

**AFRICAN DEVELOPMENT FUND**

**UNITED REPUBLIC OF TANZANIA**

**SMALL ENTREPRENEURS LOAN FACILITY PROJECT (SELF)**  
**PROJECT COMPLETION REPORT (PCR)**

**Human Development Department (OSHD)**  
**March 2009**

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This report is based on the findings of a PCR Mission that visited Tanzania from 22<sup>nd</sup> – 30<sup>th</sup> July 2008. The mission comprised of Mr. A. Yahie, Principal Socio-economist (OSHD.3/KEFO) (Ext. 6234) and a consultant. Inquiries should be addressed to Mr. Alexis De Roquefeuil, Manager, Poverty and Social Protection Division, Human Development Department.(Ext. 2184)

### **LIST OF ABBREVEATIONS**

ADB	:	African Development Bank
ADF	:	African Development Fund
AFREDA	:	Action for Relief and Development Assistance
BDS	:	Business Development Services
CAG	:	Controller and Auditor General
CBOs	:	Community Based Organization
GOT	:	Government of Tanzania
IAPSO	:	Inter Agency Procurement Service Organization
MFI	:	Micro Finance Institution
MSEs	:	Micro and Small Enterprises(s)
MKUKUTA	:	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MPEE	:	Ministry of Planning, Economy and Empowerment
MUCcoBS	:	Moshi University College of Cooperative. & Business Studies
NBFI	:	Non –Bank Financial Institution
NGO	:	Non –Governmental Organization
NIGP	:	National Income Generating Programme
NMFP	:	National Micro Finance Policy
NS	:	National Shopping
NSGPR	:	National Strategy for Growth and Poverty Reduction
PAR	:	Portfolio at Risk
PBFP	:	Property and Business Formalization Program
PCR	:	Project Completion Report
PED	:	Poverty Eradication Department
PIU	:	Project Implementation Unit
PRIDE	:	Promotion of Rural Initiatives & Development Enterprises
PSC	:	Project Steering Committee
PTF	:	Presidential Trust Fund for Self Reliance
SELF	:	Small Entrepreneurs Loan Facility
SELFINA	:	Sero-Lease Financing
SACCOS	:	Savings and Credit Cooperative Society
SIDA	:	Swedish International Development Agency
SIDO	:	Small Industries Development Organization

SACCOS	:	Savings and Credit Cooperative Society
SCCULT	:	Savings and Credit Cooperative Union League for Tanzania
SIDO	:	Small Industry Development Organization
SME	:	Small and Micro Enterprises
SELF	:	Small Entrepreneurs Loan Facility
SELFINA	:	Sero Lease Finance
TAMFI	:	Tanzania Association of Micro Finance Institutions
TGT	:	Tanzania Gatsby Trust
TZS	:	Tanzanian Shilling
UNDP	:	United Nation Development Program
UA	:	Bank Unit of Account
VPO	:	Vice President's Office
WDB	:	Women Development Bank

## United Republic of Tanzania

### Small Entrepreneurs Loan Facility Project (SELF) Project Completion Report (PCR)

#### BASIC PROJECT DATA

1. LOAN Number : F/TAN/ENT/LFP/98/28
2. Beneficiary : Government of Tanzania
3. Executing Agency : Vice President's Office (1999-Dec 2005)/  
Ministry of Planning, Economy & Empowerment  
(2006- Feb. 2008)/ Ministry of Finance &  
Economic Affairs (Feb. 2008 to Completion)

#### A. LOAN

1. Loan Amount : UA 8.0 Million
2. Loan Approval Date : 11<sup>th</sup> November 1998
3. Loan Signature Date : 4<sup>th</sup> December 1998
4. Date of Entry into Force : 20 July 1999

#### B. PROJECT DATA

	Appraisal Estimate			Actual Cost at Completion		
	<u>FE</u>	<u>LC</u>	<u>Total</u>	<u>FE</u>	<u>LC</u>	<u>Total</u>
1. Total Cost (UA mill.)	5.54	3.36	8.90	7.64	1.06	8.70
2. Financing Plan (UA mill.)	<u>Appraisal Time</u>			<u>Actual Financing at Comp.</u>		
	<u>FE</u>	<u>LC</u>	<u>Total</u>	<u>FE</u>	<u>LC</u>	<u>Total</u>
ADF	5.54	2.46	8.0	7.64	0.0	7.64
GOT	0.0	0.90	0.90	0.0	1.06	1.06
Total	5.54	3.36	8.90	7.64	1.06	8.70

3. Date of First Disbursement at Appraisal : 15<sup>th</sup> May, 1999
4. Actual Date of First Disbursement : 7<sup>th</sup> October, 1999
5. Date of Cancellation of Loan Balance : June 2007
6. Date of Last Disbursement at Appraisal : 31<sup>st</sup> January, 2005
7. Revised Date for Final Disbursement : 31<sup>st</sup> January, 2007
8. Commencement of Project Implementation Activities: September, 1999
9. Date of Completion of Project Implementation Activities: 30<sup>th</sup> June 2007

#### C. PERFORMANCE INDICATORS

1. Cost Under-run : 0.36 UA
2. Time Over-run : 2 Years
  - Slippage of Effectiveness : Five (5) Months
  - Slippage of Completion Date : Two (2) Years
  - Slippage of Last Disbursement : Five (5) Months
  - Number of Extension to Last Disbursement: One (1)
3. Project Implementation Status : Completed

4. Categories of Expenditure
- A. Credit and Savings Services : 100% complete
- B. Outreach & Monitoring : 100% complete
- C. Capacity Building : 100% complete
- D. Project Implementation : 100% complete
5. Institutional Performance (Unsatisfactory/Fair/Satisfactory)
- The Bank Group : Satisfactory
- The Government (GOT) : Satisfactory
- Contractors : Satisfactory
- Suppliers : Satisfactory
- Consultant : Satisfactory

#### D. MISSIONS

Mission Type	Dates	# of Persons	Composition	Persons Days
Launching mission	24-30/ April/ 1999	2	T. Zondo Sakala (Chief, OCDE 3) and A.M. Yahie (Socio –economist)	6
Supervision mission	21/11-4/12/ 2000	1	A. M Yahie (Task Manager)	15
Supervision mission	11-20/ 5/2000	2	A. M Yahie (Task Manager) & B. Sambe (Micro-finance Specialist AMINA)	9
Audit review/Supervision mission	21 <sup>st</sup> Nov to 1 <sup>ST</sup> December 2000	2	Messrs. Roderick O. Mammah and B. Tarleh Nyema	11
Supervision mission	1-7/12/2001	1	A.M. Yahie (Task Manager)	6
Supervision mission	13-26 May 2001	2	A. M. Yahie. Z. Sakala	13
Supervision mission	1-9 Dec. 2001	1	A.M. Yahie (Task Manager)	8
Supervision mission	18/2 -01/3/2002	1	A.M. Yahie (Task Manager)	11
Supervision mission	28/9-12/10/2002	2	A.M. Yahie, (Mission Leader) AND Mr. M. Alin (Banking/Microfinance Specialist)	14
Mid Term Review Mission	10 <sup>th</sup> -23/05/2003	4	T.B. Ilunga (Mission Leader); A.M. Yahie; Ahmed Benbarka and Sarah Forvt	13
Supervision mission	01-05/12/2003	1	A.M. Yahie	5
supervision mission	06 -13 & 20 – 22/9/ 2004	1	A. M. Yahie	11
Supervision mission	20/6– 8/7 2005	2	Ms Alice Hamer A. M. Yahie	19
Supervision mission	01-14/8/ 2006	1	A.M. Yahie	14
Supervision mission	12-23 Feb. 2007	1	A. M. Yahie	12
PCR	22 <sup>nd</sup> – 30 <sup>th</sup> July 2008	1	A. Yahie	9

#### E. DISBURSEMENT (In UA) Million

Description	Loan	Total
-Allocated	8.0	8.0
-Disbursed	7.64	7.64
-Balance ( Cancelled)	0.36	0.36
-Disbursement Rate (%)	95.5	95.5

