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**Delivery of Micro Credit Services for Poverty  
Reduction**

**The Case of Changamoto Life Preservation Fund**

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Munira H. Said  
2005

## DECLARATION

I, Munira Humoud Said, hereby declare that the contents of this report to the best of my knowledge are my own original work, study and findings, and to the best of my knowledge, has not been submitted or presented for the similar degree or any professional award that I know of in any higher learning institution or any other University.



## **DEDICATION**

To my family, friends and working colleagues in ZIFF for all the support they gave me throughout this course.

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Any errors or shortcomings are mine alone and not the ascribed people above.

Munira H. Said  
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## ABSTRACT

Changamoto LPF as an NGO located in Zanzibar extends service to over 500 individuals. A major concern of Changamoto LPF just like other semi formal microfinance institutions that are not for profit NGOs, is the problem of inadequate loan amount and high transaction costs even if repayment rate is now high. The gap between requirements for credit and the supply is too big and a major constrain to Changamoto LPF. It is a challenge that needs to be overcome in order to enhance sustainable means to income generation. Besides resource requirements, capacity constrain to manage micro financing services, lack of entrepreneurial skill inhibits product improvement.

An assessment of the organization was undertaken to derive findings that would form the basis to justify seeking more support to maximize the effectiveness and efficiency of providing microfinance services not exclusively to the poorer but also to minimize leakage to the less poor. To begin with, attention was given to identify the main characteristics, features, aspirations and needs of Changamoto LPF in relation to credit delivery for poverty reduction. Henceforth, the organizational assessment extended to the Changamoto LPF culminated in project proposal writing as justification to potential donors to secure soft loan or grant thus increase loan portfolio and widening outreach to the needy individuals or groups in the community, as well as to enhance core networks in credit delivery. Support is also required to consolidate ongoing effort to improve management of Changamoto LPF to operate more efficiently so that members of the communities are motivated to undertake viable ventures that would change their economic well being for the better.

The organization can best deliver effective and sustainable service to their clientele if management itself has the skills and capacity to manage and monitor credit delivery to meet the sector goals and enhance poverty reduction and gender equity at large within the emerging economies. In this context, complementary services like infrastructure require more public sector investment.

## **LIST OF ABBREVIATIONS AND ACRONYMS USED**

<b>CBO</b>	Community Based Organization
<b>CED</b>	Community Economic Development
<b>CEO</b>	Chief Executive Officer
<b>CLPF</b>	Changamoto Life Preservation Fund
<b>GDP</b>	Gross Domestic Product
<b>GOT</b>	Government of Tanzania
<b>FINCA</b>	The Foundation for International Community Assistance
<b>MFI</b>	Microfinance Institution
<b>MEDA</b>	Mennonite Economic Development Association
<b>NGO</b>	Non governmental Organization
<b>RFMs</b>	Rural Financial Markets
<b>RFIs</b>	Rural Financial Institutions
<b>SACCOS</b>	Savings and Credit Co-operative Societies
<b>SADC</b>	Southern Africa Development Community
<b>SELF</b>	Self Entrepreneurship Loan Facility
<b>SNU</b>	Southern New Hampshire University
<b>SWOT</b>	Strengths; Weaknesses; Opportunities; Threats
<b>TAMFI</b>	Tanzania Association of Micro Finance Institutions
<b>UNDP</b>	United Nations Development Programme
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>UWAZI</b>	Umoja wa Wazalishaji Wadogo (Association of Small Producers)
<b>ZAFOPA</b>	Zanzibar Food Processors Association
<b>ZNCCIA</b>	Zanzibar National Chamber of Commerce, Industries and Agriculture
<b>ZIFF</b>	Zanzibar International Film Festival



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## **Executive Summary**

Changamoto LPF as an NGO that provides small loans to the poorer members of the Zanzibar community within the vicinity of urban and west districts, face a number of challenges due to limited resources and inadequate capacity to manage loans. Access to finance is very limited and currently the NGO get a loan from another microfinacing NGO in mainland, SELF. Members get credit to do small business but funds have to turn around relatively quickly. There is hardly any saving to expand business or invest in any big loans. Loans to invest in bigger business have to come from formal banking system as they need to be longer term but the condition to have collateral limits the poor families from taking loans from banks.

The background report of this paper reviews existing micro financing sector in Tanzania with specific reference to credit delivery services undertaken by Changamoto LPF.

Chapter 1 of this report covers background information to the project as well as the description of the activities undertaken by the NGO and problems faced in delivering small loans to the poorer members of the Zanzibar community within the vicinity of urban and west districts.

Chapter 2 briefly review the socio economic context and the national policy environment in which micro financing presently operates with emphasis on the existing capacity of the Changamoto to meets its objectives and how it can improve its loan portfolio. The literature review covers both theoretical and empirical aspects.

Literature point one positive aspect compared to past years explicitly in the improvement in repayment culture where, politicizing in credit delivery, loan repayments would be delayed and later declared as grants in the faces of collection difficulties and misconceived schemes. This has contributed to the general perception that loans may be delayed or even pardoned over time.

Chapter 3 describes the methodology used in obtaining the information from the respondents and subsequent analysis. Questionnaire method was used and respondents included Board of Trustees, the Executive Committee, management and credit beneficiaries. Documents were reviewed and group discussions carried out. An assessment of the organization was conducted by looking into the organization available documents and conducting interviews with various interest groups including members of management, loan beneficiaries and community at large.

Chapter 4 describes general findings that arose from the conducting of the exercise. The findings formed the basis to write a proposal that justify for financial support to expand loan portfolio. It was observed that Changamoto LPF faces a number of challenges due to limited resources and inadequate capacity to manage loans. Access to finance is very limited and currently the NGO gets loan from SELF, a microfinacing NGO in Tanzania mainland for onlending to poorer members of community to do small business but funds have to turn around relatively quickly.

There is hardly any saving to expand business or invest in any big loans. Loans to invest in bigger business have to come from formal banking system as they need to be longer term but the condition to have collateral limits the poor families from taking loans from banks.

On the other side, empirical finding shows that Changamoto LPF is successful in the sense that it has shed the conventional view that microenterprise finance cannot finance viable small loans and able to restore confidence over the distressing legacy that subsidies and directed credit will fail and create many skeptics. Loan repayment has been varying between 96- 98% and is made possible through joint liability where a handful of borrowers guarantee each other loan.

It is therefore concluded that individual character lending can be effective where the social structure is cohesive as has been demonstrated not only in credit programmed abroad but in Changamoto LPF as well. Cost effective identification of the poor and the poorest women is also essential to achieve the goal of reducing poverty. Economic transformation to the credit beneficiaries is notably limited and expectations marginal. The main reason behind the slow progress is primarily inadequate capital accumulation and lack of entrepreneurial skills. However it is worthwhile to note that significant progress have been made in making the credit grantees undertake a viable bread earning activity.

At the same time, gender disparities among loan beneficiaries are manifested in the type of business activities undertaken by women and the amount of loans desired. Most women take small loans to undertake gender stereotype and less risky petty business compared to their male colleagues such as dress making and food vendoring.

Conclusively, chapter 5 provides a project proposal to seek further resources for utilization to achieve operational efficiency, building capacity to foster financial self sufficiency and significant outreach especially women.

## CHAPTER ONE

### 1.0 COMMUNITY BASED ORGANISATION BACKGROUND

#### 1.1 *BACKGROUND TO PROJECT*

As part of the learning process and participation in the Community Economic Development Program, engagement with Changamoto LPF from December 2003 to January 2005 offered practical knowledge and fostered an interactive learning between the surveyor, loan beneficiaries and community at large. This arrangement was made to accomplish practical solutions to the main area of intervention that Changamoto LPF identified as a priority need within the challenges the organization faces. It helped to:

- Create the opportunity to collect information and verify assumptions through quantitative and qualitative research methodologies
- Provide the opportunity to assess the impact development initiatives on poverty using Participatory Action Research at community level

#### 1.2 *BACKGROUND TO CHANGAMOTO LPF*

Changamoto LPF is a micro lending NGO that provides micro credit service to the poorer members of the Zanzibar community to engage in legal productive activities as means to maintain sustainable income. Changamoto LPF is registered as a non governmental organisation in September 1997 under Society Act No. 6 of 1995 with a registration No. 48. The NGO replaced 'Changamoto Saving and Credit Society' that was registered under the provision of Cooperative Act of 1986 due to the need to:

- Advance its services to interested non members of the NGO
- Incorporate other income generating and gender activities not legally covered under the Cooperative Act such as establishing of micro and medium scale credit programs

Changamoto LPF is a membership organization with a total of 392 members (60% women), providing credit to low income people, members and non members as a source of short term working capital. The main components of the fund are the owners' fund which serves the saving and credit wing, micro finance serving micro business activities and hire purchase which serves loans on special commodity. Changamoto LPF is a member of TAMFI.

##### 1.2.1 Mission And Objectives

**VISION:** Poverty Free Society

**MISSION:** Changamoto LPF is committed and dedicated to provision of credit, education, consultancy and encourage self employment and sustained income to the needy Zanzibar community

**GOAL:** To assist, support and encourage country's efforts in poverty alleviation process through provision of micro credit, consultancy and networking with local NGOs, government institutions, corporate sector and donors.

The project was designed on the basis of a number of fundamental principles as defined in the Changamoto LPF business plan including:

- Increase of 40% Portfolio of hire purchases, and saving and credit
- Increase of 3% repayment rate of micro finance scheme. The current repayment rate is 96%
- Increase of loan portfolio to Sh. 40,000,000.
- improve business to 300 micro business group
- Enhance relations with government institutions, corporate sector, local non governmental organizations and international organizations
- Improve technical competence of the members on monitoring and evaluation, credit management and office management.

### 1.3 *ACTIVITIES/PROGRAMS*

The main activities of Changamoto LPF as a transformed NGO include:

- Saving and Credit Scheme
- Credit delivery
- Girls Education program
- Owners Fund: This serves the saving and credit from members
- Micro Finance/Loan Facility: Serves the micro business activities by providing credits to members and non members from the community to undertake income generation activities
- Hire Purchase: Serves loan on special conditions. The organization buys assets and durable goods on behalf of clients who then do monthly repayments at 20% interest. This component is closing due to lack of adequate funds.

#### 1.3.1 Credit Schemes

The scheme provides credit to members of the society to engage in income generating activities. Changamoto LPF provide micro financing to women and men with major emphasis being put to youth and women within urban and west districts in the urban west region who use the facility to run small business such as kiosks, carpentry workshops, fruit stands, tailoring, selling charcoal, poultry, vegetable farming, retail shops and other petty trading. The organization provide small loans that is progressive from Sh.50,000/- to Sh.1,000,000/-. The loan is paid back monthly at maximum period of six months at 20% interest rate.

The initiative to provide loans to members of communities is very much in line with government policy on micro finance where the overall regulatory framework set by government is intended to affect the ability of micro finance

institutions to become more market oriented, integrated and able to provide financial services to the poor. The principal providers of financial services to the poor and low income households in the rural and urban areas of Tanzania consist of licensed commercial banks, regional and rural units' banks, saving and credit cooperative societies, and several NGOs whose micro- credit delivery operations are funded and supported with technical assistance by international donors. Changamoto LPF is capitalized through loan from SELF which is a government funded microfinance institution which in turn is donor funded.

### 1.3.2 Training

The NGO provide training that would prepare income generating groups to visualize the importance of proper utilization of credit to realize the intended business objectives. In particular, the training focuses on proper record keeping, business management and loan repayment.

### 1.3.3 Girls Education Program

The need to pay special attention to the promotion of women's interests was further recognized as a result of a survey done earlier that show that most of the women clients wanted loan to get income to provide for their children education. It is obvious that such short term loan period does not allow the women to build up an adequate savings amount to confidently face future challenges. The credit with education program is a pilot project administered within the organization. This component recognizes the need to link education with income earning because if women are in some way relieved their burden to enhance education of their children, the chances for employment in later years are increased. The girls' education component is funded by CARE International and has gained the approval of the Ministry of Education. The project under the terms of CARE is completing with little hope of extension. This initiative needs the support of the government besides recognition and appreciation. There are four objectives to this component:

- i) Direct support to school children by
  - Providing books to schools
  - Train teachers to promote children centers and gender sensitive methods
  - Skill teachers to develop learning material using local resources.
- ii) School committee training
  - Provide training to school committee in management skills
- iii) Library establishment and readership
  - Support schools to run libraries, supply books and motivate school children to read
- iv) Community mobilization
  - Raise awareness to communities on the girls rights to education.

## 1.4 *ASSIGNMENT*

Following the initial introduction to Changamoto LPF in Zanzibar, the NGO identified the main area for intervention on the part of student/consultant and a work plan was developed in collaboration with the management. Further, the management of Changamoto LPF identified proposal writing as one of the area requiring assistance to expand loan facility especially to women groups as key demand activity. The project needs to consider the gender perspective as women are more disadvantaged. They face grave social, economic and cultural challenges compared to men. Many studies have shown that women are highly reliable borrowers.

