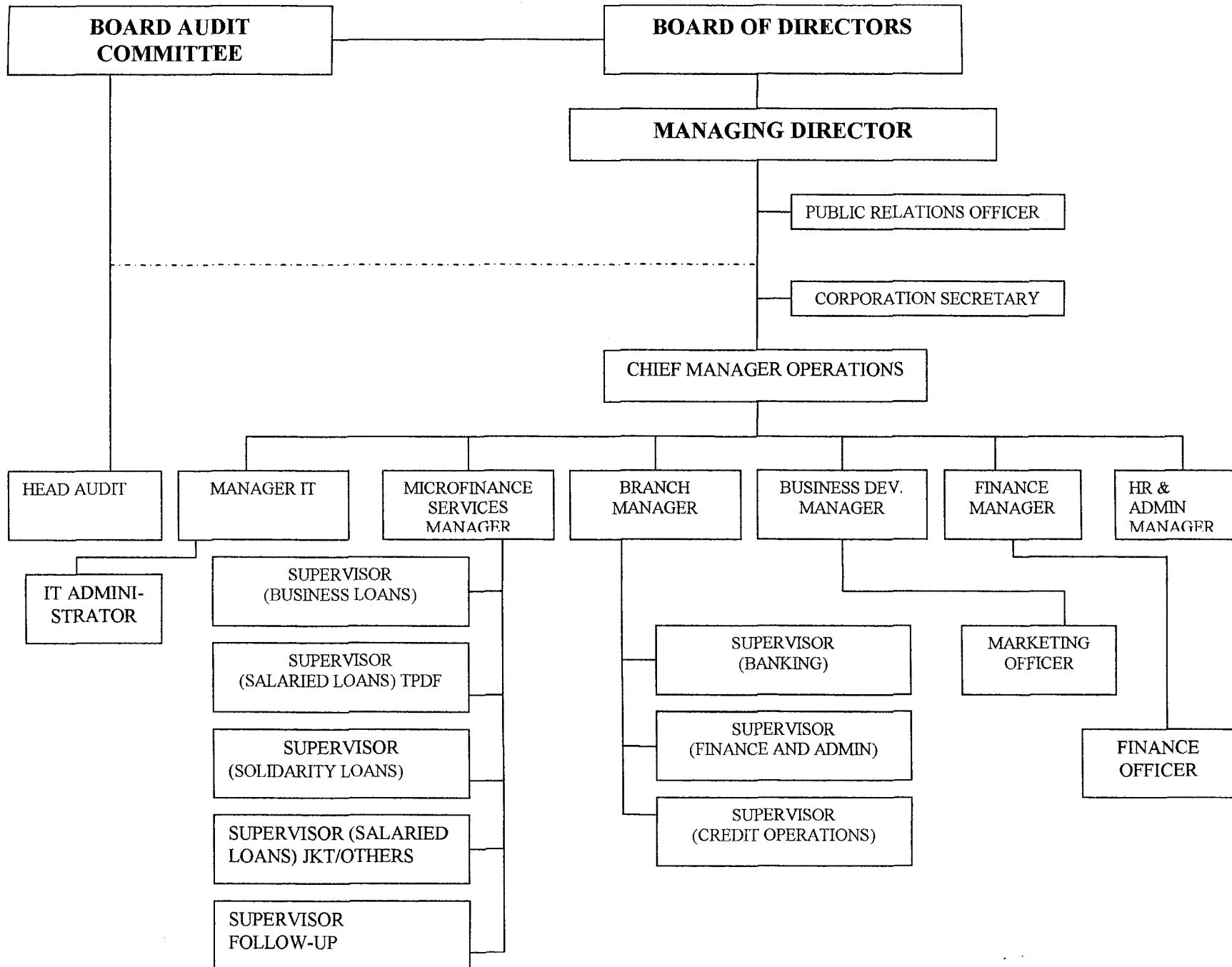


APPENDICES

APPENDIX 1: DCB ORGANIZATION STRUCTURE
DAR-ES-SALAAM COMMUNITY BANK (DCB).



APPENDIX 2:
DCB PAID UP SHARE CAPITAL AS AT 30TH JUNE 2003

Shareholder	No. of Shares	Amount	% age
DSm City Council	341,143	341,143,000	19.0%
Temeke Municipal Council	327,367	327,367,000	18.2%
Ilala Municipal Council	327,367	327,367,000	18.2%
Kinondoni Municipal Council	327,367	327,367,000	18.2%
Public (individuals, Companies etc)	472,344	472,344,000	26.4%
Total	1,795,588	1,795,588,000	100%

APPENDIX NO3

LENDING POSITION AS AT 30/11/2004

	VALUE	CLIENTS	MALE	FEMALE	CENTRES	GROUPS
GRANT TOTAL	7,693,069,114	17,286	12,303	4,983		
SGL	669,800,000	2,348	352	1,996	48	480
INDIVIDUAL	205,138,000	94	75	19		
FDR	37,423,000	33	26	7		
SALARIED	6,780,708,114	14,811	11,849	2,962		