## **F. CONTRACTORS/SUPPLIERS**

### **Equipment & Services**

#### **1. VESL Technologies Ltd**

Address : 1<sup>st</sup> Floor, Harbor View Towers, Samora Avenues,  
Dar es Salaam  
Nature of Contract : Develop MIS System for SELF Project  
Contract Amount : US\$ 115,000  
Headquarter : Dar es Salaam  
Date of Contract Signature: 26th January, 2006  
Mode of Procurement : National Competitive Biding

#### **2. VESL Technologies Ltd**

Address : 1<sup>st</sup> Floor, Harbor View Towers, Samora Avenues,  
Dar es Salaam  
**Nature of Contract** : Maintenance and Support Services  
Contract Amount : US\$ 29,580  
Headquarter : Dar  
Date of Contract Signature: 2<sup>nd</sup> December, 2006  
Mode of Procurement : National Competitive Biding

#### **3. Mfi Office Solutions Ltd**

Address : Nkurumah Road, P.o. Box 3444, Dar es Salaam  
Nature of Contract : Annual Service Contract-Office Copier  
Contract Amount : TZS 624,000  
Headquarter : Dar es Salaam  
Date of Contract Signature : 2<sup>nd</sup> December, 2006  
Mode of Procurement : National Competitive Biding

#### **4. MAJ Venture Ltd**

Address : P.o. Box 78695 Dar  
Nature of Contract : 1 Power Generator, Perkins 110KVA  
Contract Amount : USD 31,500  
Date of Contract : 27<sup>th</sup> March, 2007  
Mode of Procurement : National Shopping/Tender

#### **5. Electronics Technologies Systems Ltd**

Address : P.O. Box 31078 Dar  
Nature of Contract : Computers (8 pieces) plus UPS/ 2 Pieces Toshiba Laptop  
Contract Amount : TZS 19,889,400  
Date of Contract : 19<sup>th</sup> October, 2006/ 6<sup>th</sup> Dec. 2006  
Mode of Procurement : National Shopping

**6. Mfi Office Solutions Ltd**

Address : P.O. Box 3444, Dar  
 Nature of Contract : Photocopier Cannon IR 2020  
 Contract Amount : TZS 6,525,519  
 Date of Contract : 05<sup>th</sup> September, 2007  
 Mode of Procurement : National Shopping

**Vehicles**

4 Vehicles  
 Company- IAPSO  
 2 Nissan JPY 11,607,078  
 Date 3<sup>rd</sup> Dec. 1999  
 2 Toyota Land Cruiser S/Wagon GX 4.2 L - JPY 6,387,031  
 Date September 1999/ 17<sup>th</sup> Aug. 2006/

**G. CONSULTANTS****1. Mr. Imanuel Muro**

Address : Centre for Sustainable Development Initiatives,  
 Ursino Estate, Ally Hassan Mwinyi Rd, Tan-House  
 Building, 3<sup>rd</sup> Floor, Po Box 34210 Dar.  
 Nature of Contract : Determination of Interest Rate and Rollout Plan  
 Contract Amount : US\$ 4,500  
 Headquarter : Dar es Salaam  
 Date of Contract Signature : 2<sup>nd</sup> January, 2003  
 Date of Invitation letter to Bid: 9<sup>th</sup> November, 2002

**2. Mr. Busalama Abel**

Address : C/o Data Vision International Tanzania Ltd Po Box  
 9983 Dar es Salaam  
 Nature of Contract : Preparation for the Tools for Beneficiary  
 Assessment'  
 Contract Amount : US\$ 5,000  
 Headquarter : Dar es Salaam  
 Date of Contract Signature : 9<sup>th</sup> November, 2002

**3. Mr. G.A. Mariki**

Address : Data Vision International Tanzania Ltd Po Box  
 9983 Dar es Salaam  
 Nature of Contract : Preparation for the Tools for Beneficiary  
 Assessment'  
 Contract Amount : US\$ 5,500  
 Headquarter : Dar es Salaam  
 Date of Contract Signature : 1<sup>st</sup> August, 2002

**4. Dr. Semboja Haji Hatibu**

Address : Economic Research Bureau of the University of  
Dar es Salaam, Po Box 35096 Dar Es Salaam

Nature of Contract : Mid Term Review

Contract Amount : US\$ 10,000

Headquarter : Dar es Salaam

Date of Contract Signature : 15<sup>th</sup> April, 2003

**5. Dr. John Joel Kyaruzi**

Address : C/o JEDI DEVELOPMENT LIMITED Box 35062  
Dar Es Salaam

Nature of Contract : Study on Information Technology (IT) Package for  
SELF Project

Contract Amount : US\$ 4,880

Headquarter : Dar es Salaam

Date of Contract Signature : 5<sup>th</sup> September, 2003

**6. Ernst and Young Advisory Services Limited**

Address : P.O. Box 2475 Dar Es Salaam

Nature of Contract : Business Development Services

Contract Amount : US\$ 75,970

Headquarter : Dar es Salaam

Date of Contract Signature : 3<sup>rd</sup> November, 2004

**7. Ernst and Young Advisory Services Limited**

Address : P.O. Box 2475 Dar Es Salaam

Nature of Contract : Business Development Services

Contract Amount : US\$ 33,400

Headquarter : Dar es Salaam

Date of Contract Signature : 3<sup>rd</sup> November, 2004

**8. Dr. Herbert F. Makoye**

Address : P.O. Box 350 44 Dar Es Salaam

Nature of Contract : Preparation of Radio Programme to change the  
attitude of people towards loans/Motivate and  
sensitize people to form SACCOS

Contract Amount : TZS 15,597,689

Date of Contract Signature : 5<sup>th</sup> January, 2005

**9. Dr. Semboja Haji Hatibu**

Address : C/o Economic Research Bureau of the University of  
Dar es Salaam, Po Box 35096 Dar es Salaam

Nature of Contract : Preparation of Project Completion Report

Contract Amount : US\$ 11,300

Headquarter : Dar es Salaam

Date of Contract Signature : 2<sup>nd</sup> December, 2006

## EXECUTIVE SUMMARY

The Small Entrepreneurs Loan Facility (SELF) loan amounting to UA8 million was approved by ADF Board of Directors in November 1999. The main objective of the project was to improve the access of the rural poor to financial services. To achieve this objective, the project provided a mix of inputs which included credit fund, capacity building and technical assistance.

In spite of the slow implementation in the initial years, SELF achieved its objective and has reached its expected outcomes: (i) Expanded microfinance coverage to 94 out of a total of 127 districts in 19 out of 26 regions of Tanzania Mainland and Zanzibar compared to the planned coverage at appraisal of 6 regions and 42 districts; (ii) Deepened outreach of microfinance services to 60,016 clients and created 136,000 jobs instead of the 27,600 clients and 54,000 jobs anticipated at appraisal respectively; (iii) strengthened the capacity of 186 MFIs (76% of them SACCOS) and enhanced the skills of 1,959 MFIs personnel instead of the 30 MFIs planned at appraisal; (iv) Facilitated the graduation of 28.2% of infant MFIs to medium and advanced stage; and (v) Sustained an average 95% repayment rate.

The above mentioned success is primarily attributed to the continued Government commitment as illustrated by the timely release of counterpart funds; strong leadership and oversight provided by the Project Steering Committee (PSC); high level of competence demonstrated by the PIU staff and management and adherence to industry best practices; and timely technical backstopping and prompt response to policy and operational issues by the Bank. Other factors that facilitated the achievement of these outcomes include: (i) the appropriate design of the intervention, (ii) development of suitable loan products; (iii) flexibility to adjust as new lessons are learned; and (iv) focus on capacity development before the injection of credit.