In this context, it was agreed then to do a SWOT analysis of the organization and an assessment of the project impact and project contribution to poverty reduction to confirm a meaningful engagement with the NGO. This exercise was intended to assist in proposal writing that would help to secure donor funding for enhanced wider outreach of poor of credit especially women. Within the course of doing this preliminary evaluation, it was necessary to survey the impact of loan on the quality of lives of the women focusing on the gender dynamics and related changes.

In the course of collecting information, verifying assumptions and interaction with clients in the Changamoto LPF, the process resulted in writing a project proposal as illustrated in chapter 5 of this report. The proposal is for the purpose of seeking grant or soft loan to allow for wider outreach of poor members of the community.

### 1.4.1 Statement of the Problem

Opportunities to access micro-credit for wider outreach to allow for poorer members of the Zanzibar community undertake micro business are limited. The loan portfolio of Changamoto LPF as a provider of credit services is not only inadequate to meet the ever increasing demand from the needy community members but decreasing as well. Loan repayment of the loan and interest to SELF should be soon be competed hence urgently need to balance the situation. The organization needs technical support to write a proposal not only to increase funding base and loan portfolio for wider outreach of the needy population but enhance business skills to sustain and expand micro business as well.

On the side of loan beneficiaries, they mostly are not able to perceive their own lack of capacities as obstruction to success. Lack of entrepreneurship skills and technical especially managerial capacities are important determinants of the success or the failure of their businesses.

### 1.4.2 Objective and Significance of the Study



The organizational assessment of Changamoto LPF has been undertaken to accomplish the need of the organization as the recipient of the technical assistance from the student leading to institutional development.

Engagement with Changamoto LPF has helped to create the opportunity to collect information and verify assumptions through quantitative and qualitative research methodologies and to assess the impact of micro financing through provision of soft loans on poverty reduction. The approach taken was designed to foster interactive learning for the student as a community development practitioner, Changamoto LPF and the University. This report under discussion is based on a set of questionnaires designed with the intention to evaluate and enhance the effectiveness of credit schemes implemented by Changamoto LPF. The questionnaires have been developed as information gathering mechanism with a threefold purpose:

1. To conduct survey to evaluate the relevance of the loan in reducing poverty to the members of community benefiting from the credit services.
2. To assess organisational capacity and commitment as a provider of micro credit schemes
3. To be able to adopt a better approach and write a micro credit project proposal that would assist Changamoto LPF to improve its loan portfolio so that more people especially women benefit from the credit services.

#### 1.4.3 Limitation of the Study

The limited time to cover a larger number of respondents and lack of confidence in some of clients may result in this study to have incorrect elements of information due to unreliable data. It is obvious that some of the respondent because they have not been exposed to such exercise before, are suspicious and associate studies as a criteria for qualifying or disqualifying for loan depending whether they speak in favour or against the program.

As a free technical consultant, the process of needs assessment was facilitated but the needs had to be compromised with the NGO staff and beneficiaries on the specific areas to be addressed taking into consideration of the time constraint and other resources.

Overall, the whole process of making an assessment of the programs of Changamoto LPF to finally develop a project proposal required to enhance the loan portfolio for wider outreach can be represented in a few processes. In building the case for support to Changamoto LPF, reviewing the organization mission, vision and objectives made it possible to predict the potential benefits of the project and identifying the resources and inputs required for project activities and the estimation of their cost.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

This chapter examines recent developments in microenterprise finance contrary to views on microfinancing trends. There is plenty of literature arguing that successful financial institutions need to learn and tap on informal financial practices. Regulatory and policy framework has to be explored as well. Both theoretical and empirical literature attempts to cite asymmetric information, important principles and a few studies within the context of microfinance.

#### 2.1 *THEORETICAL*

Micro finance is the application of innovative methodologies that make financial services available to relatively poor households and micro enterprises in small transactions suited to their conditions. (Gerard Byam, 2003). Micro financing entails provision of credit or grant by financial institution to a group or individuals to use that assistance as capital to finance their business projects or undertake an entrepreneurial exercise.

The private sector in the economy has made important progress in poverty reduction. It is described as a partner in combating poverty and to improve the well being of the people thus, the development of micro, small and medium sized enterprises (SMEs) in the country needs to go side by side with creation of a favourable, legal, regulatory and administrative environment for them. On the other side, sustainable poverty reduction will not be possible without rapid economic growth, macro-economic stability, structural reforms and social stability to enable the countries move to a higher path of sustainable growth. The effectiveness of supporting SMEs and related micro-business through provision of microfinance to contribute effectively towards poverty reduction depend to a large extent on how positively the government, the financing institutions and the society at large perceive the entrepreneurs and micro businesses in achieving self reliance.

With recent developments in microfinance, emphasis is given to two perspectives – Outreach and Financial sustainability. Outreach refers to the central purpose of micro enterprise finance to provide for a large number of poor people whereas financial sustainability represents the institutional capacity to become independent of donor or government subsidies. The micro finance has evolved and developed according to different patterns and paths in various countries and regions within the framework of different legal and regulatory influences. Reforms in finance sector and specifically the microfinance sector have improved the investment climate and practices to create favorable conditions for investment in and support to SMEs.

The development of SMEs sector fosters job creation, income generation, and finally transforms physical and human resources into sustainable economic growth and human well being. Working towards self financial self sufficiency for micro financing program is essential so as to reach and benefit poor households and this is feasible only if microfinancing institutions carry out commercially motivated strategies. Conning quote Gibbons and Meehan in their paper presented at the Microcredit summit which is a well known argument

As MFIs begin to wean themselves away from their dependence on subsidies and start to adopt the practices of good banking they will be forced to further innovate and lower costs. Not only this ultimately mean better service for the poor borrowers, but more importantly, it is argued that as MFIs become profitable they will be able to increasing(ly) tap into the vast ocean of private capital funding. If this happen the microfinance sector as a whole will soon be greatly leveraging the limited pool of donor fund and massively increasing the scale of outreach in ways that it is hoped could begin to make a truly significant dent on world poverty (Conning, 1998, p.2)

There is also positive relationship between financial liberalization and economic growth as demonstrated by King and Levine (1993) basing on cross-section analysis. They construct four financial indicators – ratio of broad money to GDP, the ratio of domestic assets of domestic banks to those of the central bank, the ratio of credit to the private sector to total domestic credit and the ratio of credit to private sector to GDP.

### 2.1.1 Mechanism of Microfinance

In the general development of infrastructure and support mechanism for the poor where the state has a direct or indirect role, there is a complex variety of types and combinations of borrowers, delivery systems, and institutional structures.

In considering two general categories that align with two general theories of the best way to help the poor by providing access to financial services:

One is favoured by people focusing on the need for economic efficiency to achieve broad, long-term economic and social development. Their objective tends to be small or micro-business formation and growth by the not-so-poor, which is assumed to create jobs, not self-employment per se, for the very poor. This is, in effect, a trickle-down approach, albeit starting at a very low level. The centre of attention is the "business."

The other theory is favoured by those focusing on social equity, rather than economic efficiency, to more immediately alleviate the daily burden of poverty,

as a first step to helping people escape poverty in the long term. Their objective tends to be self-employment of the poorest of the economically active poor, especially women, whose control of modest income and savings is assumed to empower them to improve the conditions of life for themselves and their children. The centre of attention is the "family."

There seem to be fundamental differences between these two categories of microfinance-in their objectives, structure, and clients; and they require distinctly different program designs even if the two viewpoints are equally valid and both approaches are needed, in combination wherever possible. But deeper examination reveals that "best" in "best practices" means best for microfinance institutions, for financial performance. The total emphasis is on building large-scale financial service systems with remarkably little regard for how or to whom services are delivered.

When considering the mechanics of microfinance there are three levels of operation: the borrowers who take loans and invest them in their own micro-businesses, the loan delivery and recovery system, and the institution that fuels and manages that delivery system. In delivery of the loans to clients to individuals at grassroots, what matters most is the reinforcement of timely recovery of the loans. Common approaches include:

i) Group Lending

Many of the microfinance institutions especially NGOs enforce their programs through group lending. The solidarity group pressure and sequential lending provide strong repayment motivation and produce extremely low default rates. One of the most successful models discussed around the world is the Grameen type. The bank has successfully served the rural poor in Bangladesh with no physical collateral relying on group responsibility to replace the collateral requirements. This model, however, has some weaknesses. It involves too much of external subsidy which is not replicable. Grameen bank has not oriented itself towards mobilising peoples' resources.

ii) Progressive Lending

In progressive lending, a borrower receives at first, very small amount which increases with good payment conduct thus payment increases over time.

iii) No Collateral

Group lending in several programs in Europe and Russia has become less prominent. Individual borrower contract represent the core component of the enforcement device. The Grameen Bank for example clearly shows that lack of collateral security should not stand in the way of providing credit to the poor. The poor can utilise loans and pay them if effective procedures for bank transactions with them can be established. In case of the Grameen Bank, formation of groups with a small group of like minded rural poor has worked well, and group solidarity and peer pressure have substituted for collateral security.

Meanwhile, a new paradigm that has emerged is that it is very critical to link poor to formal financial system, whatever the mechanism taken, if the goal of poverty alleviation has to be achieved. NGOs and CBOs have been involved in community development for long and the experience shows that they have been able to improve the quality of life of poor, if this is an indicator of development. It is desired that an intermediary institution is required between formal financial markets and grassroots. The intermediary should encompass the strengths of both formal financial systems and NGOs and CBOs and should be flexible to the needs of end users. There are, however, certain unresolved dilemmas regarding the nature of the intermediary institutions. There are arguments both for and against each structure. These dilemmas are very contextual and only strengthen the argument that no unique model is applicable for all situations. They have to be context specific.

It is in this context that four pillars of microfinance credit system (Fig. 1) namely supply, demand for finance, intermediation and regulation are important. The end situation is accessibility of finance to poor.

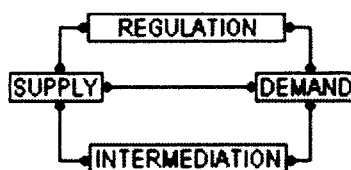


Fig 1: Pillars of Microfinance

To each component, initiatives should focus to get desired situation to cure the existing situation.<sup>1</sup>

### DEMAND

Existing Situation	Desired Situation
<ul style="list-style-type: none"> <li>• Fragmented</li> <li>• Undifferentiated</li> <li>• Addicted, corrupted by capital &amp; subsidies</li> <li>• Communities not aware of rights and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Organized</li> <li>• Differentiated</li> <li>• De-addicted from capital &amp; subsidies</li> <li>• Aware of rights and responsibilities</li> </ul>

<sup>1</sup> Source: Tiwari and Fahad, Microfinance Institutions in India pg. 16,17,18)

## SUPPLY

Existing Situation	Desired Situation
<ul style="list-style-type: none"> <li>• Grant based (Foreign/Government)</li> <li>• Directed Credit - unwilling and corrupt</li> <li>• Not linked with mainstream</li> <li>• Mainly focused for credit</li> <li>• Dominated</li> </ul>	<ul style="list-style-type: none"> <li>• Regular fund sources (borrowings/deposits )</li> <li>• Demand responsive</li> <li>• Part of mainstream (banks/FIs)</li> <li>• Add savings and insurance</li> <li>• Reduce dominance of informal, unregulated suppliers</li> </ul>

## INTERMEDIATION

Existing Situation	Desired Situation
<ul style="list-style-type: none"> <li>• Non specialized</li> <li>• Not oriented to financial analysis</li> <li>• Non profit capital</li> <li>• Not linked to mainstream FIs</li> <li>• Not organized</li> </ul>	<ul style="list-style-type: none"> <li>• Specialized in financial services</li> <li>• Thorough in financial analysis</li> <li>• For profit</li> <li>• Linked up to FIs</li> <li>• Self regulating</li> </ul>

## REGULATION

Existing Situation	Desired Situation
<ul style="list-style-type: none"> <li>• Focused on formal service providers (informal not regulated)</li> <li>• regulating the wrong things e.g. interest rates</li> <li>• Multiple and conflicting</li> <li>• Negatively oriented</li> </ul>	<ul style="list-style-type: none"> <li>• Include informal service providers</li> <li>• Regulate rules of game</li> <li>• Coherence and coordination across regulators</li> <li>• Enabling environment</li> </ul>

### 2.1.2 Key Principles of Microfinance <sup>2</sup>

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<sup>2</sup> Key principles of Microfinance as developed by CGAP, a consortium of 28 public and private development agencies working together to expand access to financial services for the poor and further endorsed by the Group of Eight leaders at the G8 Summit on 10 June 2004

Most of the existing microfinance institutions are facing problems regarding skilled labour which is not available for local level accounting. Drop out of trained staff is very high. One alternative is automation which is not looked at as yet. In observing some principles of microfinance, some persistent issues in regulatory policies and institutional arrangements can be dealt with to help leverage of resources available for the poor effectively and in a sustainable manner.