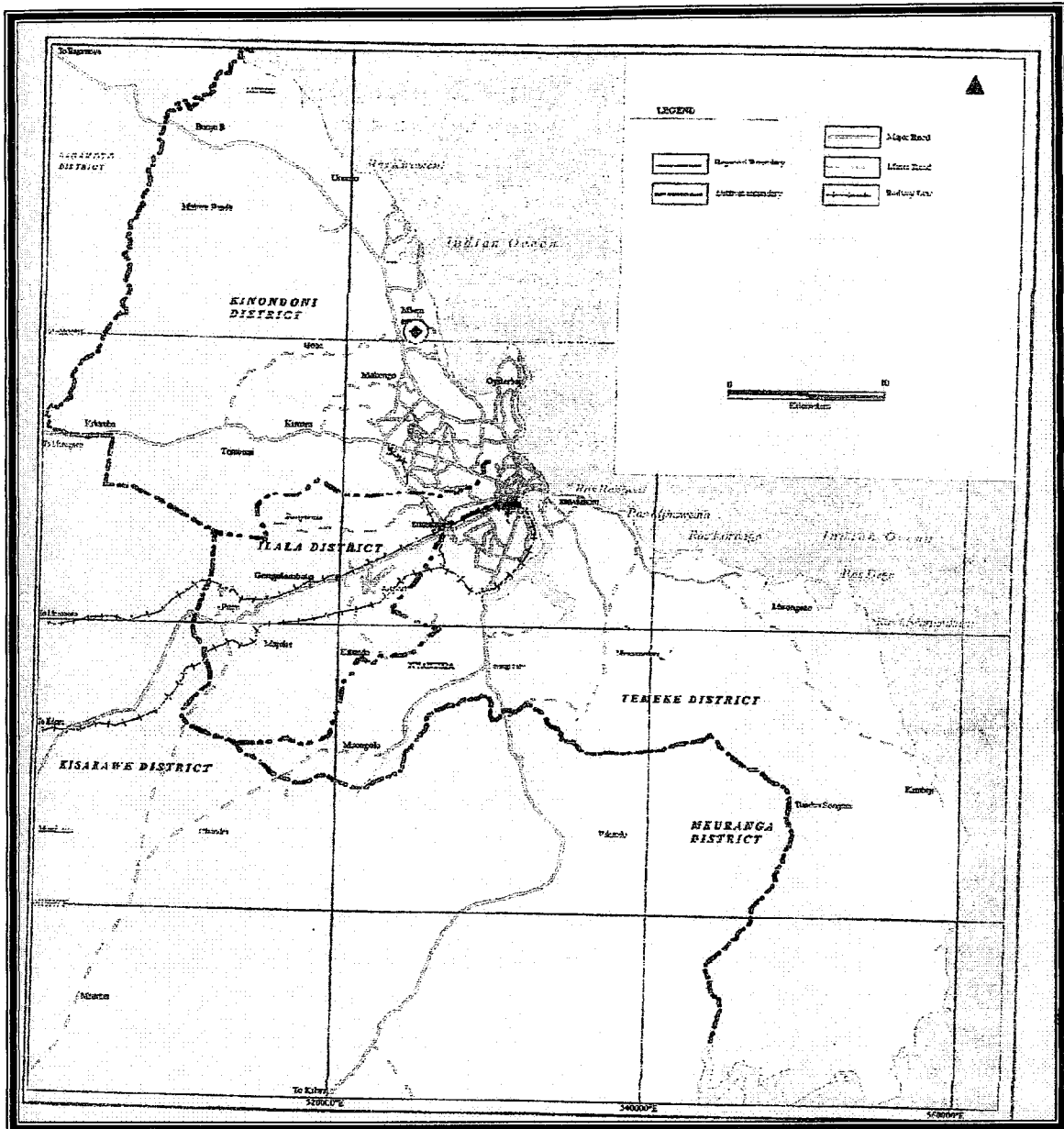
DEPOSIT 30/11/2004

CURRENT A/C	TSHS. 0.380 BILLION
SAVINGS	TSHS 2,515 BILLION
TIME DEPOSIT	TSHS 6.973 BILLION

TOTAL	TSHS. 9.868 BILLION
--------------	----------------------------

=====

APPENDIX NO.4 **DAR ES SALAAM REGION**



SOURCE: DAR ES SALAAM CITY COUNCIL

APPENDIX NO5

GROUP LENDING PROGRESS SUMMARY REPORT

November 30, 2004

S/N	PARTICULARS		SEGEREA	UKONGA	TEMEKE	KEKO/KURSN	K/NDONI	KAWE	TOTAL
1	Total number of Groups todate		65	95	81	79	79	81	480
2	Total Number of Clients		300	490	405	360	395	398	2,348
3	Disbursed Amount todate (on cycles) :-								
	1 50,000		19,950,000	27,700,000	23,950,000	19,600,000	18,950,000	20,100,000	130,250,000
	2 100,000		26,600,000	50,100,000	39,100,000	38,200,000	41,500,000	36,800,000	232,300,000
	3 250,000		11,250,000	21,750,000	21,500,000	29,750,000	18,000,000	23,500,000	125,750,000
	4 350,000		13,650,000	12,250,000	11,200,000	8,750,000	12,250,000	20,300,000	78,400,000
	5 500,000		10,500,000	4,500,000	4,500,000	500,000	10,500,000	18,500,000	49,000,000
	6 700,000		10,500,000	700,000	5,600,000	-	4,900,000	16,800,000	38,500,000
	7 900,000		4,500,000	-	900,000	-	900,000	4,500,000	10,800,000
	8 1,200,000		2,400,000	-	-	-	-	2,400,000	4,800,000
		TOTAL	99,350,000	117,000,000	106,750,000	96,800,000	107,000,000	142,900,000	669,800,000
									-
4	No.of clients dropped		80	65	58	45	48	53	349
			ILALA	UKONGA	TEMEKE	KEKO/KURSN	K/NDONI	KAWE	TOTAL
	TOTAL NO.OF CLIENTS (in Solidarity Loans)		300	490	405	360	395	398	2,348
	No.of Credit Officers		1	1	1	1	1	1	6
	Is a new CO needed?								

APPENDIX NO. 6: NEED ASSESSMENT SESSION CONDUCTED ON 22/01/2004



PLATE NO.1: INTERACTION WITH ONE OF THE SOLIDARITY GROUP LENDING. NOTE CED PARTICIPANT MR. H. MSHANA AND THE DCB MEMBER AT GROUP PHOTO

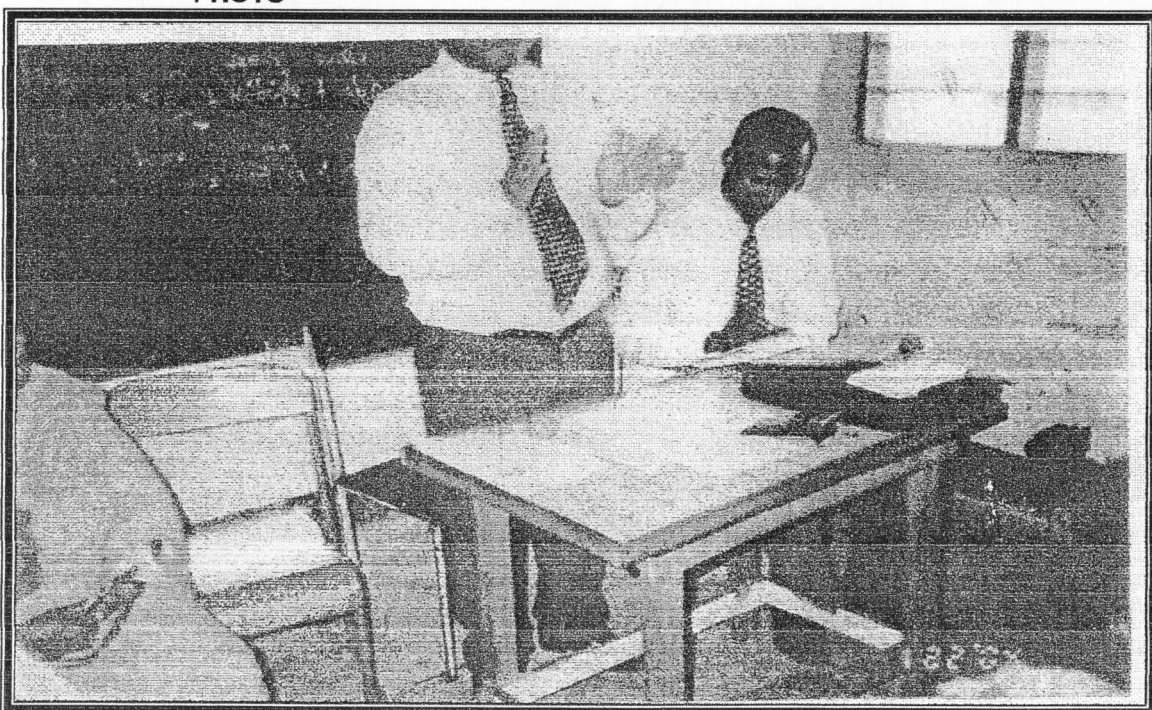


PLATE NO. 2: CED PARTICIPANT MR. H. MSHANA ATTENTIVELY NOTE DOWN PROBLEMS ADDRESSED BY GROUP MEMBERS.

