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National Microfinance Policy 2017 Implementation Strategy for The Period 2017/18 – 2027/28, 2017

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NATIONAL MICROFINANCE POLICY 2017 IMPLEMENTATION STRATEGY FOR THE PERIOD 2017/18 – 2027/28

OCTOBER, 2017

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LIST OF ACRONYMS

AfDB	African Development Bank
AgFiMS	Agricultural Finance Markets Scoping
AML	Anti- Money Laundering
ASCAs	Accumulative Savings and Credit Associations
ATMs	Automated Teller Machines
BAFIA	Banking and Financial Institutions Act
BDS	Business Development Services
BOT	Bank of Tanzania
CBOs	Community Based Organisations
CFG's	Community Financial Group's
CFT	Combating Financing of Terrorism
CMSA	Capital Markets and Securities Authority
CRB	Credit Reference Bureau
CSA	Cooperative Societies Act
DOE-UDSM	Department of Economics of the University of Dar es Salaam
ESRF	Economic and Social Research Foundation
EAMU	East Africa Monetary Union
ECGS	Export Credit Guarantee Scheme
FICOS	Financial Cooperative Societies
FIs	Financial Institutions
FSDT	Financial Sector Deepening Trust
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFAD	International Fund for Agriculture Development
MALF	Ministry of Agriculture Livestock and Fisheries
MDGs	Millennium Development Goals
MFAEAIC	Ministry of Foreign Affairs and East Africa Cooperation
MFIs	Micro Finance Institutions
MoHCDEC	Ministry of Health, Community Development, Gender, Elderly and Children
MITI	Ministry of Industry Trade and Investment
MIVARF	Marketing Infrastructure, Value Addition and Rural Finance
MLHHS	Ministry of Land, Housing and Human Settlements
MNOs	Mobile Network Operators

MOFP	Ministry of Finance and Planning
MoEVT	Ministry of Education, Science and Technology
MSMEs	Micro, Small and Medium Enterprises
NBS	National Bureau of Statistics
NEDF	National Entrepreneurs Development Fund
NEEC	National Economic Empowerment Council
NGOs	Non-Governmental Organizations
NMP	National Microfinance Policy
PHC	Population and Housing Census
PPF	Parastatal Pensions Fund
PTF	Presidential Trust Fund
ROSCAS	Rotating Savings and Credit Associations
SACCOS	Savings and Credit Cooperative Societies
SELF MF	SELF Microfinance Fund
SSRA	Social Security Regulatory Authority
TCDC	Tanzania Cooperative Development Commission
TCRA	Tanzania Communication Regulatory Authority
TDHS	Tanzania Demographic and Health Survey
TIC	Tanzania Investment Centre
TIRA	Tanzania Insurance Regulatory Authority
TPSF	Tanzania Private Sector Foundation
URT	United Republic of Tanzania
VICOBA	Village Community Bank
VSLA	Village Savings and Loans Association
YDF	Youth Development Fund

DEFINITION OF TERMS

"Agent banking" means the business of providing banking services to the customers of the banking institution on behalf of the banking institution under a valid agency agreement.

"Apex body" means an umbrella association or network of microfinance providers that deal with advocacy and lobbying on behalf of their members.

"**Business Development Services"** means non- financial services and products offered to microfinance client at various stages of their business needs. These services are primarily aimed at skill transfer or business advice.

"**Business Development Services Providers"** means non-microfinance institutions that facilitating business skills development for microfinance clients or microfinance services providers through range of methodologies especially mentorship, couching, accompaniment, training and consultancy.

"Capital Markets" means part of the financial system in an economy which facilitates the mobilization of capital in terms of either equity or debt to be used to finance economic activities.

"Collateral" means an asset pledged by borrower to a lender to secure a loan until such loan is paid back. If the borrower stops making the promised loan repayments or defaults, the lender has a right to seize the collateral and sell it to pay off the loan.

"Community Financial Group's" means a group formed to provide microfinance services that are collectively owned and managed by members. These groups mobilize savings from individuals and provide short-term loans to members, and sometimes to non-members, at varying interest rates, depending on their structure.

"**Compulsory Savings**" means the percentage of the total loan of an MFI client in savings or as a contribution to the group fund for the first or subsequent loans or both which is retained with the MFI.

"Consumer Protection" means rules and regulations designed to safeguard customers when they are dealing with financial service providers and to inspire confidence, transparency, fair treatment and effective recourse to the general public.

"Credit Reference Bureau" means an entity specialized in collecting and compiling information such as credit repayment, court judgements, bankruptcies from creditors and available public resources on a borrower's credit information (individuals and firms) and sells the credit report to interested users and customers.

"Deposit" means withdrawable sum of money put by client/customer for a stipulated term to earn interest subject to conditions as prescribed in the agreement certificates of deposit and which may be used as collateral for a loan.

"Digital Microfinance" means provision of microfinance products and services through digital technologies.