1. **Microfinance is a powerful tool to fight poverty.** When poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education.
2. **Microfinance means building financial systems that serve the poor.** In most developing countries, poor people are the majority of the population, yet they are the least likely to be served by banks. Microfinance is often seen as a marginal sector—a “development” activity that donors, governments, or social investors might care about, but not as part of the country’s mainstream financial system. However, microfinance will reach the maximum number of poor clients only when it is integrated into the financial sector.
3. **Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people.** Most poor people cannot get good financial services that meet their needs because there are not enough strong institutions that provide such services. Strong institutions need to charge enough to cover their costs. Cost recovery is not an end in itself. Rather, it is the only way to reach scale and impact beyond the limited levels that donors can fund.
4. **Microfinance is about building permanent local financial institutions.** Finance for the poor requires sound domestic financial institutions that provide services on a permanent basis. These institutions need to attract domestic savings, recycle those savings into loans, and provide other services. As local institutions and capital markets mature, there will be less dependence on funding from donors and governments, including government development banks.
5. **Microcredit is not always the answer. Microcredit is not the best tool for everyone or every situation.** Destitute and hungry people with no income or means of repayment need other kinds of support before they can make good use of loans. In many cases, other tools will alleviate poverty better—for instance, small grants, employment & training programs, or infrastructure improvements. Where possible, such services should be coupled with building savings.
6. **Interest rate ceilings hurt poor people by making it harder for them to get credit.** It costs much more to make many small loans than a few large

loans. Unless micro lenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs. Their growth will be limited by the scarce and uncertain supply of soft money from donors or governments. When governments regulate interest rates, they usually set them at levels so low that microcredit cannot cover its costs, so such regulation should be avoided. At the same time, a micro lender should not use high interest rates to make borrowers cover the cost of its own inefficiency.

7. **The role of government is to enable financial services, not to provide them directly.** National governments should set policies that stimulate financial services for poor people at the same time as protecting deposits. Governments need to maintain macroeconomic stability, avoid interest rate caps, and refrain from distorting markets with subsidized, high-default loan programs that cannot be sustained. They should also clamp down on corruption and improve the environment for micro-businesses, including access to markets and infrastructure.
8. **Donor funds should complement private capital, not compete with it.** Donors provide grants, loans, and equity for microfinance. Such support should be temporary. It should be used to build the capacity of microfinance providers; to develop supporting infrastructure like rating agencies, credit bureaus, and audit capacity; and to support experimentation. In some cases, serving sparse or difficult-to-reach populations can require longer-term donor support. Donors should try to integrate microfinance with the rest of the financial system. They should use experts with a track record of success when designing and implementing projects. They should set clear performance targets that must be met before funding is continued. Every project should have a realistic plan for reaching a point where the donor's support is no longer needed.
9. **The key bottleneck is the shortage of strong institutions and managers.** Microfinance is a specialized field that combines banking with social goals. Skills and systems need to be built at all levels: managers and information systems of microfinance institutions, central banks that regulate microfinance, other government agencies, and donors. Public and private investments in microfinance should focus on building this capacity, not just moving money.
10. **Microfinance works best when it measures—and discloses—its performance.** Accurate, standardized performance information is imperative, both financial information (e.g., interest rates, loan repayment, and cost recovery) and social information (e.g., number of clients reached and their poverty level). Donors, investors, banking supervisors, and customers need this information to judge their cost, risk, and return.

## 2.2 EMPIRICAL



Micro-Enterprises and the Informal Sector offer great scope for imaginative projects. Informal sectors entrepreneurs have become an increasingly important part of the economy and their contribution to GDP has grown from an estimated 6% in 1979 to 32% in 1991. Support of these activities, through the provision of tools, training and credit, expected to have a strong and positive impact on incomes. (UDEC, 2000: Current Initiatives in SME support in Tanzania)

Conventional view has held that micro enterprise finance helps poor people and therefore desirable for development. Yet, is not financial viable because it is too costly to administer even if it is a desirable development activity in helping the poor.

Past efforts using subsidized and directed credit have not been financially self sufficient and usually became recapitalized quickly thus have left a distressing legacy of failed programs and created many skeptics (Focus Note No. 2, October 1995).

Recent studies prove that micro finance institutions can indeed be self-sustaining and micro-enterprise finance demonstrates that some learning has taken place from past mistakes. Outreach and service to the poor is therefore very important but requires funding to reach a significant number of the poor. Grants and soft loans have played and will continue to play a major role towards this goal but in the case when these loans do not meet funding requirements for scaling-up, only formal financial institutions are likely to be able to help. It is now recognized that such trade off between working with the poor and these financial institutions is not inevitable. There are several studies that have profiled successful stories and their results concluded that their results showed that "full self sufficiency can be achieved by institutions serving the poor" (Christen et al 1995).

Part of the ability of the microfinance movement is its view of the poor as a market. They will pay, even from their paltry resources, for that which they perceive to be of real value to them. This market need to be both value-driven and business-minded to the very poor rather than with the product to be sold. This kind of market-oriented design work is still in its infancy. Indeed micro finance systems are increasingly becoming an integral part of the financial sector. Diversification of financial institutions has resulted in some microenterprises to respond to needs for financial sector services including women micro business.

"Microfinance is playing a key role in the economies of many developing countries, providing small-scale entrepreneurs with the access to financing that is so often unavailable from commercial and state banks. ...."

--George Soros, Founder and Chairman, Open Society Institute

### 2.2.1 Sources of Microfinance

In practice, microfinance services are provided by three types of sources

- Financial institutions such as rural banks and cooperatives

- Semi formal institutions such as non-governmental organisations
- Informal sources such as money lenders

Institutional microfinance includes microfinance services provided by both formal and semi formal institutions whereas private money lenders are not considered under institutional microfinance. Private money lenders are discouraged due to security reasons and their high rates on loans. In some cases guarantees or other collaterals like jewellery is offered as security.

The NGOs with a majority of female clients tend to offer small and short term loans in the services of small manufacturing and commercial sector while banks and credit unions are more likely to provide funds for agriculture, housing and consumption as well as enterprise development. NGOs are the only type of microfinance institutions with fewer depositors than borrowers. Programs are charged interest rates and fees that cover the real costs of delivering financial services.

As for some examples in Sub Sahara, most of the SADC countries have a history of financial repression but following global changes towards economic liberalization in the early 1990's, they moved towards market determined interest rates, liberalization of trade and foreign exchanges regimes and adopting various instruments of monetary policy. (Khawari, 2004) At the same time, the economic growth required to reduce poverty is much higher in Africa than in other regions. According to the World Bank (2000), sustained growth is essential to reduce poverty, especially when it increases per capital consumption. Also, according to the report 'Can Africa claim the 21<sup>st</sup> Century?', simply preventing an increase in the number of Africa's absolute poor over the next 15 years will require annual growth of more than 5% - almost twice the level since 1973; and achieving the International Development Goal of having severe poverty by 2015 will require more than 7%, as well as a more equitable distribution of income.

#### 2.2.2 The Tanzania Experience

If we take the empirical analysis of some studies in Tanzania, the literature provide conceptual framework exploring the role of microfinancing institutions and financial liberalization in explaining the sustained interest rate premium offered in a number of emerging economies to counter the common argument that low income people have no capacity to pay back loans or to save. Empirical findings at this point, suggests that these people have the capacity to do so when given the opportunity to in the way of access, security and institutions tailored to suit their income earning activities.

The macro-economic situation in Tanzania during the last few years has been reasonably stable. Growth is sustained at 4 to 6 percent per annum, inflation is historically low 15-20 percent, interest rates have stabilised at 25-30 percent and foreign exchange is accessible at now stable rates ( *Bureau of Statistics*). The financial system is going through substantial adjustments. There is the break and

privatisation of the government owned sole commercial bank. In addition there is commercialisation and urbanisation of the former rural development bank and an across country reduction of the rural bank branch network, entry of few urban specialising private banks and overall contraction of formal credit to the agriculture and rural micro-enterprise sectors. It is prime time for rural financial enthusiasts to address the problem of reduced services by financial institutions in the disadvantaged areas.

The Government has taken several initiatives to strengthen the institutional rural credit system including expanding the rural branch network of commercial banks imposing certain policy prescriptions in order to ensure greater flow of credit to agriculture and other preferred sectors. Better services are enhanced when global best practices are adapted to local context and incorporated to institutional providers of microfinance services such that they are able to provide their clients expanded access to financial services but Tanzania has quite along way to successfully play best practices. For instance, CRDB Bank despite having a wide branch network in most regional headquarters has stringent lending requirements for large loans.

The principal providers of microfinance services in Tanzania are the Savings and Credit Cooperatives (SACCOS) even if they have limited access to external funds and they lack skilled manpower in banking and financial competence SACCOS portray semi-formal features, which adds to their strengths. Other providers of financial services to the poor and low income households in the rural and urban areas of Tanzania consist of licensed commercial banks, rural unit banks, and a variety of NGOs which deliver microcredit operations, themselves being funded by international donors. To cite a few cases:

There are at present several projects in this area from which the programme can learn and on which it can build. Much effort is being expended to strengthen skills and capitalize the informal sector. It could bring added resources to replicate successes and help restructure those which show promise despite difficulties.

### **KCB and SACCOS in Northern Tanzania**

Based on case study by Temu under Community Initiatives for Sustainable Financial Services, lessons from the Kilimanjaro Co-operative Bank and its nucleus entities, the Savings and Co-operative Credit Societies (KCB-SACCOS model of an RFI), The KCB-SACCOS model has managed to contend with difficulties that have led to failures of former rural financial institutions.

The KCB-SACCO model has strategically tapped on the coffee economy by providing farmers with direct deposit facility of their proceeds earned from coffee sales. The KCB-SACCO model has managed to fit very well within the socio-economic milieu of the local people and it makes use of traditional and customary

by-laws in leadership, enforcing financial discipline e.g. repayment of loans and in preventing strategic defaults.

The SACCOS have been growing in numbers and sizes in the region, 16 in 1986 to 104 in 1997. Members have increased from 713 in 1986 to 73,629 in 1997. Member deposits at SACCOS have grown at a rate of 130 percent per annum. In addition SACCOS together with coffee marketing primary co-operatives and their unions formed a bank (the KCB) in 1995 by buying the majority shares, hence the KCB-SACCOS rural finance institution model highlight their successes and the salient features attributing to the potential sustainability.

Empirical findings register an increase in deposits from Tsh 311 mill (US\$ 478,450) in 1996 to Tsh 1,352 mill (US\$ 2mill) in 1998. The loan portfolio has grown from Tsh 16 mill (US\$ 24,000) in 1996 to 771 mill (US\$ 118,600) by 1997, all being good debts with minimal signs of strategic default which characterised older banks (CRDB and NBC) lending operations. KCB provides training, general capacity building services and support to the SACCOS, who in turn act as business conduits in reaching a wider client base at a low cost. The bank is making profit and is set to remit dividends to its shareholders.

### **SELFINA<sup>3</sup> (SERO Lease and Finance Company) - Tanzania**

SELFINA is a micro-leasing company that makes capital available to women's and indigenous businesses in Tanzania through lease finance, loans and bank guarantees. Financial Micro-Leasing is a contractual arrangement between two parties, which allows one party, (the lessee) to use an asset owned by the other (the lessor) in exchange for specified periodic payments. The lessee, who in this case runs a micro-business, uses the asset and pays rental to the lessor, who legally owns it. The owner of the leased item expects the lessee to make lease payments by generating sufficient cash flow. This feature of micro-leasing enables borrowers without credit history and collateral to access the use of capital equipment or other items with the aim of increasing their efficiency and modernizing their businesses to enable them to increase their income.

SELFINA was established by the SERO Enterprise Initiatives Ltd in 1992. It also established the SERO Businesswomen's Association (SEBA) in 1994 with the aim of enhancing women's economic development through the provision of training in entrepreneurship. In 1995 as a limited company with the aim of providing lease finance and loan capital to assist poor female entrepreneurs by providing lease finance and loan capital to enable them to start or expand their businesses. SEBA and SELFINA are therefore 'sister' companies under the SERO group umbrella.

Until July 2001, over 2300 women have benefited from the services of SELFINA since the start of its operations in 1997 with leases and loans worth TSh 1.3

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<sup>3</sup> Source: Pinder, 2001

Billion<sup>4</sup> issued to women during this period. During 1999/2000 financial year, SELFINA was able to give leases and loans to 600 women worth TSh. 250 Million, all from the revolving fund without support from donors or other outside sources. SELFINA has developed a cost-effective method of assessing clients needs through weekly focus groups and sectoral case studies as this contribute to a sense of ownership amongst clients. Repayment rate is high at 97%. The weekly focus groups are also an opportunity to test ideas on new products and forms of delivery with clients.

