

People, MFIs, Countries in Focus

Tanzania



The United Republic of Tanzania is a country in East Africa bordered by Kenya and Uganda to the north, Rwanda, Burundi and the Democratic Republic of the Congo to the west, and Zambia, Malawi and Mozambique to the south. The country's eastern borders lie on the Indian Ocean. Tanzania is probably one of

the oldest known inhabited areas on Earth; fossil remains of humans and pre-human hominids have been found dating back over two million years. Tanzania contains many large and ecologically significant wildlife parks.

Tanzania has a total area of 945,203 km² and a population of 42,8 million (2010 est.) people. The United Republic of Tanzania is a state composed of 26 regions (mikoa), including those of the autonomous region of Zanzibar. Since 1996, the official capital of Tanzania has been Dodoma, where Parliament and some government offices are located. Between independence and 1996, the main coastal city of Dar es Salaam served as the country's political capital. Today, Dar es Salaam remains the principal commercial city of Tanzania and the de-facto seat of most government institutions. It is the major seaport for the country and its landlocked neighbors. Tanzanians see themselves as having two "official" languages, English and Swahili. Swahili is seen as the unifying language of the country between different tribes who each have their own tribal language.

Since independence in 1961, Tanzania has maintained one of the strongest track records of political stability in Africa.

The economy is mostly based on agriculture, which accounts for more than half of the GDP, provides about 85% of exports, and employs approximately 80 percent of the workforce. Topography and climate, though, limit cultivated crops to only 4% of the land area. The nation has many resources including gold and natural gas.

Economic performance in Tanzania has been solid in recent years, with high levels of growth, steadily increasing levels of exports, and significant financial deepening. Annual GDP growth has averaged between 5% and 7% making Tanzania one of the fastest growing economies in Sub-Saharan Africa. Inflation pressures have also eased, but increasing commodity prices will pose a challenge to reach government's target of 5%.

The global financial crisis affected Tanzania modestly, mainly through the export channel—tourism, cash crops, and regional manufacturing exports—as well as through lower capital flows—foreign assistance and private investment flows. The most affected sectors have been manufacturing, wholesale and retail trade, transport, and communications services.

Annual inflation for 2010 was around 6%, down from 12.5 percent for 2009. In early 2011, inflation has been edging higher, spurred by rising oil and food prices. The medium term evolution of inflation will remain dependent on external shocks to oil prices and agriculture production, but monetary and fiscal policy will also have an important role in anchoring inflation expectations.

Unfortunately, the large degree of dependency on agriculture sector renders the economy particularly vulnerable to adverse weather conditions and unfavorable prices in international primary commodity markets. The low level of industrial development makes the negative economic impacts associated with agricultural dependency all the more severe. The country looks to a paradigm shift to sustainably boost farmers' productivity and incomes. The multi-sectoral development strategy for agriculture aims to achieve a green revolution through improved institutional arrangements, land use and financing as well as implementation of an industrialization strategy geared to the transformation of the sector.

Despite the high rate of economic growth in recent years, poverty is still pervasive in Tanzania. The level of poverty remained high at around 34%. Reaching the Millennium Development Goals remains elusive even in areas such as income poverty and access to safe drinking water previously considered within reach. The preparation of the next Poverty Reduction Strategy presents a good opportunity to address these questions. In particular, attention needs to be focused on enabling broad-based growth that would diversify sources of growth and make a greater impact on poverty reduction.

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FINCA Tanzania,

Dar es Salaam, Tanzania

The mission of FINCA International is to provide financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living.

FINCA Tanzania's loans empower women, inculcating leadership skills and confidence in them. The loans further the government's poverty reduction strategies by allowing communities access to better medical services, food and education, particularly improving the wellbeing of people in rural areas.

FINCA Tanzania was established in 1998 as part of FINCA International's global network of MFIs. FINCA Tanzania works in Dar es Salaam and the coastal region, Morogoro, Dodoma, Ifakara, Iringa, Mbeya, Njombe, Mwanza, Mara, Shinyanga, Tabora, and Bukoba; it now covers about 40% of the country overall, including 65% in population centers.

With a network of 17 branches, FINCA Tanzania reaches into many rural areas of the country. FINCA Tanzania continues to focus on the lower end of the market, although in addition to large group Village Bank loans (up to 40 members, loans from USD 20-2,000), they now also offer Small Group Loans (groups as small as 5 members, loans from USD 200- 4,000). FINCA also offers its clients credit and life insurance products, and is a sub-agent for Western Union money transfers.

FINCA Tanzania's current total lending activity is about 76%, it has 54,196 clients - active borrowers (85% are women borrowers), its average credit per borrower is \$232 (as of 31.12.2010).

FINCA Tanzania plans to expand nationally and pursues a product development strategy which is focused mainly on improving efficiency of delivery channels using mobile and internet technologies.

Vision Microfinance Local Currency Fund has started to work with FINCA Tanzania in 2010 and has provided the MFI with direct loan in Tanzanian shilling for the amount of equivalent to around \$750,000.

Mrs. Evelyn Karata, Micro-businesswoman,

Tanzania

Evelyn Karata: From Crushing Stones to Computers

After her husband died in 1985, Evelyn Karata and her seven children fell into severe poverty. Evelyn began making and selling doughnuts, but this netted her just \$1 a day. For five years, the family ate nothing but beans and ugali, a porridge made from corn flour. Her kids had to drop out of school, even her daughter who had been accepted to nursing school.

Evelyn found a job crushing stones into gravel for construction. She worked twelve hours a day, leaving the children in charge of doughnut sales. Her hard work, however, paid poorly her and caused her chest pain and respiratory complications.

Then Evelyn learned about FINCA and formed a village banking group. She borrowed \$50 to expand her food business and carefully applied FINCA's business planning advice. Today, she sells vegetables, pastries, tea, milk, soda, and cold water, as well as breakfasts and lunches, and provides catering for construction workers.

Her income has tripled and her children were all able to return to school. They want to study computers and start their own businesses. Evelyn, whose education ended in the fourth grade, is determined to help her children meet their goals.

*Source: The World Bank; FINCA; Symbiotics.



Photo: FINCA