

**SOUTHERN NEW HAMPSHIRE UNIVERSITY & THE OPEN UNIVERSITY  
OF TANZANIA**

**MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT  
(2007)**

**EVALUATION OF DESCOPA's SAVINGS AND CREDIT SCHEME,  
TEMEKE MUNICIPALITY**

**PASCHAL SWEETBERTHA KOKUHANGISA**



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**MASTER OF SCIENCE IN COMMUNITY ECONOMIC DEVELOPMENT  
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**EVALUATION OF DESCOPA's SAVINGS AND CREDIT SCHEME,  
TEMEKE MUNICIPALITY- SUBMITTED IN PARTIAL FULFILLMENT OF  
REQUIREMENTS FOR THE MASTER OF SCIENCE IN COMMUNITY  
ECONOMIC DEVELOPMENT.**

**PASCHAL SWEETBERTHA KOKUHANGISA**



### SUPERVISOR (S) CERTIFICATION

The undersigned certify that he has read the project, and found it to be in a form acceptable for review and hereby recommend for acceptance by the Southern New Hampshire University at the Open University of Tanzania a project entitled, "*Evaluation of DESCOBA's savings and credit scheme*" in partial fulfillment of the requirements of the award of Master of Science Degree in Community Economic Development to Paschal Sweetbertha Kokuhangisa.

Name: *EVANS BASERI ZERA*  
(Supervisor)

Signature.....*Zerai*.....

Date.....*28<sup>th</sup> August 2007*.....



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## DECLARATION BY THE CANDIDATE

I, **Paschal Sweetbertha Kokuhangisa**, declare that: this project is my own original work and it has not been submitted for the similar degree in any other University.

Signature: .....

Date August 26, 2007.....



## **DEDICATION**

This work is dedicated to my husband Castor O. Kalemera and son Cathbert M. Castor.



## **ABSTRACT**

This project on Evaluation of DESCOPA's Savings and Credit Scheme was carried out in 9 wards in Temeke and Mkuranga Districts (where DESCOPA is currently operating) from September 2005 to January 2007. The project goal was to evaluate DESCOPA's Savings and Credit Scheme while three specific objectives were worked upon.

A Community Need Assessment carried out, identified a number of factors that adversely affected DESCOPA members and leaders. These includes: - lack of capacity in business skills, lack of knowledge and skills on project write-up, low funding capacity to respond to increasing demand for loans from the NGO members and lack of premises to conduct their business.

The results of this work show that community involvement in planning and management of savings and credit scheme was good and loan retirement rate was excellent with default rate of 2%. However loan demand was higher than what the NGO could supply leaving the gap of 67% un attended.

The level of education was generally low hence working in-groups of five people with different talents and background was necessary in order to complement each other.

Monitoring plan was developed and implemented to ensure the study performance meets set goal and objectives. This was done throughout the period in order to track changes together with the NGO leadership and members too.

Record review, focus group discussion and observation methods were used to evaluate the progress and impact of the scheme on regular basis. Evaluation process also involved assessment of the achievement of three objectives.



Sustainability of the NGO scheme was a primary concern of the CED consultant in order to determine long-term impact and to what extent it could run itself for the future in view of the changing environment (Political, financial and social circumstances). In order to ensure future sustainability, the CED consultant together with the NGOs' leadership developed a proposal on fund raising skills training for 280 people currently involved in NGO's savings and credit scheme.



## **EXECUTIVE SUMMARY**

A study involving DESCOPA was carried out in Temeke District in Dar es Salaam region and Mkuranga district in Coast region from September 2005 to January 2007.

This study concerns the project work which was to evaluate the DESCOPA's Savings and Credit scheme and has been organized in six chapters namely: Community Needs Assessment, Problem Identification, Literature review, Implementation, Monitoring, Evaluation and Sustainability, finally Conclusion & Recommendation.

The project work made use of different research methodologies and tools in order to collect information and data that enabled the CED consultant to conduct both qualitative and quantitative analysis and develop conclusion and put forward recommendations for future implementation.

The study involved a sample of 60 respondents equal to 22.2% of the total population of 270 members from nine wards namely: Mbagala, Mbagala kuu, Charambe, Pemba Mnazi, Kongowe, Tandika, Kimbiji and Kisarawe II in Temeke district in Dar es Salaam region and Mkuranga ward in Mkuranga district in coast region.

DESCOPA has run the scheme since 2005 and experienced good results whereby loan repayment rate has been 98%. So far the scheme has rendered a total of Tshs 30 million to 100 individuals in 20 groups of five members each. The target was to provide loans to all 270 members but due to lack of funds it only reached 37% of the target. The Scheme is currently experiencing the problem of raising additional funds to bridge up the gap of 63% and meets an increasing demand for loans from its members. The desired situation is to respond to at least 80% of all applications by 2007/2008.



The project goal was to evaluate performance of DESCOPA's savings and credit scheme while addressing three specific objectives namely:

- i. To determine the level of community participation in planning, implementation, monitoring and evaluation of savings and credit schemes.
- ii. Build Capacity of DESCOPA members in business skills
- iii. Assist DESCOPA organization to Develop proposal for increasing its loan portfolio.

The results of this work show that community involvement in planning and management of SACCOS was good and loan retirement rate was excellent with default rate of 2%. However loan demand was higher than what the NGO could supply leaving the gap of 67% un attended.

Recommendation number 6.22 which suggest that Government and civil societies should take part in the process of building capacity of community oriented SACCOS so that they can improve and help to employ majority of low-income earners in the urban and rural areas, was selected for implementation whereby a project proposal on fund raising skill training was developed by the CED Consultant together with DESCOPA leaders in order to secure financial support from Donors which will facilitate training at ward level in favour of 280 people being staff and members of the NGO.

DESCOPA's is now on arrangements to receive 34 million Tshs from Foundation for Civil Societies for a purpose of conducting training to 280 DESCOPA members and leaders. The training programs will commence on September 2007.



## **ACRONYMS AND ABBREVIATION**

<b>ADB</b>	African Development Bank
<b>BoT</b>	Bank of Tanzania
<b>CED</b>	Community Economic Development
<b>CBOs</b>	Community Based Organizations
<b>CNA</b>	Community Needs Assessment
<b>DCB</b>	Dar Es Salaam Community Bank
<b>DESCOBA</b>	Developers of Sustainable Community Based Activities
<b>EAP</b>	Economically Active Poor
<b>ILO</b>	International Labor Organization
<b>MFIs</b>	Micro Finance Institutions
<b>MSEs</b>	Micro and Small Enterprises
<b>NSEGRP</b>	National Strategy for Growth and Reduction of Poverty
<b>NGOs</b>	Non Governmental Organizations
<b>SACCOS</b>	Savings and Credit Cooperative Societies
<b>SAP</b>	Structural Adjustment Programme
<b>SME</b>	Small and Medium Enterprises
<b>SIDO</b>	Small Industrial Development Organization
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>VPO</b>	Vice President's Office
<b>WDF</b>	Women Development Fund



## **ACKNOWLEDGEMENT**

Several people played a key role in compiling this project report, without their support this work could not be complete. To all of them I express my sincere gratitude. Since it is not easy to exhaust the list, I am obliged to mention a few of them.

In a special way, I wish to thank my dear husband Mr. Castor Oswald Kalemera for his decision to sponsor my studies, his tireless moral and academic support needed to complete this programme.

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I owe special thanks to my parents Mr. and Mrs. Zachary Rwiza Paschal and my parents' in-law Mr. and Mrs. Oswald Lawrence Kalemera for their moral support.

Last but not least, I owe special thanks to the Almighty Lord for protecting and helping me accomplish this project work.

I do bear the responsibility for the expressed views and any observed shortcomings in this project report.



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## **CHAPTER ONE**

### **1.0 COMMUNITY NEEDS ASSESSMENT**

Needs assessment help in understanding a community better. It might be difficult to assist a particular community to meet its desired goals if its needs have not been assessed. Needs assessment can help to identify what are the major areas of unmet needs and determine the best strategies to address them.

#### **1.1 The Study Area**

##### **1.1.1 Geographical location and background information**

Temeke Municipality is situated at 6°48' and 7°10' South and 39°12' and 39°33' East. The Municipality is found in the City of Dar es Salaam. It is located in the southern part of Dar es Salaam bordering part of the Indian Ocean. Temeke municipality is one of the three municipalities established in 2000 following the dissolution of the city commission.

As a Municipality it is not offering services to Temeke alone but also for other bordering Municipalities. With comparison to other Municipalities, Temeke shows peri-urban and urban characteristics.

##### **1.1.2 Climate**

Generally, Temeke District has high temperatures (hot weather conditions) and has a bimodal rainfall pattern namely (a) short rains period that begin toward the end of December and end in February (b) The long rains usually start in February and end in June. The high temperatures prevail throughout the year; ranging from 25 °c between June to August, up to 35 °c between January and March. The rainfall received ranges



from 800-12000 mm per annum. The most notable feature of the Kizinga, Mzingu, and Mbezi rivers is that they sometime get flooded.

### **1.1.3 Population:**

Basing on the 2002 census data, Temeke Municipality had a population of 771,500 people with a growth rate of 4.3% per year of whom Female are 382,255 and male are 389,245.( See Appendix ii)

### **1.1.4 Socio-economic activities**

There are several development activities, which are taking place in Temeke, which include agriculture and livestock farming, fisheries, forestry, tourism, industry and transport. Temeke district has a total of 45,000 hectares of land, which is potentially viable for agricultural production. A total of 33,000 hectares and 15,000 hectares of arable land are under cultivation and grazing respectively.

### **1.1.5 Administration**

The district is administratively divided into three divisions namely; Chan'gombe, Mbagala and Kigamboni.

The divisions are further subdivided into Wards, Street/villages and Home lets.

### **1.1.6 Justification for selecting the study area**

The study was conducted in Temeke Municipal council. Mbagala division was purposively selected for the study.

The reason behind was that, unlike other places in Dar es Salaam, more people are migrating to Temeke district from other parts of the City and thus its population is growing rapidly as compared to other places. Temeke is experiencing increasing urban



and peri-urban characteristics. Therefore increased loan demand in an area arises interest for a research study that will inform planning and implementation decisions by the local authorities and other stakeholders.