APPENDIX NO:7 SGL CLIENTS SUCCESS STORIES IN PHOTOGRAPHS



PLATE NO. 1: TIMBER AND BUILDING MATERIALS AT KAWA AREAS

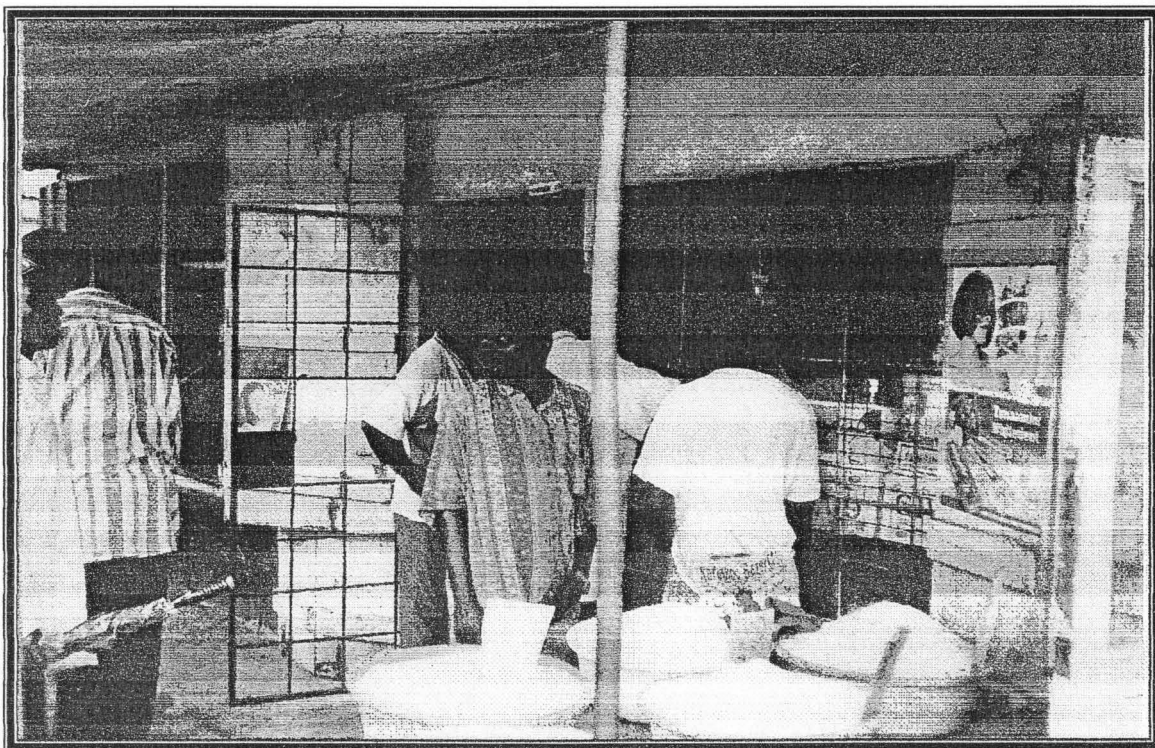


PLATE NO.2: WHOLE SALE AND RETAIL SHOP FRAME AT KAWA AREAS



PLATE NO.3

POULTRY PROJECT AT MBAGALA MORINGE AREAS



PLATE NO.4:

NEW/SECOND HAND CLOTH VENDING

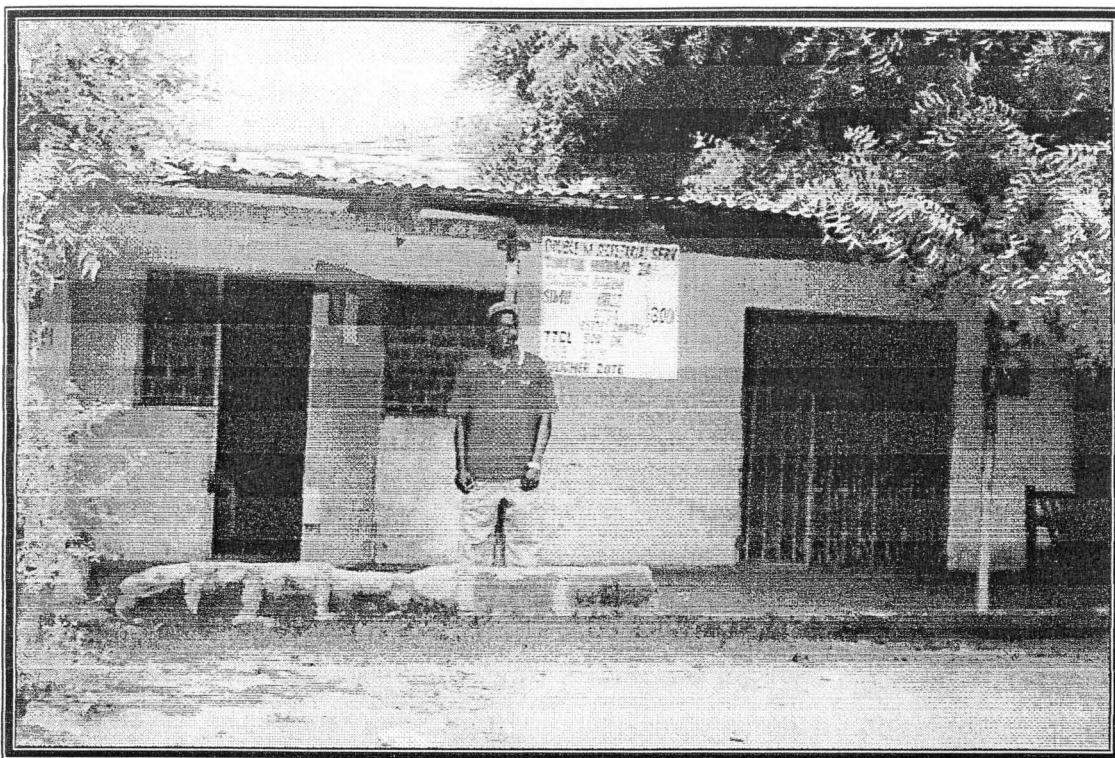


PLATE NO.5: SECRETARIAL SERVICE/GROCERY AT TEMEKE AREAS

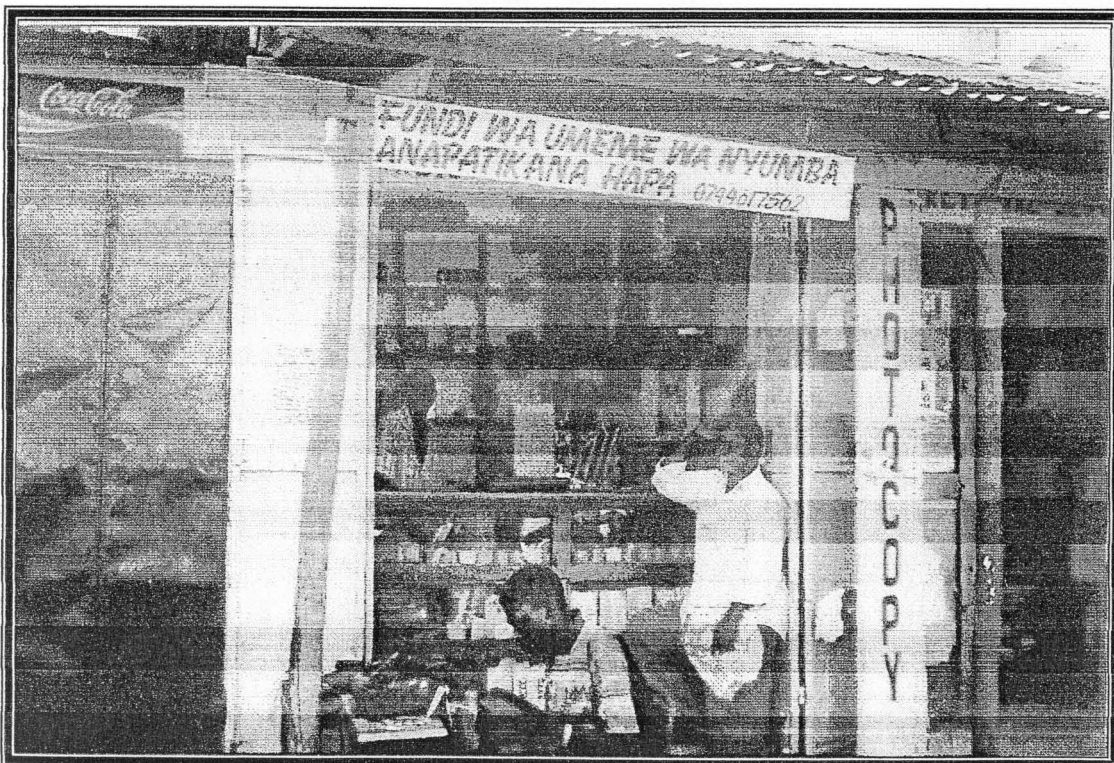


PLATE NO.6: HOUSEHOLDS APPLIANCES REPAIR AND MAINTENANCE AT MTONI AREAS

APPENDIX 8: CLIENT APPLICATION /AGREEMENT FORMS

**BENKI YA WANANCHI DAR ES SALAAM
FOMU YA MAOMBI YA MKOPO**

1. Jina la Mwombaji.....
2. Anwani
3. Jinsia.....
- 4 Umri.....
- 5 Aina ya Biashara.....
6. Mahali inapoendeshwa Biashara hiyo.....
- 7 Kiwango cha Mkopo unaoombwa shs.....
8. Taja mali yako na thamani yake ambayo unaiweka kama rehani endapo utashindwa kulipa mkopo (k.m. nyumba, redio, cherehani, baiskeli , n.k.)
 - a).....thamani yake ni Shs.....
 - b).....thamani yake ni Shs.....
 - c).....thamani yake ni Shs.....
 - d)..... thamani yake ni Shs.