"Financial Deepening" means a process of increasing financial intermediation or engagement within the financial system.

"Financial Education" means possession of knowledge and understanding of financial matters that gives better financial choices and work towards their financial goals to improve their economic wellbeing.

"Financial Inclusion" means the process of ensuring access and regular use of appropriate financial products and services needed by low income populations through payment system infrastructures at an affordable cost in a fair and transparent manner by mainstream institutional players.

"Financial Intermediation" means the lending, investing or placement of funds or securities or both, received, acquired or obtained from the general public or from a well-defined group of persons by way of deposit, borrowing, contribution, premium or in a fiduciary capacity, either for the account of the person receiving such funds or securities or for the account of others.

"**Financial Institutions**" means an entity engaged in the business of banking, but limited as to size, location served, or permitted activities, as prescribed by the Bank of Tanzania or required by the terms and conditions of its licence.

"Financially Underserved" means individuals who are economically active and do not normally have access to formal financial institutions.

"Formal Financial Service Provider" means an institution that provides financial services and is formally registered, licensed and supervised by regulatory authority.

"Group Guarantee" means an agreement by a group of microfinance borrowers to be held jointly or severally liable for loan repayments in order to secure credit facilities.

"Housing Microfinance" means provision of unsecured microcredit, but may include other related financial services such as access to savings, remittances, and micro-insurance to meet the demand of low-income households to repair or improve their existing homes or build their own homes.

"Low Income Population" means people with a relatively small income as periodically prescribed by country context**.**

"Micro Enterprises" means small personal or family businesses that operate in the informal sector with no formal accounting or financial records and whose real assets, if any, can hardly be pledged or reasonably accepted as collateral.

"Microfinance" means the provision of financial services including micro saving, microloan, micro insurance, micro leasing, micro housing micro pensions, money transfers, financial education and business development to the low-income population (individual, household, enterprises) who are systematically excluded from the financial system.

"Microfinance Bank" means banking institution licensed by the Bank of Tanzania to undertake banking business mainly with individuals, groups, micro and small enterprises of low-income population in the rural or urban area.

"Microfinance Client" means individual, group or enterprise who accesses and uses products and services from the microfinance services providers.

"**Microfinance Company**" means a financial institution incorporated as a company limited by shares formed to undertake ranges of microfinance products and services except banking business primarily with microfinance Clients as defined.

"Microfinance Institution" means entity specialized in provision of microfinance product and service to microfinance clients as defined.

"Microfinance Product and Service" means financial services such as micro savings, micro loans, micro insurance, micro housing, micro leasing, money transfers and other financial related services to microfinance clients.

"Microfinance Service Providers" means an entity performing a microfinance business/activity.

"Microfinance Umbrella Association/Network" means an apex body of microfinance service providers.

"Micro Insurance" means a mechanism used to protect low income people against risk e.g. accident, illness, death in the family and natural

disasters in exchange for payments tailored to their needs, income, and level of risk.

"Micro Leasing" means all the finance leasing operations with the following characteristics (i) where the average value of the asset in the portfolio is up to ten million Tanzanian shillings (ii) where the leasing term does not exceed 24 months.

"Micro Loans" means provision of small loans to low-income population, financially underserved customers, or as determined by the regulator.

"Mobile Network Operator (MNO)" means a provider of wireless communications service that owns or controls all the elements necessary to sale and deliver services to an end user including radio spectrum allocation, wireless network infrastructure, back haul infrastructure, billing, customer care, provisioning computer system, marketing and repair organizations.

"Money Laundering" means engagement of a person or persons, direct or indirectly in conversion, transfer, concealment, disguising, use or acquisition of money or property known to be of illicit origin and in which such engagement intends to avoid the legal consequence of such action and includes offences referred in the Anti-Money Laundering Act, Cap. 423.

"Network or Association" means member based institution with common interest or function formed with the purpose of lobbying and advocacy on microfinance related issues on behalf of members to the Government or regulatory authority.

"Payment System" means a system, consisting of payment instruments, banking procedures or transfer of money procedures and interbank funds transfer systems or payment system providers systems that ensures the circulation of money as defined in the National Payment System Act, 2015;

"**Payment System Provider**" means a body corporate that provides electronic payment service licensed under the National Payment Systems Act, 2015.

"Voluntary Saving" means sum of money which is saved by microfinance customer willingly (and not as per any condition for a loan granted) which can be withdrawn at any time.

CHAPTER ONE

BACKGROUND

1.1 Introduction to the Implementation Strategy

For the National Microfinance Policy 2017 to be implemented effectively, it requires an elaborate implementation strategy. This implementation strategy calls for the NMP 2017 objectives and policy statements to be accorded key priorities so that they are achievable within a time frame of 10 years from 2017 – 2027.