## **1.2 DESCOPA's background information**

There are few Non Governmental Organizations that deal with micro finance service delivery in Temeke district, among which is Developers of Sustainable Community Based Activities (DESCOPA).

This is a local Non Governmental Organisation established in 2002 and registered to the government under the Societies Ordinance of 1954 with registration number SO.NO. 12163 dated November 18, 2003. DESCOPA is located at Zakhem Street in Mbagala Ward in Temeke district, Dar es Salaam.

DESCOPA was selected on the fact that it was facing challenges on how they could respond to increasing demand from loan seekers in Temeke district. Based on this outstanding need, DESCOPA's leadership approached the Municipal Community Development Department for technical assistance. When I introduced myself to the Municipal Leadership, I was asked if I could work with DESCOPA during my study so that I could help them to improve their lending capacity. Based on my technical background as community development officer and my own interest in the field of microfinance, I accepted the request and proposed a brief survey to be conducted in collaboration with DESCOPA's Leadership and group representatives in order to determine the loan demand and lending capacity to respond to such demand.



As a CED consultant, I conducted a brief survey in September in nine (9) wards where DESCOPA is operational and found that DESCOPA is operating with 270 members of whom 205 members equal to 76% are women. These are from the following wards: Mbagala (20), Mbagala Kuu (15), Charambe (100), Pemba Mnazi (40), Kongowe (25), Tandika (20), Kimbiji (10), Kisarawe II (10) in Temeke district in Dar es Salaam region and Mkuranga (30) ward in Mkuranga district in coast region. Temeke district has a total population of 771,500 people located in 24 wards (2002-population census).

Temeke district has a number of 3,623 individual entrepreneurs in 19 groups registered to the Municipality (Temeke SACCOS Report September 2006). DESCOPA's lending capacity has been inadequate to respond to all requests from its members and other applicants due to insufficient capital and grants to conduct business trainings and follow-ups. Loan repayment rate has so far been 98% while default rate is 2% caused by death of client and marriage breakdown. Loan interest rate is set at 10% per annum.

Total loan applications for the year 2005/2006 was Tshs 81,000,000/= from 270 individuals of whom only 100 individuals were given a total of Tshs 30,000,000/= representing 37% of response to all applications. The minimum loan ceiling is Tshs 50,000/= and the maximum is Tshs 1,000,000/= per individual. Loans are strictly given to members in-groups and who have already attended business trainings offered by DESCOPA (DESCOPA Annual Report July 2006).

DESCOPA raises funds from different sources namely: Membership contributions, Annual subscriptions from its leaders, loan insurance and capacity building grants from Foundation for Civil Society. DESCOPA's records indicate that between 2004 and



September 2006, a total of Tshs 39,935,050/= was raised as follows: Membership contributions Tshs 9,900,000/=, Annual subscriptions from DESCOPA leaders Tshs 20,000,000/=, Members' loan insurance Tshs 135,000/= and Foundation for Civil Society Tshs 9,900,050/= (Tshs 5,000,000/= in 2005 and Tshs 4,900,050/= in 2006).

DESCOPA is guided by the constitution in its daily operations and functions. It is dedicated to serve the economically marginalized population in Dar es Salaam and Coast regions.

### **1.2.1 DESCOPA's organization and administration**

DESCOPA has its administrative structure comprising of the General Assembly at the top, Board of directors and management committee as decision-making bodies. The executive director is the overall in-charge of DESCOPA daily functions assisted by the Finance manager on financial matters and administration manager on daily office affairs. At operational level, there are four departments namely: poverty eradication, Training/Consultancy, Health/nutrition/Environment and savings and credits.

The table below summarizes the number of members for each decision making level.

**Table1.2.1: Distribution of members in the decision-making by gender**

<b>Decision Level</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
General Assembly	67	210	277
Board of Directors	6	3	9
Management Committee	4	3	7

**Source: Field findings 2006**



The DESCOPA general assembly is the final decision making body, while board of directors is responsible for policy making and follow up of its implementation and the management committee is meant to conceive and execute programs as directed by the board of directors in collaboration with the departments concerned.

### **1.3 Community Needs Assessment (CNA)**

This project conducted needs assessment for DESCOPA. The assessment was conducted through a meeting attended by DESCOPA leaders and members under CED Consultant in October 2005. Techniques used to determine the needs of DESCOPA community were through focus group discussion, structured questionnaires and observation of the DESCOPA members during site visits. The major issues identified as core problems were as follows: -

- i) Inadequate business skills for DESCOPA members.
- ii) Inadequate Knowledge and skills (for DESCOPA leaders) on project write-up and management.
- iii) Low funding capacity of the NGO to respond to increasing demand for loans from the NGO members.
- iv) Lack of permanent premises by DESCOPA members to operate their business activities.

Since there were many problem identified, members were advised to prioritize them so that implementation of those problems can start in phases. Participatory pairs wise ranking was applied in selecting the priority problems to be executed first. From this exercise DESCOPA members decided to start with three issues. The first priority was



capacity building on project write-up and management in the manner that acquired skills will assist leaders in developing proposals for funding. The second priority was to develop a project proposal and distribute it to different donors for funding. This could help in solving the problem of Low funding capacity to respond to increasing demand for loans from the NGO members. The third priority was to train DESCOPA members on business skills.

Having completed problem ranking process, members of the organization had an opportunity to lie down implementation schedule that guided CED consultant to proceed with project designing. The scheduled activity plan was endorsed during the second meeting held.

### **1.3.1 Research Methodology for Community Needs Assessment**

Different methods and tools can be used to conduct community needs assessment, these include: Documentary review, Observation, Focus Group discussion, Survey questionnaire and Interview with key informants.

For the purpose of this project, the CED Consultant used Documentary review, Focus Group discussion, Observation, Questionnaires and Interview with key informants to determine the real needs of the community.

The research method was applied in January 2006 and March 2006 in order to collect data and information that would describe the status and magnitude of the problem. These methods enabled the CED Consultant to collect qualitative and quantitative information regarding the DESCOPA's Savings and Credit scheme.



### **1.3.2 Research design**

The research design was a cross sectional survey. A cross sectional study involved asking questions to a representative sample of the population at a point in time where such instruments as questionnaires and interview guides are used. The design is most appropriate for descriptive purposes and determination of the relationship, between variables.

### **1.3.3 Research approach and Strategy**

The research approach and strategy was participatory action research. Site visits, physical and telephone contacts were used during research design and implementation. A number of data collection techniques such as participant observation, questionnaires and focus group interviews were applied in addition to documentary survey.

### **1.3.4 Research Administration**

Two data collectors, one from the NGO and another one from the group, were trained by the CED Consultant on how to collect data, how to express themselves and respond to respondents, also they were instructed on how to assist respondents in filling up the questionnaires. The CED Consultant was also responsible in distributing and collecting the questionnaires to respondents. For the purpose of quality assurance, the CED Consultant has ensured that the two data collectors have a clear understanding of all questions from the questionnaires. Data collectors were instructed to ensure that response tally with questions. Thus, missed questions were clarified upon receiving of the filled questionnaires.



### **1.3.5 Focused Groups Discussion (FGD)**

In addition to the survey questionnaires, focused Groups discussion from DESCOPA members was organized. The reason behind was to capture information which might be missed in the survey questionnaires.

### **1.3.6 Sampling Methods**

The target population in the study area consisted of all members of DESCOPA's Savings and Credit Scheme; also Key informants from DESCOPA, Community development staff in Temeke Municipality and relevant stakeholders in the study area.

The study used random sampling method in the selection of sample population. Twenty two percent of the total study population (270 members) that is 60 members were selected for interview to represent the entire DESCOPA members putting into consideration the limited time and resources for the survey. In addition five (5) DESCOPA leaders, Two (2) community development staffs from Temeke Municipality headquarter and three (3) stakeholders were interviewed to cross check accuracy/validity of information received.

### **Benefits**

The sample population of 60 respondents with diverse characteristics attributes to greater advantage to the CED consultant and users of the study as biases are extremely reduced and a good representative of the whole target population is assured.



## **Issues**

High percentage of non-respondents could threaten the outcomes of the study. A close follow up and data cross-checking was conducted to ensure adequate response and reduce bias.

### **1.3.7 Psychometrics: reliability and validity of the survey**

#### **Reliability**

Potential respondents were used as intraobservers to measure the stability of responses over time in the same individual respondents. The individuals selected completed the survey at two different and appropriate points in time.

#### **Validity**

Questionnaires were established based on two types of validity, that is; content and criterion. Questionnaires was issued to two former CED students and reviewed based on the objects of the study and standard required they were appeared to be useful for the intended purpose.

### **1.4 Data Analysis**

The aim of data analysis is to synthesize information to make sense out of it. Different techniques can be appropriate depending upon whether the researcher has qualitative or quantitative data.

Primary data and all filled-in questionnaires were columned in advance of analysis. Quantitative analysis was done by the computer, using SPSS program for the preparations of grouped/cumulative frequency distribution tables and percentage.



In Secondary data, qualitative responses were sifted and categorized for easy analysis. These were used to compare and cross-check with quantitative data by using qualitative analysis.

Several techniques are available for presenting survey data clearly. These include reproducing a summarized version of the questionnaire and its responses, tables, pie diagrams, bar and line graphs, and pictures. Each has stringent rules that help make the presentation fair and clear.

For the purpose of this study the CED consultant has used grouped/cumulative frequency distribution tables and percentage to summarize and report the results. This method provided the CED consultant with a check on the information obtained, and provided data to survey users in a convenient form. The processed data was used to make conclusion and recommendations.

## **1.5 Study Findings**

This study conducted a survey with the intention of evaluating DESCOPA saving and credit scheme. The findings obtained revealed the following:-

### **i) Questionnaires' Results**

#### **1.5.1 Age Distribution**

Age characteristics have the direct relationship with level of commitment to business management and quality of decision making. The survey was conducted to see the age distribution of respondents in order to know which age group is least and most involved in small business ventures.



**Table 1.5.1: Distribution of respondent's age**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
15-25	10	16.7	16.7	16.7
26-36	27	45.0	45.0	61.7
37-47	16	26.7	26.7	88.4
48-58	7	11.6	11.6	100
<b>Total</b>	<b>19</b>	<b>100</b>	<b>100</b>	

**Source: Field Survey, September 2006**

Results in table 1.5.1 shows that the respondents' age ranges from 15 to 58 years. Such combination was useful in planning; Implementation and solving problems in the sense that different ideas, talents and experience could be enhanced and enriches each other. Majorities of the participants are in the productive age ranging between 26 and 47 years, which is potential to the NGO and individual business performance.