SELFINA's facility is open to all women as long as they meet the criteria for leasing and have attended training sessions offered by SEBA or any other similar training organisation. Currently SELFINA is supporting women in Dar es Salaam and Coast regions.

The programme also support groups of women with disabilities including disabled, the deaf, the blind, the albinos and women engaged in micro-businesses by giving them small loans starting from TSh. 50,000. Types of businesses supported by SELFINA include catering, tailoring, secretarial, beauty salons, nursery schools, carpentry, handicrafts, water pumping, handlooms, etc.

### ***Lending Methodology***

Except for the leasing finance provided to groups of disabled clients who are often supported by local welfare NGOs, leasing finance is available to women on an individual basis. and all clients make their repayments on specific due dates assigned to each depending on when the lease agreement was signed. Repayments start immediately after one month, from the time the lease equipment was issued. Most clients finish their first lease/loan and come back for a second lease facility immediately or within a few months of repaying the first. A few clients have taken up to four leases.

Following preliminary processes, to introduce prospective clients to SELFINA' activities and procedures for lease application general conditions and important issues in the lease agreement, the client then fills in a lease /loan application form. Currently the client pays T Tsh 2000 (US\$2.30c) for the lease registration fee. Client then presents her business performance report for one month, and draws a map to show her business location and residence. The lease application form is then presented to the staff meeting for comments. Every Friday morning members of staff of SELFINA meet to discuss the general progress of the portfolio, the performance of clients in arrears, and to recommend new applications. Once a client has gone through all required processes and responsible officer is satisfied she will then ask the client to pay 15% of the value of the equipment to be leased out as down payment. This helps to share the risk between SELFINA and the client and also shows the commitment of the client towards the project she wants to undertake.

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<sup>4</sup> In August 2001, US\$1 = Tanzanian shillings 870 (T sh)

SELFINA suffered seriously from being micro-managed by a member of staff of one external-funding organisation and experienced fraudulent activity and losing credibility with both donors and clients which they have had to work hard to re-build. It now keep regular contact with their clients is critical to understanding and being responsive to their business needs and household circumstances, as well as being essential to the organisation's sustainability through its close management of the revolving fund and catching arrears early.

### ***General Findings and Lessons Learnt on Microfinance Practices in Tanzania***

- The case studies cited in this report as well as other studies in Tanzania, provide basic insight as to challenges facing microfinancing programmes and recommending measures to improve credit system.
- Widening the access of rural households to institutional credit is important to sustainable well being. Majority of the rural poor have still not been covered.
- Some lending done under the poverty alleviation schemes suffered high repayment defaults and left little sustainable impact on the economic condition of the beneficiaries.
- Women beneficiaries take female stereotyped income generating activities that are in harmony with their traditional roles like food vending, beauty saloons thus earn minimum benefit.
- NGOs and other microfinance schemes operate under different laws which render it difficult to monitor and develop common standard.
- Most of the institutions in Tanzania lack the experience, the knowledge and the capacity to be facilitators of SSE- development. Institutional capacity building is necessary at all levels. First, there is the need to enhance the capacities of the government bodies and public servants in order to be able to design appropriate policies and programs. Secondly, the capacity of the financial institutions themselves is inadequate to serve the needs.
- Capacity building across institutions is required to build professionals service providers in accounting, audit and computer information systems that understand microfinance and can work with institutions. Financial services should be improved in order to increase the access of SSEs to formal credit. Also the capacity of the non-financial facilitating institutions has to be enhanced in order to be able to satisfy the whole spectrum of the demand for business support services. The educational system can play an important role in the institutional capacity building, the development of management and technical skills and the removal of the negative attitude towards business.
- Microfinancing institutions ought to design suitable and convenient savings services in terms of form, access, simplicity and limits.
- A recovery system based on social intermediation and various options including non-financial mechanisms has proved to be effective. Another

important feature has been the community governance. The communities in which households are direct stake holders have successfully demonstrated the success of programs. A precondition for success is to involve community directly in the program.

## *2.3 POLICY*

### *2.3.1 Policy Implications*

In examining credit to private sector, improving regulatory practices associated to credit, supply of loanable funds has increased. This has set in motion the microfinance institutions becoming more market oriented and more integrated with the formal financial system and the set of the incentives for financial intermediaries to move down to market to provide financial services to the poor. Better services are enhanced when global best practices are adapted to local context and incorporated to institutional providers of microfinance services such that they are able to provide their clients expanded access to financial services. Programs are charged interest rates and fees cover the real costs of delivering financial services.

The literature on the sector identifies the legal and regulatory framework as one factor that influence the emergence of different kinds of institutional providers of microfinance and especially their development into self sustaining, commercial institutions capable of reaching growing number of poor clients, specifically in the rural communities. However, microfinance services are weak. Interest rates are not set by organization/schemes but at level too high to meet operational costs. NGOs providing microfinance services depend mostly on donor fund for their operation instead of building their own internal capacity. NGOs and other microfinance schemes operate under different laws which render it difficult to monitor and develop common standard. The National Microfinance policy paper (May 2000) pointed out that most microfinance institutions currently operating in the country as small and/or new. The policy document further urged on capacity building for the microfinance institutions to come to a level at which they can operate with large outreach, quality services and profitable operations.

State initiative in institutional and policy spheres to facilitate microfinancing to poor members of the community began in the early 1990s. Results for policymakers bear directly on critical issues facing designers of lending programs. They attempt to assess whether access to capital helps poor borrowers accumulate assets and working capital. They will also try to inform decisions on interest rate policies and the potential role for the private sector.

Policy dialogue is a necessary tool for the government on its part to undergo financial sector reforms to create supportive macroeconomic setting and a regulatory environment that allows sound financial institutions offering microfinance services to emerge and in order to (i) consolidate and streamline the existing delivery mechanisms and arrive at sustainable mechanisms; (ii) support a stronger regulatory role for the central bank; (iii) assist the Government in the privatization and improved performance of the rural banks; and (iv) phase out the priority sector lending program in collaboration with monetary institutions. Policy efforts are also necessary to revitalize the cooperative movement to leverage the existing structure, encourage states to enact parallel liberal cooperative legislation and expand cooperative companies to include the provision of financial services (UDEC, 2000)

At the same time, gender disaggregated analysis of informal sector financial institutions is important to assess the extent of segmentation to inform policies to support the development of existing institutions favouring women and look at how sector –wide reform might impact on different segments of the informal financial markets. To date many credit programs have focused on the provision of microcredit with limited attention to the broader financial environment.

Further, there is a growing consensus that financial institutional reform rather than interest rate policy is now a priority in the financial sector development in developing countries. Bank policies on lending to informal intermediaries are being reviewed to establish how they affect financial intermediaries and their clients especially women and also to improve deposit facilities.

Following government initiative to reform financial sector in 1991, Tanzania liberalized interest rates, eliminated administrative credit subsidy, restructured state owned financial institutions and allowed entry of private banks among other reforms in order to create effective and efficient financial system and strengthen BOT in regulating and monitoring financial institutions. In the same year, the Cooperative Society Act, 1991 provided the basis for the development of SACCOS as equity based institutions. The major strength of SACCOS stems on its founding principle. It is rooted in and owned by primary co-operative societies and particularly the financial link with SACCOS.

Meanwhile, as part of the microfinance revolution to enable delivery of financial services to the economically active poor, microfinance policy was enacted in 2000 to cover the provision of financial services to households, smallholder farmers and microenterprises in rural and urban sector. It covers a range of financial services, including saving, credit, payments and other services. The policy document argue that definitions of small and micro-enterprise can not be determined through arbitrary limits such as the number of employees, or the value of assets or sale. Rather, the policy is directed at services for low income families and their enterprises that have lacked access to financial services from mainstream financial institutions.



‘The Government considers micro-finance system as an integral part of the financial sector that falls within the general framework of its Financial Sector Reform Policy Statement of 1991, the overall objective of the policy is therefore to establish a basis for the evolution of an efficient and effective micro-financial system in the country that serves the low income segment of the society, and therefore contribute to economic growth and reduction of poverty .....’. (The National Microfinance Policy, May 2000).

The policy build the infrastructure through the establishment of framework and the guiding principles within which microfinance operations will develop, describing the roles of the various implementing agencies and serving as a guide for coordinated intervention by the respective participants in the system.

The policy is guided by a vision of achieving a widespread access to micro-finance throughout the country, made possible by institutions operating on commercial principles including specialized and non specialized banks, non bank financial institutions, rural community banks, cooperative banks, SACCOS and NGOs.

The key elements of the financial sector reform include interest rates, elimination of administrative credit allocation, strengthening of the Bank of Tanzania’s role in regulating and supervising financial institutions, restructuring of state-owned financial institutions and allowing entry of private banks both local and foreign banks. Yet, financial services to the poor and low income households in the rural and urban areas are slow to develop and their access to financial services remain very low, and in this context poverty in Tanzania remains a rural phenomenon. Microfinance institutions have remained weak due to a number of factors as quoted in the National Microfinance policy document including:

- Interest rates are not set by organizations/programs/schemes themselves but at levels to meet operational costs.
- NGOs that are provider of microfinance services have continued to depend on donor funds for their operations instead of building their own capacity
- NGOs and other microfinance institutions operate under different laws which render it difficult to monitor them and develop common standards
- Operational problems with respect to SACCOS include poor administrative systems and weak financial control within the societies as well as lack of effective supervision of the SACCOS as financial intermediaries.

### 2.3.2 Rural Financial Service Program (RFSP)<sup>5</sup>

As a predominantly an agricultural economy, rural savings mobilization and strengthening of micro-finance institutions in Tanzania is among the key components in her Rural Development and Agricultural Sector Development Strategies. As part of the strategy to raise its people's incomes and alleviate

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<sup>5</sup> Source: Rural Financial Service Programme

poverty to tolerable levels by year 2025, GOT embarked to establish a strong micro-finance sector through developing and adopting a Rural Micro-finance Policy covering all aspects of Micro-finance institutions (MFI) development through registration, governance, supervision and inspection. The design of the Rural Financial Services Programme (RFSP) is fully consistent with this policy and assists in ensuring its adoption throughout the programme area. The RFS Programme is a core part of International Fund for Agricultural Development's (IFAD's) country strategy for Tanzania, which was designed to create the necessary enabling environment to tackle the major constraints facing rural households.

RFSP was therefore formulated with the objective of enhancing the capacity of rural communities to build strong micro-finance institutions using their own efforts and resources. The Programme under the auspices of the Prime Minister's Office aims to achieve sustainable increase in incomes, assets and food security of poor rural households through enhancing their capacity to mobilize savings and investment in income generating activities. The RFSP planned to occur through development of a viable financial system, well suited for the rural environment, and capable of networking with the existing financial institutions commenced in January 2002.

Towards this endeavour, RFSP is organized in five programme components namely:

- Improvement of the Managerial Capacity and Performance of Grassroots Micro-financial Institutions (MFIs)

The component is to develop and strengthen the operational and financial performance of both existing and new grassroots MFIs and Solidarity Groups (SGs) that meet the financial needs of the rural poor in targeted program areas by developing operational frameworks for MFIs, Capacity building of Local Training Institutions, Strengthening MFIs Management capacity, and Institutional support for grassroots MFIs

- Empowering the Poor

This component is to provide rural poor target beneficiaries (women and men) with opportunities to augment their social, cultural, political and financial power influences to achieve their goals. By assisting GOT in minimizing legal, regulatory and social barriers which constrain the active and effective participation of the rural poor, especially women and the landless and creating more conducive economic and political conditions within MFIs to allow the poor to both access to funds for entering in viable demand driven income generating activities. It also help to develop business and technical skills as well.

- Access to Financial Systems

The component is to establish and strengthen the vertical linkages between formal FIs and grassroots MFIs; support FIs in facilitating the provision of Innovative Microfinance; support NGOs to extend Innovative Micro-finance services; assist the institutions strengthen MFI apex associations; expand MFIs supplementary services for credit services through the provision of RFSP Micro finance facility; operationalise the decentralised MFIs regulatory and supervisory framework currently being developed by BOT; and improve the system development and performance through the establishment of data bank

○ Monitoring and Evaluation (M&E)

The component focuses its design in response to the needs of the stakeholders including beneficiaries, participating institutions, government and concerned donors such as IFAD. M&E officers compile consolidated quarterly overview summaries of RFSP progress covering; physical progress measures and targets for the next quarter; qualitative assessment of progress with MFIs capacity building, training courses, procurements and disbursements, staff movements and other issues. Regular feedback provide timely, adequate and reliable physical, financial progress information, processes and impact information

○ Coordination and Management

The overall goal of this component is to coordinate and manage the development of MFIs savings and credit services by their members until such time that the MFIs, their apex organizations and the linked FIs take on these roles on a permanent and sustainable basis.