The project was the first of its kind in Tanzania and was introduced at a time when the country was emerging out of a socialist economic policy framework. As a result, the implementation in the initial two years experienced some delays due to capacity, logistical and administrative challenges. The limited number of Microfinance Institutions (MFIs) in the pilot six regions also slowed the absorption of credit resources and depth of outreach. The main lessons that can be drawn from the implementation of the Project are as follows:

- Adequacy of institutional arrangements and capacity of intermediary institutions need to be assessed at appraisal to identify capacity gaps and devise adequate instruments to address them;
- Early audit of the project accounting and financial system is found instrumental as it helps the PIU in establishing the necessary accounting and financial management books and avoid mismanagement of project resources in the future;
- Demand for material collateral could constrain access to financial services, particularly women who lack physical assets. Use of socially acceptable approaches such as group guarantee based on social cohesion are found to work for the poorer, particularly in rural areas;
- Building synergies and strategic partnerships with other industry stakeholders, including local leaders at regional and district levels, offer unique opportunities to align activities and enhance ownership to increase the likelihood of achieving outcomes;

- Close monitoring of project activities is found critical to ensure that interventions are implemented effectively in order to meet the intended objectives. The establishment of baseline data at inception would enable the PIU to accurately assess project outcomes and impact on target clients; and
- Frequent supervision missions with appropriate mix of skills during the initial years of project implementation is crucial in order to strengthen the capacity of the PIU and familiarize its staff with Bank rules and procedures on disbursement and procurement.

**United Republic of Tanzania**  
**Small Entrepreneurs Loan Facility (SELF) Project**  
**RETROSPECTIVE PROJECT MATRIX (LOGFRAME)**

<b>Narrative Summary</b>	<b>Expected Outputs/outcomes</b>	<b>Actual Achievements</b>	<b>Important Assumptions</b>
<b>Overall Goal</b> To Reduce poverty in the project target areas	1.1 By year 2007 Socio-economic indicators such as health status, income and nutritional status and school attendance of children among target groups improved by at least 10%	2007 Household Budget Survey showed Household consumption (proxy for income) increasing by 5.4 percent Average net enrolment ratios increased by 15 percent.	Political will and commitment maintained
<b>Project Objectives</b> Improved access of the poor in rural areas to microfinance services	By the year 2007 in the project target area 1.1 Income levels of targeted beneficiaries increased 1.2 Microfinance systems established 1.3 MFI's capacity strengthened	- income of target clients increased by 50% on average and 136,000 permanent jobs created -186 MFI accessed with loans valued TZS 14.8 billion -The total of 3,472 clients received business and entrepreneurial training	- Continued government commitment to poverty reduction - Adherence to policies and practices agreed upon within the project framework
<b>Results/outputs</b> 1. Credit and Savings Services 2. Outreach and Monitoring; 3. Capacity Building; 4. Project Implementation Unit	1.1 Number of persons provided credit as per the appraisal report 2.1 The public in target areas sensitized and monitoring activities conducted as per the appraisal report 3.1 Training activities carried out 4.1 PIU established and functioning as per appraisal report	-The total of 60,016 ultimate borrowers accessed credit compared to 27,600 estimated at appraisal stage -All 52 districts in the rollout area were reached/sensitized of which 41 have accessed loan -About 3,457 persons were trained. -14 PIU staff recruited and PIU equipment and furniture provided and operating system established , - 11 member PSC established and provided policy and operational oversight	-Effective outreach and community sensitization program; - Credit recipients use loan resources wisely and apply best practices; -Effective PIU and active participation of both local communities and district administration in project activities
<b>Key Activities</b> A. Credit Fund B. Equipment C. Training D. Technical Assistance E. Operating Costs	<u>Budget by Categories UA Mil</u> A.Credit Fund 6.02 B.Equipment 0.13 C.Training 1.43 D.TA 0.55 E.OC 0.78 <b>Total 8.90</b> <u>Source of Finance</u> FE LC Total % ADF 5.54 2.26 8.0 89.9 GOT - 0.90 0.9 10.1 Total 5.4 3.36 8.9 100	<u>Expenditure by Categories UA Mil</u> A. Credit Fund 5.48 B. Equip 0.18 C. Training 1.10 D. TechnAss. 0.49 E. Op. Costs. 1.45 <b>Total 8.70</b> <u>Actual Financing by Source</u> FE LC Total % ADF 7.64 0.0 7.64 87.8 GOT 0.0 1.06 1.06 12.2 Total 7.64 1.06 8.7 100	- Collaboration with donors to ensure complementarity of activities - sustained pro-active community participation -Lower inflation rates to secure positive interest rate; -Effective MFI's and PIU and motivated staff.

## **1. INTRODUCTION**

1.1 The present project completion report (PCR) was prepared for Small Entrepreneurs Loan Facility (SELF) project in Tanzania following Bank's PCR mission in July 2008. At appraisal, project implementation was estimated to last five years (Jan. 2000 – Dec. 2004) but it was extended to July 2007. For the purpose of this PCR the reported performance includes and covers up to 30<sup>th</sup> July 2007.

1.2 The mission reviewed key background reports such as the Bank and Borrower Aide Memoirs, Quarterly Progress Reports, Mid Term Review Report, Annual Audit Reports, Annual Work Plan and Budget, Bank Operations Evaluation Department (OPEV) Review of the Bank Group Assistance to the Social Sector of Tanzania, and Borrower Project Completion Report (PCR). The report also relied on the Interest Rate Setting Study (2003), Baseline Survey, Beneficiary Assessment (2004) and Impact (2005) studies, which were financed by the project. The list of documents reviewed is appended as Annex 4. Other than secondary data review, the information in this report is also based on interviews with key stakeholders which include members of Project Steering Committee (PSC), PIU staff, sample of intermediate MFIs from six project regions, professional service providers and project beneficiary clients.

## **2. PROJECT OBJECTIVES AND FORMULATION**

### **2.1 Project Goal and Objective**

2.1.1 The main goal of the project was to contribute in reducing poverty in the project target areas. The project objective was to improve access of the poor in rural areas to microfinance services.

### **2.2 Project Description**

2.2.1 The Project comprised of the following four components:

*Component 1: Credit and Savings Services*: to provide wholesale funding to intermediary MFIs for retail on-lending to target clients. The lending process and eligibility criteria were stipulated in the project operations manual.

*Component 2: Outreach and Monitoring*: (i) to inform and educate the target groups on the availability of credit, changing attitude and promotion of culture built on the use of best practices in microfinance; and (ii) monitoring implementation, evaluating operations and assessing the outcomes and impact of the project on targeted clients.

*Component 3: Capacity Building*: To support capacity building and training activities targeted to various stakeholders following a training needs assessment. The ADF Microfinance Initiative (AMINA) was expected to support training of various stakeholders.

*Component 4: Project Implementation Unit*: Financial, logistical and technical support were provided to ensure that the PIU is adequately staffed and equipped to undertake the day-to-day management of project activities.

## **2.3 Project Origin**

2.3.1 Poverty in Tanzania is mainly a rural phenomenon. In 1991, 50.5% of rural Tanzanians were found to live in households classified as poor, with adult equivalent income below TZS 15,030 (UA17) and about 41.8% of all rural Tanzanians were below the poverty line of TZS 11,171 (UA13) per adult equivalent. As a result, the Government of Tanzania (GoT) launched its Poverty Reduction Strategy Paper (PRSP) in 1997 which focused on addressing abject and income poverty. The importance of promoting access of the poor, particularly in rural areas, to financial services and building credit culture was recognized in the PRSP. A study commissioned by the Bank of Tanzania (BOT) in 1997 also showed that the majority of people surveyed successfully seek small amounts of credit from friends, neighbors, extended family members and local business people. People resorted to these sources of finance due to lack of access to conventional commercial banking services. In stimulating rural economic activities and entrepreneurship and in order to address the growing demand for financial services the GoT identified microfinance interventions as one of the key instruments to reduce poverty. As a result, the GOT submitted to the Bank Group in December 1997 a project proposal and formal request for ADF to finance the project. The Bank found the request to be in line with the Bank Group Strategy for Tanzania, which focused on poverty reduction.

## **2.4 Project Preparation, Appraisal and Approval**

2.4.1 The Bank fielded a preparation and appraisal mission in April and July 1998 respectively. This process was enriched by post-appraisal mission that attended the September 1998 meeting of the Development Assistance Committee on Microfinance in Tanzania. The project was approved by ADF Board of Directors in November 1999.