### **1.5.2 Participation in small business management by Gender**

Involvement of men and women in business activities is very important in order to speed up development and realize the concept of equal opportunity to all groups in the society. A society where men and women work together is likely to do better and reduce violence of women's rights and poverty.

**Table 1.5.2: Business owners by Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Male	24	40.0	40.0	40.0
Female	36	60.0	60.0	100.0
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Survey, September 2006**



Table 1.5.2 shows the number of business owners by gender. Out of 60 respondents, men own 40% of the surveyed business while women own 60% of all business ventures. Women are more trusted by the lending institutions because they are committed and reliable to pay back the loan. Men's mentality that small business can not be done by men is slowly changing and finds it useful to start small business so that they can generate income for their families. Small business ventures have brought together men and women than ever before. Above all, such participation in business activities among men and women has helped to reduce gender-biased decisions in the NGO as all gender needs are taken on board.

In such a society, the human rights of men and women are equally respected. Women who desire an active role in society may participate in activities of their own choosing, while men could enjoy a fulfilling home and community life. A gender-equal society is a society built by men and women as equal partners.

### **1.5.3 Marital Status**

Marital status in most African societies has a direct relationship with the level of peace and economic stability in the household hence affects the state of business performance. A survey was conducted to know the marital status of respondents in order to estimate the level of business performance and to what extent it can affect loan repayment.



**Table 1.5.3: Marital Status of the Respondents**

Status	Frequency	Percent	Valid Percent	Cumulative Percent
Married	30	50.0	50.0	50.0
Single	18	30.0	30.0	80.0
Separated	6	10.0	10.0	90.0
Widowed	4	6.7	6.7	96.7
Divorced	2	3.3	3.3	100
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Survey, September 2006**

Table 1.5.3 above shows the marital status of the surveyed respondents. It was revealed that married respondents were at the better chance of doing business followed by single respondents as compared with widowed, separated or divorced members due to the fact that these groups are sometimes compelled to use capital or daily sales to sustain the family in terms of food, health care, education and shelter in the family. Some of respondents were found in the defaulter register due to failure to pay back the loan either in full or partial but the loan insurance scheme was used to pay the difference and resolve the fault.

#### **1.5.4 Level of education**

Formal education has a direct relationship with the business performance and decision-making. A survey was conducted to determine the level of education of each surveyed participant by looking at the number of years one has spent in education system.



**Table 1.5.4: Level of Education**

No. of Years	Frequency	Percent	Valid Percent	Cumulative Percent
0	1	1.7	1.7	1.7
1-4	7	11.7	11.7	13.4
5-8	33	55.0	55.0	68.4
9-12	19	31.6	31.6	100
Total	60	100.0	100.0	

**Source: Field Survey, September 2006**

Table 1.5.4 above shows that majority of the respondents (55%) had completed primary education, followed by 31.6% of the respondents who completed ordinary secondary education. About 11.7 % of the respondents did not complete their primary school education while 1.7% did not attend school at all. Such situation and variation in education levels call for skills training and work in-groups in order to perform business efficiently. Groups of five people seemed to be ideal to fulfill and complement each other in terms of skills and competency.

### **1.5.5 Occupation of the respondents**

It was important to know how many people are engaged in other activities or employment other than what they do so that to determine the contribution of the private sector in the general livelihood of the surveyed respondents.



**Table: 1.5.5 Occupation of the respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Petty Business	44	73.3	73.3	73.3
Agriculture	13	21.7	21.7	95.0
Temporary Employed	2	3.3	3.3	98.3
Permanent Employed	1	1.7	1.7	100
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Survey, September 2006**

Table 1.5.5 above summarizes the results as follows: About 73.3% of the respondents were entirely doing petty business followed by 21.7% who were doing urban agriculture. The rest (about 5% in total) of the respondents had double employment in the sense that they were employed and self-employed at the same time. Small business appears to be the major employer for the urban population and the trend keeps on increase as the government promotes the private sector to run the economy.

#### **1.5.6 Income of Respondents**

People with low income are likely to seek for soft loans in order to boost their income through small business activities, while those with very low income or high income do not apply for loans by reason of fear and waste of time respectively. A survey was conducted to know the income levels of respondents and degree of involvement in small business activities.



**Table 1.5.6: Respondents' Income distribution**

<b>Income Tshs</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
10,000-30,000	16	26.6	26.6	26.6
31,000-60,000	24	40.0	40.0	66.6
61,000-90,000	19	31.7	31.7	98.3
91,000 +	1	1.7	1.7	100.0
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Field Survey, September 2006**

Table 1.5.6 above shows that majority of participants earn between Tshs 31,000 and 90,000/= on average per month of which 40% earn between Tshs 31,000/= and 60,000/= and 31.7% earn between Tshs 61,000/= and 90,000/=. About 1.7% earn between Tshs 91,000/= and above while 26.6% earn between Tshs 10,000/= and 30,000/=. If compared with the government minimum wage rate of Tshs 67,000/= per month, more than 67% of all surveyed respondents earns below the benchmark.

**ii) Focus Group Discussion results**

Under this method of data collection, the CED Consultant managed to collect data from DESCOPA members through the FGD conducted during the meetings. Results from the FGD revealed that there is a need to empower/ capacitates DESCOPA leaders so that it can manage to handle the increasing number of loan seekers from different wards of Temeke and Mkuranga Districts. Also majority of members complained that they lack permanent premises to conduct their business.



### **iii) Interview results**

The CED Consultant has conducted an interview with DESCوبا members on November 2005. DESCوبا members mentioned some of the problems facing them in performing their business activities. These include: -

- (i) Low capital investment to operate their business activities. Most of DESCوبا members' income is very low, as it has been observed from the data collected in the CNA. Majority of them earns between 31,000/= and 60,000/= tshs per month. As a result, they could only buy small quantities of raw material to produce their products. The maximum amount provided by DESCوبا SACCOs is 1,000,000/= tshs per individual.
- (ii) Lack of knowledge and skills to conduct their business. During the interview, DESCوبا members have expressed the need for training in business skills so that their business could grow.

### **iv) Observation**

During this survey, the CED Consultant has observed that; DESCوبا members were very hard workers, only that they lack knowledge and skills in doing their business. Also they lack capital to boost their business. Furthermore, the level of education for majority of them was low.



## **CHAPTER TWO**

### **2.0 PROBLEM IDENTIFICATION**

#### **2.1 Problem Statement**

DESCOBA's savings and credit scheme in Temeke district is considered to be one of the best performing NGOs dedicated to address the problem of poor households accessing loans from the formal banking sector through mobilization of the poor people to save the little money they earn and secure credits from the scheme.

Since its establishment in year 2005, DESCOBA has experienced good results whereby loan repayment rate has been 98%. Despite such success, the raising problem of which DESCOBA's Savings and Credit Scheme see it as a challenge is how it could respond to increasing demand from loan seekers in Temeke and Mkuranga Districts. Addition problems identified was inadequate knowledge in proposal writing and entrepreneurs' business skills. These entire problems were identified during needs assessment exercise done together with members.

Fundamental causes for this situation is attributed to low saving as a result of low income earned by most of the household (Between Tshs 31,000/= and 60,000/= per month) and absence of fund raising initiatives and strategies in DESCOBA.

As a consequence of that, loan clients are compelled to wait for next round until the loan taken by their colleagues is returned to DESCOBA. Waiting time seem to be too much for the poor household to afford, as they need to keep their families with basic needs and necessities all year round without generating additional income.



If such situation will not be addressed, majority of low-income households involved in small business ventures may not participate fully in the struggle of fighting income poverty and bring about sustainable livelihood security for their families and contribute to the national income.

This study therefore, intends to explore factors affecting DESCOPA community and suggest better strategies and sustainable solution.

## **2.2 Target community**

The target community for this project is the small business holders in nine wards located in Temeke district in Dar es Salaam Region and Mkuranga district in the Coast Region.

## **2.3 Major Stakeholders**

This project entirely will involve different stakeholders in its implementation. Key stakeholders involved and their roles are as follows: -

### **DESCOPA members**

These are the small business holders used as control group during project planning, implementation and evaluation. They are primary source of information.

### **Foundation for Civil Society**

This category of stakeholder play great role in enhancement of the organization. It provides grants to civil society organization in the area of capacity building and poverty eradication. The Foundation for civil society shall be involved as much as possible in all stages of the project



## **Temeke Municipality**

Temeke Municipality is responsible for registration and coordination of CBO's and NGO's. In the implementation of this project, the municipal authority (in particular Cooperative department and Community development) shall be involved in each stage of the project in order to ensure sustainability of the project.

### **2.4 Project goal**

The project goal is to evaluate the performance of DESCOPA's savings and credit scheme.

### **2.5 Project objectives**

- i. To determine the level of community participation (DESCOPA members) in planning, implementation, monitoring and evaluation of savings and credit schemes.
- ii. Build Capacity of DESCOPA members in business skills
- iii. Assist DESCOPA organization to Develop proposal for increasing its loan portfolio.

### **2.6 Host organization**

The host Organization for this project is DESCOPA- a registered local NGO committed to help the poor households to free from poverty through promotion of self-employment initiatives. DESCOPA operates with poor people in small-organized groups whereby, it promotes savings and credits habit in order to raise capital and start up small business ventures in their own local situation. Currently, DESCOPA is operating in nine wards located in Temeke and Mkuranga districts in Dar es Salaam and Coast regions



respectively. In this project, CED consultant has the role of offering consultancy needed by the beneficiaries.

#### **2.6.1 DESCOPA's Vision:**

“Eradicate poverty, ignorance and diseases among rural and urban communities”

#### **2.6.2 DESCOPA's Mission statement:**

“Empowering poor and unprivileged groups and individuals through partnership in capacity building and support community initiatives geared to eradication of poverty, diseases and ignorance in Tanzania.”