Within these components, there are various subcomponents all structured to extend institutional, technical and financial support for grassroots MFIs and promotion of business and skills for micro-entrepreneurs. At different levels, the Programme Management Unit (PMU) assisted with Zonal Management Units (ZMUs), District Micro-Finance Institutions Supervisors (DFISs), District Cooperative Officers (DCOs), and District Community Development Officer (DCDOs) in collaboration with its partners including NGOs, Commercial Banks, SCCULT and TAMFI, have the overall responsibility for the development of a common policy and operational framework for grassroots MFIs.

## 2.4 INSTITUTIONAL PROVIDERS OF MICROFINANCE SERVICES

Donor agencies generally provide funds as grants or soft loans to microcredit programs. Several limitations exist in terms of current methods of fund distribution by donor agencies. One significant limitation is over reliance on consultants, many of whom do not have the skills necessary to successfully advise and assist microcredit donors and practitioners. (Muhammad Yunus, 1999). The requirement to work through government also places the limitations on their ability to effectively support microcredit programs and they usually support programs in which the government plays a role

Multilateral Donors:

## ➤ International Financial Institutions (IFIs)

These institutions give commercial or soft loans to governments who in turn distribute the money to governmental microcredit programs.

## ➤ UN Agencies

They provide grants through government and UN country offices to start up programs.

## ➤ Consultative Group to Assist the Poorest (CGAP)

CGAP fund comes from a global headquarter to grass-root institutions as grants.

Bilateral Donors: Bilateral donors for example USAID extend loans and grants to both governments and NGOs either exclusively for microcredit programs or as part of a package of programs.

## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

The retrospective evaluation was for the need for survey that included credit beneficiaries and characteristics of microfinancing structures in Changamoto LPF that reliably infers the impact of services provided and subsequent intervention.

#### 3.1 *RESEARCH DESIGN*

For the purpose of collecting relevant data about program implementation, context, needs and outcome, 6 set of questionnaires were formulated to make certain that the information is collected from targeted respondents. In this case, they were developed as an assessment system for the Boards of Trustees, the Executive committee, the management, credit officers, loan beneficiaries and some members of the community. No statistical procedure was applied in determining the number of selected population for doing the assessment. The structure of the 6 set of questionnaires was similar in that it covered the same broad topics yet vary so as to tap specific data. With the exception of questionnaires for Board of Trustees and CEO, the rest were administered in Kiswahili.

The discussion with the directors would demand their time for the duration of the project and to avoid their reticence in a relatively open forum thus the questionnaire approach was in this case preferred as it involved less time and hence less cost. Peer assessments using the group discussions with some members of staff were conducted as well as one to one interviews and filling the questionnaires

The survey framework was comprised of three phases/elements:

- ❖ Firstly, establishing an Assessment Framework to be used as a basis for assessing the performance of the various sections;
- ❖ Secondly, an assessments in line with the Assessment Framework developed; and
- ❖ Thirdly, analysis to provide a detailed report on the assessment.

Most of the data collected here were qualitative ones, which enabled the researcher to do some descriptive analysis incorporated in this report. Proposal writing overlapped with second and third steps.

#### 3.2 *RESEARCH APPROACH & STRATEGY*

Version 1- 6 of the questionnaires provided the list of guide for self administered questionnaires and interviews on different focus groups (see Appendix 111). A letter accompanied the questionnaire form following an introduction letter to management.

The questionnaires contained several types of questions including multiple choice, Rank order questions, Matrix questions and free form text questions made to collect information so as to assess the effectiveness of performance in terms of financial, human resource, fundraising and loan administration skills. All of the persons on the distribution list were presented with a questionnaire. Questionnaires were distributed to respondents and the Board and questionnaires were collected or returned to Changamoto LPF in closed envelop.

An additional source of input was a series of interviews held with the CEO or former management and credit officers. These interviews were open discussions structured around several key points and issues that may have arisen from the initial responses.

### *Reporting*

A draft report of the findings of the assessment was planned to be presented to staff and loan beneficiaries in a one day workshop scheduled before a final report is finalised.

### *Timing*

In order to meet the expectations in completing this assignment within the timeframes permitted, it was assumed that the necessary personnel in the NGO and its groups will be available during the project in order to give input and to assist to facilitate deliverables. The exercise has been carried quite successfully within required deadlines without undue delay.

## **3.3 SAMPLE TECHNIQUES**

### ● *Sampling*

Generally, Probability sampling was employed to make sure that all groups have an equal chance so as to meet specific needs and contribute to knowledge. Two sampling techniques were deployed namely Purposive and Stratified random sampling.

#### **i) Purposive Sampling**

This approach applied to the members of the Board of Trustee, the Executive Committee and loan approval committee whereas respondents were handpicked as members within this group are limited in number.

#### **ii) Stratified Random Sampling**

under this, respondents were selected randomly from list of loan beneficiaries or applicants basing on their locality, sex and the amount of loan received. 50 respondents in total were selected with the help of 2 Field Assistants from within Changamoto LPF who helped to distribute and collect the questionnaires. In some cases structured interview basing on the questionnaires was carried out.

Male

Female

Beneficiaries who have paid back the loan	8	8
Beneficiaries in the ongoing programme	12	12
Members of the Community	5	5

Women selected were also assessed for the impact of loan in improving the social economic performance of women as a marginalized group.

### *Pilot Testing*

Before the survey began to be administered, the questionnaires were tested for validity and to check if they were consistent and understood. This was done by trying the questions with a few respondents and adjustments made and simplified further where the questions appeared to be cumbersome. Meetings held with different groups however helped to clarify some of the questions and the purpose of this evaluation.

### *3.4 DATA COLLECTION*

Data collection was done mainly through:

- Documents review
- Questionnaires
- Focused group discussion
- Discussion with the project leaders
- Discussion with other management and staff members

The discussions were conducted using checklist. Initial contact with the Changamoto LPF was made late October 2003 and after discussing application with the executive management, permission was granted to visit as often as wished while providing the required assistance.

- Information collection

The process comprised of three components:

- ❖ Organizational assessment;
- ❖ Guided questionnaires with specific focus on the women groups
- ❖ Interview with the Chief Executive Officer, management and staff.

### *3.5 DATA ANALYSIS*

The main elements of projects for analysis and appraisal included the technical choice of organization for managing and its existing infrastructures in micro finance systems, how the project relates to social and institutional structures, how the project is being managed, and what relations it may have with associated institutions. Also as an appraisal tool, an assessment was done to see whether the project is financial viable in terms of meeting the needs of the various

stakeholders and whether the project provides real economic benefits to the community was considered. The respondents were requested to rate given statements if they are highly agreeable, disagreeable, neutral, disagreeable, highly disagreeable or not applicable. Numbers 1 to 6 represent these rates respectively.

The number of rate (scale) for each question from all respondents were tallied together to get an average for that question. The same procedure was repeated for all questions where tallying is possible. For descriptive questions, closely related responses were grouped together and a percentage value of the response was calculated. For group discussions only majority consensus was taken into consideration.

The respondents were also requested to rate a group of other statements using a 4 point rating where a '1' indicated very effective with the statement, a '2', effective, a '3', weak, and a '4', very weak.

In addition, two subjective assessments regarding caution or concern are made throughout the analysis. A score is considered a potential caution if there is an indication of disagreement with the point so rated or considered a concern if there is less than agreement with the point rated. Areas of potential caution also relate to the skill level of the board or executive committee with respect to public sector, legal, and information technology matters.

Comments made are mostly on open -ended questions to seek information mostly on achievements, challenges and suggestions to way forward.



Key:

1= Highly agreeable 2 = Agreeable 3= Neutral 4= Disagreeable 5= Highly disagreeable

6= N/A

☐ Concern

☐ Caution

**PROTOTYPE: ROLE OF MANAGEMENT**

No.	Question	Average
1	Board packs are produced with sufficient time to prepare for Board meetings	2
2	Board relationship with the Executive committee is good	3
3	Board relationship with management is engaging	2
4	Both the Executive committee and the management seeks the expertise and contribution of the Board	2
5	Management declare conflict of interest	4
6	Personal contribution to the function of Board	3
	Areas of competency	
	Private sector	✓
	Human Resource	✓
	Public Sector	✓
	Legal	
	Finance	
	Marketing	
	Micro-enterprise	
	Other	Investment
<b>Comments</b>		
<p>The achievements of Changamoto LPF in relation to credit delivery:</p> <ul style="list-style-type: none"> <li>- Credit delivery is effective</li> <li>- Able to create self employment</li> <li>- Leadership provided by both the Chairperson and CEO is highly respected in the Industry</li> </ul>		
<p>Challenges or Shortfalls:</p> <p>Inadequate IT tools and skills</p> <p>Insufficient capital</p> <p>Inadequate office facilities</p>		
<p>Experience of sitting on the Board as a whole:</p> <p>Each member has plenty to offer.</p> <p>Most rewarding</p>		
<p>What should be done to perform better:</p> <p>Staff training</p> <p>Upgrade administrative facility</p> <p>Knowledgeable about industry, other visions and inspiring members.</p>		

*PROTOTYPE: BOARD FUNCTIONALITY*

No.	Question	Average
1	The Board is functioning well	2
2	Board declare conflict of interest	3
3	The purpose of the resource is clearly stated	2
4	Board probes for facts and the challenges	2
5	Board insist on receiving management report to strict deadlines	2
6	Board display understanding of the financial report they receive	3.5
7	Technology allows for customer tracking	3.5
8	Board contribution to fund raising and capital formation is significant	6
9	There's a clear and efficient mechanism to communicate with Board	3
10	The resource fulfils the stated purposes.	3
11	Your credit mechanism towards financial sustainability is very positive	3
	Area of competency	
	Private sector	✓
	Human Resource	
	Public Sector	✓
	Legal	
	Finance	✓
	Marketing	
	Micro-enterprise	
	Other	Investment
<b>Comments</b>		
How does the Board institute monitoring of Executive committee and management:		
- Board and sub-committee meetings give comprehensive feedback		
- Board ensure that the obligations of the organization are met through set regulations		
Challenges faced in the course of the job:		
- Microfinancing operation requires high capital expenditure and focused decisions		
- Limited time to dedicate more time to board issues.		
- Inability to keeps up to date with social, political and technological developments for opportunities and threats to the organization		
Part of work most interesting:		
- Doing research on how investment projects contribute to country revenue		
- Delivering credit to poor		
Reasons:		
- Microfinance to poor is key development strategy		
- It has been a fulfilling experience		
- Very effective Board		
Part of work least interesting		
- None		
Reasons:		
N/A		

**PROTOTYPE: SERVICE DELIVERY AND MANAGEMENT OF MICRO CREDIT**

No.	Question	Average
1	The credit facility is beneficiary to community	1
2	Training provided to manage your work is useful	1
3	You feel very confident in management of credit facility	2
4	Directors <sup>6</sup> are open to feedback from the community	3
5	There are very few complaints from the community	3
6	There is effective use of ICT in Changamoto	2
7	There are too many steps required to get some useful information	2
8	Community is satisfied with the amount of credit they receive	4
	The following in order of performance between 1 and 4	
	Collection of Data on community	4
	Feed back on loan application	2
	Current usage of credit provided	2
	Loan recovery	2

Comments
Cultural constrains in the utilisation of the credit facility:
In processing loan applications, is there some additional information you would like to be able to access:
- Cases of achievements or failures of others and the reasons
What should be done to improve credit delivery:
- To take less time in approving loans
- Provide skills in business management and marketing products

<sup>6</sup> Executive committee and management

*PROTOTYPE: USEFULNESS OF CREDIT*

No.	Question	Average
1	I am satisfied with amount of credit provided	2
2	People who have access to the credit are very few compared to the number of people that would like to have access to this credit.	1
3	I think it was very useful to get training when I applied for the loan	1
4	Service delivery by Changamoto LPF staff is excellent	2
5	I can now manage business and pay back loan in time.	3
6	Group meetings helps me a lot	2
7	It was very simple to get credit	3
8	I could easily show others how to manage business transactions and records	2
9	Interest on loan is reasonable	3
	. Rank the following in order of performance between 1 and 4	
	Income generating opportunities in the community	2
	Utilisation of credit provided	2
	Market potentials	3
	Getting raw material	2.5
<b>Comments</b>		
Activities from which income is derived:		
<ul style="list-style-type: none"> <li>- carpentry</li> <li>- tailoring</li> <li>- selling clothes</li> <li>- selling items like bread, charcoal firewood, ice cream, pots</li> <li>- Mechanic</li> <li>- Saloon</li> <li>- Running restaurant</li> <li>- Shop</li> <li>- Jeweler</li> <li>- Farming</li> </ul>		
Challenges faced in the course of job:		
<ul style="list-style-type: none"> <li>- Short payment period</li> <li>- Markets saturated with similar products</li> <li>- Business is seasonal</li> <li>- Selling on credit waste time. Borrowers don't want to pay back</li> </ul>		
How the credit assisted in changing life style:		
<ul style="list-style-type: none"> <li>- Able to spend for children schooling and food</li> <li>- More confidence and less dependent on others</li> <li>- Able to improve business</li> </ul>		