## **3. PROJECT EXECUTION**

### **3.1 Effectiveness and Start Ups**

3.1.1 Besides the general conditions governing ADF loans, the Borrower was expected to fulfill the following conditions:

- (i) Provide evidence on the establishment of a Project Steering Committee comprising of two representatives each of the Government, civil society, private sector, and donors to oversee overall project management and implementation;
- (ii) Furnish evidence to the Fund of establishment of a Project Implementation Unit (PIU) to carry out the implementation of project activities;
- (iii) Provide evidence of appointment of key staff for the PIU comprising of Project Manager, Deputy Project Manager/Microfinance Specialist, Outreach and Marketing Officer, Training Officer, Financial Controller and Loans Officer whose qualifications and experience shall be subject to the approval of the Fund; and
- (iv) Open and undertake to maintain thereafter on conditions acceptable to the Fund a Special Foreign Currency Account and three Local Currency Accounts in Banks acceptable to the Fund in which the proceeds of the Loan will be deposited.

3.1.2 In addition the Borrower should have undertaken:

- v) To develop and adopt a standard lending agreement with terms and conditions that is acceptable to the Fund, for lending to MFIs by December 1998. All loans to MFIs for amounts above USD50,000 and below USD100,000 shall be subject to the approval of the Fund;
- vi) Not to change or amend the terms of reference and/or the institutional composition of the Project Steering Committee except with the prior written approval of the Fund; and
- vii) Not to change or alter the status or structure of the Operations Manual except with the prior written approval of the Fund.

### 3.2 Modifications

3.2.1 During implementation, few modifications were introduced to render the interventions more responsive to market dynamics, enhance efficiency and effectiveness. These included:

- (i) Adopting the operation manual to local business conditions: Loan repayment period was changed from monthly to quarterly and grace period to commence immediately after receipt of loan by borrowing institutions, instead of the date of loan approval;
- (ii) Loan Approval Process: To avoid delays on disbursements to MFI, the ceiling on the prior approval by the Bank of the loan above US\$ 50,000 was increased to USD 200,000;
- (iii) Change of Executing Agency: Vice President's Office (1999- 2005); Ministry of Economic Planning and Empowerment (Jan 2006 –Feb. 2008); and Ministry of Finance and Economic Affairs (February 2008 to present); and
- (iv) Expansion of Target Regions: Based on the criteria stipulated in the appraisal report the project target regions were expanded from 6 to 14 regions. This was aimed to deepen outreach, increase disbursement of credit, and enhance SELF sustainability.

### 3.3 Implementation Schedule

3.3.1 At appraisal the project was estimated to start in January 1999 for a duration of five years. However, commencement of project implementation was delayed due to the following reasons: (i) delayed fulfillment of loan condition by almost 8 months; (ii) high turnover of staff and prolonged process of recruiting a Project Manager; (iii) low absorptive capacity of MFIs in target regions; and (iv) suspension of AMINA program which is expected to provide capacity building support and training of MFIs. Upon government request, the deadline for last disbursement was extended to June 2007. Slippage on effectiveness was eight (8) Months and slippage on completion of the project activities was 24 months. Project adherence to schedule of implementation was rated unsatisfactory. A comparison between the appraisal schedule and the actual implementation of key activities is shown below.

Table 1. Schedule of Implementation at Appraisal and Actual at Completion

Activity	Responsible Agency	Appraisal Date	Actual
Loan Negotiation	GOT/ADF	October 1998	October, 1998
Board Approval	ADF	October 1998	November 1998
Loan Agreement Signature	GOT/ADF	Nov. 1998	Dec.1998
Operation Manual	ADF	Dec. 1998	
Loan Effectiveness	GOT/ADF	Jan. 1999	July 1999
Formal Establishment of PIU	GOT/ADF	Jan. 1999	May 1999
Recruitment of Project Manager/Other Staff	GOT	Jan. 1999	1999/2000
Procurement of PIU Equipment	GOT	February, 1999	Sept '99- May '00
Procurement of PIU Furniture	GOT	February, 1999	June '99- Oct. '99
Beginning of Outreach activities	GOT	March, 1999	Jan, 2000
Beginning of Capacity Building activities	GOT	March, 1999	March, 2000
Beginning of MF Activities	GOT	September, '99	Jan. 2000
Annual Project Reviews	GOT/ADF	March @ year	March @year
Mid-term Review	GOT/ADF	December, 02	May 2003*
Close of Project	GOT/ADF	January, 2004	July 2007

\* The MTR was delayed due to low disbursement.

### 3.4 Reporting

3.4.1 *Quarterly Progress Reports:* In total 33 quarterly reports were submitted to the Bank covering the period from July 1999 to July 2007. The PIU also submitted to the Bank for its consideration, annual reports and work plans. The reports were submitted in time and contained adequate information and analysis on progress on the implementation of activities under each component, loan portfolio quality, performance of contractors, status of disbursement and accounts, and issues that may require the attention of PSC, Borrower and the Bank. The quality of the reports was also enriched by the inclusion of summary analysis of studies on local market conditions, interest rate, and client assessment. All reports were submitted to the PSC for its review and approval prior to its submission to the Bank. Following its review of the reports, the Bank provided feedback and corrective measures on issues that required remedial measures. Reporting on project implementation was rated highly satisfactory.

3.4.2 *Audit of Project Accounts:* the Controller and Auditor General (CAG) audited annually (2000- 2007) project accounts and submitted unqualified audit report to the Borrower and the Bank. With the exception of minor internal control requiring improvements, the management letters did not raise serious material weaknesses. This was primarily attributed to Bank audit mission of 21<sup>st</sup> November to 1<sup>st</sup> December 2002, which provided critical oversight and guidance on establishing adequate accounting systems and safeguards at the inception of project implementation. The Bank also provided detailed review and comments on each audit report. Such feedback was found instrumental in improving project financial management. To further enhance financial management, SELF also installed a management information systems (MIS) which is currently operational.

### 3.5 Procurement

3.5.1 All goods and services were procured in line with the ADF rules and procedures. While most of the goods and services were procured timely and in a satisfactory manner, the project experienced difficulties due to the lengthy process (18 months) it took IAPSO to procure equipment and furniture. IAPSO delivered the goods twice and following inspection on site, it was noted that the boxes were empty and the goods were stolen at the airport of origin. Following Bank intervention, IAPSO finally procured the goods. For details on specific procurement services see section F and G of the basic data section of the report.

### 3.6 Financial Sources and Disbursement

3.6.1 The tables 2-4 below illustrate the planned and actual financing of project activities by source of financing, category of expenditure and component:

Table 2: Planned and Actual Financing (UA Millions)

Source of Financing	Planned Financing				Actual Financing			
	FE	LC	Total	Total %	FE	LC	Total	Total %
ADF	5.54	2.46	8.0	89.9	7.64	0.0	7.64	87.8%
GOT	0.0	0.90	0.9	10.1	0.00	1.06	1.06	12.2%
Total	5.54	3.36	8.9	100	7.64	1.06	8.70	100%

Table 3: Planned and Actual Financing by Category and Source (UA millions)

Categories	Planned Financing				Actual Financing			
	ADB	GOT	Total	%	ADB	GOT	Total	%
Credit Fund	6.02	0.0	6.02	67.6	5.48	0.00	5.48	63.0
Training	1.07	0.35	1.43	16	0.85	0.25	1.10	12.6
Technical Assistance	0.52	0.03	0.55	6.2	0.48	0.01	0.49	5.6
Equipment	0.13	0.0	0.13	1.4	00.18	0.00	0.18	2.1
Operating Costs	0.26	0.51	0.78	8.7	0.65	0.80	1.45	16.7
Project Cost	8.00	0.90	8.90	100	7.64	1.06	8.70	100
Percentage	89.9%	10.1%	100%		87.8%	12.2%	100%	

Table 4: Planned and Actual Financing by Component and Source (UA millions)

Categories	Planned Financing				Actual Financing			
	ADB	GOT	Total	%	ADB	GOT	Total	%
Credit and Savings Services	6.02	0.0	6.02	67.6	5.48	0.00	5.48	63
Outreach and Monitoring	0.51	0.0	0.51	5.8	0.45	0.02	0.47	5.4
Capacity Building	1.08	0.38	1.46	16.4	1.03	0.09	1.12	12.9
Project Implementation Unit	0.39	0.51	0.91	10.2	0.68	0.95	1.63	18.7
Total	8.0	0.90	8.9	100	7.64	1.06	8.7	100

3.6.2 As shown in the table below, the cumulative amount of loan funds disbursed by the Bank amounts to UA7.66 million (95.78%). The GOT cumulative disbursement to SELF since inception amounted to TZS1.5 billion which is equivalent to 118% of its total commitment.