#### **2.6.3 DESCOPA's objectives:**

The overall objective of DESCOPA is to support all community based activities that lead to employment and income generation as well as diseases and ignorance eradication in the informal sector, micro/small scale enterprises. While

Specific objectives include:

- i) To promote community based activities through offering of service packages that stimulate the overall business environment for the development.
- ii) To act as a unifying organ between members of its respective units.
- iii) To establish among its unit members a forum for coordination and systematic exchange of information and experience.
- iv) To facilitate carrying out of studies on programmes pertaining to matters of common interest among its unit members.
- v) To carry out consultancy services and research in general for the purpose of promoting community development.



- vi) To purchase, take or lease or otherwise acquire goods, rebuild, reallocate, alter and reconstruct any land or property of any tenure of manufacture, sale or warehousing by the organization for the purpose of promoting the unit(s) and the community as a whole.
- vii) To process and/or trade goods for the benefit of the Organisation.
- viii) To promote gender equality, equity and women's empowerment from the grassroots level.
- ix) To promote education at both pre-school, primary, secondary and tertiary levels and empower youth through creative activities.
- x) To prevent child abuse.
- xi) To provide community based health, nutrition and environmental programmes aimed at improving the health of the people in order to enable them to engage in productive activities.
- xii) To promote crop and livestock production, development of natural resources.
- xiii) To promote small-scale food processing cum preservation through use of appropriate and affordable technologies.
- xiv) To promote low-cost housing using appropriate and affordable technology.
- xv) Carry out training program design, training, material development, evaluation and monitoring as well as curriculum planning and development.
- xvi) To establish and run savings and credit scheme for its various unit(s)



#### **2.6.4 DESCOPA's current programs**

So far the DESCOPA is actively involved in Micro finance service delivery operating in nine wards.

#### **2.6.5 DESCOPA's current activities**

- i) Community mobilization and registration of members in the scheme
- ii) Loan rendering and follow ups
- iii) Loan collection and recycling
- iv) Monitoring and Evaluation
- v) Reporting to board of directors and general assembly



## **CHAPTER THREE**

### **3.0 LITERATURE REVIEW**

#### **Introduction**

The role of micro-finance in promoting economic development and social welfare especially among low-income households has long been recognized in developing countries.

SACCOS are becoming an important sector in Cooperative movements in Tanzania. According to a report by WAT Human Settlements (2005), Tanzania had a total of 5,730 Cooperative Societies. Agriculture sector ranked first with a total of 2648 societies, which is equivalent to 46% of the total Cooperative Societies and accounts for more than 50% of the Gross Domestic Product (GDP), SACCOS being the second sector, had 1875 societies which is equivalent to 33% of the total Cooperative Societies. Thus, SACCOS play a pivotal role in the socio-economic growth of the nation.

This part covers theoretical, empirical and policy reviews of various literatures on the subject matter.

#### **3.1 Theoretical Review**

##### **3.1.1 Savings and Credit Schemes as a strategy for poverty alleviation**

Savings and Credit Cooperative Society (SACCOS) is defined as an association of people who join together to save money and make loans to one another at reasonable interest rates without exploiting or being exploited. The members provide capital by way of shares and deposits, which are rotated in loans to members (Cooperative development policy 2002).



SACCOS are also defined as a very simple form of financial institutions, which fit well with the socio-economic surroundings of the rural poor and the poor community as a whole. Hence, they are better placed to innovate and develop indigenous financial products relevant to the communities they serve. Also, SACCOS are democratic institutions where members have a voice in the policies of the SACCO, particularly regarding the setting of interest rates on savings/loans (Kasilo, 2000).

Carlos E. Cuevas and Pilar Compas (2006) define savings as accumulation of financial and non-financial assets for future disposition in consumption or production.

Munkner, H. H (1984) defines a cooperative as the pure organizational model, which is any kind of group of persons linked together by economic interest who undertake planned economic activity by using their own resources of solving their own problems. Strategies for poverty alleviation have been using Microfinance services as one of the important tool for intervention.

Anton Simanowitz (2002) argued that Microfinance programs are of the most important interventions to reduce poverty in developing countries. SACCOS are in the category of the Micro-finance institutions that work towards institutional financial self-sufficiency while maintaining a commitment to serving the poorest families with financial service for poverty reduction. Microfinance means providing very poor families with very small loans (micro-credit) to help them engage in productive activities or grow their tiny businesses.



Micro-credit came to prominence in the 1980s, although early experiments date back 30 years in Bangladesh, Brazil and few other countries. Although in the past other people considered Microfinance to be the same as Microcredit, they differ as time went by. Microcredit refers to provision of credit only, while Microfinance covers a broader range of financial services encompassing; credit, savings, insurance, leasing, housing, payment transfers and remittance services (Kasilo, 2000).

### **3.1.2 Demand and Supply of micro credits and service delivery**

Demand for financial services comes from Micro-entrepreneurs. These are people who operate small business or who because they do not have formal jobs, they survive by generating income for themselves in very small activities. The activities carried out range from food vendors, handcrafts, artisans and so many others. Analyzing the impact of Microfinance intervention is especially important if the interventions are ultimately aimed at poverty reduction (Shoo, 2001).

A study by the Bank of Tanzania (BoT) training institute indicated that, the demand for micro-finance services is overwhelming. This is largely because commercial banks place high regard to the possession of collateral as one of the main criteria for prospective borrowers to qualify for loans. Since most of the Economically Active Poor (EAPs) cannot meet these conditions, they resort to group borrowing. The groups severally and jointly guarantee the repayment of loan. With relation to the access of the poor to public services, it can be argued that if micro-finance lending reduces poverty and increases income, then access to services can also be increased, despite the fact that the emphasis of many Micro Finance institutions (MFIs) is on income generation rather than access to



services. Nevertheless, some micro-finance programmes have extended provisions for access to services such as housing (J.M.L.Kironde, 1992).

Rahman (1997) observed that, Micro Finance Institutions use different methodologies, have a number of institutional arrangements and exist in a variety of policy settings, but share a common concern in the alleviation of poverty. The methodology most frequently used by the leading MFIs is that of group lending to units ranging in size from small to bigger size. Group members collectively guarantee loan repayment and access to subsequent loans is dependent on successful repayment by all of them. Risks and administrative costs per borrower are thus reduced and the group guarantee serves as a substitute for collateral requirements.

Rahman further confirmed that over the last two decades, local institutions in different parts of the world have developed innovative mechanisms to provide credit and savings facilities for those who were traditionally excluded from the formal financial sector.

These MFIs have devised original financial service delivery system for the very poor and have succeeded in reaching segments of the population previously unreached by such facilities. MFIs are now operating in rural and urban areas.

Interest rates for savings and credit vary from one scheme to another. In most cases, interest rates do not differ much from market rates. There are two points that make savings-and-credit schemes different from commercial banking facilities. Firstly, savings and-credit schemes provide easier access to credit. The systems are simpler and are more suitable to the lifestyles of the poor. Secondly, the control of the resources rest with its members and so does the profit gain (Shoo, 2001)



### **3.1.3 Contribution of Micro-Finance Services in Socio-Economic Development**

The emergence of Micro-Finance Institutions (MFIs) in Tanzania came after the development of the micro enterprises. Before the 1980s there was only one public corporation, namely Small Industrial Development Organization (SIDO) that had the role of providing small loans to small scale business undertakings. Workers Saving and Credit Cooperative Societies (SACCOS) that were established at work places were also extending small loans to the individual members. The Cooperative Societies Act of 1991 provided the basis for the development of SACCOS as privately owned and organized equity-based institutions (Shoo, 2001).

Micro finance service delivery has increasingly and widely accepted as one of the reliable option of addressing income poverty and unemployment in both rural and urban locations. Majorities of the commercial financial institutions have left big segment of the poor and unemployed population out of the main stream of the economy - making their contribution non-counted in the National Income due to presence of banking restrictions and conditionalities to access loans. Micro finance institutions (MFIs) have tried to bridge up the gap but most of these operate in urban centres sometimes with relatively high interest rates that prevent people to take loans.

In Tanzania 85 per cent of the population live in rural areas and along with the reforms, including privatization of banks, the provision of financial services to the rural areas has declined significantly. The conventional financial sector regards the rural as high-risk area, which explain why many banks have closed branches in rural areas and further on why the rural formal financial sector is relatively small. In the late 1980s, government,



donors and NGOs were seeking to provide financial services to the rural areas, which were practically closed out from the formal bank sector.

Credit programmes, with micro financial institutions were initiated in support to the informal sector. The aim was to offer financial services more suitable for people with a small economy. The initiators traditionally worked on the assumption that the poor did not have the capacity to save, and above all, needed credit to enable them to escape the poverty trap. Consequently the institutions aimed to help poor people through loan services. The importance of savings among the poor were neglected, or perhaps not identified by the decision-makers. Today many credit programmes are dependent on donor, and a majority of them have remained small and unsustainable, with a bad outreach. Therefore alternatives provided in the informal financial sector plays an important role in reaching the poor with financial services, even if those services often are lacking in safety and effectiveness (ILO and ADB, 2004).

The role of micro-finance in promoting economic development and social welfare especially among low-income households has long been recognized in Tanzania, and no doubt, in other countries (J.M.L.Kironde, 1992).

Shoo (2001) observed that, majority of low-income earners assert that the income generated from their participation in micro financing lending schemes was spent on educating their children and themselves.

The study conducted by Kasilo (2000) in Mbeya District assessed the degree of poverty reduction as a result of intervention provided by various Microfinance intermediaries to small enterprises. Many people turned to the Small and Medium-scale Enterprises



(SMEs) sector in search of alternative employment opportunities and to supplement their wage income. As a result, the SMEs has become one of the agenda in the country, and it has been accepted that it could play an important role in accelerating economic growth, reduce income disparities and generate employment.

Cohen and Jennifer (1999) asserts that there is a positive impact on employment generation among the SMEs and increased household investment in housing and education investments.

It is further argued that MFIs have played a significant role in promoting entrepreneurs' activities and particularly alleviating poverty.

#### **3.1.4 Capacity building for small and medium enterprise (SMEs) promotion and development**

Analysts use varying definitions of SMEs. Many advanced countries define SMEs as firms employing between 10 and 250 workers (or, in some countries, 500). SMEs are generally viewed as occupying the middle of the firm size distribution -- larger (and typically more formalized) than "micro enterprises," which are usually informal units employing at most a handful of people. In many small and less-developed countries, it should be noted, firms employing 250 or 500 people could well be among the larger firms in the country.

SMEs have proved to be a vital element of growth in the global economy. Their contribution to the economic development of both developed and developing countries has been well recognized.