The strategy spells out a roadmap for implementation; it elucidates the resources and strategies that will enable the Government through the Ministry responsible for Finance to implement the National Microfinance Policy 2017. The implementation strategy is also aligned with financial sector plans and programmes to achieve results that have an overall benefit to the financial sector.

1.2 Issues for Implementation

The priority areas that are identified in the National Microfinance Policy 2017 are: establishing an effective institutional framework; enacting efficient and effective legal framework responsive to market dynamics; addressing cross-border issues; and compliance with best practice.

1.3 Distribution of Responsibilities to Various Institutions and Stakeholders

The key implementers of this implementation strategy are from Government institutions such as President's Office- Regional Administration and Local Government, Prime Minister's Office, Ministry of Finance and Planning, Bank of Tanzania, Tanzania Cooperative Development Commission and other stakeholders in the microfinance sub-sector.

Responsibilities are assigned to the Ministry of Finance and Planning and other key stakeholders as a means to ensure that the implementation is effective. It is expected that the implementation strategy will be able to facilitate efficient and effective achievement of the objectives of the National Microfinance Policy 2017.

1.4 Expected Result from Implementation of NMP 2017

NMP 2017 will create an enabling environment that promotes the development of appropriate and innovative microfinance products and services to meet the real needs of the low income segments so as to enhance economic growth and accelerate poverty reduction. The Policy will put in place effective coordination, supervision and legal and regulatory framework of microfinance sub-sector issues in the country. The NMP 2017 will continue to serve as a guide to all stakeholders and thus stimulate the establishment of MFIs and existing ones to grow and become more competitive. This policy will guide and inform all stakeholders in developing initiatives in the microfinance sub-sector. The expected outcomes are significantly increased formality, improved saving culture, vibrant microfinance sector, poverty reduction, economic growth and decent work.

1.5 Conclusion

The implementation of NMP 2017 will ensure better provision of financial services to the low income population which are excluded from formal financial services.

CHAPTER TWO

MICROFINANCE SUB-SECTOR SITUATIONAL ANALYSIS

2.1 Overview of Economic Performance

The Tanzanian economy has registered a robust economic growth, with GDP increased at an average of 6.4 percent for over the past decade. The GDP growth was 7.0 percent in 2014 compared to 6.4 percent in 2010 based on 2007 constant prices. In addition, per capita GDP at current market prices has been on an increasing trend in the last decade rising from Tshs. 276,741 in 2001 to Tshs. 1,724,416 in 2014. However, there is a significant disparity in per capita GDP among the regions of Tanzania Mainland with Dar es Salaam recording the highest per capita GDP of Tshs. 2,797,694 and Singida the lowest per capita GDP of Tshs. 1,023,631 in 2014.

During the period under review, the financial sector has played a leading role in allocating financial resources in the various productive sectors of the economy. In 2014, the growth of economic activities in the financial sector slowed down to 10.8 percent from 19.1 percent in 2006. Despite the slowness in the growth, its share to the Gross Domestic Product has increased to 3.4 percent in 2014 from a ratio of 2.4 percent in 2005.

According to the National Bureau of Statistics (NBS), the annual average headline inflation rate for Tanzania Mainland has been showing a continuously declining trend since 2012 with an average rate of 8.9 percent per annum. In 2015, the inflation decreased to 5.6 percent from the annual rate of 16.0 percent recorded in 2012. The fall in the headline inflation was in line with both declines in food and non-food prices. All these were contributed with favourable weather condition, favourable global oil prices and prudent fiscal and monetary policy.

In consequence to monetary policy measures, the overall Treasury bills rate rose to 18.25 percent in December 2015 from a rate of 15.73 percent

in December 2014. On deposits mobilization, most of the interest rates offered by commercial banks showed an upward trend. Savings rate increased to 3.42 percent in December 2015 from a rate of 2.67 percent in December 2007, while overall time deposits rose from 8.37 percent in 2007 to 9.22 percent in December 2015. In terms of loans, similarly, the overall lending rates increased from 15.75 percent in December 2014 to an average rate of 16.41 percent in December 2015. Despite of the increasing lending rates, the spread between one year lending and deposits rates shrunk to 3.14 percentage points in December 2015 from a 4.14 percentage points.

According to NBS, unemployment rate in Tanzania decreased from 11.70 percent in 2007 to 10.70 percent in 2011. Between 2001 and 2011, it averaged 11.88 percent, with a maximum rate of 12.90 percent in 2001 and a lowest rate of 10.70 percent in 2011.

In spite of the macroeconomic performance, like many other developing countries, Tanzania is facing the challenge of achieving substantial reduction of poverty. Based on the Household Budget Survey (HBS), poverty has marginally declined at a rate of 1.04 percentage points annually in a period of five years from 2007 to 2012, even though the annual GDP growth rates averaging 6.4 percent over the past ten years. The most recent HBS findings show that 28.2 percent of Tanzanians are poor, with 9.7 percent of them being extremely poor.