Table 5: Status of Disbursement of Funds as at 31 December 2007

Disbursement	ADF	GOT
	UA	TZS
Planned allocation at Appraisal	8,000,000.00	1,266,840,882
Disbursement to date	7,662,281.25	1,495,949,934
Un-disbursed Balance	337,718.75	-
% Disbursed	95.78	117.9

3.6.3 Total expenditure at completion is higher than total anticipated at appraised due to: (i) extension of the project implementation period which required additional resources for operations and maintenance, and (ii) the appreciation of the UA against the US\$ by at least 12%.

#### 4. PROJECT PERFORMANCE AND RESULTS

##### 4.1 Overall Assessment

4.1.1 The assessment of the overall implementation of the project was found highly satisfactory. Table 6 presents an overview of the expected and actual achievements at completion. The project exceeded its output targets set at appraisal. PCR findings show that: (i) In terms of outreach, more than 61,016 clients (59% women) benefited from SELF loans compared to the 27,600 (60% women) anticipated at appraisal. SELF also expanded coverage from the original six regions (41 districts) to 19 regions (94 districts); (ii) Impact studies conducted by the project also showed that 70% of the clients had primary level education and borrowed on average Tshs 400,000 (US\$300). The small size of the loan and the low level of education of clients showed that the majority of the people who accessed project resources were poor; (iii) The project succeeded in building the capacity of more than 186 MFIs (76% SACCOS) instead of the 30 MFIs anticipated at appraisal; (iv) the loan repayment rate averaged 95 per cent – an industry good performance indicator; and (v) SELF also accumulated approximately US\$2.4 million (34% of loan fund) from interest income which would cover the total cost of the project (excluding capacity building and technical assistance). This is an indication that the project could reach operational self-sufficiency in 6 years.

Table 6: Planned and Actual Achievement

Expected outcomes at Appraisal	Actual outcomes to date
27,600 clients reached and 54,000 jobs created	60,016 clients reached and created 136,000 jobs
Microfinance systems established	-Infant MFIs category graduated from 63.7% of the whole portfolio in 2001/02 to 35.5% in 2007/08. -Business start-up and/or expansion
Capacity of 30 MFIs strengthened	186 MFIs (76% of them SACCOS) strengthened and 1,959 MFIs personnel were trained
30,350 clients trained	3,472 MFIs clients and
Sustained above 95% repayment	Sustained 95% repayment

4.1.2 In terms of capacity building, SELF strengthened the capacity of 186 MFIs and trained 3,472 staff of the PIU and partner MFIs. Due to the suspension of AMINA, the project could not, however, reach its target set at appraisal of training 30,350 clients. Instead it opted to provide logistical support to partner MFIs to facilitate the training of their respective clients.

## 4.2 Operating Results

4.2.1 As shown in the following sections, the implementation of the project produced successes, challenges, unexpected outcomes and lessons for potential replication.

4.2.2 *Component 1: Credit and Savings Services:* During the initial years, disbursement of credit funds was low due to the weak capacity of MFIs that could not meet eligibility criteria stipulated in the appraisal report and operations manual. Following the intensive capacity building, disbursement of credit funds gradually increased as shown in the table below. The decline of disbursements in 2005/6 was primarily due to the Presidential and Parliamentary elections. At the time, the PIU deliberately slowed its operations to avoid political interference. The cumulative amount loaned is 146.6% of total loanable funds. This was achieved through recycling of credit funds to finance start-up and repeat loans.

Table 7: Annual Loans Disbursed to MFIs in TZS

Year	Planned in Million (a)	Approved in Million (b)	Disbursed in Millions (c)	% Change (b/a)
2000/01	180	60	54	33.3
2001/02	200	100	95	50
2002/03	900	899	768	99.8
2003/04	1,220	1,230	1,356	100.8
2004/05	2,588	3,346	3,346	129.2
2005/06	3,000	1,470	1,325	49
2006/07	2,000	1,990	2,042	99.5
TOTAL	10,068	9,095	8,986	90.33

4.2.3 The credit fund reached out to 186 intermediary MFIs and SACCOS in 81 districts in 19 regions of Tanzania mainland and Zanzibar. These intermediaries on-lent the credit funds to 60,016 active small entrepreneurs of which 59% were women. Provision of on site technical assistance leveraged the capacity of MFIs and improved their performance which enabled them to qualify for larger repeat loans. Design of better loan products that suited the needs of MFI clients also ensured higher absorption of credit, on-time repayment of 95% and reduced portfolio at risk (PAR) from 17% in 2000 to 4.5% at 2007.

4.2.4 It should be recalled that the project pilot target area was selected primarily on grounds of high levels of poverty. As shown in the above table and contrary to expectation at appraisal, loan delivery in this area stagnated during the initial three years. As a result, a two prong approach to enhance credit delivery was adopted:

(i) allocating part of the credit fund to the new regions in order to: (a) address their credit needs particularly since the project is the main source of micro credit funds in the country; and (b) spreading operational costs by increasing loan portfolio in order to generate additional income from interest and application fee and enhance the sustainability of the project. This was particularly viewed critical since most of the new areas had vibrant MFIs and dynamic economic activities; and

(ii) Limiting capacity building activities to weak MFIs in the original six target regions. This was intended to: (a) strength the capacity of these MFIs to increase their absorptive capacity; and (b) minimize the risk of default and poor repayment.

4.2.5 *Component 2: Outreach and Monitoring (Outreach and Sensitization)*: The project embarked on a program of awareness raising and sensitization using the mass media (television and radio) in order to inform and educate the target population on the availability of the credit facility, eligibility criteria, process of application, and in promoting a credit and savings culture. A radio program in Swahili; “*Kopa Ujiendeleze*” (*Borrow to Leverage your Business Success*), was aired weekly. The radio program focused on changing people’s mindset on credit emanating from Tanzania’s historical socialist legacy of “everything is supplied freely by state”. As at December 2006, the project aired 96 episodes of 6,880 minutes in total. Other instruments which were used include dissemination of brochures, calendars, posters, fliers and T-shirts. Television documentaries were also used to *show case* success stories demonstrated by some of the ultimate retail borrowers. The involvement of local leaders was instrumental in reaching out to the ultimate retail borrowers and encouraging them to repay the loans so as to enable other local community members’ access to project resources.

4.2.6 The project also deployed monitoring and evaluation tools and techniques in collecting basic data to track the performance of MFIs and target clients and identifying issues that may require remedial measures. Four studies namely: Baseline Survey; Beneficiary Assessment (BA); Impact Assessment (IA); and Effectiveness of Training Programs were conducted. The studies were instrumental in obtaining feedback that enabled SELF to address existing weakness and improve service delivery. This resulted, for instances, in introducing tailor made loan products; adjusting loan grace periods and repayment periods to the type of business; improving the processing of loan application in order to reduce processing time and transaction cost; classification of MFIs to infant, intermediate and advanced to devise adequate logistical support and suitable training for their staff.

4.2.7 *Component 3: Capacity Building*: Capacity building and training activities were outsourced to private service providers such as K-Rep in Kenya, Ernest and Young, Tanzania Cooperative College, Moshi University College of Cooperative & Business Studies (MUCC&BS), and Savings and Credit Cooperative Union League for Tanzania (SCCULT). In order to adequately address gaps in skills and institutional weakness all training activities were preceded by training needs assessment (TNA) exercise. A total of 5,631 personnel from 471 MFIs were trained. These included: Finance and Credit Managers; Credit Officers; Treasurers and Clerks; Supervisory Committees; Credit Committee and Board Members; regional and district leaders; and district cooperative officers. The capacity building activities also benefited 3,472 clients. This was far below that target set at appraisal. The major reason for this shortfall is attributed to the inability of the ADF financed AMINA program to support proposed training activities as envisaged at appraisal. This was due to the suspension of the program due to Bank senior management dissatisfaction with its performance.