9) AHADI

Mimi,.....wa kikundi
cha.....

Ninaelewa na kukubali kuwa endapo nitashindwa kuurejesha mkopo huu kwa utaratibu uliowekwa , akiba yangu ninayojiwekea kila wiki katika Benki ya Wananchi Dar es Salaam itachukuliwa kulipia deni hilo, na iwapo akiba hiyo haitoshi basi mali yangu zitakamatwa na kuuzwa na kikundi na Senta ili kulipia deni hilo

Ninakubali kuurejesha Mkopo huu pamoja na Riba kila wiki kwa muda wa miezi

Sahihi.....Tarehe.....

10) Udhamini wa kikundi:

Sisi wanakikundi cha.....ambao tumeweka sahihi hapo chini tunamdhamini mkopaji. tunakubali kuwa endapo Mkopaji atashindwa kurejesha Mkopo wake ,fedha ya akiba ya wana kikundi itakatwa kulipia deni hilo na kama akiba haitoshi mali zetu zitauzwa kulipia deni hilo.

Jina..... Sahihi.....

Jina.....Sahihi.....

Jina..... Sahihi.....

Jina.....Sahihi.....

11) UDHAMINI WA SENTA.

MimiMwenyekiti wa JUMUIA
kwa niaba ya wanachama wa SENTA nzima ninamdhamini mkopaji.

Sahihi.....Tarehe.....

12) KWA MATUMIZI YA OFISI TU:

Inapendekezwa mwombaji APEWE/ASIPEWE mkopo aliouomba .

SABABU.....

JINA LA AFISA MIKOPO.....SAHIHI.....

TAREHE.....

IMEIDHINISHWA NA MENEJA WA TAWI

Jina:.....Sahihi.....Tarehe.....

APPEDIX 9: SAMPLE QUESTIONNAIRE FOR BENEFICIARY GROUP

DODOSO LA HUDUMA ZA MKOPO KWA VIKUNDI (QUESTIONNAIRE ON SOLIDARITY GROUP LENDING)

Mimi ni mwanafunzi mtafiti kutoka Chuo Kikuu Huria cha Dar es Salaam. Ninafanya utafiti wa huduma za mikopo kwa njia ya vikundi (Solidarity Group Lending Methodology) kuona jinsi unavyowasaidia walengwa, na kupendekeza utaratibu bora zaidi wa kuinua kipato kwa watu wenye kipato cha chini.

Tafadhali tunakuomba utusaidie kujibu dodoso zilizopo hapa chini. Taarifa hizi ni za siri na kwa manufaa ya kutoa huduma bora.

SEHEMU A (PART A): GENERAL INFORMATION

1. Jina
(Name)
2. Anuani
(Address)
3. Jinsia (Mwanamke/Mwanaume)
Gender (Male/Female)
4. Umri (Age)
5. Biashara yako (Type of
Business/Occupation).....
6. Elimu yako.....
(Education Level)
7. Umeoa/Umeolewa.....
(Marital Status)
8. Idadi ya Watoto
(Number of Children)
9. Idadi ya wanakaya
(Number of Households)
10. Unakoishi (Residence) Mtaa (Street).....

SEHEMU B (PART B): BUSINESS INFORMATION

1. Taja aina ya biashara unayoiendesha kwa sasa
(What Type of Business are you operating?)
2. Biashara hii ina muda gani sasa?.....
(Duration in the business)
3. Wastani wa mauzo: Kwa siku (Per Day)
(Average sale) Kwa wiki (Per Week)
Kwa mwezi (Per Month).....
4. Je unayo mapato mengine nje ya biashara yako?
(Do you have extra income out of your business?)

SEHEMU C (PART C): BANKING/BUSINESS PERFORMANCE INFORMATION

1. Je wewe ni mteja wa Benki? (Are you a Bank client?)

Ndiyo (Yes) ☐ Hapana (No) ☐

Kama jibu ni ndiyo je ni mteja wa Benki gani?
(In which Bank are you a client?)

- | | |
|-----------------------------------|--------------------------|
| (i) NMB | <input type="checkbox"/> |
| (ii) CRDB | <input type="checkbox"/> |
| (iii) NBC | <input type="checkbox"/> |
| (iv) DCB | <input type="checkbox"/> |
| (v) Postal Bank | <input type="checkbox"/> |
| (vi) Akiba Commercial Bank | <input type="checkbox"/> |
| (vii) Nyumbani (Personal Savings) | <input type="checkbox"/> |

2. Je katika Benki hiyo unapata huduma zipi? (Bank services/Products)

- | | |
|--|--------------------------|
| (i) Akaunti ya Hundi (Current Account) | <input type="checkbox"/> |
| (ii) Akaunti ya Akiba (Savings account) | <input type="checkbox"/> |
| (iii) Akaunti ya WADU (Save as you Earn) | <input type="checkbox"/> |
| (iv) Akaunti ya muda Maalum (Fixed Deposits) | <input type="checkbox"/> |
| (v) Nyinginezo (None) | <input type="checkbox"/> |

3. Je umeshawahi kukopa Benki? (Have you ever acquired Loan from the bank?)

Ndiyo (Yes) ☐ Hapana (No) ☐

Kama ndiyo, wapi? (If Yes where acquired the Loan?)

.....
Shilingi ngapi? (How much loan have you been able to secure?)

.....
Jina la Kikundi (Group Name)Senta (Centre).....

4. Biashara yako inahitaji shilingi ngapi?
(How much capital does your business require?).....

5. Una mpango gani wa baadaye kukuza biashara yako
(What are your future business development plans?).....

6. Ungependa Benki ya Wananchi (DCB) ikusaidie mkopo wa kiasi gani?
(How much do you require from DCB?)

- (a) Shilingi (Tshs) 500,000/=
- (b) Shilingi (Tshs) 1,000,000/=
- (c) Shilingi (Tshs) 2,000,000/=
- (d) Zaidi ya (Above) (Tshs) 3,000,000/=

7. Ni shughuli zipi unazoombea mkopo?
(Why do you borrow and what activities are you acquiring a loan for?)

- (a) Biashara ndogo ndogo (Food Vending) ☐
- (b) Kilimo(Retailing and Whole sale) ☐
- (c) Ufugaji (Farming) ☐
- (d) Viwanda vidogo vidogo (Small Industries) ☐
- (e) Nyinginezo (Others) ☐

8. Je unayafahamu masharti ya kukopa?
(Are you aware of Loan conditions?)

Ndiyo (Yes) ☐ Hapana (No) ☐

9. Je unaridhika na masharti ya mkopo ya chombo cha fedha cha DCB?
(Are you satisfied with DCB Loan conditions?)

Ndiyo (Yes) ☐ Hapana (No) ☐

Kama Hapana ni masharti yapi huridhiki nayo?
(If not what conditions are you not satisfied with?)

- (a)
- (b)
- (c)
- (d)
- (e)

10. Je mkopo unakusaidia? (Do you socially/economically benefit from DCB loan?)
Ndiyo(Yes) Hapana (No)

Eleza unavyokusaidia (State ways of benefiting from loan)

- (a).
- (b)
- (c)
- (d)
- (e)
- (f)
- (g)

10. Taja matatizo ya mkopo unayopata DCB
(State Problems encountered in whole process of borrowing with DCB)

- (i) Ucheleweshaji kupata mkopo
(Delays in receiving Loans)
- (ii) Riba kubwa sana
(High interest Rate)
- (iii) Muda wa kurejesha mkopo mfupi mno
(Short Repayment Period)
- (iv) Mikopo kwa njia ya vikundi
(Solidarity Group inconveniencies)
- (v) Hali na mazingira ya biashara
(Unpredictable business situations)

11. Je nayo elimu/ujuzi bora wa kuedesha biashara?
(Have you acquired any business training prior/during to the loan provision?)

