simiyu region plans to carry out a regional initiative to register all of its cotton farmers and the initiative is expected to register up to 300,000 farmers, requiring FSDT facilitation to develop partnerships with the NMB bank and NHIF to jointly mass register farmers and to offer them both banking and health insurance services.

Process improvement for the mobile insurance product

MILVIK microinsurance company has already completed the process improvement initiative for their mobile insurance product together with the desk review, secondary data sources and quantitative segmentation of customers and agents. The final phase of prediction models for customer churn and agent access has been launched. This solution aims to improve efficiencies within customer experience with insurance.

Unlocking the power of AMCOS

With an estimated membership of 5 million, Agricultural Marketing Cooperative Societies (AMCOS) can play an important role in improving financial inclusion among farmers by creating links between farmers and financial service providers. In fact, cashew farmers were paid through formal financial services during the year through bank accounts that are increasingly farmer-friendly. This was a first for any agricultural sector in Tanzania and would not have been possible without FSDT's earlier intervention to facilitate financial services and inclusion to cashew farmers.

Key successes include:

- Mfumo Jumuishi, a model which links farmers to financial service providers, was introduced to cotton farmers in Simiyu during the Nane Nane Fair Exhibitions of the contribution of farmers to the Tanzanian economy.
- Awareness-raising campaigns were launched by the key stakeholders (banks, AMCOS, VODACOM, Gineries and Mfumo Jumuishi partners) in the Lake Zone for the Cotton Value Chain Model which promotes increased information on productivity and transparency on marketing and pricing of crops.
- Awareness creation of the model to other value chains for scaling up.

In May 2019, the Prime Minister, Hon Kassim Majaliwa, issued a directive for cotton farmers to be paid through bank accounts or other formal financial services and referred to the cashew mode of payment as a testament of the success of FSDT's and Mfumo Jumuishi's model for financial inclusion for smallholder farmers. The same model is now also being applied to coffee farmers in Kagera and the government plans to implement the model nationally with farmers in five strategic crops including cotton, cashew, coffee, tobacco and tea. This model is very likely to lay the foundation for the monumental shift on how millions of rural households are engaging with financial services in Tanzania.

PROJECTS IN PROGRESS:

Support innovative distribution channels and development of female micro health insurance product (MHI)

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

Digitise, direct and design transactions for female Tanzania Social Action Fund (TASAF) beneficiaries

In the goal to promote financial inclusion and economic empowerment for women on low incomes through the adoption and usage of well-designed digital financial services and products, a diagnostic study was conducted to understand how best the TASAF programme can be designed to enhance women's economic empowerment through digital cash transfers. The study findings were instrumental in aiding the project design. To facilitate smooth implementation, the focus of the work during the year has been to ensure alignment, relationship building and common understanding of project objectives between TASAF, FSDT and other development partners supporting the project. As a result, a signed Memorandum of Understanding (MoU) between TASAF and FSDT has been put in place, which includes detailed activities and expected deliverables.

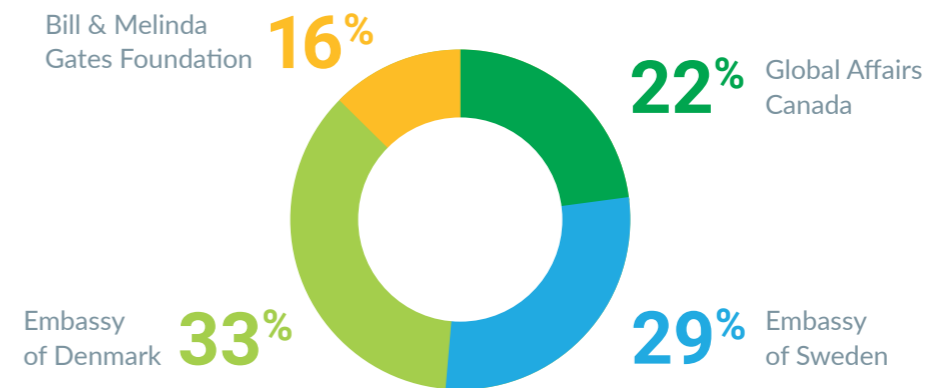
Financial Summary

We would like to acknowledge the contribution of our dedicated team and development partners to achieve significant progress over 2018-2019 to improve financial inclusion across Tanzania and pave the way for sustainable inclusion for women, youth, farmers, rural dwellers and small businesses.

The Annual Report 2018-2019 highlights the success of the initiatives lead by FSDT, working towards our goal that all Tanzanians derive value from regular use of financial services which are delivered with dignity and fairness.

In support of this work, during the financial year ending 30 June 2019, the Trust received a total of US\$ 5.72 million from Global Affairs Canada (GAC), the Bill & Melinda Gates Foundation (BMGF), the Embassy of Denmark and the Embassy of Sweden and made additional funding agreements with the BMGF and the Embassy of Denmark to fund our women's strategy.

Annual projected disbursements for the BMGF and the Embassy of Denmark were increased by US\$ 500,000 and US\$ 729,639 respectively, following new funding committed mid-year.



Financial Position

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

ASSETS	2017 USD in millions	2018 USD in millions	2019 USD in millions
Non-Current Assets			
Furniture and equipment	0.18	0.13	0.11
Loan receivables	1.94	1.45	-
Redeemable preference shares	0.29	-	-
Current Assets			
Loan receivables	0.06	-	0.43
Other receivables	0.33	0.50	0.30
Cash and cash equivalents	2.97	4.27	3.29
TOTAL ASSETS	5.78	6.35	4.03
FUNDS & LIABILITIES			
	2017 USD in millions	2018 USD in millions	2019 USD in millions
Funds			
Accumulated surplus	1.45	1.5	1.66
Non - Current Liabilities			
Deferred Income	0.18	0.13	-
Current Liabilities			
Deferred Income	3.81	3.65	1.57
Other payables	0.34	1.07	0.91
TOTAL FUNDS & LIABILITIES	5.78	6.35	4.14

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

INCOME	2017 USD in millions	2018 USD in millions	2019 USD in millions
Grants	9.85	10.16	7.93
Less: Pass Through	-2.24	-2.43	1.52
Net Grants	7.61	7.73	6.42
Investment Income	0.02	0.05	0.03
Other Income	1.05	0.00	0.01
TOTAL INCOME	8.67	7.78	6.45
EXPENSES			
	2017 USD in millions	2018 USD in millions	2019 USD in millions
Project Activities	6.03	6.00	4.85
Governance Cost	1.00	0.88	1.03
Staff Cost	0.43	0.47	0.34
Exchange Loss	0.04	0.03	-
Depreciation	0.08	0.08	0.06
Loss on Disposal of Fixed Assets	-	0.00	-
Impairment	0.03	-	-
Provision for doubtful debts	-	0.27	-0.08
TOTAL EXPENSES	7.61	7.73	6.20
Deficity / Surplus for the Year	1.06	0.05	0.25

[Contents & Abbreviations](#)
[Chairperson & Director's Notes](#)
[About FSDT](#)
[Market Overview](#)
[Significant Unmet Demand](#)
[Project Overview](#)
[Advocating for regulatory change](#)
[Stimulating increased usage of financial services](#)
[Promoting smart ways to overcome market constraints](#)
[Catalysing new financial solutions](#)
[Financial Summary](#)



Financial Sector Deepening Trust
2nd Floor "De Ocean Plaza"
Plot 400 Toure Drive, Oysterbay
P.O. Box 4653
Dar es Salaam, Tanzania

info@fsdt.or.tz | www.fsdt.or.tz
+ 255 222 602873/5/6