4.2.8 As pointed out earlier, initially training activities were delivered by consulting firms that were recruited competitively. Following stakeholder feedback, it was recognized that these firms were using consultants who conducted the training in English and were not conversant with Swahili, which is the most commonly spoken language in Tanzania. In addition, it was noted that most of them did not provide follow-up on the job training sessions. As a result, the project opted to localize training activities by using local trainers who were conversant with local conditions. The approach easily permitted follow up on the job training and on-site trainer’s

evaluation. It further allowed the PIU to concurrently conduct trainings to large number of stakeholders in different locations.

**4.2.9 *Component 4: Project Implementation Unit (PIU):*** A lean PIU with eight professionals and relevant support staff was established to manage the day-today activities of the project. The team included: Project Manager, Finance Controller, Capacity Building Officer, Monitoring and Evaluation Officer, two Loan Officers and the Promotion and Marketing Officer. The PIU was provided with all the necessary office equipment and furniture. A Project Steering Committee (PSC) comprised of seven members provided the PIU with the necessary policy and operational guidance and oversight. The PIU gradually matured and proved efficient in effectively managing project resources and the delivering services to its target clients.

### **4.3 Institutional Performance**

4.3.1 In spite of its leanness and the high turnover of the staff at inception, the PIU's performance was rated highly satisfactory. This could be attributed to: (i) PSC providing timely operational and policy oversight and guidance; (ii) Continued support of the Borrower and prompt release of counterpart funding; (iii) Sound PIU leadership and staff dedication; (iv) availability of operations manual and clarity on roles and responsibilities; (v) Timely Bank technical backstopping; and (vi) focus on enhancing the skills of the PIU staff and building the capacity of MFIs. As a result, key industry practitioners including donors recognized that SELF provided an important institutional model of microfinance service delivery in Tanzania by particularly emphasizing on capacity building before injecting credit resources.

### **4.4 Management and Organization Effectiveness**

4.4.1 The proposed project management and organizational structure which comprised the PIU and the PSC was found suitable and worked effectively. The effectiveness of the PIU was more pronounced after it established a separate office facility which granted it operational autonomy on the day-to-day management of project activities. The PSC also played an effective and instrumental role in providing policy and operational oversight. It met regularly to review project work plans, budgets, quarterly progress and audit reports. In spite of its leanness, the PIU proved effective as it was able to deliver credit in 19 of the 26 regions of Tanzania while maintaining a high quality portfolio with less than 5% of portfolio at risk. This is considered a financially sound measure of best practice. The effectiveness of the PIU was also demonstrated by its ability to: (i) establish strategic partnerships with major industry players such as SCCULT in order to deepen outreach to rural underserved areas. SCCULT became an arm of SELF, which borrowed loans on behalf of its member SACCOS; (ii) prudently manage project resources and enhance efficiency by investing surplus funds responsibly and controlling costs effectively; and (iii) continuously adhering to industry best practices.

### **4.5 Staff Recruitment, Training and Development**

4.5.1 With the exception of the former Director of Poverty Eradication who served as a Manager for short while, all other PIU staff were recruited competitively. The recruitment process was in compliance with the Bank rules of recruitment of consultants. The capacity and skills of the staff were enhanced through conduct of in-house training and participation of training workshops at national and regional levels. All project staff, members of the PSC and

some staff from Poverty Eradication Division (PED) also had the opportunity to attend regional and/or international short courses to gain knowledge and widen exposure and experience to improve their work performance. A number of the staff undertook a two week study tour of the ADF-financed *Egypt Social Fund for Development* and the *Uganda Rural Microfinance Support Project* to gain hands-on experience in managing similar projects.

#### **4.6 Performance of Contractors, Suppliers, Consultants and Borrower**

4.6.1 *Suppliers*: With the exception of IAPSO the performance of suppliers was generally satisfactory. IAPSO was charged with the procurement of vehicles which took 18 months to deliver. There were no significant delays in the supply of other furniture and equipment.

4.6.2 *Consultants*: Professional service providers were contracted to prepare the credit operations manual, develop the Management Information System (MIS), prepare and conduct training, develop tools for beneficiary assessment, prepare the Mid-term Review, prepare radio programs, organize and facilitate annual stakeholders meeting, prepare the Project Completion Report (PCR) and conduct studies. The overall rating of the services providers was satisfactory.

4.6.3 *Borrower*: Overall, the borrower's performance in implementing the project was rated satisfactory. This is attributed to, as explained in section 4.3: (i) Borrower commitment to meet its obligations; (ii) PSC's effective oversight of project implementation; and (iii) responsive and focused PIU management and staff. The effectiveness of the project institutional framework was also facilitated by: (i) the central and effective coordinating role played by the PIU; (ii) PIU's ability to collect, process and avail on time information on the status of project implementation; and (iii) readiness of the PSC and Borrower to meet and take timely decisions to rectify existing anomalies. These factors combined provided an enabling environment for the implementation of project activities.

#### **4.7 Other Conditions and Covenants**

4.7.1 In addition to Conditions Precedent to First Disbursement, the Borrower fulfilled satisfactorily the following three Other Conditions:

- (i) The Project annual progress report is submitted to the Fund at the end of each calendar year;
- (ii) General Annual Meeting of stakeholders shall be held annually; and
- (iii) The project annual audit report is submitted to the Fund not later than 30<sup>th</sup> of June each year.

### **5. SOCIAL AND ENVIRONMENTAL IMPACT**

#### **5.1 Social Impact**

5.1.1 Results drawn from beneficiary assessment studies showed that: (i) the loan size was small averaging TZS380,000 (UA200); (ii) 75% of the clients had only primary level education; and (iii) 60% of the clients were women. These are indications that most of the borrowers were poor. The Assessment also showed that the project improved the standard of living of the target clients. About 50% of the respondents indicated: (i) positive changes on business growth; (ii) high return of 20-60% on capital; and (iii) increased earnings as the loan size increased. Those

who borrowed to invest in productive assets such as oil pressing machines, small tractors, power tillers, taxi and trucks were able to earn 100% returns on borrowed funds. Overall, it is estimated that these enterprises generated TZS7.4 billion which translates to 50% average return on capital per enterprise.

5.1.2 Majority (63.5%) of the enterprises created one full time and another part time job which translates to 90,024 permanent jobs created during the implementation of the project. Fifteen percent of those enterprises were able to expand their business by acquiring productive capital assets and were able to create on average 5 jobs through value chain. The jobs created by this category of entrepreneurs are estimated at 45,012. At institutional level, each of the 186 MFI/SACCOS supported by the project managed to engage two more professional staff and one supporting staff. An additional 558 permanent jobs were created by these institutions. As a result, it is estimated that SELF intervention created additional 136,000 permanent jobs, or an average of 19,430 jobs per year during the seven years of project implementation at an average cost of UA75/job.

5.1.3 Most respondents (77%) indicated increases in household income. Most households (54%) saved for emergencies, imminent business transactions, and 16% bought fixed physical assets. Over 59% of households reported increased expenditure on food, education and health. Sixteen percent indicated to have paid school fees out of the credit or business proceeds and 21% had to obtain loan products specifically to pay for medical services. The percentage of household that experience food shortages dropped from 32% to 27.3%. The intervention also reduced household vulnerability. Sixty-three percent of respondents reported feeling more secure financially. Over 60% reported to have purchased a plot of land, accumulated building materials, renovated/improved the old structures, etc. Forty-four percent of those who invested in dwelling were owners of the property while less than 1% were renting.

5.1.4 In terms of gender relations, 51.8% acknowledged improvement in spouse relations as women were economically empowered. This was as a result of: (i) enhanced public respect and acceptance of women entrepreneurs, which gave them self-esteem and voice in community activities; (ii) Better performance and increased turnover of female enterprises in comparison to those managed by their male counterparts; and (iii) Increased contribution to family finances and reduced dependency on their husbands. Conversely, 2.2% of clients reported negative changes attributed to: (i) the tendency of some men to misuse family finances as a result of the improved family financial situation; (ii) concern among some men over disrespect and lack of attention by their spouse; (iii) Less family leisure time due to increased business activities; and (iv) reversal of spousal roles as the women become the main bread winner. This worsened spouse relations and increased pressure from male counterpart on their wives to abandon the enterprise.

## **5.2 Environmental Impact**

5.2.1 The project was classified as category II. Under this category, it was anticipated that micro-projects financed by the loan may have limited adverse environmental impact, which could be mitigated through training and awareness rising. No adverse environmental impact has been reported in any of the interventions financed by the project.