Asante kwa ushirikiano wako! (Thank you for the assistance and cooperation)

APPENDIX 10:
SAMPLE QUESTIONNAIRE FOR NON-BENEFICIARY GROUP

DODOSO LA HUDUMA ZA MKOPO KWA VIKUNDI
(QUESTIONNAIRE ON CONTROL GROUP)

Mimi ni mwanafunzi mtafiti kutoka Chuo Kikuu Huria cha Dar es Salaam. Ninafanya utafiti wa huduma za mikopo kwa njia ya vikundi (Solidarity Group Lending Methodology) kuona jinsi unavyowasaidia walengwa, na kupendekeza utaratibu bora zaidi wa kuinua kipato kwa watu wenye kipato cha chini.

Tafadhali tunakuomba utusaidie kujibu dodoso zilizopo hapa chini. Taarifa hizi ni za siri na kwa manufaa ya kutoa huduma bora.

SEHEMU A (PART A):

1. Jina
(Name)
2. Anuani
(Address)
3. Jinsia (Mwanamke/Mwanaume)
Gender (Male/Female)
4. Umri (Age)
5. Biashara yako (Type of
Business/Occupation).....
6. Elimu yako.....
(Education Level)
7. Umeoa/Umeolewa.....
(Marital Status)
8. Idadi ya wanakaya
(Number of Households)

SEHEMU B (PART B):

1. Je wewe ni mteja wa Benki? (Are you a Bank client?)

Ndiyo (Yes) ☐ Hapana (No) ☐

Kama jibu ni ndiyo je ni mteja wa Benki gani?
(In which Bank are you a client?)

- | | | |
|-------|-----------------------------|--------------------------|
| (i) | NMB | <input type="checkbox"/> |
| (ii) | CRDB | <input type="checkbox"/> |
| (iii) | NBC | <input type="checkbox"/> |
| (iv) | DCB | <input type="checkbox"/> |
| (v) | Postal Bank | <input type="checkbox"/> |
| (vi) | Akiba Commercial Bank | <input type="checkbox"/> |
| (vii) | Nyumbani (Personal Savings) | <input type="checkbox"/> |

2. Je katika Benki hiyo unapata huduma zipi? (Which Bank Services/Products)

- | | | |
|-------|---|--------------------------|
| (i) | Akaunti ya Hundi (Current Account) | <input type="checkbox"/> |
| (ii) | Akaunti ya Akiba (Savings account) | <input type="checkbox"/> |
| (iii) | Akaunti ya WADU (Save as you Earn) | <input type="checkbox"/> |
| (iv) | Akaunti ya muda Maalum (Fixed Deposits) | <input type="checkbox"/> |
| (v) | Nyinginezo (None) | <input type="checkbox"/> |

3. Je umeshawahi kukopa Benki? (Have you ever acquired Loan from the bank?)

Ndiyo (Yes) ☐ Hapana (No) ☐

4. Una mpango gani wa baadaye wa kibiashara
(What are your future business developments plans?).....

5. Je ungependa kukopeshwa na benki?
(Would you ask loan from the Bank?)

6. Ni shughuli zipi ungeliziomba mkopo?

(What activities would you ask loan for?)

- (a) Biashara ndogo ndogo (Food Vending)
- (b) Kilimo (Retailing and Wholesale)
- (c) Ufugaji (Farming)
- (d) Viwanda vidogo vidogo (Small Industries)
- (e) Nyinginezo (Others)

7. Je umewahi kusikia/kuyafahamu masharti ya kukopa?

(Have you ever had of Loan conditions?)

Ndiyo (Yes) Hapana (No)

8. Je unafikiri mkopo unaweza ukakusaidia?

(Do you expect benefits from loan?)

Ndiyo (Yes) Hapana (No)

9. Je ungependa kupatiwa mkopo wa benki?

(Would you like to borrow from the bank?)

Ndiyo (Yes) Hapana (No)

Asante kwa ushirikiano wako! (Thank you for the assistance and cooperation)

APPENDIX NO: 11
DETAILED WORK PLAN/TIMELINE
ARRANGEMENT OF THE ASSIGNMENT

[illegible]

[illegible]

The Guardian, Friday, October 15, 2004

6

The Guardian**Taking A New Look
At The News****Established in 1995****Editorial**

Poverty reduction: Light at end of tunnel

WHEN renowned Peruvian economist Prof. Hernando De Soto begins his 'tour of duty' in the country, dubbed Business Formalisation Programme, his main goal will be to integrate the informal sector into the main stream economy.

It is common knowledge that laws pertaining to property rights have made it impossible for the informal sector to get legal recognition.

As a result, such vital documents like business licences and title deeds are not availed to the informal sector operators, some of them being urban centre petty traders known as *machinga*.

They have what De Soto has termed dead capital, which needs to be transformed into live capital to be used as collateral for bank loans. These will help in setting up new businesses or expanding existing ones.

As President Benjamin Mkapa said when officially launching the programme early this week, the target is not to screen small businesses for taxation but to enhance the contribution of the informal sector to the economy.

What is more, the programme will ensure both formal and informal sectors operate within a legal framework.

The President himself has pledged to devote the rest of his term in office to give the programme a push.

Considering that the informal sector contributes 70 per cent of the GDP and is in actual fact the major employer in urban and rural areas, we have no other word, but strongly recommend this initiative.

With Hernando De Soto's personal experiences in countries like Egypt and the Phillipines, we have reasons to believe that similar programmes could be successfully replicated in Tanzania, given time and determination.

In the long run, we hope that the initiative will be able to attain economic empowerment of the majority of the people.

To start with, Prof De Soto will take stock of movable and immovable assets in five regions. After his recommendations the laws will be amended to give property rights to informal sector operators.

De Soto's team which will be headed by Eng. Ladislaus M. Salema, will examine laws governing property ownership and compile an inventory on the pattern of movable and immovable asset ownership in the country.

DAILY NEWS Tuesday, October 12, 2004

INFORMAL SECTOR INTEGRATION

De Soto to prepare groundwork

PRESIDENT Benjamin Mkapa yesterday commissioned Peruvian economist, Prof. Hernando de Soto, to prepare the ground for implementation of a programme to integrate the Tanzanian informal sector into the mainstream economy.

The president told editors at the State House that he would devote the rest of his term in office to the programme although its actual implementation would start after his departure. He was optimistic that his successor would give it top attention.

Seven Peruvian experts led by Manuel Mayorga and his Tanzanian counterpart, L.M. Salema, have been assigned the project, which takes off today. The team would spend seven to nine months examining the laws governing property ownership and compiling inventory on

By DAILY NEWS
Reporter

the pattern of movable and immovable asset ownership in the country.

The study to be co-ordinated from Dar es Salaam would cover Arusha, Mwanza, Mbeya and Mtwara regions.

The team would then prepare concrete recommendations on how best to integrate the Tanzanian informal sector into the mainstream economy, complete with draft bills for legislation to facilitate the process.

President Mkapa said the programme was a key component of the poverty alleviation drive because the informal sector accounted for 70 per cent of the country's economic activities.

He dismissed claims by cynics that the programme was aimed at screening the

informal sector for taxation.

The Property and Business Formalisation Programme was aimed at freeing and strengthening the informal sector, making it more secure, Mr Mkapa explained.

The legislation to go with it would open up the judicial system to benefit a majority of Tanzanians, who were currently segregated by laws governing property rights, he said.

The Peruvian economist said there was something wrong with the existing laws on property, adding that his team would recommend fundamental change to Tanzania's property ownership regime.