In order to maintain sustained growth, the developing economies in particular have to take into account the latent force of the SME sector and harness it properly in their favour. However, in order to maintain a competitive edge in the fast emerging new economic order, and overcome various challenges in the domestic and international markets, SMEs would need to be provided with suitable institutional capacity-building programmes.

### **3.2 Empirical review**

#### **3.2.1 The role and importance of Micro-Finance Services to the EAP households**

According to the Vice President's Office Study of 2000, the realization of the importance of micro-finance lending has increased in recent years on account of a number of reasons including:

- i. The need to tackle poverty which is prevalent and in some cases increasing in both the rural and urban areas.
- ii. The declining role of public sector and the increasing role of Micro and Small Enterprises (MSEs) in promoting economic growth and development, offering employment and reducing income disparities.
- iii. The realization that the increased participation and contribution of MSEs leads to an increased need for financial services, particularly credit, to support their initiatives.
- iv. The unwillingness of the Formal Financial Institutions (FFIs) to offer credit to poor or small business undertakers. In any case, the latter would find it difficult to meet the conditions set by the FFIs to extend credit to operations.



- v. Economic liberalization which has seen many FFIs streamlining their operations and concentrating on profitable ventures, thus leaving out rural areas and the poor in general (VPO Study, 2000).

The ILO (1998) report realized that microfinance is no doubt making substantial impact on incomes and the welfare of the most disadvantaged groups. Poverty reduction estimates based on micro credit shows that about 5% of programme participants lift their families each year by participating in and borrowing from microfinance programmes as Khandker (1998) once revealed.

### **3.2.2 Cooperative movements in Tanzania**

SACCOS are becoming an important sector in Cooperative movements in Tanzania. According to a report by WAT Human Settlements – 2005, Tanzania had a total of 5,730 Cooperative Societies. Agriculture sector ranked first with a total of 2648 societies, which is equivalent to 46% of the total Cooperative Societies.

SACCOS, being the second sector had 1875 societies which is equivalent to 33% of the total Cooperative Societies. The other sectors such as Consumers, Industry, Irrigation, Minerals, Transport and others occupied 3.2%, 2.6%, 1.3%, 0.3%, 0.3% and 9.1% respectively (WAT Human Settlements report, 2005).

### **3.2.3 The Effect of Income Poverty on the Livelihood of the Poor Households**

The prevalence of income poverty is still high in Tanzania. According to Household Budget Survey of 2000/01 the proportion of the population below the national food poverty line is 18.7 percent and that below the basic needs poverty line is 35.7 percent. Comparing these results with those of the Household Budget Survey of 1991/92 there



has been a small decline in the proportion of the population below the national poverty lines (NSGRP, 2005).

Basic needs poverty decreased from 38.6 percent to 35.7 percent and food poverty from 21.6 percent to 18.7 percent. Poverty remains overwhelmingly in rural areas where 87 percent of the poor population live, and is highest among households who depend on agriculture. As the population is growing, the absolute number of the poor raises concern. There is also a big disparity between urban and rural poverty for both food and basic needs poverty. The Household Budget Survey (HBS) 2000/01 results reveal growing income inequality as measured by a rise in the Gini-coefficient from 0.34 in 1991/92 to 0.35 in 2000/01 (NSGRP, 2005).

The famous Grameen Bank of Bangladesh lent for shelter development to over 300,000 of its members. Some micro-finance especially from SACCOs and Rotating Savings and Credit Association (ROSCAs) is many times directed to consumption of various services such as education, health and housing, which have a direct impact on poverty alleviation (J.M.L.Kironde, 1992).

A number of impact assessment studies carried out on the activities of PRIDE for the year 1997, 1998, 1999 and 2000 through qualitative and quantitative research approaches concluded that, loans had improved the living standards of its clients through increased income generating activities, improved job opportunities and enhanced income whereby TShs 9.0 billion was made available to them as credits reached a total of 62,500 poor people with 95% of them being women.



Through PRIDE's mobilization efforts and awareness, it has increased a culture of savings, which is also important in the social economic development of many households in Tanzania (J.M.L.Kironde, 1992).

The microfinance industry in Bangladesh currently provides access to credit to around 13.0 million poor households. Micro credit plays a significant role in reducing household vulnerability to a number of risks and that it contributes to improving social indicators Zaman (2004)

Another paper presented by Professor Muhammad Yunus (1999) singled out the ways on how to fulfill the micro credit summits' goal of reaching 100 million of the worlds' poorest families, especially the women with micro credit for self employment and other financial and business services by the year 2005. It was agreed that, the summit should ensure not only more resources are dedicated to promoting micro credit, but also resources are provided to the institutions in cost-effective ways.

The micro credit summit estimated that US\$ 11.6 billion would be needed as grant and soft loans reach 100 million poor families. According to Yunus, the consultative Group to assist the poorest has a critical role to play as a catalyst, given the fact that it is uniquely positioned to assist and its commitment to reaching the poorest and as agency of which all leading donors are constituted (Muhammad Yunus, 1999).

Maria Otero (1997) observed that, those small economic units that are operating at the margin of the modern sector or outside it are the major sources of employment in urban areas throughout developing world. In some cities, more than halves of the economically active people are employed in these Micro enterprises.



This group provides most jobs/employment in many developing countries varying from 40% to 90%. In Tanzania for instance, about 75% of the household depend very much on the informal business and earn their living through this type of economic activity. The informal business is playing an important role in accelerating and broadening economic base, ownership, employment and at the same time reducing disparities among the people particularly the disadvantaged group on the society (Omari, 1991).

### **3.2.4 Contribution of Small and Medium Enterprises to the Economy**

There is a growing interest in the role of SMEs in economic development. SMEs have a number of acknowledged characteristics that make them more important to modern economies. They form by far the largest number of enterprise, they employ more workers per unit of capital than large enterprises, they contribute towards achieving a more equal income distribution in the society also they serve as a training platform for upgrading and developing skills of workers.

As far as the total number of the establishment is concerned, SMEs account for a huge proportion in many countries. It is noted that 99 percent of the total number of establishments in Canada are SMEs; 99 percent of all firms in the United Kingdom employed less than 50 people representing a major part of the United Kingdom's economy; SMEs account for 99.3 percent of the total number of enterprises in South Korea with 39.7 percent of the total value added production and 70 percent of the employment; There are more than 700,000 SMEs in Taiwan, comprising over 98 percent of the total number of enterprises. In China, SMEs employ more than 42 percent of the



total labor force and generated 87 percent of the total rural output value. About 90 percent of the total establishments are classified to be SMEs in the Philippines.

For many countries SMEs are viewed as the backbone of the economy. Much more important is the significant role SMEs play in the overall economic development. In short, SMEs employ more workers per unit of capital as compared to large enterprises (Beal, T and Moha Asri Abdullah, 2002).

### **3.3 Policy Review**

#### **3.3.1 Importance of Policies in Promotion of Small and Medium Enterprises**

The establishment and the overall objective for the establishment of the SMEs policy is to foster job creation and income generation through promoting the creation of new SMEs and improving the performance and contribution to the Tanzanian economy (SME Policy, 2003).

The policy Reviews and reconsiders public policies and regulations that discriminate or hinder the start-up, survival, formation and growth of the sector; Enhancing the growth of the sector; Identifying and assigning clear roles of key actors; Developing strategies that will facilitate provision of financial and non-financial services to SMEs; Developing and institutionalizing public-private partnership for SME sector development (SME Policy, 2003).

The policy seeks to further the objectives of the Tanzania development vision 2025. The implementation of the policy is based on the basic principles to include: consensus-building through dialogue, active participation of all key stakeholders, capacity building to ensure effective utilization of all factors of production, and periodic review to identify



bottlenecks in the implementation process with view to finding their solution long with best practices (SME Policy, 2003).

Community Development Policy (1996), emphasizes on the eradication of poverty through involving those responsible for bringing about community development by: advising and training individual families and households, also encouraging group or cooperative productive activities. Further more, it emphasizes on consolidation of the informal sector by encouraging economic activities, industries, small businesses and production in groups both in urban and rural areas and assisting communities in setting up savings and credit societies based on existing community customs and traditions of cooperation such as women's groups and various urban groups.

The National Strategy for Growth and Reduction of Poverty (NSGR), among others aims at Scaling up participation of the informal sector and SMEs (including co-operatives), high priority is given to the promotion and participation of SMEs, SMEs development and management of Micro credits.

Though most SMEs are found in urban areas, smaller-scale non-farm activities in rural areas require policy attention. They all lack adequate finance and technical and managerial skills, infrastructure, market information and contacts with external markets. Small businesses also face unfriendly and variable administrative impediments to business licensing. A credible, enabling policy environment is needed to enable the informal businesses to formalize their enterprises. This requires a change in attitudes of the bureaucracy toward private sector development. In pursuing these concerns, special emphasis should be directed at addressing inequalities between rural and urban areas in



terms of micro-credit institutions and access to other economic services and gender imbalances in terms of access to assets such as land and credit (NSGRP, 2005).

In recent times, at policy level, the need for micro-finance activities was stressed by the President of Tanzania when he called for the development of an alternative credit system that is not guided by some operational principles as the banks. MFIs have therefore become alternative sources for financing MSEs and the poor. Proponents of micro-finance argue that this: reduces poverty through increased income and higher standard of living; Empowers women; Develops the business sector through business potentials, and Develops a parallel financial sector favorable to the poor (Chijoriga, 2000).