## **6. PROJECT SUSTAINABILITY**

6.1 SELF achieved both operational and institutional sustainability. On operational sustainability, SELF generated TZS 3.7billion (US\$3.3 million) income, comprising of TZS2.316 billion on interest on loans and application fees; TZS1.219 billion on investments in Treasury Bills and over TZS135 million on investments in fixed and short term financial instruments. Value for money was also attained through enhanced access to information, increased knowledge and entrepreneurial skills, which provided to both intermediary institutions and ultimate clients institutional capacity to efficiently and effectively delivery financial services. The combined effect of both factors is expected to extend service delivery beyond the project life. Increased efficiency and performance of the MFIs and the PIU will also be enhanced by the installation of the MIS system which is expected to be linked with partner institutions.

## **7. PERFORMANCE OF THE BANK AND THE BORROWER**

### **7.1 Project Objectives and Justification**

7.1.1 At design stage the incidence and depth of poverty in rural areas of the country was assessed as unjustifiably high. In response, SELF project was designed with the objective of improving access of the poor in rural areas to microfinance services. It was anticipated that most households would build up capital base through mobilizing savings and/or accessing credit services. As a result, the intervention was justified and the project produced operating outcomes which contributed to reducing poverty among target clients.

### **7.2 Project Implementation and Operating Outcome**

7.2.1 The Bank's performance in-terms of project identification/appraisal, design and supervision was rated satisfactory. It adequately identified the need for a set of activities that would increase access of the rural poor to financial services, create employment opportunities and improve incomes among the poor, and would enhance the living condition of the target clients. The Bank also undertook sixteen supervision missions to assess implementation progress at regular intervals. The increased frequency of supervision missions during the initial years of project implementation assisted in identifying problems affecting project performance and proposed remedial measures. The effectiveness of the missions and quality of aide-memoirs and follow-up actions were augmented by the appropriate skills mix and expertise of the mission members. An important factor, which contributed to the success of Bank missions, was the mutual understanding and shared commitment between the Bank and the Borrower on key issues which always resulted in a satisfactory resolution of problems at hand. The Bank also showed high degree of flexibility and continuously engaged the Government in resolving critical implementation issues such as setting interest rates, granting the PIU higher degree of autonomy and expanding project target area and coverage with the aim of instilling industry best practices and enhancing expected outcomes.

7.2.2 Bank response to requests for non-objections on procurement of goods, recruitment of key staffs and consultants and disbursements was expeditious. This was significantly facilitated by the: (i) strong reliance and use of modern tools such as mobile and e-mail which facilitated communication; and (ii) sound relations between Bank and PIU management and staff which was built on mutual respect and shared vision to advance project performance. Except for

operational improvement, the mid-term review mission didn't capture material issues which required changing the project course of implementation.

7.2.3 However, the complexity of the process of implementing a microfinance project through intermediary institutions operating under autonomous organization was underestimated. In particular, there was inadequate appreciation by the Bank of the limited capacity and institutional weaknesses among the intermediary MFIs/NGOs to deliver microfinance services in rural areas. The situation was aggravated by the failure of the ADF-financed AMINA in the delivery of expected inputs to build and strengthen the capacity of the MFIs. As a result it took the project longer than anticipated to remedy these implementation bottlenecks.

## **8. OVERALL PERFORMANCE AND RATING**

8.1 The quality at entry, implementation, efficacy and the project outcomes is rated highly satisfactory.

## **9. CONCLUSIONS, LESSONS LEARNED AND RECOMENDATIONS**

### **9.1 Conclusions**

9.1.1 The project was initially implemented under challenging environment as the country was going through a transformation from a socialist to a market oriented economy. Yet, the intervention was timely as SELF was formulated shortly after the GOT launched its Poverty Reduction Strategy and the Bank responded promptly to Government request for its support. In spite of the initial delays, as explained earlier, the adequacy of the design and the proactive nature of problem solving adopted by the Bank, GOT and the PIU ensured successful implementation. Given the success of SELF and its positive impact on the sub-sector, as presented in this report, there is potential for the replication of the intervention in RMCs.

### **9.2 Lessons Learned**

9.2.1 The principal lessons that could help the Bank and the GOT maximize the benefits achieved may be summed up as follows;

- Adequacy of institutional arrangements and capacity of intermediary intuitions needs to be assessed at appraisal to identify capacity gaps and devise adequate instruments to address them;
- Wholesaling of funds through the limited number of weak MFIs in highly impoverished regions with limited economic activities and commercial/business undertakings is unrealistic. Under such circumstances, MFIs should be allowed to walk along the normal learning curve of start up, expansion and consolidation which takes a longer period;
- Early audit of the project accounting and financial system is found instrumental as it helps the PIU in establishing the necessary accounting and financial management books and avoid mismanagement of project resources in the future;
- Demand for material collateral could constraint access to financial services, particularly women who lack physical assets. Use of socially acceptable approaches such as group

guarantee based on social cohesion are found to work for the poorer, particularly in rural areas;

- Institutional collaboration and building synergies including strategic partnerships with Rural Financial Sector Program (RFSP) and SCCLUT offered unique opportunities on how various government/donor funded projects can align their activities since they are targeting the same groups. Similarly, involvement of local leaders at regional administration levels, municipalities, district councils and local government authorities percolate the ownership down to rural areas. This could be achieved through effective promotional activities, sensitization and awareness raising of key stakeholders;
- Throughout project implementation, close monitoring of project activities is found critical to ensure that interventions are implemented effectively in order to meet the intended objectives. The establishment of baseline data at inception would enable the PIU to accurately assess project outcomes and impact on target clients;
- Tools for systematic collection of data have to be developed in advance in order to identify shortcomings that hinder smooth operations, adherence to business plans and introducing corrective actions; and
- Frequent supervision missions with appropriate skill mix during the initial years of project implementation is crucial. This would strengthen the capacity of the PIU and familiarize its staff with Bank rules and procedures for disbursement and procurement.

### **9.3 Recommendations**

9.3.1 Based on the above lessons it is recommended that:

- (i) At design stage, a thorough clarification should be made on the role and responsibility of the executing agency vis-à-vis the PIU. The specific project mandates should, where possible, be separated from mainstream ministerial influence and control due to the inherent nature of government decision and administration;
- (ii) It is practically difficult to manage microfinance under a project mode, i.e., limited life span, yet continue requiring financial and institutional sustainability beyond project completion. MFI and client motivation to repay the loan is pegged on expectations or assurance of continued access to additional loans. This scenario applies equally to the project staff, i.e., security of employment. These factors could significantly compromise the quality of loan portfolio as the project approaches completion;
- (iii) SELF project was conceived and designed to create, nurture and grow clientele institutions and entrepreneurs. Combining credit with capacity building represented a unique model worth replicating since it augments entrepreneurial capacity to deliver services which in turn increases client demand for financial services;
- (iv) Local government authorities, municipal councils and regional authorities play a vital role in creation of awareness and reaching out to more clients in the rural areas. This proved to be an effective operational approach to deepen outreach, create a credit culture, and enhance ownership and portfolio quality; and
- (v) Throughout project implementation, close monitoring of project activities is found critical to ensure that interventions are implemented effectively in order to meet the intended objectives. The establishment of baseline data at inception would enable the PIU to accurately assess project outcomes and impact on target clients.

### Administrative Map of the United Republic of Tanzania (URT)



This Map was provided by the African Development bank exclusively for the use of the readers of the report to which it is attached. The names used and borders shown do not imply on the part of the Bank and its members any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.