He told a questioner that there were similarities between the Tanzanian and Peruvian economic situation. Tanzania stands to learn from the Peruvian experience, he stressed.

Prof. De Soto carried out similar projects in Egypt and the Philippines.

When micro-finance is an appropriate poverty alleviation strategy

By Vincent Obura

IN the past one decade, substantial progress has been made by the donor community in developing financial services to poor households in Tanzania on sustainable basis. Most donor interventions have concentrated on Micro-finance as an innovative tool for financial expansion among poor households in Tanzania.

The old adage "teach a man how to fish and he will fish for a lifetime" can be said to be the fundamental precept of micro-finance in Tanzania.

However, for micro-finance to be an appropriate tool to alleviate poverty among poor households in Tanzania, the clients must have the capacity and means to repay their loans under the agreed terms and conditions governing such loans.

But the question remains:

Do most clients in Tanzania have the capacity and means to repay their loans under the agreed terms and conditions? Or put it differently, are micro-finance clients in Tanzania credit worthy?

Experience shows that delinquency rate is still very high in most areas in Tanzania. That means that most micro-finance clients either delay in repaying their loans or default completely. Studies also show that clients who save regularly, borrow wisely and repay their loans promptly and who had been living "on the UN threshold of less than a dollar" a day are now beginning to graduate out of poverty.

Today, the micro-finance movement in Tanzania has served more than 5 million Tanzanians who over the years had been excluded from the formal banking sector owing to lack of "collateral" or credit rating.

For example, PRIDE-Tanzania and SEDA, continue to extend micro-finance services to poor households in Tanzania with the aim of lifting them from the jaws of poverty.

The development of micro-finance in Tanzania can be divided into three distinct phases.

The first phase which begun from 1980-1990 was characterized by minimal or no activity at all. This phase was conducted through project based experimental approach. At that time, all projects were couched within internal efforts aimed at alleviating poverty that received specific funding on a limited scale.

During the second phase of micro-finance development in Tanzania, from 1994-2000, NGOs such as PRIDE Tanzania and SEDA began to co-operate in an effort to conduct concerted Micro-finance

experiments. It was from that period onwards that micro-finance began to expand, growing beyond the scope of limited projects and programs.

The third phase began in 2001 and continues today, where many NGOs have been roped in and continue to implement and promote micro-finance on a project/experimental basis, while the Tanzanian government encourages the development of micro-finance as a key strategy to alleviate poverty across the board.

Today, micro-finance in Tanzania has been expanded to the majority of Tanzania's poverty stricken communities such as the Maasai, Hehe, Watindiga, etc as a key method or strategy of reducing poverty among poor households.

Micro-finance in Tanzania concerns donors, well-wishers, politicians, and a

growing number of diplomats especially those working in Arusha because it is home to ICTR and the EAC. This explains why most diplomats working in Arusha have been quietly supporting micro-finance programs in Arusha town.

Micro-finance also encompasses a network of people who use a multitude of means to speak and work for poor people in Tanzania especially those living in "wretched poverty".

In some regions or areas where micro-finance is still relatively new, this network is just beginning to emerge and is still in its nascent stage.

After going through years of experimentation, Tanzania's micro-finance community has begun the process of standardisation and systematisation. The most important tasks that face the sector now are: improving the

operational techniques, promoting institutional sustainability, and striving to strike a favourable policy environment.

Where Tanzania's past poverty alleviation strategies had not succeeded, micro-finance now offers real possibilities for improved targeting of poor households. Micro-finance also attempts to break away from failed methods of economic development by offering sustainable solutions to poor households in Tanzania.

The micro-finance community in Tanzania is now searching for a new direction in terms of regulatory policy framework, the classification of success and failure, and lessons learnt or to be learnt in future.

But because micro-finance originated outside Tanzania, a logical question to ask is: By

international standards of "best practice" does micro-finance succeed?

Recent studies have shown that in the light of the international micro-finance agenda, Tanzania is currently "a potential fertile ground" for targeting the poor household for institutional sustainability. This is because Tanzania's current political and economic system is undergoing a process of reform that will lead to greater possibilities for developing sustainable micro-finance methods.

Meanwhile most micro-finance institutions in Tanzania such as PRIDE Tanzania and SEDA are currently in a serious researching, studying, and referencing micro-finance success cases and lessons, as to promote further efforts in micro-finance. And in not too

distant future, Tanzania's micro-finance sector may very well enter a phase of systematisation and standardisation.

Most commercial banks in Tanzania are also currently undergoing a review of micro-finance activities with the aim to recommend a workable policy framework.

One hope is that, very soon, micro-finance capital from the donor community and policy driven funds will become replaced by local market driven investments and implemented by a team of well-trained local experts and top notch technocrats drawn from local banks and financial institutions.

Vincent Obura is a seasoned banker and micro-finance expert based in Arusha.

Reinforcing Tanzania's micro-financing foundation

By Karl Lyimo

TODAY, we have come far in ways more than one beginning with the across-the-board economic and financial reforms that the Government of Tanzania initiated in the 1990s, and continues to initiate. One crucial area in which progress seems to have been made in the last decade or so is that of micro-financing.

But, whether the progress has been par for the course – or has been below or above par – is a matter for much debate.

Simply put, 'micro-financing' involves making monetary and/or related support readily available to micro, small and medium-size enterprises (MSMEs). In a sense, it is financing microeconomic activities at the level of the individual producer – firm, farmer, household, etc – a given product, the consumer, et al.

At the outset, it is important to note *en passant* that what the Government did when it did it to the micro-financing sub-sector of the economy beginning in 1991 was to reinforce its foundation, not to lay a new one. This is on account of the fact that micro-financing as a concept and practice has been a fact of economic life for eons.

How the Government did that is rooted in the financial sector reforms that it initiated in 1991. Specifically, the lynchpin of the reforms was the Government's commitment to allow banking institutions to operate on a commercial basis, making business and management decisions free from outside interventions, (but) within the norms of prudent supervision.

In the light of that commitment, the Government went on to liberalise interest rates, eliminate administrative credit allocation, and strengthened the Bank of Tanzania's role in regulating and supervising financial institutions.

The Government also restructured the State-owned financial institutions, and allowed the entry of private banks, both local and foreign-owned, to operate in terms of the *Banking and Financial Institutions Act of 1991* as amended from time to time.

It also enacted a Cooperatives law in the same year which formed the basis for the establishment and development of Savings & Credit Cooperative Societies (SACCOS) as equity-based institutions.

Following the putting in place

of the requisite enabling legal framework, the erstwhile State-owned and operated National Bank of Commerce and the Cooperative & Rural Development Bank (CRDB) were restructured. The former became NBC Limited, while the latter became CRDB Bank Ltd. Both are today joint ventures between foreign investors the Government and local investors in the private sector.

Several banks and other financial institutions have also been set up in Tanzania, owned by the private sector as local or foreign investors. As of today, March 2005, the country is home to 28 banks, 22 of which are mainstream banks – foreign and domestic-owned – and the remaining six are relatively small regional and community banks.

Tanzania also boasts six non-bank financial institutions, 1,700 SACCOS, as well as

numerous other Societies and NGOs that involve themselves in micro-credit operations. There also is a sizable number of insurance companies and large pension fund schemes, as well as a Unit Trust and an investment company.

But, it has not all been easy or spectacular. Despite all that the Government has done – and continues to do in that area – micro-finance services have been inordinately slow to develop. This is partly because the extent micro-finance institutions are still relatively weak. This has been compounded by the closure of some bank branches in the process of restructuring them.

Besides, the private banks that were established in the wake of the reforms have hitherto been reluctant to extend credit to what have traditionally been seen as unbankable economic players. This has invariably had an adverse impact on low-income, collateral-less people, as well as on micro, small, and medium-size entrepreneurs.

The need for micro-finance in the economy cannot be overemphasized. For one, incomes for the majority of Tanzanians are pathetically low. This makes their

need to access financial services imperative if they are to be able to manage their otherwise scarce household and entrepreneurial resources more efficiently.