Legally, MFIs in Tanzania are not allowed to mobilize savings but many of the NGO-MFIs engages in the mobilization of "Savings" in the guise of "loan insurance funds." All provide loans to ongoing businesses and only very few provide start-up capital. None of them directly provide loans for other purposes such as consumption, education or health. Some provide credit to women only. In any case, women receive some 77% of all the loans from NGO-MFIs (Chijoriga, 2000)

### **3.3.2 Trend of poverty reduction initiatives and action points**

At the United Nations in 2000, the Millennium Declaration was adopted by all UN member states. This declaration introduced by UN Secretary General Kofi Annan names eight (8) Millennium Development Goals as follows: Halving extreme poverty and hunger; Achieving universal primary education; Promoting gender equality and empowering women; Reducing child mortality; Improving maternal health; Combating



HIV/AIDS, malaria and other diseases; Ensuring environmental sustainability;

Developing Global partnership for development (Nelson J; Prescott D. London, 2003)

Microfinance, Millennium Development Goals and Programme of Action 2015 asserts that, access to financial services, especially to savings and loans, gives poor households the opportunity to: Invest credits in Micro enterprises and thus improve their own income and employment situation. Keep part of their financial reserves in a secure and liquid form as well as generate interest income. Stabilize their exceedingly irregular flow of income and expenditure and thus better manage their low household budgets (Nelson J; Prescott D. London, 2003)

The impact of Microfinance projects promoted by German development cooperation was examined by impact-oriented monitoring. It was shown that Microfinance leads to positive effect regarding income and employment, and that poor households use their additional means to invest in better nutrition, education, medical care and others. Thus, Microfinance is a crosscutting issue contributing directly and numerous ways to achievement of Millennium Development Goals and the realization of Programme of Action 2015 (Eschborn 2004)

Since independence Tanzania has been preparing and implementing policies, strategies, and long and short term plans which were intended to help the people bring about their own development. The Government has emphasized this by stressing that all those who can work should work (Community Development Policy, 1996).



The government of Tanzania is undertaking various initiatives towards poverty reduction and attainment of social and economic development. In the process, the government founded within its broad policy framework, the “vision 2025” that stipulates the vision, mission, goals and targets to be achieved with respect to economic growth and poverty eradication by the year 2025.

To operationalise vision 2025, the government of Tanzania formulated “National Poverty Eradication Strategy” (NPES), Which provides overall guidance and framework for coordination and supervision of the implementation of policies and strategies of poverty eradication.

Urban poverty is grave especially for households with low and unreliable incomes, the unemployed, urban vulnerable groups and those in the informal sector. Urban poverty has brought to the spotlight stress on urban public facilities and services. Urban poor live congested, mainly in un-surveyed areas, overcrowded residences and streets (National Strategy for Growth and Reduction of Poverty (NSGRP), 2005).

Poverty Reduction Strategy (PRS) was formulated in the year 2000. Among many set targets for the PRS, “reduction of the proportion of the population below basic needs poverty line by half by the year 2010” this require an extra effort to ensure that the strategies move with the millennium development goals.

The Small and Medium-Scale Enterprises (SMEs) are found in wide range of productive sectors and services including commercial activities, both formal and informal. They are carried out mainly by private sector. (NSGRP, 2005).



### **3.3.3 The Importance of Cooperative Financing in the Promotion of SMEs**

A Cooperative society is defined as an association of persons who have voluntarily joined together, for the purpose of achieving a common need, through the formation of democratically controlled organization and who make equitable contributions to capital required for the formation of such an organization, and who accept the risks and the benefits of the undertaking in which they actively participate (Cooperative development policy 2002).

Cooperative financial institutions are a very important factor in Cooperative Development. Financial Institutions, which are established as cooperative societies are an alternative to other commercial banking systems and may be utilized to encourage thrift and saving habits to the cooperators (Cooperative Development Policy, 2002).

Cooperative financial institutions are also a source of loans to cooperative members and other cooperative societies based on favorable loan re-payment conditions, as compared to other commercial banks. Further, Cooperative Financial Institutions help to keep finances that are mobilized by the cooperators within the cooperative system and for the benefit of cooperators themselves. Thus, in the current situation whereby cooperative societies are considered un-creditworthy by other commercial banks criteria, the establishment and development of cooperative financial institutions is a sine qua non of cooperative development in Tanzania (Cooperative Development Policy, 2002).

The Policy stipulates that, the Government will encourage formation of cooperative financial institutions in order to reactivate thrift and saving habits among members and



thus enable cooperatives to benefit from the capital generated (Cooperative Development Policy, 2002).

In the past the establishment of Savings and Credit Cooperative Societies (SACCOS) was slow in rural areas. Most SACCOS were established in urban areas and at workplaces. As a result members of agricultural marketing primary cooperative societies found it impossible to save money that could have enabled them to buy shares and thereby increase the capital of their cooperatives. On the other hand, primary cooperatives themselves failed to obtain credit for collection of produce and buying of inputs for their members (Cooperative Development Policy, 2002).

The policy directs that, to solve the problem of liquidity to members and primary cooperative societies, the Government will encourage formation of SACCOS within the areas of operation of primary societies. The Government will also continue to provide technical assistance to strengthen and develop the existing SACCOS in urban and rural areas (Cooperative Development Policy, 2002)



## **CHAPTER FOUR**

### **4.0 PROJECT IMPLEMENTATION**

#### **4.1 Introduction**

This part covers the project implementation. It is at this stage that all planned activities are put into action (the implementation work plan is attached in appendix iv of this report). The following were the planned project activities: -

- i. Self introduction and familiarization
- ii. Organize a meeting on CNA
- iii. Identification of training needs for DESCOPA leaders
- iv. Conduct training to 3 DESCOPA leaders on project write-up and 280 members and management staff on business skill.
- v. Preparation of the project write up
- vi. Present the Project write up to DESCOPA members for approval
- vii. Submission of the final draft of the project proposal to DESCOPA
- viii. Conduct project Monitoring
- ix. Conduct project Evaluation
- x. Report writing and Presentation

#### **4.2 Project Products and Outputs**

The planned project products and outputs to be achieved are as follows: -

##### **4.2.1 Project Outputs:**

This project was expected to produce three major outputs.



Output 1: DESCOPA leaders trained on fundraising techniques and loan grant management

Output 2: DESCOPA Project proposal for seeking funds developed and forwarded to donors for support. (The proposal developed is attached Appendix xi).

Output 3: DESCOPA members trained on business skills and management.

#### **4.2.2 Project Product:**

The following products were expected after project implementation: -

- i) Increased capacity and confidence of DESCOPA leaders in terms of soliciting funds from other sources.
- ii) Increased funding capacity of DESCOPA to meet demand of loan seeker
- iii) Increased business skills and knowledge of DESCOPA members

#### **4.3 Inputs**

There are range of inputs required to accomplish this project, it includes transport; hall; stationeries; facilitators to facilitate the training programs; register book; and refreshments.

#### **4.4 Staffing**

DESCOPA runs with 10 staffs that carry out day-to-day activities of the NGO. Most of these lack necessary qualities to run the micro finance service delivery and advance the organization to perform more functions that will yield diverse products needed by the client. Apparently DESCOPA enjoys the favorable market competition due to the fact that it targets the remote population in the district where other NGOs/ organizations with



similar product line do not effectively operate in those areas and above all they charge high interest rate than what DESCOPA offers to the client.

#### **4.5 Project Budget:**

The overall budget of this project is Tshs 402,500/=. The funding sources include DESCOPA members, the NGO (DESCOPA), other stakeholders and the CED consultant. Detailed project budget is attached appendix V.

#### **4.6 Actual Project Implementation:**

This project has managed to implement two out of three priority areas. These include: - capacity building of the NGO leaders on project write-up. This was perceived to be the top priority and felt need of the NGO and its members to be addressed before others. The project conducted training to 3 DESCOPA leaders of which resulted into increased capacity and confidence in terms of soliciting funds from other sources.

The second priority was development of a project proposal by the CED Consultant and DESCOPA leaders. The proposal seeks to increase lending capacity of the NGO and its members through training of management staff, volunteers and its members on fund raising skills that will enable soliciting of new funding sources and opportunities in order to render quality services. The proposal was developed accordingly and DESCOPA leaders participated fully during its preparation stages. Based on the proposal developed, DESCOPA leaders are now waiting to receive funds Tshs. 34 million from Foundation for Civil Society aiming at building capacity of the members.



The third priority was to train DESCOPA members on business skills. This task seeks to impart DESCOPA members with knowledge and skills to operate effectively their business activities. The status for this task is that it is not yet implemented due to inadequate fund. Therefore, its implementation is scheduled to be in September 2007.

In general all activities already implemented were conducted as planned with slight variation in terms of timeframe due to overlapping of some activities by the CED Consultant during the course of implementation. (The implementation work plan is attached in appendix IV of this report). The following were the actual project activities: -

- i) CED consultant was introduced to the host NGO by Community development Officer from Temeke municipality, then to DESCOPA members.
- ii) DESCOPA leaders convened a meeting on CNA of which needs and priorities were identified and selected. The major identified needs were Inadequate Knowledge and skills (for DESCOPA leaders) on project write-up and management; Low funding capacity of the NGO to respond to increasing demand for loans from the NGO members and inadequate business skills for DESCOPA members.
- iii) CED consultant trained 3 leaders on project planning and management with emphasis on project write-up preparation. Training of members on business skills will take effect on September 2007.
- iv) CED consultant together with DESCOPA leaders prepared the first draft of the project write up as agreed during the CNA and training session.



- v) The project write up was presented in a special general assembly for discussion and approved by the meeting after considered necessary changes.
- vi) CED consultant submitted the project proposal to DESCOPA for further action.
- vii) CED Consultant ensured checks and balance for each step of project implementation was in order. This activity was continuous to an end.
- viii) CED consultant did both midterm evaluation in May 2006 and summative evaluation in December 2006.
- ix) A report was prepared and presented to the CED Programme as annex to the final project report.



## **CHAPTER FIVE**

### **5.0 Monitoring, Evaluation and Sustainability**

#### **5.1 Monitoring**

Monitoring is the process of routinely gathering information on all aspects of the project. Monitoring provides information which helps to: Analyze current situation; Identify problems and find solutions; Discover trends and patterns; Keep project activities on schedule; Measure progress towards objectives and formulate/revise future goals and objectives (CEDPA, 1994).

The project has used participatory monitoring method whereby all the targeted groups were involved.

##### **5.1.1 Reasons for Monitoring**

Monitoring plan was developed and implemented to ensure the study performance meets set goal and objectives. This was done throughout the period in order to track changes over time and adjust accordingly. It was done in collaboration with DESCOPA leaders and members as a way of building skills and ensures future sustainability of the scheme.

##### **5.1.2 Research methodology for Monitoring**

Different methods were used to monitor the project implementation. These include: Quantitative and qualitative methods such as: Focus Group Discussion (FGDs), Review of documents and records, Household interviews and observation.

Focus group discussion method was used to collect primary and qualitative information from the group members. Experience sharing was conducted during those sessions. Here members were willing and open to express themselves about the progress of their



projects and suggest way forward to rectify the situation. Open discussions revealed increased confidence, knowledge and positive attitude towards self-employment.