2.2 Implementation Status of the National Microfinance Policy 2000

2.2.1 Achievement of the implementation of National Microfinance Policy, 2000

The implementation of NMP 2000 has led to the increase of microfinance service providers, models of microfinance service delivery, improvement in products and services, and entry of Non-Financial Institutions (NFIs) including mobile network operators (MNOs) such as Vodacom, Airtel, Tigo and Zantel with innovative ways of applying technology. Currently, the microfinance sector in the country comprises two types of financial service providers namely (i) formal microfinance service providers such as banks

and financial institutions; Savings and Credit Cooperative Societies (SACCOS); microfinance companies, financial NGOs, Government Funds and Programmes; and (ii) informal financial institutions such as Community Based Organizations (CBOs), VICOBA, Village Saving and Loan Associations (VSLAs), Rotating Saving and Credit Associations (ROSCAs), money lenders, and other financial related service providers.

According to the 2013 FinScope Survey, 16.7 percent of the labour force was served by banks compared to 9.1 percent in 2006 while 48.6 percent was served by non-banks such as MFIs, insurance, SACCOS and financial NGOs, as well as Mobile Payment compared to 6.7 percent in 2006. Similarly, 6.7 percent was served by community financial groups such as VICOBAs, VSLAs, ROSCAs, money lenders and other community based savings and credit groups, as well as family and friends, compared to 35.1 percent in 2006.Furthermore, the growth was witnessed in both regulated and non-regulated institutions as follows:

(i) Banks and Financial Institutions

Banks and financial institutions increased from 31 in March 1999 to 63 in December, 2015 (Commercial bank 36, Regional and Co-operative Bank 12, financial institutions 3, Microfinance Bank 3, Development Financial institutions 2, Tanzania Mortgage Refinancing Company 1, Finance Leasing 3, Representative Bank 1, Credit reference bureau 2). There are 56 banks of which 22 banks are offering microfinance products and services that include 8 commercial banks, three microfinance banks and 11 community and cooperative banks. Commercial banks such as NMB Bank, CRDB Bank Ltd and Akiba Commercial Bank (ACB) have established a considerable presence in the rural financial markets and act as indirect providers in the rural areas through wholesale lending operations. TPB Bank has country-wide network of post offices which facilitate savings mobilization and money transfer. In addition, there are a few regional community banks and non-bank financial institutions that are engaged in deposit-based microfinance operations.

(ii) Non-Bank Financial Institutions

These include among others micro insurance companies, micro leasing companies, micro housing companies, collective investment scheme, SACCOS, financial NGOs, microfinance companies, Payment System Providers, private investors and Pension Funds. These institutions are registered by different authorities under different legislations, including Business Registration and Licensing Agency; the National Payment Systems Act, 2015, Cooperative Societies Act, 2013; Companies Act 2002; Ministry of Home Affairs under Society Ordinance Cap 337 of 1954; Ministry of Community Development Gender and Children under NGO Act 2002; Registration Insolvency and Trusteeship Agency under Trustees' Incorporation Act 2002 (Cap 318). These institutions play a paramount role in provision of financial service to low and middle income earners.

The number of these institutions has significantly grown over the past 15 years. For instance, SACCOS grew from 803 with 133,134 members who invested Tshs. 14.04 billion in terms of shares, savings, and deposits in 2000 to 4,093 with a total membership of 733,876 who have invested Tshs 377.6 billion in December, 2015.

In addition, the financial NGOs and microfinance companies increased from nine (9) in 2002 to over 150 institutions in 2015. Furthermore, Social Security Funds which increased from six in 2000 to Seven Funds in 2015 of which some provide wholesale funds to employee based SACCOS for on-lending,; Five collective investment funds which as at 2014 had amount of Tshs. 226.994. Billion.

(iii) Government Funds and Programmes

The Government has established several credit programmes/ schemes to address the need for credit access by the low income populations. Some of the Government funds and programmes include: National Economic Empowerment and Job Creation

Programme, SELF Microfinance Fund (SELF MF), Youth and Women Development Fund, Mwananchi Empowerment Fund, National Entrepreneurship Development Fund (NEDF), Presidential Trust Fund (PTF), Export Credit Guarantee Scheme (ECGS) and SME Development Fund. During this period, government funds and programmes have built entrepreneurial capacity and provided affordable loans to low income population. As at the end of May, 2015, about Tshs. 50.6 billion were disbursed to 74,790 entrepreneurs. In addition, the Government in collaboration with Social Security Funds issued Tshs. 105 billion for on-lending to 256,602 entrepreneurs.

(iv) Mobile Money Financial Services

Innovations in payment systems have enabled the use of mobile phone devices to facilitate payment service offered by banks and non-bank institutions. Mobile payments (service offered by mobile network operators) usage in Tanzania has made a significant impact in facilitating access to financial services particularly payment service (person to person) to the majority of the population which are unbanked or under-banked. The service commenced in 2008 by Vodacom with M-Pesa product, later on Airtel (Airtel Money), Tigo (Tigo Pesa) and Zantel (Ezy-Pesa) came into operation. Mobile money financial services have significant socio-economic importance in the country on effecting payment transactions and in some cases they maintain transactional balances in their electronic wallets.