Micro-financing would also help protect them against risks, make provision for the future, and take advantage of available investment opportunities for better economic returns. Households would then attain a higher standard of living, even as the services would facilitate the pursuit of income growth for farmers and other small enterprises.

On the other hand, savings services are among the most beneficial for low income people, as they have a very broad outreach and value. Practically all households need to save to protect themselves against periods of low income, or specific emergencies. They also need to meet large anticipated

expenses, such as school fees, medication, funerals, etc.

Savings services are good for enterprises as they need to store the value that they

accumulate from their profits till they can invest them for higher returns.

Again, savings in financial form provide funds for investment by those holding the savings.

Enterprises can use credit from micro-finance institutions as a source of short-term working capital. For their part, households can use the credit to meet their consumption needs – particularly during periods of shortages – as well as to invest in improving their economic assets.

Micro-financing institutions can also come in useful as providers of payment and related services to low income people, as well as residents and institutions in the rural areas. On the other hand, such services play an important role in the overall profitability of the micro-finance entities that provide them.

The Tanzania Government regards the micro-finance system as an integral part of financing within the scope of its *Financial Sector Reform Policy Statement* promulgated in 1991. The overall objective of that Policy is to establish a basis

for the evolution of an effective and efficient micro-financial system that would provide services to the low-income segment in Society.

This should contribute to economic growth and poverty reduction by:

Establishing a framework within which micro-financing operations would develop.

Laying out principles to guide operations of the system.

Servicing a guide for coordinated interventions by participants in the system; and,

Prescribing the roles of the implementing Agencies, and the tools needed for development of the system in particular, and the economy in general.

Micro-finance institutions are primarily facilitators, rather than creators, of the underlying economic opportunities to widespread economic prosperity. The services are financial in nature, addressing as they do the financial needs of major segments of Tanzanian Society.

Although micro-finance services contribute to poverty alleviation and improvements in income distribution, they nonetheless differ materially from Social Welfare and similar Resource Transfer Systems.

The Policy on micro-financing covers the provision of financial services to households, small-holder farmers, small and micro-enterprises in rural and urban Tanzania. It covers a range of financial services such as savings, credit and payments. But, financing of all types of legal economic activity is also covered, including commerce, trade, manufacturing and agriculture.

According to the Policy, micro-financing is directed at low income families and their enterprises that have invariably lacked access to the financial services that are availed by the mainstream financial institutions. The Policy is based in the context of the prevailing socio-economic situation in Tanzania, and relates to other Government Policies and strategies with similar objectives and outlook.

Among these are the SACCOS Policy (1997), National Employment Policy (1996), Community Development Policy (1996), and the National Poverty Eradication Policy (1998).

In an effort to make a success of the Micro-finance Policy, the Government continues to reinforce and review the nation's micro-finance foundation, doing so in consultation with various stakeholders as appropriate.

[lyimokarl@hotmail.com]

SMEs vital in poverty war

By Elias Malima

PROVIDING loans to Small and Medium-sized Enterprises (SMEs) will help reduce poverty in Tanzania.

The focus should be on women, youth and disabled in SMEs in both formal and informal sectors, an Economic and Social Research Foundation (ESRF) consultant, Dr Amon Mbelle said.

He told a post-budget forum in Dar es Salaam last week that all community-based programmes showed positive results towards poverty reduction in comparison to programmes geared towards urban areas.

He said most urban programmes were organised and facilitated by few elites aimed at raising money and not for the sake of helping the poor and reduce poverty.

An ESRF report stipulates that the expansion of domestic market will enhance the quality of life of the poor, and expand employment and livelihoods of women and men while providing foundation for competitive exports elsewhere.

Also, due to unworthy plans and strategies to enhance micro-finance and credit, more information is needed on what portion

will actually reach the poor and women, youth and disabled in particular in both rural and urban areas.

Contributors in the forum stressed the importance of community participation in the budget-making process so that their ideas and comments should help adding other forgotten inputs.

A researcher on social issues, Gration Mutalemwa, said the vast majority of Tanzanians were unaware of the budget and its contents. That was why they kept on pointing fingers to the government, saying it failed to provide them with the needed services.

"It is high time the government educated people on the current issues especially of budgets," he said.

Participants in the forum were critical of low amounts of funds allocated for poverty reduction.

They said spending large sums of money on seminars and unnecessary trips for civil servants had nothing to do with poverty reduction. Rather the trend benefits few individuals at the expense of the majority of Tanzanians. An Oxfam official in Tanzania wondered whether the proposed Millennium Development Goals could be easily reached through such a type of budgets.

Over 500 million have no access to financial services

By Correspondent
Beatrice Philemon

SOME 500 million people worldwide do not have access to financial services other than informal moneylenders, an IMF report indicates.

A research made by the International Monetary Fund indicates that

this lack of access constrains private sector development and economic growth, and has distributional consequences because the poor and those living in rural areas are disproportionately affected.

It shows that microfinance has been so far touted as a promising means to reach the financially underserved.

Emphasizing on what does the future hold for microfinance, an IMF report indicates that, if it is to realize its potential, the microfinance industry will need to tackle a number of important challenges that lie ahead.

"One of the most important of these is achieving financial sustainability and integrating the microfinance industry into the formal sector," the report indicates.

However studies indicate that only 1 per cent of existing microfinance institutions worldwide are financially stable.

Despite apparently high loan recovery rates, the small scale of microfinance

operations, combined with the costs of reaching out to clients, pushes up operating costs and absorbs most of the interest margins.

According to research, the new financially self-sustainable microfinance institutions tend to be larger, spreading fixed costs and achieving greater efficiency. It shows adding that but those striving to become commercially viable do not tend to target the very poor.

Moreover, a related challenge entails the interaction of microfinance and traditional institutions. While there are success stories of microfinance institutions growing into formal financial institutions, as well as banks entering the microfinance niche and business relationships developing between banks and microfinance institutions, no clear trends have yet emerged, the IMF report indicates.

There is also the matter of whether and how the microfinance industry should be regulated. So far the industry has evolved largely outside the regulatory framework that applies to formal financial institutions. Prudential regulation of microfinance institutions would typically be predicated on whether they pose a threat to financial stability or engage in deposit intermediation.

However the weak approach applied to date in

most countries thus seems justified, considering the small size of the industry and its infrequent reliance on deposit funding.

As microfinance institutions become larger and eventually move into traditional financial intermediation, however, regulatory and supervisory approaches would need to be considered.

According to research, the optimal approach would have to weigh the specific circumstances of individual countries and avoid diverting scarce supervisory resources from more systematically important financial institutions or overburdening microfinance institutions with information and compliance requirements.

It shows, in some cases, a lighter regulatory approach may be warranted, but it would have to minimize discrimination against traditional financial institutions and guard against establishing legal loopholes and opportunities for regulatory arbitrage.

Also the concept of microfinance is now several decades old and its institutions provide small credits and other financial services to low-income households and very small informal businesses.

With constant innovation to meet the specific needs of the people they serve, microfinance institutions offer a menu of options.

"Through group of lending, for example, they are able to provide credit, with minimal reliance on collateral, to group

members who take turns borrowing and are jointly responsible for loan repayment," the report says.

Many institutions are owned and operated by Non-Governmental organizations that receive grants, and sometimes loans from multilateral development agencies, private charities, governments and similar institutions.

In parts of the world, they follow the model of financial cooperatives, funding their lending from members' deposits and capital contributions, while some have grown into formal, self-sustaining financial institutions, most remain informal and dependent upon donor funds.

But after years of experience with microfinance, surprisingly little is known about it.

However, there are no comprehensive and authoritative data, for example on the size of the industry or the populations served.