Review of documents and records was used in order to collect secondary data. Both quantitative and qualitative data were collected at this stage in order to inform analysis and triangulate data collected from primary sources.

Household interviews and observation methods were conducted simultaneously. Observation of events and working environment was conducted during interview sessions with household members involved in business activities. Most of the businesses are conducted at the household sites, thus it was convenient for the CED consultant to address two activities at the same time without interfering with their daily activity scheduled.

The methods used were chosen simply because are simple to apply and convenient to both CED consultant and DESCOPA beneficiaries. Other methods like case studies could not be applied due to shortage of time for the study.

### **5.1.3 Monitoring questions, Verifiable indicators and Means of Verification**

Indicators are quantitative or qualitative criteria for success that enable one to measure or assess the achievement of project objectives. During monitoring process the following questions, indicators and means of verification guided the study:



**Table 5.1.3: Monitoring questions, Verifiable indicators and Means of Verification**

<b>Monitoring Question</b>	<b>Verifiable indicators</b>	<b>Means of Verification</b>
How can you describe your involvement in DESCOPA activities?	Level of participation	Attendance register
To what extent are you familiar with DESCOPA objectives and activities?	Level of familiarity	Questionnaire/Response
Have you participated in the community needs assessment?	Meetings attended	Attendance Register
What do you consider as training needs for DESCOPA leaders and beneficiaries?	Type of training needs identified	Questionnaire/Response
Did you attend any training on project planning and management organized by DESCOPA or any other Organization?	Trainings attended	Attendance List;  Training report
Have you ever received a loan from DESCOPA?	Amount of loan	Loan register
Have you returned the loan?	Loan retirement	Loan retirement register
What challenges did you face in accessing loans and managing your business?	Type of challenges	Questionnaire/Response

**Source: Monitoring plan 2005**



#### **5.1.4 Tools used for monitoring project activities:**

The monitoring process involved use of different tools depending on what to be monitored. These include: Checklist used in interviews with key informants who provided first-hand information about DESCOPA activities. In Focus group discussion checklist was used to get information about experience on savings and credit scheme for few selected beneficiaries. Site visit/Observation were used to supplement the knowledge gained from other sources.

#### **5.1.5 Management Information System**

Management Information System (MIS) is defined as a system designed to collect and report information on a project and project activities to enable a manager to plan, monitor and evaluate the operations and performance of the project (CEDPA, 1994).

In this project, the MIS was prepared through a consultative process that involved DESCOPA leaders as well as members.

Data and information were collected from primary and secondary sources and analysis was done using computer software namely Statistical Package for Social Science (SPSS) and Microsoft Excel. Data storage was done in soft ware form and hard copies were filed at DESCOPA and CED Consultant's files for retrieval and use in future. Initially, it was difficult to get all the information needed at one point because of poor filing system and organization of the information. At household level, much of the information was generated through individual's memory, as there were no records kept. This is because of lack of culture of documentation and storage of information in hard form.



**Table No 5.1.4: Implemented Monitoring Plan 2005 - 2007**

<b>Objectives</b>	<b>Activities</b>	<b>Data Source</b>	<b>Methods used</b>	<b>Responsible person</b>	<b>Planned Timeframe</b>	<b>Actual Timeframe</b>
To identify one community based organization in the project area involved in Savings and credit services.	Identify one local NGO	-Temeke Municipality	Interview with key Informants	- CED Consultant, - DESCOPA leaders and members	October, 2005	October 2005
	- Self introduction and familiarization	- Report	- Focus Group Discussion - Observation	- CED Consultant, -DESCOPA leaders and members - Temeke Municipal community development officers	October, 2005	November 2005
To conduct capacity building for DESCOPA	Organize a meeting on CAN	- CNA report - Minutes of the meeting	Meetings	- DESCOPA leaders, - Group members - CED Consultant	November, 2005	November 2005



leaders in order to impart on skills and knowledge on Project planning and management	Identification of training needs for DESCOPA leaders	- CNA report	- Focus Group Discussion	- DESCOPA leaders, - Group members	December, 2005 and January, 2006	February 2006
	Conduct training to DESCOPA leaders on project write-up	-Training report	-Presentation - Practices	- CED Consultant - DESCOPA leaders	February, 2006	March 2006
	Preparation of the project write up	DESCOPA records	- Focus Group Discussion - Review of records	- CED Consultant - DESCOPA leaders	March, April and May, 2006	May/June 2006
	Present the Project write up to DESCOPA members for approval	DESCOPA reports	-Plenary discussion - Group work	- CED Consultant	June, 2006	July 2006



	Submission of the final draft of the project proposal to DESCOPA	DESCOPA records	- Physical delivery of the report	- CED Consultant	July and August, 2006	August 2006
To monitor and evaluate activity implementation in order to track changes and takes corrective measures.	Monitoring	Monitoring reports	<ul style="list-style-type: none"> <li>- Review of records and reports</li> <li>- Site visits</li> <li>- Interviews with key informants</li> <li>- Focus Group Discussion</li> </ul>	<ul style="list-style-type: none"> <li>- CED Consultant</li> <li>- DESCOPA leaders and member representatives</li> </ul>	October, 2005 to December, 2006	November 2005 to December 2006



	Evaluation	Evaluation reports	<ul style="list-style-type: none"> <li>- Review of records and reports</li> <li>- Site visits</li> <li>- Interviews with key informants</li> <li>- Stakeholders meeting</li> </ul>	<ul style="list-style-type: none"> <li>- CED Consultant</li> <li>- DESCOPA leaders and member representatives</li> </ul>	May, 2006 and December, 2006	June 2006 and December 2006
	Report writing and Presentation	CED records	<ul style="list-style-type: none"> <li>- Review of monitoring and Evaluation reports</li> <li>- Panel</li> </ul>	CED Consultant	January, 2007	January 2007

**Source: Field Survey 2005**



### 5.1.6 Monitoring Results

The monitoring process produced the following results as summarized below: -

Project activities were conducted as planned with slight variation in terms of timeframe to some activities. During monitoring it was realized that some activities especially those that needed external support were not completed as planned, for instance training of DESCOPA members on business skills could not take effect due to lack of funds. This necessitated rescheduling of such activities.

Monitoring process was participatory, it involved the CED Consultant, DESCOPA leaders and beneficiaries throughout the period, this helped members to appraise themselves on how they were involved. Also DESCOPA community was imparted on skills and confidence on how they can do it on their own on future.

Monitoring was done on monthly basis and the 8 monitoring questions (*Table 5.1.3: Monitoring questions, Verifiable indicators and Means of Verification*) guided the process. The CED Consultant used focus group discussion during the monthly meetings, where progress of planned activities was discussed together with DESCOPA members. Interview with key informants allowed respondents to be relaxed and focused. It also encouraged a two – way communication.

Review of records for example attendance register and cash collection register helped the CED Consultant to monitor the loan repayments. The loan repayment rate has so far been 98% while default rate is 2% caused by death of client and marriage breakdown.



Site visits to the group members' premises were also made to see how many members were participating in group activities through observation and listening techniques. It was noted that, participation in business activities among men and women has helped to reduce gender-biased decisions and increased efficiency in business performance.

Also it has been observed that, DESCOPA members were participating fully in their business activities, only that they lack capital and permanent premises to conduct their business.

## **5.2 Evaluation**

Evaluation is the process of gathering and analyzing information to determine whether the project is carrying out its planned activities and the extent to which the project is achieving its stated objectives through these activities (CEDPA, 1994).

### **5.2.1 Reasons for Evaluation**

Project evaluation was purposively carried out for the following reasons:

- i) To assess the degree to which the intended objectives have been achieved;
- ii) To find out how effective the project is;
- iii) To learn how well things are done and;
- iv) To learn from experience so as to have future activities to be improved.

### **5.2.2 Research Methodology for Evaluation**

The evaluation process used the following methods in order to collect information, measure and judge the outcomes as shown in table 5.2.3 below. These include, Interviews with key informants and beneficiaries involving men and women alike, Site



visits involving the use of observation methods for understanding the real situation. .

Reports and other resourceful documents were used to get data for further analysis.

Evaluation process also involved assessment of the achievement of three objectives of this study namely: To determine the level of community participation (DESCOBA members) in planning, implementation, monitoring and evaluation of savings and credit schemes; Build Capacity of DESCOBA members in business skills as well assist DESCOBA organization to Develop proposal for increasing its loan portfolio.

### **5.2.3: Evaluation analysis:**

Evaluation of this project was done in May 2006 (Mid-Term Evaluation) and December 2006 (Summative Evaluation). Two evaluation objectives were set in order to guide the process, these include: -

- i) To assess the capacity building for DESCOBA leaders on Project Planning and Management.
- ii) To assess implementation of project objectives in order to measure actual achievement and advice on future implementation.

In addition to that, 4 Evaluation Questions were used. These include;

- i) How can you describe the contribution of the training programme to the entire performance of the savings and credit scheme?
- ii) How the project has been able to achieve its set objectives and lessons learnt?



- iii) What do you consider as impact of the project to the advancement of the savings and credit scheme, livelihood improvement of beneficiaries and change of attitude in the community?
- iv) How the project has created sustainability of the current activities, influence policy and practice within your organization?

#### **5.2.4 Evaluation Results**

Results based on the evaluation carried out indicated that: - all the interviewed people agreed that the objective of the project would be achieved although not at the pace anticipated originally. DESCOPA leaders agreed that the contribution of the training programme was useful to the entire performance of the savings and credit scheme.

In focus group discussion it was observed that, DESCOPA members were participating effectively in meetings conducted, also in the whole exercise of Monitoring and Evaluation.

During the evaluation process, it was also noted that DESCOPA members are faced by limitation on the literacy level. Most of them are standard seven leavers and have not yet attended any business training.

Interviews with key informants and beneficiaries involving men and women have revealed that, the maximum amount of 1 million Tshs provided by DESCOPA Savings and Credit Scheme to its members was not sufficient for them to carry their business effectively. However, all of the interviewed people were in favor of the loan interest rate of 10% provided by the scheme.



Summary of evaluation outcomes includes key questions asked, indicators both expected and actual outcome are given in table 5.2.3 below.