The number of registered users has increased from 360,740 in June 2009 to 49,356,465 in December, 2015. Similarly, the total balance held in the trust accounts increased from Tshs. 3.05 billion in June 2009 to Tshs. 583.8 billion in December, 2015. Thirteen banks were operating agent banking services for small savers and borrowers using the mobile money platform with 1,719 agents by December, 2015 with deposit of Tshs 1,180,440.8. million. Meanwhile, two new products for small savers and borrowers have come into the market where by

Vodacom teamed up with Commercial Bank of Africa (CBA) to offer M-PAWA products to small savers and borrowers enrolling 1,920,712 customers with a deposit value of Tshs 18.4 billion. Airtel also teamed up with a microfinance institution namely AFB Tanzania Ltd to offer credit only products by the name of TIMIZA.

Following the above developments, the Government enacted the National Payment Systems Act, 2015 and Electronic Money Regulations and Payment Services Providers Licensing Regulations to facilitate safety, efficient and innovations in the digital microfinance services.

(v) Informal Financial Service Providers

Informal financial service providers include: Community financial groups (Rotating, Savings and Credit Associations (ROSCAs); Accumulated Savings and Credit Associations (ASCAs); Village Savings and Loans Associations (VSLAs); VICOBA; Savings and Credit Associations (SACAs); merry-go-round; and money lenders.

The number of informal financial institutions/groups has increased to cater for microfinance services such as credit, savings and micro-insurance services. During the period ending March, 2015, there were approximately 23,000 informal financial service providers (VICOBA, VSLA, ROSCA) with 700,000 members with estimated capital of Tshs. 86 billion. On the user's side, the introduction of mobile money services caused the decrease of the labour force accessing informal service from 35.1 percent in 2006 to 6.7 percent in 2017.

2.2.2 Limitations of the implementation of National Microfinance Policy, 2000

In the course of implementing NMP 2000, there have been a number of limitations which include:-

(i) Inadequate legal and regulatory framework

Inadequate legal and regulatory framework in implementation of the NMP 2000 resulted to malpractices such as insufficient disclosure of lending terms and conditions; high interest rates; reckless lending and multiple loans contributing to over indebtedness; unfair loan collection and recovery procedures. The microfinance sub sector in the country is governed by the Banking and Financial Institutions Act, 2006 which mandated the Bank of Tanzania to licence, regulate and supervise bank and financial institutions (deposit taking microfinance institutions; commercial banks with microfinance product and community banks). The sub sector is also governed by the Cooperative Societies Act, 2013 which empower the Tanzania Cooperative Development Commission (TCDC) to register, regulate and supervises financial cooperatives (SACCOS). However, non - deposit taking microfinance institutions and informal financial institutions are not licenced, registered, regulated and supervised. Apparently, it is very difficult to get statistical and other relevant information regarding the operations of these unregulated MFIs.

(ii) Poor Management Information System

Most of the unregulated MFIs have inadequate capacity to collect statistical and other relevant information regarding their operations as well as poor capacity to develop Management Information System (MIS). In addition, there is absence of an efficient microfinance MIS coupled with inadequate legal and regulatory framework which limit the ability of the Government to monitor performance of the microfinance sub-sector in the country.

(iii) Lack of Central Loan Register

The concentration of the microfinance service providers in the urban area and provision of service and product to same microfinance clients coupled with a lack of unified central point for sharing and verifying client credit information

has exposed the microfinance clients to multiple loans. The multiple loans scenario has been aggravated further by the lack of an impeccable system for unique identification of the borrowers.

Under the current credit reference system, the Bank of Tanzania is mandated to collect credit information of borrowers of the banks and financial institutions which are regulate and supervised by BOT. This leaves out clients of microfinance institutions which are not under the purview of the BOT. Development of the central loan register (Credit reference information) for the rest of MFIs will improve sustainability of these institutions by bringing their Non-Performing Loans (NPL) down but also help people with good credit character to access loans at convenience and cheaper cost.

(iv) Inadequate financial system to empower low income population to access formal financial services

Financial services in Tanzania are largely dominated by low penetration of banks and MFIs due to inadequate: supporting infrastructure such as power, communication and security; use of land title deeds and other properties, that can be used as collateral to access loans from financial institutions; knowledge about financial institutions and their products; level of financial literacy; and policy, legal and regulatory framework especially for microfinance services.

(v) Inadequate compliance with Anti-money laundering laws due to lack of regulatory body for non-deposit taking and informal financial institutions

The Anti-money Laundering laws require regulators of financial institutions and other reporting persons to enforce compliance of anti-money laundering measures such as identification and verification of customer identities, transaction monitoring and

record keeping, and supervise compliance of entities they are regulating.