Stylized facts, however can be drawn from studies at the country and regional level, it says noting that these suggest that while the industry comprises a very large number of institutions in the tens of thousands by some estimates, the number of people served also indicate that most microfinance activity is concentrated in a handful of countries and that only a few large institutions carry out a significant portion of the

The Guardian Business & Foreign

FRIDAY, APRIL 15, 2005

Dar es Salaam Community Bank born of public outcry

It is three years since the Dar es Salaam Community Bank (DCB) started. One of the objectives for its establishment was to extend loans to low-income business people. Apart from fulfilling this objective, it has managed to break even and make a substantial profit, which has positioned the bank to give dividends during the next financial year. In this interview the Bank's Managing Director EDMUND MKWAWA underlines these achievements.



DCB Managing Director
Edmund Mkwawa

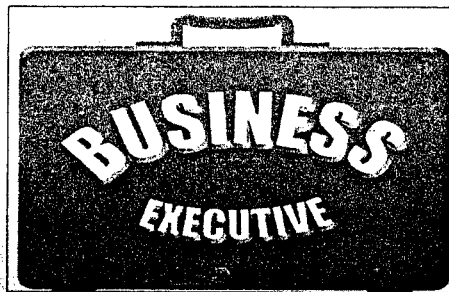
Q. Who owns the Dar es Salaam Community Bank (DCB) and why did they opt for the banking business?
A. DCB is owned by the public, the shareholders being the Dar es Salaam City Council, Ilala Municipal Council, the Kinondini Municipal Council, Temeke Municipal Council and more than 2,600 individuals and

private companies. Shareholding is thus 26% private and 74% Local Authorities. Shareholders opted for the banking business as a result of an initiative by the President of the United Republic, Benjamin William Mkapa, who in March 1999 while touring Dar es Salaam Region heard an outcry from

the city's residents on their need for a financial institution that would provide them with financial assistance.

Q. What was the main objective as to initiating the DCB?

A. The first objective was



to mobilize financial resources from individuals, institutions and donor agencies for financing the informal sector in order to support the government's endeavors in poverty alleviation; secondly, to provide an enabling environment for self-employment for the unemployed population of Dar es Salaam. It was also intended to provide commercial services and support to the target group at truly unsubsidized full cost recovery and profit margin rates in order to enable the bank to consolidate itself and subsequently pay the shareholders an adequate dividend.

Q. What achievements

have so far been attained?

A. The bank has been successful in terms of its operations. Its income has grown from 22,003,910/- in 2003 to 427.3m/- at the end of 2004. As at 31st December 2004 the bank's deposits had reached a total of 10,073.3m/- from 5,319.6m/- on December 31st, 2003. So far the bank has been able to open one branch on 13th December 2004 at Magomeni Mapipa, at the ground floor of Travertine Hotel. Plans are underway to open a branch in Temeke district and more agencies in other administrative districts of Dar es Salaam Region. The bank managed to reach 8,553 clients under its solidarity group-lending scheme in all

the three municipalities of Dar es Salaam, out of whom 90% of the groups comprise women. Customers in this scheme have benefited from small loans, which provide them with working capital for small businesses, enabling them to meet their needs.

Q. High lending rates persist in the banking sector, which has often been raised by stakeholders. What has your bank done to curb this mishap and attract small borrowers?

A. The interest rate is set on the basis of the cost of loan administration and the risk associated with the loan. The loan products are designed to meet the customer's needs and expectations. Basing on the above aspects, the bank always educates its customers on interest rates and makes sure they understand. Also we provide our customers with good, fast and efficient services. The bank developed an incentive scheme on customers' sayings and a one per cent rebate for successful repayment of the loan. These incentives will attract and make borrowers remain with DCB.

Q. What can you advise SMEs to do so that they could

benefit from bank loans, particularly from the DCB?

A. SMEs are advised to come and join DCB so that we can assist in giving them services and advice that would help expand their small businesses.

Q. How much credit has DCB managed to extend to SMEs and women groups in Dar es Salaam for the last financial year and what challenges are you facing in this area?

A. As at 31st December 2004 the bank had managed to disburse a total of 28,310 loans valued at 11.6bn/-. The breakdown hereof is as follows: Salaried loans 19,602 loans were disbursed value at 9,992 bn/-; Solidarity Group Loans, 8,553 loans were disbursed valued at 1.126 bn/- and for individual loans, 155 loans were disbursed valued at 441.1 m/-.

The challenges we face are that of market competition, controlling the number of drop-outs, as some clients are not faithful, while death cases of HIV occur among customers. As an attempt to curb the effects of HIV/AIDS, the bank is in the process of conducting a campaign among its

customers to create awareness on the diseases.

Do you have plans to expand services to up-country regions?

A. No. According to BoT regulations, DCB is registered as community bank for Dar es Salaam Region. Our license limits our operations to Dar es Salaam. We do serve upcountry clients whose institutional head Office is in Dar es Salaam, e.g. TPDF, JKT.

Q. Enlighten us on technological innovation at the DCB as well as the current number of employees the bank has engaged.

A. DCB has on line computer network and real time transactions, or real time banking. Once you enter any data, will effect information immediately; we have Wide area network (WAN) for interbranch connectivity, and Local area network (LAN) for connectivity within the branch. DCB is in process of getting its Website; we have Internet access, wireless telephone and dial up connection for accessing information. As for hiring, the bank currently has 66 members of staff.

Varsity, ICT firm market anti-fraud software

By Felix Andrew

MANY local financial institutions will be using smartcard technology to avoid frauds starting next year, an ICT vendor says.

Paul Nilsen, the general manager of Business Connexion (T) Ltd, said currently hardly any financial institutions use the technology.

Chances are that most financial institutions will

course of the year, he declared, noting that the firm is working with the University of Dar es Salaam to put the smartcard to the market.

Finance, communication, education, health, public administration, retail as well as the petrochemical industry have each an application for operations by using the technique, he said.

The various applications

the company's products to the local market environment, he said.

Security and ability to trace transactions after they have been made, reducing chances of fraud were its strong points, he said.

Projecting that the company will start to build skills of local computer use professionals, he said company staff at its city office were being trained

APPENDIX 13: APPLICATION LETTER

Hudson Alfred Mshana,
P.O. Box 62970,
Dar es Salaam,
16th January, 2004,
Cell:0744 372078.
hudsonmshana@yahoo.co.uk

The Managing Director,
Dar-es Salaam Community Bank (DCB),
P.O. Box 19798,
Dar es Salaam.

Dear Sir,

**RE: APPLICATION FOR ATTACHMENT AS MANAGEMENT
TRAINEE AT DCB: HUDSON MSHANA.**

This has reference to the above subject matter and our discussion held in your office dated 15th January, 2004 and whereof agreed to attach **Mr. Mshana** as a Management Trainee Student from the Community Economic Development (CED) programme for 18 months and participate in offering technical assistance in the Welfare and Development of your Community Banking Institution.

The objective of the programme is to encourage high degree of local participation, generate knowledge, skills, confidence, information and explore opportunities that would assist the community and their leaders to make well informed economic choices, well thought decisions, increase their control and equitable sharing of resources aiming at bringing economic vitality towards fighting poverty and build a better life in a sustainable manner.

Looking forward to your confirmation and in anticipation of a favourable reply, I remain.

Yours Faithfully,



.....
HUDSON MSHANA



DAR ES SALAAM COMMUNITY BANK LTD.

Head Office: P.O. Box 19798, Dar es Salaam

Tel.: +255-22-2180253

Fax: +255-22-2180259

E-mail: dcb@africaonline.co.tz

Our Ref DCB/Gen.01/04

18/1/2004

Mr. Hudson Alfred Mshana
P. O. Box 62970
DAR ES SALAAM

Re: **ATTACHMENT AS MANAGEMENT TRAINEE – DCB**

Your letter dated 16th January, 2004 on the captioned subject is relevant, and hereby advise that DCB has no objection to your attachment to this bank in your pursuit to your MSC CED Programme.

My staff and the undersigned will give you all the assistance and cooperation necessary to meet your objective.

With best regards,



E. P. Mkwawa
MANAGING DIRECTOR