**PROTOTYPE: IMPACT CONSIDERATION**

<b>No.</b>	<b>Question</b>	<b>Average Rating</b>
1	I have adequate information about the Changamoto micro credit facility	2
2	The loans are well utilised to reduce poverty	2
3	Loan system presents technical challenge in its use	3
4	Getting loan is the most important way to create jobs in the community	2
5	The loan has enable people to live better	2
6	The Changamoto credit policy ensure personal development	2
	. Rank the following in order of performance between 1 and 4	
	Income generating opportunities in the community	3
	Utilisation of credit provided	2
	Market potentials	3
	Getting raw material	2
<b>Comments</b>		
What is working well: - Poor people becoming less dependent and able to feed for themselves - Microfinacing as an effective strategy in poverty reduction - Changamoto LPF commitment to poor communities		
What is not working well - Very limited credit facilities - Little entrepreneurship skill		
What can be improved - Expand loan facility to very poor people - Skills training - Education facility		
What will prevent the improvement: - Lack of resources and capacity - Absence of political will		
Effects the credit has on the economy: - Improve the living standard of poor - Increase in government revenue		
If applied for loan from other organizations:  No – 90%; Yes - 10% If the answer is yes, which organization - Pride  Were you successful -No		
We would welcome any comments you may have - Government to ensure proper implementation of microfinancing policy - To make available other source of microfinancing		

**PROTOTYPE GENDER IMPACT (On women beneficiaries)**

Occupation: Tailoring, selling chapattis, bread, firewood, charcoal, pots and ice-cream, restaurant

Period lived in present area: 4-15 years

Source of getting to know about Changamoto LPF micro credit scheme:  
Word of mouth

Economic based groups existing in the area: Groups doing petty trade

Category of loan: Between Tsh 50,000 and 150,000

No.	Question	Average
1	There are too many steps required to get some loan	2
2	The credit facility is not biased to women	2
3	Loan system presents technical challenge in its use	2
4	Increased earnings has improved sharing of decision making in the family	2.5
5	There is satisfaction with the amount of credit they receive	2.5
6	The process of getting capital for income generating activities is easily understood	2.5
7	Women face cultural challenges when receiving loans	2.5
	. Rank the following in order of performance between 1 and 4	
	Usefulness of Credit	2
	Feed back on loan application	2
	Current usage of credit provided	2
	Degree of poverty reduction after receiving the micro credit	3
<b>Comments</b>		
Cultural constrains in the utilisation of the credit facility:		
<ul style="list-style-type: none"> <li>- Have to work harder than men</li> <li>- Insufficient time to do business because of house chores</li> <li>- All income is spent on feeding children and hardly any savings</li> <li>- Husband think you should take all responsibilities since you are self employed</li> <li>- Some men link women self employment with being sex workers</li> </ul>		
Additional information needed to be able to access processing loan applications:		
-		
Challenges faced in one work:		
<ul style="list-style-type: none"> <li>- Opportunities to market products and attract customers are hard</li> <li>- Short payment period</li> </ul>		
What should be done to improve credit delivery:		
<ul style="list-style-type: none"> <li>- Skills training to women</li> </ul>		
What should be done to further reduce poverty		
<ul style="list-style-type: none"> <li>- Provide more opportunities for self employment</li> </ul>		

## CHAPTER FOUR

### 4.0 FINDINGS

#### 4.1 CREDIT MANAGEMENT AND IMPLEMENTATION

The direct beneficiaries from the project are men and women, the latter are expected, would, as a result of the project, be able to afford to take care of themselves and be able to make their own decisions with regard to their well being.

##### *Client Status of Loan Facility (As at December 2003)*

Number of Individuals	322
No. of female clients	192
No. of male clients	130
% for female clients	59.63
% for Male clients	40.37
T/amount loaned to women	18 088 659.00
T/amount loaned to men	14 861 474.00

##### *Status Cumulative*

Number of women groups	67
Number of men groups	33
Number of mixture	57
Number of Individuals	530
Number of female clients	349
Number of male clients	181
% for female clients	65.85
% for Male clients	34.15
T/amount loaned to women	37, 470,000.00
T/amount loaned to men	26, 405, 000.00

##### *Client Status of Loan Facility (As at April 2004)*

Number of Individuals	354
No. of female clients	192
No. of male clients	162
% for female clients	54.24
% for Male clients	45.76
T/amount loaned to women	16,012,209.00
T/amount loaned to men	14,915,180,00

##### *Status Cumulative*

Number of groups	201
Number of women groups	84
Number of men groups	45

Number of mixture	62
Number of Individuals	672
Number of female clients	422
Number of male clients	250
% for female clients	62.80
% for Male clients	37.20

T/amount loaned to women 47,345,000.00

T/amount loaned to men 35,430,000.00

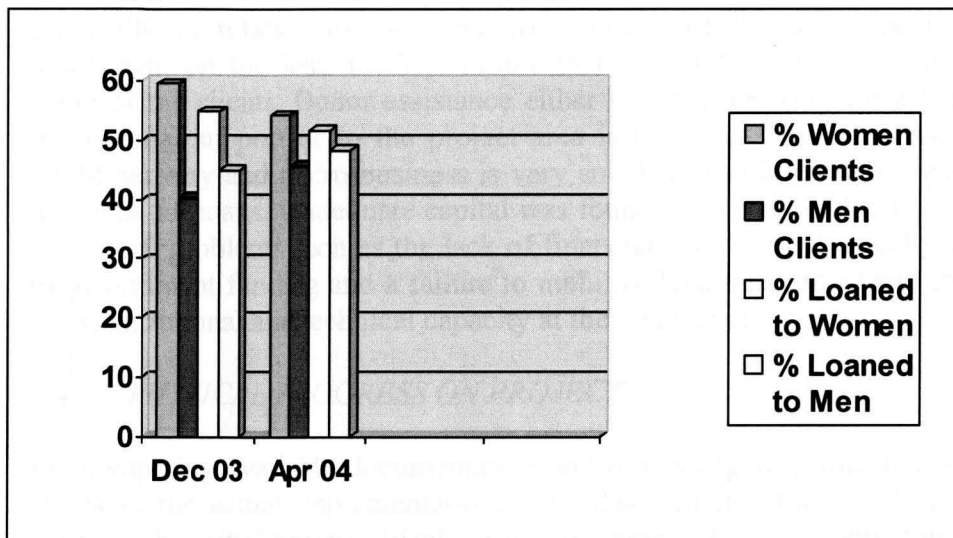


Figure 2: Loan Facility by Gender

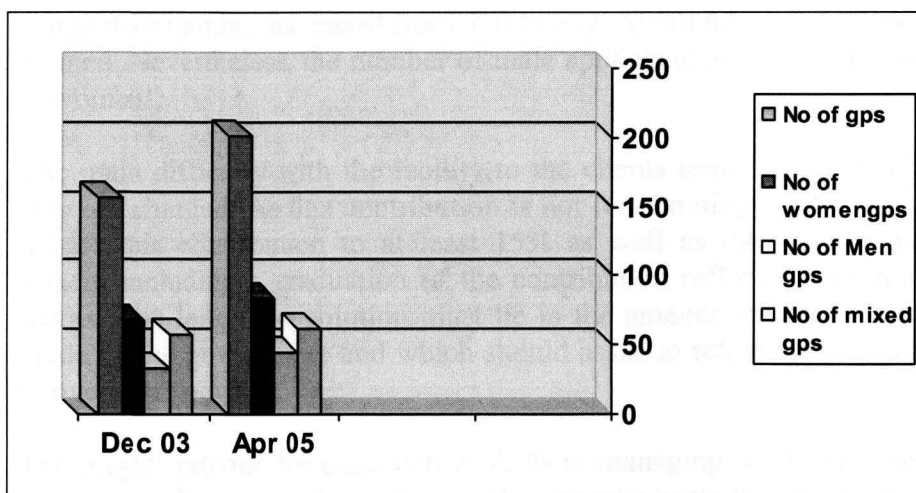


Figure 3: Loan Status by Group

From the conclusion made after discussions with the former and present CEOs, and respondents' reactions to questions raised, it was revealed that i) the



Changamoto LPF activities fits within a broader programme of saving and credit cooperative societies ii) Changamoto LPF is financed by SELF on loan basis. Changamoto LPF charge twenty percent interest rate (20%) so as to return loan and spare for running costs iii) Changamoto LPF so far has not been able to secure loan or grant from other lending institutions and is thus at risk of reducing micro credit services if SELF pulls out.

At the end of the survey, main problems thus recognized were high interest rate and short repayment period on the part of clients and inadequate capital base to meet increasing demand of people needing loan. Additionally, there are inadequate structures causing fragmentation of the different components especially in relation to the monitoring aspect of the activities and impact assessment on the loan facility. Problems of markets were also recognized in some of the clients. Donor assistance either to credit delivery infrastructure, the institutional support or to the project area is required. The funds available for credit delivery and micro business is very small to sustain current organizational demands for loans. Inadequate capital was found to be mainly due to institutional and social problems such as the lack of financial resources (caused by a shortage of government funding and a failure to mobilize local resources) and the scarcity of organizational and technical capacity at the local level.

#### *4.2 PHYSICAL PROGRESS ON PROJECT*

On comparing available documentation and discussing with management on the status of the actual implementation, it is observed that there is little variation between the initial project objectives and the physical outputs now planned as far as credit delivery is concerned. Substantial progress is noted in management of loan for wider outreach. Between the month of December 2003 and April 2004, number of individuals that received loan have increased from 322 to 354 and cumulative number increased from 530 to 672. About 62% of the beneficiaries are women. Nevertheless, the number of male applicants is on the increase compared to women.

The main difficulty with the facility to the clients remains the 20% interest that they are charged. As this contribution is not forthcoming easily, it is proposed to reduce this contribution to at least 15% as well as introduce a more flexible system including a graduation of the contribution reflecting the actual types of works. The long term solution must lie in the amendment of the financing laws made by the government and which should assist to relive the poor in their effort to overcome poverty.

The project provide for capacitating skills in managing small business entailed in the loan application package. The applicants take basic training in record keeping and managing their business. This training markedly improves loan repayment and encourages group consultation where group members are required to meet regularly.

The internal organization in providing of loan is done by a loan approval committee who approves on application basing on set criteria. It is acknowledged that approving loan through special committee rather than staff reduces biasness. Loan facility is extended to groups only for group binding. The group members then share the loan among the individuals within the group. Most of them prefer to undertake individual business rather than performing as one group.

Monitoring of the physical output of the project has been identified by this evaluation as a major area for concern. Principal information on loan portfolio is readily available, but there is little information on how beneficiaries improve their well being through loans. The impression is given that many project staff focus on loan recovery rather than enhancing the program for poverty reduction. A computerized project monitoring system (PMS) is largely not operational and it could have significant value as an information base for management monitoring and decision-making.

Changamoto LPF has a program in place except for the applicants if they qualify for loan. Training was developed and applies to build the capacity of loan beneficiaries in the areas of:

- Business plan and management
- Record keeping
- Budgeting
- Report writing

A serious challenge that has surfaced is the failure to identify other sources of funding and core networks in credit delivery. A basic strategy needs to be developed that should result in the diversification of funding sources for costing of routine credit delivery and the reservation of funds for investment and expansion from current capital of T Sh 40,000,000 to at least T Sh. 80,000,000. There is also evidence of positive relationship between loan and market and is a critical factor in increasing self employment and income, especially of poor and destitute women. There is, however, a wide open consent for the women respondents that more efforts should be made to satisfy the need for greater access to loan and building their skill to enhance market opportunities for their business.

Enhanced women participation in decision-making, for introducing or maintaining labor-intensive methods and techniques, for promoting a greater role of the private sector and for keeping up a sustainable maintenance system is important. When loan beneficiaries are not able to sell their products and make profit, the little money that they have is prioritized to feed family rather than loan repayment.

Another challenge facing Changamoto LPF as micro lending NGO is mobilizing savings to enhance institutional development and provide valuable deposit services to clients. To become a licensed financial intermediary or to tap

commercial funding sources, legal requirements and financial skills need to be met. It is equally important for a microenterprise finance to expand the provision of saving services to the poor to benefit from access to secure and liquid savings with adequate returns.

#### 4.2.1 Gender Perspective of the Credit Facility

The Changamoto LPF project has made significant reference to gender specific development and strategizing in improving the standard of life of the women and other marginalized groups. Women in Zanzibar are now culturally less excluded from trading or socially restricted in their mobility. As result more women than man have been given access to the credit. Cultural values have assigned specific roles to men and women and this has deprived women the voice at household and national level.

Besides the recognition that encourages women to get access to credit, membership and staff recruitment have also considered gender balance with fifty-fifty ratio. The organization however has not appointed special staff or having a more comprehensive plan that would adopt overall aim of gender and development. The training provided to loan applicants might as well be used as a venue for gender mainstreaming, incorporate gender perspectives in the organizational development and enhance provisions for the implementation of gender sensitive schemes within the project scope including identifying new opportunities for women in the development plans.