Lack of regulatory body for non-deposit taking and informal financial institutions makes it difficult to identify these institutions and monitor their activities in accordance with the Anti-money laundering laws as they are not licensed, registered, regulated and supervised.

2.2.3 Impact encountered during the Implementation of National Microfinance Policy, 2000

(i) High Interest Rates

Microfinance institutions in the country charge high interest rate based on the cost of capital, personnel, administration and loan loss. It is estimated that administrative costs amount up to two thirds of interest paid by clients. There is no universal system applicable across all MFIs and companies on the calculation of interest rates. The interest rates applied are differentiated by product, product attributes and features including loan type, cycle, amount and duration. Most of these institutions are not transparent in their pricing systems and therefore the interest rates charged are more stated in nominal rates than in effective rates, which lead customers to make uninformed borrowing decisions. Some of MFIs charge very high effective interest rates ranging from 3 to 20 percent per month.

(ii) Lack of Consumer protection mechanism

Recently, in the microfinance sector, there are public complaints and concerns regarding the conduct of the credit only institutions such as Bayport, BRAC and Blue Finance among others which practice: unfair provisions in loan agreements, reckless lending, inadequate disclosure of lending terms and conditions, unfair loan collection and recovery procedures. This business tendency affects productivity at household level and public sector, hence reducing the Government efforts in fighting poverty and economic growth.

2.2.4 Challenges of the implementation of National Microfinance Policy, 2000

The developments in the microfinance sub-sector have brought to the fore a number of complexities and challenges, which include:

(i) Introduction of New Products and Services Delivered in Various Models

The microfinance sub-sector has made some notable developments in terms of service providers and products and service offered. These developments among others include; entry of Non-Financial Institutions (NFIs) such as mobile network operators (MNOs) with innovative ways of applying technology to reach low-income households. However, these developments have not been captured by the existing NMP.

(ii) High level of financial exclusion

Despite the significant increase in number and type of bank and financial institutions, access to formal financial services in the country is still low. This was depicted from the data of 2017 in which 28 percent of the labour force was financially excluded whereas 34.9 percent was in rural areas and 14.8 percent in urban areas.

(iii) Inadequate working capital for Microfinance Institutions

Most of the MFIs have inadequate working capital resulting from poor saving culture and inability to secure affordable and reliable financing sources. For example, SACCOS face low capacity of saving mobilization from their members which has resulted into insufficient liquidity to meet savings withdrawals, cushion the organization from operational losses and loans to members. A similar situation is also observed in other microfinance institutions.

(iv) Weak institutional capacity of Microfinance Service Providers

MFIs face a set of inter-related challenges, such as: limitations in the scale of their operations in terms of outreach and number of clients served; the amount of savings mobilized; poor portfolio quality; limitations in their professional

capacity; weak governance structure; inadequate Management Information System; poor accounting and record keeping; inefficient operations; and financial disciplines.

(v) Management of Government Funds and Programs

Government Financing Programmes are not well coordinated and are managed by different government organs, with almost all of them having inadequate sources of funds and requisite skills for managing the funds. These Programmes have not been able to establish or build information link between institutions and the unbanked segment of the population. Furthermore, there is a lack of linkage between increasing credit provision and building or strengthening the technical capacity of institutions to intermediate the funds and operate on a sustainable basis.

(vi) Lack of National Microfinance Umbrella Association/ Network

The Microfinance sub–sector has various umbrella association/ network among other including Tanzania Association of Microfinance Institutions (TAMFI), Networks of Cooperatives such as Tanzania Federation of Cooperatives (TFC), Savings and Credit Cooperatives Union League of Tanzania (SCCULT), Dunduliza and Umoja wa SACCOs za Wakulima (USAWA). Others are, the Community Banks Association of Tanzania (COBAT), Tanzania Bankers Association (TBA), VICOBA FETA Federation, Tanzania Informal Microfinance Association of Practitioners and Mobile Network Operators (MNOs) Association. They are voluntary formed microfinance networks/associations with members who do not share a common goal and vision. All these Associations/Networks do not have apex body to coordinate them. There are challenges related to communication, deficient control systems of the networks' members, failure to observe standards, policies and procedures and membership dilution where board members and staff act in their interests rather than that of the members.

2.3 Rationale for the review of the NMP 2000

The National Microfinance Policy of 2000 focused on establishing the basis for the evolution of efficient and effective microfinance system for serving the low-income population. The objectives were to be achieved by: (i) establishing a framework within which Microfinance operations would develop; (ii) layout principles that will guide operations in the system; (iii) saving as a guide for coordinating intervention by the respective participant in the system; (iv) describing the role of implementing agency and the tool to be applied to facilitate development. The tools for the policy implementation were: (i) regulation and supervision; (ii) development and application of standards; and (iii) capacity building.