**UNITED REPUBLIC OF TANZANIA**

**SMALL ENTREPRENEURS LOAN FACILITY PROJECT (SELF)  
PROJECT COMPLETION REPORT (PCR)  
PERFORMANCE EVALUATION AND RATING**

**FORM IP 1  
IMPLEMENTATION PERFORMANCE [LN.F/TAN/LPF/98/28]**

<b>No</b>	<b><u>Component Indicators</u></b>	<b><u>Score</u> <u>(1 to 4)</u></b>	<b><u>Remarks</u></b>
1.	Adherence to Time Schedule	2	Project implementation extended twice
2.	Adherence to Costs Schedule	3	Less than 5% of total costs was cancelled
3.	Compliance with Covenants	3	All covenants were complied with slight delay
4.	Adequacy of Monitoring, Evaluation & Reporting	3	Project reporting was satisfactory
5.	Satisfactory Operations	-	
	Total	11	
	<b>Overall Assessment of Implementation Performance</b>	<b>2.75</b>	Satisfactory

**BANK PERFORMANCE RATING**

**FORM BP 1  
BANK PERFORMANCE [LN.F/TAN/LPF/98/28]**

<b>No</b>	<b><u>Component Indicators</u></b>	<b><u>Score</u> <u>(1 to 4)</u></b>	<b><u>Remarks</u></b>
1.	At Identification	2	The Government submitted a concept note and no identification mission was undertaken
2.	At Preparation of Project	3	Preparation mission benefited from meetings with Development Assistance Committee (DAC)
3.	At Appraisal	3	The appraisal mission coincided the launching of the ADF Microfinance Initiatives for Africa (AMINA).
4.	At Supervision	3	Composition of the missions had necessary skills mix and adequately interacted with key stakeholders.
5.	Satisfactory Operations (if applicable)	-	-
	Total	11	
	<b>Overall Assessment of Bank Performance</b>	<b>2.75</b>	<b>Satisfactory</b>

**FORM PO**  
**PROJECT OUTCOME [LN.F/TAN/LPF/98/28]**

<b>No</b>	<b><u>Component Indicators</u></b>	<b><u>Score</u></b> <b><u>(1 to 4)</u></b>	<b><u>Remarks</u></b>
<b>1</b>	<b>Relevance and Achievement of Objectives</b>		
i)	Macro-economic Policy	<b>2</b>	Contributed to National Strategy for Growth and Poverty Reduction –NSGPR-MKUKUTA and MKUZA (Zanzibar) through income and employment creation
ii)	Sector Policy	<b>3</b>	Increased number of viable MFIs and enhancing credit contributed to the growth of the industry
iii)	Fiscal Policy	<b>NA</b>	
iv)	Financial	<b>3</b>	SELF succeeded in expanding the financial sector to rural areas.
v)	Poverty Alleviation, Social and Gender	<b>3</b>	Business expansion resulted increases in income and profit thus reducing income poverty. Over 35,409 (59% women) were able to break the poverty cycle.
vi)	Environment	-	-
vii)	Private Sector Development	<b>3</b>	The project supported government efforts to build pro-poor financial sector.
viii)	Other (specify)	-	
<b>2</b>	<b>Institutional Development</b>		
i)	Institutional Framework including Restructuring	<b>3</b>	The proposed institutional framework was adequate.
ii)	Financial and Management Information Systems including Audit Systems	<b>3</b>	MIS was installed.
iii)	Transfer of Technology	<b>2</b>	Over 80% of SELF clients are using computers in processing accounting and financial records.
iv)	Staffing by qualified persons including turnovers, training and counterpart staffs	<b>3</b>	SELF recruited qualified staff competitively. There was limited turnover of staff.
<b>3</b>	<b>Sustainability</b>		
i)	Continued Borrower Commitment	<b>3</b>	The Borrower remained consistently committed and counterpart funds were provided on time and over and above amount agreed at appraisal.
ii)	Environmental Policy	-	-
iii)	Institutional Framework	<b>4</b>	The project institutional framework was adequate and proved affective.
iv)	Technical Viability and Staffing	<b>3</b>	Staff had sufficient technical and managerial skills .
v)	Financial Viability including Costs Recovery Systems	<b>4</b>	SELF generated TZS3.6 billion (US\$3.3 million) which makes SELF financially sustainable.
vi)	Economic Viability	<b>3</b>	SELF stimulated production and enhanced productivity of many rural enterprises while generating employment and increasing incomes of target households.

vii)	Environmental Viability	-	-
viii)	O& M Facilitation (availability of recurrent funding, foreign exchange, spare parts, working facilities etc)	-	-
<b>4</b>	<b>Economic Internal Rate of Return</b>	=	-
	TOTAL	<u>42</u>	
	Overall Assessment of Outcome	3	<b>Satisfactory</b>

## Explanatory Notes for Rating

### Relevance and Achievement of Objectives

**4:** if the relevance of objectives is fully confirmed, the project has achieved or exceeded all its major objectives, and the project has achieved , or likely to achieve, substantial development results, with major shortcomings

**3:** provided the relevance of objective is generally confirmed, the project has achieved most of its major relevant objectives and has achieved, or is expected to achieve, satisfactory development results, with only a few shortcomings.

**2:** the project failed to achieve most of the major objectives, has not yielded, and in not expected to yield, substantial development results, and has significant shortcomings.

**1:** the project failed to achieve any of its major objectives and has not yielded, and is not expected to yield, worthwhile development results

### Achievement of Institutional Development (ID) Objectives:

**4:** the achievement of ID objectives is in full accordance with the project objectives or has exceeded, or is likely to exceed it, without major shortcomings.

**3:** the achievement of ID objectives is likely to be substantial.

**2:** the achievement of ID objectives is likely to be of intermediate relevance and modest efficacy or impact.

**1:** the achievement of ID objectives of minimal and negligible efficacy or impact

### Sustainability

**4:** sustainability of most project achievements and benefits is highly likely to last.

**3:** sustainability of most project achievements and benefits is likely to last.

**2:** sustainability of most project achievements and benefits is uncertain.

**1:** sustainability of most project achievements and benefits is unlikely.

**UNITED REPUBLIC OF TANZANIA****SMALL ENTREPRENEURS LOAN FACILITY PROJECT (SELF)****PROJECT COMPLETION REPORT (PCR)*****RECOMMENDATIONS AND FOLLOW-UP MATRIX***

<b>Main Findings and Conclusions</b>	<b>Lessons Learned and recommendations</b>	<b>Follow Up Actions</b>	<b>Responsibility</b>
Formulation and Project Rationale	At design stage, a thorough clarification should be made on the role and responsibility of the executing agency vis-à-vis the PIU. The specific project mandates should, where possible be separated from mainstream ministerial influence and control due to inherent nature of government decision and administration;	PIU should be given some degree of autonomy in order to minimize political influence and bureaucratic decision making and protracted administrative procedures which could slow business process.	ADB/GOT
Project Implementation	It is difficult to manage the microfinance under project mode i.e. limited life span, yet continue insisting on financial and institutional sustainability beyond the set duration.  Increased operational capacity could create unmet demand.	Avoid uncertainty. Rumors that a project has come to an end can precipitate delinquencies and defaults. It is also potential for project staff instability. Continuity of intervention shall be ensured  Combining credit with capacity building represented a unique model worth replicating since it augments entrepreneurial capacity to deliver services which in turn increased client demand for financial services	GOT/ADB  ADB/GOT
Performance Evaluation and Project Outcome	Local government authorities, municipal councils and regional authorities play a vital role in raising awareness and reaching out to more clients in the rural areas.	The involvement of regional and local government leaders should be encouraged to enhance ownership.	GOT

**UNITED REPUBLIC OF TANZANIA (URT)**

**SMALL ENTREPRENEURS LOAN FACILITY PROJECT (SELF)**

**PROJECT COMPLETION REPORT (PCR)**

**SELECTED DOCUMENTS CONSULTED**

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2. Small Entrepreneurs Loan Facility (SELF), 2006- I Assessment Report.
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5. Muro, W, Immanuel (2003),”*Review of interest rates charged to MFIs and preparation of a rollout plan*” Report prepared for Small Enterprises Loan Facilities (SELF), Dar es Salaam.
6. The Beneficiary Assessment Study, SELF Project, February 2004.
7. SELF Project Quarterly Progress and Annual Audit Report.
8. Bank/Borrower Aide Memoirs for the duration of the project (December 2000 to February 2007).
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10. SELF, Phase I Baseline Survey 2000/01- 2002/03 (11 Districts).
11. SELF Phase II Baseline Survey, 2003/04 (seven districts).
12. SELF, Impact Assessment, (2005).
13. Operations Evaluation Department (OPEV), AfDB “Review of the Bank Group Assistance to the Social Sector of Tanzania” December 2004.