A need has also emerged with respect to longer term training in business skills. This is definitely required to enable women to compete as contractors on the open market or to participate in other income generating activities such as market traders. There is here a specific risk that without such training, the women will be forced to a continued reliance on men for making key business decisions. In this respect it is worth noting that the initiatives which have been started with the aim of assembling women groups as market traders, have resulted in the establishment of groups which do not conform with the criteria for a target group, namely to consist of destitute or low income women.

Most women trading in markets are literate and they are married and have savings. But they meet initial resistance which can be intense. It is therefore no doubt a good practice to start the 'market projects' with more articulate women as role models, as these may more easily overcome traditional resistance and mistrust. Nevertheless, fairly soon women from the local community groups should be targeted and trained in small business skills. These training activities does not necessary have to be undertaken by the project directly but could be facilitated through referral links to other develop agencies and NGOs. Such training should also be extended and cover more than the two to three days presently provided for this.

### 4.3 ORGANISATIONAL ASSESSMENT: SWOT ANALYSIS

A diagnosis of the development situation of Changamoto LPF through analysis of achievements, problems, opportunities and constraints, and the organizational assessment through discussions, questionnaires and reading organization reports including progress and financial reports was meant to provide a SWOT analysis of the organization to enable to focus on the weaknesses and explore the opportunities. Information was collected and the results collated.

#### **Strength/Achievements**

- Competent and committed members and staff
- Transparent and dependable financial records supported by accounting and financial manuals
- Availability of micro finance policy, operating guidelines and procedures
- A twelve year track record and survival
- Active support to poverty reduction
- Ability to pay staff and operational costs
- Able to gain credibility from government, parliament and higher learning institutions
- Successful in creating jobs for loan beneficiaries.
- Extending loans to real needy people

#### **Weakness/ Shortfall**

- Inadequate staff and resources to do follow up on clients resulting in lower repayment rate
- Inadequate capital to meet huge demand
- Inadequate technical skills
- Poor Management Information System (MIS)
- Lack of staff with resource mobilization skills
- Narrow outreach
- Narrow range of products due to small loan

#### **Opportunities<sup>7</sup>**

- The Zanzibar community particularly women vendors who have started to infiltrate in economic ventures can easily form groups and are trustworthy
- The market for financial services is large enough for expansion
- With most of clients within proximity, monitoring should be easy
- The local government system which use *shehias* as wards government officials can be used as good machinery to identify credit worth citizen

#### **Threats**

- Loan facility prerequisite to have a guarantor with enough savings to cover risks limit access to credit
- Lack of information by community on the loan facility thus limiting it to those who have contact with organization members

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<sup>7</sup> Source: Changamoto LPF Business Plan

- Inefficient marketing system
- Lack of entrepreneurial skills
- Misuse of funds
- Limited access to institutional finance services
- Interest rates are determined at levels that are too high
- Inadequate internal capacity and will thus continue to depend on loaned funds for its operations.

#### 4.4 *PRACTICAL IMPLICATION OF FINDINGS*

- The potential for rapid growth in the client base is slowed down by limited financial resources rather than bad loans or administrative costs
- By virtue of the needs of the more disadvantaged group, Changamoto LPF serves and offer small loans to reach more women than men
- There is no clear trade off between reaching the very poor and reaching a large number of people
- Changamoto LPF has the potential to develop the scale and financial leverage to reach larger number of poor people
- Clients don't take advantage of the saving services to protect themselves against period of low income and emergencies or anticipated expenses
- Group liability or unconventional collateral used to motivate repayment is quite effective even if not self driving. Loans when paid are renewed and increased on the basis of the client payment record
- Principal information on loan portfolio is available but monitoring of physical progress is weak. There is no systematic collection and analysis of data to compare borrowing, saving and investment behaviour of men and women in micro businesses
- Interest rates are only barely enough to cover all their costs including cost of capital and not adjusted to inflation to provide real return on total assets
- Microfinance methodologies are labour intensive and NGOs having no special concern for recruitment, training and motivation of staff
- The NGO is in transition but far from achieving full independence. At the same time, soft loans provided do not meet funding requirements for scaling up.

#### 4.5 *RECOMMENDATIONS*

Direct involvement of local communities from the beginning of major design of activities is important and cost effective in terms of building trust, participation and ownership. It is further important to empower women through property lending and give them access to business space and the focus should not be solely on loan recovery but on poverty reduction as well.

By capacitating them and provide adequate credit, they can explore and take advantage of the many market opportunities. In this context, these suggestions are recommended for Changamoto LPF:

- Regulate interest rates. Costs of services should be adjusted for inflation and priced to balance financial viability and client low earning power
- Develop monitoring system tools for continuous feedback from clients to effectively register on portfolio and the impact of loan on poverty reduction and not just being exclusive to performance on paying back of the loan
- Small business enhancement. Training package to include aspects of entrepreneurship and product diversification besides emphasis on credit procedures and recovery
- Need for government regulatory interventions for policies on small business to assist in overcoming the challenges of micro business
- Seek donor support to increase capitalization through retained earnings, equity investment and mobilizing savings
- To seek partnerships with the Government or other institutions as important strategy in NGO capacity building to broadening the scope of their work/scaling up their operations
- Use its programs as avenue for influencing the government on matter of policy and programs.

#### 4.6 *AREAS OF INTERVENTION AND CONCLUSION*

Findings from organizational assessment confirm the need to intervene in the area most imperative - expanding loan portfolio. This study culminate in proposal writing to seek funds for capital improvement not just to extend loan to meet the growing demand, but to get direct retail funding instead of the present way of getting loans from other donor funded micro finance institution so as to be able to impose lower interest rate as suggested by various loan beneficiaries.

“If we are to achieve the Micro credit Summit’s goal of reaching 100 million of the world’s poorest families, especially the women of the those families, with credit for self employment and other financial and business services by year 2005, then the resources dedicated to micro credit globally will need to be increased. It is however, equally if not more important to ensure that the funding that is directed to micro credit is spent in ways that will provide the most direct benefits to institutions that are committed to achieving the Summit’s goal”. (Muhammad Yusuf, 1999)

The time period set to reach the goal has come yet the goal is far from being attained. The donors should accelerate the opportunity to contribute to poverty reduction and by making the investment reach the needy. It can be concluded from this assessment that Changamoto LPF needs to increase its funding base before it can become self sufficient and sustainable.

The proposal for micro credit funding to improve micro business scheme will need to address three main areas of interventions:

- Credit Service
- Clients training
- Staff training

For an organization like Changamoto LPF which provides progressive lending, expanding number of loan clients while maintaining the loan portfolio quality is critical to poverty reduction. It is thus of importance for the organization to attach to the issues of local resource mobilization and fund raising. One can not over-emphasize the importance that resource mobilization carries for the various aspects of what constitutes the operational aspects of a micro credit scheme/institution in local, national and global economies. The question of “values” including principles, techniques and challenges should be taken into consideration.

Further, project proposal to increase loan portfolio delineating after the organizational assessment bears in mind that the question of values at both ends of the fund-raising issue is foremost. At one end management of Changamoto LPF has the whole range of values about resource mobilization pinned around the question of self-reliant and inter-dependent development and who owns both the development process and its outcomes. There are also questions around the implications of the notion of “donor”, the need to appropriate, trans-value and locally own the notion. This is so that we can recognize and accept that there are and can be small and big donors, institutional and individual and that the only donors are the bilateral, the International Private Voluntary Organizations and the multilateral institutions. It is this second aspect that brings us to the issue of

accountability which I think beyond trust and credibility is central to effective fund-raising.

In this context, the project proposal written for Changamoto LPF apart from seeking financial support to increase loan portfolio, requires the organization design a framework to enhance accountability and thereby possess not only the trust and credibility for effective loan recovery but also in-built institutional capacities and mechanisms for self-correction and renewal of values. Most of our NGOs are challenged in the communication with donors and even their own government. Capacity to dialogue is poor. Sometimes lack of knowledge on how different institutions work limits this communication. Capacity building should therefore also focus to improve 'Communication - Information flow. The inflow would enhance access to timely, accurate and detailed information on the overall performance.



## CHAPTER FIVE

### 5.0 IMPLEMENTATION OF RECOMMENDATIONS

#### 5.1 INTRODUCTION

Informal sector entrepreneurs are becoming an increasingly important part of the economy but require more than subsidies poor need access to credit. Absence of formal employment make them non 'bankable' and thus the need to enhance credit to poor even in the absence of collateral.

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, commercial lending institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self employed households is not stable, thus a large number of small loans are needed to serve the poor, whereas lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for collateral with a clear title - which many low-income households do not have.

Outreach and service to the poor is therefore very important but requires funding to reach significant number of the poor. Changamoto LPF as an NGO dealing with microcredit delivery to the poorer members of the community has potential innovative institutional mechanism but requires increased soft loans to meet funding requirements for scaling up to effectively realise the organisation main mission:

*'Commitment and dedication in provision of credit, education, consultancy, encourage self employment and sustained income to the needy Zanzibar community'.*

With the incorporation of lessons learnt around successful microfinance institutions in Tanzania and around other developing countries, enhancement of credit to poor will not only help to create employment but enable clients to manage from petty business to small and medium sized firms. Support is also needed to ascertain women participation for transition to become innovative entrepreneurs

An organisation appraisal on Changamoto LPF carried out earlier enabled considerable attention to be given to identifying the characteristics, features, aspirations and needs of the organisation in relation to delivery of microfinancial services to the poor community with the intention of formulating intervention for strategic support to improve access to credit.

As a result, the appraisal shows that Changamoto LPF merit further support as summarised in the project proposal below to fulfill the productive potential and promoting the well being of credit beneficiaries.

## 5.2 PROJECT SUMMARY

Project Proposed	Changamoto Life Preservation Fund
Project Title	Project Proposal To Improve Micro Business Credit Scheme
Estimated Costs	Tsh. 140,000,000/-
Duration of Contract	2Years
Location of Project	Zanzibar
Contact Details	Chief Executive Officer Changamoto Life Preservation Fund P. O. Box 2782 Zanzibar Tel: 024 2230616 Email:changamoto@hotmail.com
<p>Changamoto LPF is a non governmental organisation committed to realise its goal of building 'A Poverty Free Society' through the provision of credit for self employment to the needy Zanzibar Society'.</p> <p>Although the community is now well sensitized on the use of credit services in micro business activities offered by Changamoto LPF, the current loan portfolio does not meet the prevailing demand and continue to decrease while the existing demand for loans to undertake micro business for self employment is very high.</p> <p>Changamoto LPF is seeking financial input to increase the loan portfolio to meet these demands of outreaching significant number of the needy poor to access credit to undertake viable income generating activities, and enhance the capacity of the credit officers in providing micro entrepreneurial skills to the micro business groups for business expansion and promotion of their well being. Only through building their own internal capacity will credit service providers and staff will be effective in their operation. Expanding services to the needy require a range of enabling services and conditions.</p> <p>With a track record of eight years in micro lending program, Changamoto LPF has demonstrated its commitment to practice agreed upon criteria and has comparative advantage as a catalyst over other NGOs in Zanzibar</p>	

### **5.3 PROJECT PROPOSAL**

#### **1. BACKGROUND TO SERVICES OF CHANGAMOTO LPF**

In providing micro credit service to the poorer members of the Zanzibar community to engage in legal productive activity as mean to maintain a sustainable income, Changamoto LPF has been involved in three programs

- Saving and credit for members only
- Micro business credit for members and community
- Improving quality of basic education (community and members)

The establishment of credit services has been designated to meet the needs of the community and serves to:

- Establish micro business facility
- Provide basic micro business skills to micro business groups and individuals
- Create community awareness on the use of micro business credit

At present, the cumulative and current number of individual clients is 829 (64 % women) and 385 (58% women) respectively.

#### **2. MICRO CREDIT FACILTY IN CHANGAMOTO LPF AND LENDING SYSTEM**

Changamoto LPF began micro lending to the needy population with a portfolio of Tsh. 2,000,000/-. The portfolio gradually expanded to Tsh.4, 000,000/- to Tsh10, 000,000/- to present Tsh. 40,000,000/- received from SELF. At the same time 150 individuals attended some training workshop through Action Aid Tanzania to improve micro business skills especially in business plan, budgeting, record keeping and report writing. Source of fund for the activity include:

- Owner's fund which serves saving and credit for members only
- Loan facility from SELF for both members and non members serving micro business activities
- Hire purchase which serves loans on special commodity.

The micro business activities undertaken by Changamoto LPF have resulted in some members of the Zanzibar community to be well sensitised on the use of credit services into micro business to take upon themselves economic ventures. Many women recognize Changamoto LPF as an important partner to improve their economic well being. The profile of the organisation has also been lifted both nationally and internationally.