The implementation of NMP 2000 has witnessed an increased number of microfinance service providers including banks with microfinance products, microfinance institutions, the entry of Non-Financial Institutions (NFIs) with new innovations and technologies and informal financial service providers. In addition, there have been other achievements like improvement in services delivery mechanisms. However, the implementation of the policy has encountered a number of limitations including lack of legal and regulatory framework to govern non-deposit MFIs and informal financial institutions, low level of financial literacy, inadequate data on microfinance industry, absence of consumer protection mechanism in the microfinance sub-sector, inadequate dispute resolution mechanisms, inadequate microfinance products and services and lack of central loan register.

On the other hand, microfinance services have not been fully integrated into mainstreaming financial system with flexibility that ensures their special features are not compromised. The prudential regulatory requirements have limited the transformation of microfinance NGOs and companies into mainstream financial system as Microfinance bank. Furthermore, fragmentation in the microfinance system has hindered information flow and competition across this sub sector, which has enabled inefficiency and high interest rates.

The new developments, complexities and challenges in the microfinance sub sector have necessitated the review of NMP 2000. The review of NMP 2000 is also due to growing public concern on the business conduct of microfinance institutions and their impact on poverty reduction. This is partly associated with: inadequate disclosure of lending terms and conditions; high effective interest rates; reckless lending and multiple loans contributing to over indebtedness; and unfair loan collection and recovery procedures.

The revision of the NMP 2000 aims to address the limitations, challenges and emerging issues in the microfinance sub sector with a view of creating an enabling environment that promotes the development of appropriate and innovative microfinance services to meet the real needs of the low income population. In addition, the Policy is in line with international best practice following the Government ratification of Regional and International Protocols including Protocol on the establishment of East Africa Monetary Union (EAMU) and SADC Finance and Investment Protocol. The said protocols, among others, require Partner States to harmonize their policies, laws and systems related to financial system of which microfinance sector is inclusive.

CHAPTER THREE

VISION, MISSION AND OBJECTIVES

3.1 Vision

To have a stable, vibrant and inclusive microfinance sub sector.

3.2 Mission

To create legal and regulatory environment that ensures growth of strong microfinance institutions that delivers inclusive financial services to low-income individuals, households and enterprises through innovative, diversified, sustainable, affordable and easily accessible financial services.

3.4 Objectives of the NMP 2017

3.4.1 General Objective

The overall objective of the Policy is to promote financial inclusion by creating an enabling environment for efficient and effective microfinance sub-sector in the country that serves the needs of the low-income individuals, households and enterprises and thereby contribute to economic growth, employment creation and poverty reduction.

3.4.2 Specific Objectives

More specifically the objectives of this Policy are to:

(i) Promote the development of a robust, inclusive financial sector;
(ii) Attain sustainability of microfinance service providers';
(iii) Create legal and regulatory framework for effective and efficient delivering of microfinance services;
(iv) Promote research, innovation and products development in microfinance sub-sector;
(v) Strengthen Regional and International cooperation in microfinance sub-sector;
(vi) Encourage adherence to principles and best practices of good corporate governance in microfinance sub-sector; and
(vii) Mainstream disadvantaged group, gender and youth issues in accessing and usage of fair and affordable microfinance products and services.

CHAPTER FOUR

IMPLEMENTATION STRATEGY FOR NATIONAL MICROFINANCE POLICY ISSUES, OBJECTIVES, STRATEGIES AND TARGETS

4.1 Financial Inclusion

Financial inclusion is a major contributor not only to economic growth and poverty reduction but for effectiveness monetary policy transmission and financial sector stability. Having greater access to financial services promotes entrepreneurship, lift people out of poverty and give them greater hope for a brighter economic future. The poor like everybody else need a wider range of financial services for them to earn more, build assets and cushion them from external shocks. Initiatives have been deployed in the country with the aim of expanding financial services to underserved and totally un-served. This has resulted in an increase in a number and types of financial institutions.

However, the country's financial system performance as measured by population coverage and range of services has been dismal even by African standards. The level of access to financial services for the working labour force in Tanzania has increased from 15.9 percent in 2009 to 65 percent in 2017. The increase is largely attributed by higher access to non-bank financial services, notably introduction of mobile financial services. When comparing financial access between rural and urban in 2013, only 8.6 percent of the total rural working population is banked as compared to 32.1 percent of the total urban working population. The proportion of rural population who relies primarily on informal institutions was found to be three times of urban proportion. Similarly, access to financial services in Micro, Small and Medium Enterprise (MSME) in the country is quite low. For instance, only 20 percent of 3.1 million MSMEs in Tanzania had access to formal financial services in 2010 and nearly 70 percent did not use any financial services. Despite the significant increase in number and type of bank and financial institutions, access to formal financial services in the country is still low. This was depicted from data of 2017 in which 28

percent of the labour force was financially excluded whereas 34.9 percent was in rural areas and 14.8 percent in urban areas.