**Table 5.2.3 Evaluation Analysis and Outcome**

<b>Objective</b>	<b>Question</b>	<b>Outcome indicator</b>	<b>Expected outcome</b>	<b>Actual outcome</b>
To assess the capacity building for DESCOPA leaders on Project planning and management.	How can you describe the contribution of the training programme to the entire performance of the savings and credit scheme?	<p>Level of skills and knowledge</p> <p>Change in savings and credit scheme management</p>	<p>-Increased skills and knowledge.</p> <p>-Improved management of the scheme.</p> <p>-Increased funding</p>	<p>The level of skills in writing project proposal has increased.</p> <p>There is substantial change in terms of managing loan applications and disbursement.</p> <p>DESCOPA is finalizing agreements with Foundation for Civil Society for support of Tshs 34M to be used for trainings its beneficiaries.</p>



To assess implementation of project objectives in order to measure actual achievement and advice on future implementation.	How the project has been able to achieve its set objectives and lessons learnt?	<ul style="list-style-type: none"> <li>-Level of achievement of objectives.</li> <li>-Lessons learnt</li> </ul>	Improved knowledge and skills of members	All activities planned except one have been implemented. The none implemented activity is scheduled to be executed in September, 2007
	What do you consider as impact of the project to the advancement of the savings and credit scheme, livelihood improvement of beneficiaries and change of attitude in the community?	<ul style="list-style-type: none"> <li>-Change in livelihood status of beneficiaries</li> <li>-Change in attitude of the community</li> </ul>	<ul style="list-style-type: none"> <li>-Improved livelihood of DESCOPA beneficiaries.</li> <li>- Increased level of acceptance and involvement in the savings and credit scheme</li> </ul>	<ul style="list-style-type: none"> <li>-There has been a general feeling that household income and living standard of current beneficiaries has increased.</li> <li>-The number of people involved in savings and credit scheme has increased from 270 in 2005 to 416 in 2007.</li> </ul>



	How the project has created sustainability of the current activities, influence policy and practice within the organization?	<ul style="list-style-type: none"> <li>-Level of participation</li> <li>-Type of documentation and dissemination of best practices</li> </ul>	<ul style="list-style-type: none"> <li>-DESCOBA is able to run the scheme with little support from outside.</li> <li>-Best practices are documented and disseminated.</li> </ul>	<p>DESCOBA can sustain itself by over 80% with contributions and interests from its members. The remaining 20% can be sourced from outside mainly for capacity building purpose.</p> <ul style="list-style-type: none"> <li>- Currently DESCOBA prepares monthly, quarterly and annual reports for the management, members and the Board.</li> <li>-DESCOBA is not yet in a position to disseminate best practices, which can influence policy, and practice.</li> </ul>
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**Source: Field Survey 2006**



## **5.3 Project Sustainability**

### **5.1 Introduction:**

Sustainability of any service delivery is the key end result of any development effort. Sustainability can be measured in terms of achievement, growth, process and ability to continue producing with the long-term impact.

Sustainability of DESCOPA Savings and Credit Scheme was a primary concern of the CED consultant in order to determine long-term impact and to what extent it could run itself for the future in view of the changing environment (Political, financial and social circumstances).

So far application of appropriate community participatory approaches in the design and management of micro credit service delivery schemes has proved to be useful. Evidence from DESCOPA shows that loan retirement rate is 98% maintaining default rate at 2% and still there is a way of managing defaults through loan insurance scheme and working in small homogeneous groups.

Experience from Government initiated scheme show that loan repayment has been very low causing low expansion of the revolving fund to serve more clients needing capital to start small business ventures. Associated reasons include: inadequate monitoring and follow-ups from the extension workers, lack of mechanism to manage loan defaults and lack of ownership by the people themselves.

### **5.2 Sustainability Elements:**

Sustainability elements may include among other things. Financial, political and social circumstance that may affect the host community and the viability of project in future.



For the case of DESCOPA, financial sustainability will depend on members' contributions and utilization of DESCOPA's financial services. An emergency of another competitive NGO – MFI within the project area may pose a challenge to DESCOPA and its operational status if such competition will be unfair and innovative.

In order to ensure future sustainability, the CED consultant together with DESCOPA leaders developed a proposal on business skills training for 280 people currently involved in DESCOPA Savings and Credit Scheme. Current assistance from the Foundation for Civil Society may be a key support in building capacity for future sustainability if such skills and capacity will be fully utilized and developed for future dependency in fundraising activities.

Political will as far as support for SMEs, if unchanged, will encourage small entrepreneurs to join the private sector and fight poverty. With multiparty system and democratization process where the politicians rush into quick wins campaigns and programme, core issues affecting SMEs may be overlooked and lost in the course of the process. Under such a situation politicians seek for tangible results than building the capacity of poor people to roll over the process and sustain service delivery in the host community. Another condition would be if the current peace and tranquility will remain stable.

Socially, sustainability will depend on people's willingness to change their attitude and mind-set towards enterprising livelihood activities such as potential Income Generating Activities that will boost their living condition and financial efficiency of DESCOPA. Increased participation of men and women in SMEs will speed up development of the



private sector and sustain the project. Each and every individual in the community is unique thus shared talents and capacities are valuable spirit.

Positive condition of the three key elements of sustainability will lead into current and future viability of the project and free the host community from vulnerability resulting in failure of one or all of the elements discussed above.

### **5.3 Sustainability plan**

Sustainability plan is about series of activities to be done in order to ensure current and future sustainability of the project. So far, the CED consultant had accomplished the following activities:

- i. Conduct Organization Assessment using SWOT Analysis to determine strengths that will be used to overcome weaknesses in order to tap the outside opportunities despite of potential threats out there. One of the key results of this process was to identify key priority areas for capacity building within 16 months of this study period. Developing skills of DESCOPA management staff and few members on project proposal development ranked number one as DESCOPA was facing the problem of raising funding portfolio to fulfill loan demand from its members and expand further.
- ii. Organize training for DESCOPA Staff and members on fund raising techniques and project management.
- iii. Assisted DESCOPA to develop project proposal that was sent to donors for further capacity building and activities financing.



Future activities not done but recommended by the CED consultant in order to ensure project sustainability are:

- i. Develop monitoring and evaluation plan to assess project progress/performance over a period of time in order to capture output, outcome and impact of the project.
- ii. CED Consultant in collaboration with the department of community development to make a follow up by conducting mentoring visits and periodic reviews in order to advice on the best way to manage the project and ensure smooth and sustainable service delivery.

#### **5.4 Institutional plan**

This focuses on how the project will be sustained looking at its resource base and current/future plans. Given the nature and background of DESCOPA, its capacity has been growing over time since its inception because DESCOPA started to operate out of its own financing contributed made by founder members and other who later joined. To date the organization has scaled up its activities in other three regions namely as Mara, Iringa and Manyara. Such spirit and developed capacity can be a good indicator of addressing key elements of project sustainability in future. Temeke Municipality and Financing organizations have expressed more trust in the way DESCOPA runs its activities in terms of transparency and accountability to its members and partners.

DESCOPA's project has fully involved Temeke Municipality and consulted other organizations during designing and implementation process. Documentation and dissemination of best practices recorded in this project will be used by different



institutions as case study and replication for wider experience sharing among development practitioners/students, researchers, policy makers, planners and academicians.



## **CHAPTER SIX**

### **6.0 CONCLUSION AND RECOMMENDATIONS**

#### **6.1 Conclusion**

This work was undertaken to provide consultancy service to the NGO and conduct an evaluation of DESCOPA's savings and credit scheme. The project work was carried out from November 2005 to December 2006 in Temeke District in nine wards where DESCOPA is currently operating.

The results of this work show that community involvement in planning and management of savings and credit scheme was good and loan retirement rate was excellent with default rate of 2%. However loan demand was higher than what the NGO could supply leaving the gap of 67% unattended.

It was further found that the level of education generally is low hence working in-groups of five people with different talents and background was necessary in order to complement each other. To address this situation a project proposal was developed in order to impart business skills for DESCOPA's management staff and its members located in nine (9) wards.

Partnership between and among community members and municipal council was perceived to be good though more support from the Government and Civil society organizations was required in terms of financial and technical support. Partnership does not only ensure sustainability of the NGO service delivery and greater efficiency in the



micro finance sector but also brings greater efficiency and capacity building of the organization and individual members.

In a nutshell this entire project to a large extent achieved its intended goal. All planned activities have been implemented except one, which is about training of DESCOPA members in business skills. However, it has been scheduled to be executed in September 2007.

## **6.2 Recommendations**

Involvement of communities and civil society organizations in poverty alleviation process has proven to be the means of attaining sustainable development and economic growth. The project work went further to draw up three recommendations, towards sustainability and promotion of community oriented savings and credit schemes as follows: -

6.2.1 Efforts should be made by DESCOPA to increase the amount of loan provided to its members through the savings and credit schemes in order to speed up development and increase well being of people with low income so that they can fully participate in the National development process as responsible citizens with dignity to life.

### **Strategy**

- DESCOPA should learn and make use of different fund-raising techniques in order to increase funds to the savings and credit scheme so that to the loan demand from its members can be met.
- DESCOPA should promote and sensitize a culture of saving and investing in the community.



6.2.2 Government and civil societies should take part in the process of building capacity of community oriented savings and credit schemes so that they can improve and help to employ majority of low-income earners in the urban and rural areas. As the government downsizing its capacity to offer formal employment to her citizens, then private sector should be empowered to take over and contribute fully to the national economy for greater benefits of all members of the society especially women, young people and children.

#### **Strategy**

- Identify and respond to capacity building requirements of the MFI, NGOs/CBOs so that their contribution in the poverty alleviation can be enhanced and felt in urban and rural communities.
- Establish an SME forums whereby open and sustained dialogue between government, small business holders and financial institutions can take place so that they can come together and discuss issues hindering active mass participation in both rural and urban communities.

6.2.3 Research and Learning experience should be documented and shared widely so that NGOs and CBOs involved in savings and credit schemes can learn from each other and replicate where appropriate in order to advance innovations and creativity. Same experience can inform the government, Donors and policy makers on issues that promote micro finance service delivery in Tanzania.



## **Strategy**

- Develop capacity and culture of learning and documenting research findings and useful experience in order to increase knowledge and improve practice.
- Use existing forums as much as possible to disseminate and exchange relevant information for wider coverage.



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