Changamoto LPF like many other micro lending schemes in Tanzania have adopted Grameen Bank model basing on group lending. Changamoto LPF provides members and non members applicants with comprehensive set of

rights and responsibilities. Applicants have to go through several processes to ascertain their eligibility in getting loans. Once the governing authorities of the organisation through credit and training officers have scrutinised given information, done an assessment of the viability of micro business to be carried out through loan funds and applicants have formed the groups, training is conducted to the groups to prepare them for undertaking income generating projects but mostly in record keeping before loans are issued. With lack of adequate resources and skilled manpower, applicants mostly go through basic training in record keeping and business management. Successful applicants are given loan repayment schedule which they have to abide with and find themselves pay regular visits to the Changamoto LPF offices for loan disbursement, loan repayment and to receive advisory services.

The Changamoto LPF provide progressive loan from Tsh. 50,000/0 to 1,000,000/- at 20% interest rate. The credit system is quite effective due to participatory approach used by the organisation which enhances a sense of ownership of the beneficiaries.

### **3. *SOCIO-ECONOMIC CONTEXT*<sup>8</sup>**

Zanzibar is part of the United Republic of Tanzania and consists of two main islands, Unguja and Pemba and about 50 other small islets. It is located about 40 km off the mainland coast of East Africa. The total area of Zanzibar is 2,654 square km. and the island enjoys tropical climate with two rainy season having long reasons in March to June and short rains from October to December. The warmest season lasts from December to February.

According to 2002 censor, Zanzibar has about 1million people of which 480,854 are males and 500,908 are females. The population growth rate is high at 3.1% and the area is densely populated with 370 inhabitants per square km. Only 39.6 of the total population live in urban areas and the rest live in rural areas.

Zanzibar has a small island economy, where more than 80% of the population depend on agriculture for its livelihood. The most significant change that can be observed in the structure of the economy has been the decline in the share of the industrial sector and growth in the share of services and agriculture over the years. There is also significant fluctuation in the contribution of agriculture to GDP due to cyclic nature of 'good' clove season and world market prices of cloves that necessitate economic diversification. A new service sector in tourism also emerged in the second half of 1990's.

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<sup>8</sup> Zanzibar Statistical database, Ministry of Finance and Economic Affairs, Zanzibar, September 2002

The overall development goal of Zanzibar in poverty eradication and of absolute poverty and the attainment of sustainable human development is articulated in vision 2020. The vision finds it necessary to redefine roles of central and local governments in order to create conducive environment for the operation of the private sector. The majority of the people live in extreme poverty with women contributing to more than 75% of the labour force.

Despite the fact that women constitute large percent of the labour force, they receive very little in terms of income. In the case of micro entrepreneurs and, they have little access to physical assets, credit, training, etc thus, women engaged in micro business subsequently fail to expand due to lack of adequate working capital, business skills and experience.

#### **4. *PROBLEM IDENTIFICATION***

Over the years, Changamoto LPF registered an increased number of micro business clients. Many people especially women and youth visit Changamoto LPF for information and loan application. The society especially women vendors interested to intervene in economic ventures finds it a source of capital for their business. From these and other experiences, Changamoto LPF needs to operate within the realities to overcome challenges as an attempt to meet expectation of the community and actively contribute to national goal on poverty reduction.

The demand for micro business loans is very high compared to what Changamoto LPF can provide, and will continue to grow. Women and youth depend on micro business activities for self employment but the facility is inadequate to meet demands at the same time decreasing quarterly while meeting loan repayment to SELF. Clients who got the opportunity to participate in training workshops have shown to improve business though there is general dissatisfaction on the interest rate charged. It is inevitably high considering the fact that loan and interest repayment to SELF and administrative costs are taken on by the client.

On the management and operational side, insufficient skilled personnel and transport facility for follow up impede desired service delivery while low capacity make it difficult to maintain the work done in previous years. Improvement in training facilities can mostly overcome identified gaps for effective results and to effectively network with other institutions to put into practice poverty reduction strategies.

Meanwhile, skills to carry out entrepreneurship training are lacking not only in Changamoto LPF but in many of the other organisations. Representative business organizations in Zanzibar are emerging and weak and are not in position to benefit NGOs like Chanagamooto LPF in advocacy or membership services. If we take a look at UWAZI an association of small producers or

ZAFOPA a women food processors association, these need capacity building before they can influence entrepreneurship skills in other NGOs. The leading Business representative business ZNCCIA despite its long history has management problems and has to be deregistered at the end 2002. Membership is said to be skewed in favour of foreign investors.

## **5. PROJECT DESCRIPTION**

Capacity building and efficiency of Changamoto LPF in the management of its programmes is a crucial strategy for it to realise its goal of poverty reduction through creating self employment for members of the society. The findings delineated from the organisational assessment carried out by independent consultant confirm the need to for Changamoto LPF to improve the micro business scheme through three main interventions:

- Credit service
- Clients training
- Management/Staff training

### **CREDIT SERVICES**

An increase in the loan portfolio and the organisational efficiency in micro business operations will allow a wider outreach in micro lending to poor community to undertake viable income earning micro business in order to improve their social and economic well being.. The project aims to:

- To increase loan portfolio from Tshs. 40,000,000/- to Tshs 100,000,000/-
- To enhance entrepreneurship skills to credit beneficiaries especially women
- To outreach more poor as an important poverty reduction strategy
- To build the capacity of Changamoto LPF in credit management

Extending the credit facility is required to improve micro business skills to about 200 individuals belonging to poorer members of the community especially women while taking an important step in accomplishing the mission of Changamoto LPF in helping the society to fight against poverty.

### **CLIENTS TRAINING**

The credit with training to acquire entrepreneurship skills aims to improve business to get better in income saving for business empowerment and expansion. Problem analysis show the issues of women empowerment is very significant where social and cultural factors have lead them to feel less secure in undertaking business. For those who were able to get credit, their total lack of business skills and inadequate capital, productive activities they are engaged in subsequently fail to expand. They are normally taking minimum amount of loan offered to undertake less risky petty business that is very simple to manage and that can be marketed to next door neighbours such as selling firewood. On the other hand,

most of the training is given prior to issuing of loans with the objective of improving management and leadership skills to sustain high percentage of loan repayment.

Apart from capacitating clients receiving loans, the project will specifically seeks to strengthen women participation in micro business through training for healthy work environment and overcome the fear of pursuing business in male dominated public sphere. Moreover, women who are self confident that comes from increased knowledge and economic power will be social and psychological resource for the entire family. Mobilised with the necessary skills and enough capital to apply those skills, women are competent players in the business and economic development process.

Overall, the training for female and male clients will include proper planning and how to conduct business to gain profit to be able to return loan and at the same time make saving for business expansion. Every community has assets - not matter how poor and low income people are capable of achieving durable improvements in their livelihoods given the appropriate setting.

#### STAFF TRAINING

Increased loan portfolio for wider outreach will expand services and in this situation management and staff should allow closer supervision of the loan portfolio and diversification of the portfolio of investments in micro business. At the same time effective utilization of materials and financial resources that convey organization's vision, mission, values and management capacity needs to be considered strategically. In this context, training of staff is a necessary capacity tool to achieve a balance between asking for loan or grant and ensuring that staff is not overwhelmed given the nature of their credit issuing making process.

#### MANAGEMENT TRAINING

In order to ensure that funding that is directed to micro credit is spent in ways that will provide most direct benefit to institution to achieve the intended goal, further training to management is required to strengthen good practices in the design, delivery and evaluation of the financial and non financial services provided by Changamoto LPF. These practices have to concur with sectoral policies to enhance a more dynamic environment towards sustainable business creation, micro entrepreneurship and poverty reduction in the country.

Enhancing the capacity of management and staff for improved services and gaining technical skills in monitoring credit delivery to micro business groups will allow the organization make impact assessment that will determine degree of success and challenges in reducing poverty.

## **6. PROJECT JUSTIFICATION**

Access to finance by both formal and informal business sector is very limited in Zanzibar. The formal banking system has contracted. The largest bank in Zanzibar is the People Bank of Zanzibar which is undergoing a restructuring process including closing down some of its branches. These banks provide short term loans and in general there are no development financial institutions that would be able to tap into long term financing to support micro enterprises and business for the poor. On the other side, economic growth is erratic, fluctuating from -5.2% in 1990 to 7.1% in 1996 and coming up to 4% in 2001<sup>9</sup>. The economy is open to external shocks due to mono-crop culture.

Increasing the access of the poor to credit and to sustainable financial services is an important part of the World Bank Africa Region's strategy for supporting the Millennium Development goals for poverty reduction. At national level, although government have not proved successful in providing sustainable access to microfinance to the poor and the poorest, it is struggling to provide a supportive policy and regulatory framework for efficient private sector to do so. Government of Zanzibar recognize the important role played by micro, small and medium sized enterprises in the country's economic and social development. A process has begun with the support of UNIDO/UNDP to initialise the participatory policy design process which will lead to formulation of SME development policy. Background report was completed in December 2003. grants and soft loans have played and will play a major role in financing micro-financing start-ups. Henceforth, this project proposal to fund micro-credit services to Changamoto LPF is very much in line with government sectoral plans.

Changamoto LPF finds the need to improve the credit scheme due to increasing demand for loans. Most women and youth strive in micro business activities for self employment but the current loan portfolio of Tsh 40,000,000 does not at all suffice prevailing demand.

Institutional self-sufficiency by obtaining large amount of funds required is necessary for Changamoto LPF to be able to reach and benefit truly large number of the poor households and support the community positive response on credit services and micro business. At the same time, strengthening business activities on sustainable basis through influencing entrepreneurship skills should be forthcoming.

## **7. IMPACT**

The community is sensitized on the use of credit services in micro business activities and there is monthly increase of micro business clients. Increasing loan portfolio and improving the micro business credit scheme through three main

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<sup>9</sup> Zanzibar Economic Bulletin, Vol.1, January-March,2003



interventions namely Direct Retail funding; Technical and Business Planning support and Capacity building will have major positive social impacts.

### **Expected Output**

- Enhancing micro credit to poor population of the Zanzibar community will focus to achieve poverty reduction:
- Wider outreach of the loan facility to the needy
- Creating enabling business environment to boost the economic well being of the targeted beneficiaries and strengthen the survival and growth of small enterprises
- Developing projects for facilitating the effective provision of micro financing and non financing services to increase competitive ness and participation in the national development for poverty reduction.

### **Project Beneficiaries**

The micro business activities undertaken by Changamoto LPF make substantial impact to loan beneficiaries. Primary beneficiaries are needy member of the community especially women vendors who get access to capital for their micro business activities. Secondary beneficiaries are dependants of loan beneficiaries and in some cases people employed by clientele.

## **8. RISKS**

Changamoto LPF has fairly standard reporting format and self regulatory framework for micro credit program and its clientele. Repayment culture of the general public has improved substantially and thus the chances to pay back loans in due time are great. It is assumed that the current repayment rate of 98% will prevail or increase and following the implementation of the capacity building activities, best microfinance practices will be yielded. Any unforeseen risks are likely to be due to force of nature. Meanwhile, as the micro businesses are assessed first before loan approval, the activities are likely to have positive environmental impacts.

## **9. MONITORING AND EVALUATION**

Monitoring and Evaluation will be done by management and will be brought together by their use of similar data available at Changamoto LPF for measures of performance. The NGO have fairly standard reporting format and self regulatory framework which help to ensure timely, accurate and detailed information on the overall performance of the credit delivery services. However, management support is sought to upgrade both financial and operational management techniques and introduction of advanced computer programming software to effectively assess whether project inputs are being delivered or used as intended.

Monitoring will involve continuous collection of data and converting it into information, to guide management decisions, to identify problems or delays for corrective action, and to ensure that implementation and operation of the project is going according to schedule and within budget.

At the end of agreed project period evaluation to be done to assesses the overall project effects and their impact which is a backward looking assessment to determine if the project achieved the expected objectives, and if not, why not.

## PROJECT REQUIREMENTS

	<b>Funds Requirements (in Tsh)</b>				
	<b>Qty</b>	<b>Unit Price</b>	<b>Donor Loan/Grant</b>	<b>CHLPF/Other Contribution</b>	<b>Total</b>
<b>Credit Services</b>			80,0000,000	20,000,000	100,000,000
<b>Clients Training</b>	200	30,000	6,000,000		6,000,000
<b>Staff Training</b>	2		4,000,000	1,000,000	5,000,000
<b>Management Training*</b>			6,000,000	2,000,000	8,000,000
<b>Equipment</b>			9,000,000	3,000,000	12,000,000
<b>Planning and administration</b>				9,0000,000	9,000,000
<b>Other</b>					
<b>Total funds Requested</b>			<b>105,000,000</b>	<b>35,000,000</b>	<b>140,000,000</b>

\*One member of the Management and one member of the Executive Committee to undertake Community Economic Development (CED)course offered by Southern New Hampshire University and the Open University of Tanzania

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