High level of exclusion of financial services in the country is partly explained by low penetration of banks and MFIs due to inadequate supporting infrastructure; Low and irregular income resulting from high dependence on low productivity and seasonal activities of agriculture for livelihood and employment; Lack of land title deeds and other properties that can be used as collateral to access loans from financial institutions; inadequate knowledge about financial institutions and the products offers; low level of financial literacy, lack of understanding of complex financial products; lack of suitable products addressing the need of the consumers; lack of innovation and weak capacities (human and technical of financial services providers); and high interest rate.

Objective: Promote the development of a robust, inclusive financial sector

Strategies

(i) Encouragement of Public and Private Sector to invest in infrastructure that support development of microfinance sub-sector;
(ii) Extension of Government support in development of micro, small and medium enterprises (MSMEs);
(iii) Promotion of agricultural value chain financing;
(iv) Enhancement of registration process of land and property titles;
(v) Encouragement of the provision of long term financing for housing microfinance in the rural areas;
(vi) Encouragement of microfinance services providers to serve the rural area;
(vii) Encouragement of Business Development Services (BDS) in the microfinance sub - sector; and
(viii) Provision of financial education and public awareness on microfinance products and services in the country.

Targets

(i) Capacity building programs to microfinance service providers on the use of technological integration of MIS and MNOs/Technology Aggregators in microfinance sub sector executed by 2019;

(ii) Harmonize and review legislation that support innovation in ICT by 2028;

(iii) Public Private Partnership (PPP) projects in Microfinance sub sector increased by 2028;

(iv) Study on assessments of Government Funds and Programs that support MSMEs by June 2019;

(v) Business Development Centres to develop MSMEs established and strengthened by 2020;

(vi) Capitalization of Tanzania Agricultural Development Bank to finance and support smallholder farmers by June 2028;

(vii) Conduct study on assessment of the use of Warehouse receipt system as alternative collateral by 2019;

(viii) Public awareness on Commodity exchange conducted by 2019;

(ix) Survey, registration and issuance of land titles across the country scaled up by June 2028;

(x) Capacity building programmes of Housing Microfinance executed by June, 2028;

(xi) Public awareness on Housing microfinance fund conducted by 2019;

(xii) Capacity of TADB and rural based-MFIs to offer rural finance built by 2028;

(xiii) Mechanism for agricultural Credit guarantee schemes to rural areas developed by 2028;

(xiv) Regulatory framework for operations of BDS developed by 2018;

(xv) Conducive learning environment through business participation and exhibitions provided by 2028;

(xvi) Training manual for BDS developed by 2019;

(xvii) Guidelines for financial education in the microfinance sub-sector prepared by 2019;

(xviii) Microfinance public financial education programs developed by 2019;

(xix) Stakeholder workshop to discuss financial education conducted by 2019; and

(xx) Financial education and public awareness on microfinance products and services conducted by 2028.

4.2 Sustainability of Microfinance Service Providers

Sustainability of MFIs is critically important for extending financial products and services in urban and rural areas. Adequate capacity of microfinance services providers is a pre-requisite for sustainable growth and outreach of any microfinance institution. Currently, most of microfinance service providers in the country depend on working capital and capacity building from commercial banks, pension funds, development partners, government economic empowerment programs and funds, and other foreign investors.

However, most MFIs face a set of inter-related challenges including inadequate liquidity and capital growth, overdependence on external sources of fund, poor coordination and linkage government economic empowerment funds and programs to microfinance service providers, inadequate and qualified personnel; poor record keeping; weak institutional capacity; weak capital base; poor saving culture, poor delinquency control, and absence of strong retail capacity.

Objective: Attain sustainability of microfinance service providers.

Strategies:

(i) Encourage wholesale financiers to provide affordable credits to microfinance services providers;
(ii) Promotion of saving culture among low income population;
(iii) Provision of capacity building to the microfinance services providers;
(iv) Promotion of using Information and Communication Technology (ICT) in microfinance sub-sector;
(v) Encouragement of transformation of microfinance service providers from one tier to another;
(vi) Enhancement of Government coordination in microfinance funds and programmes;
(vii) Development of mechanism for linking informal financial institutions with formal financial services provider; and
(viii) Establishment of rating mechanisms for MFIs.

Targets:

(i) Regulations for wholesale financiers developed by 2019;

(ii) Mechanism for MFIs to participate in the capital market developed by 2019;

(iii) Awareness programme to the low income population on the benefits of savings conducted by June, 2020;

(iv) Financial education programmes in schools and universities curricular mainstreamed by June, 2020;

(v) Capacity building framework for microfinance service providers developed by June, 2019;

(vi) Training manual for the microfinance service providers developed by June, 2019;

(vii) Training programs for microfinance service providers conducted by 2019;

(viii) Annual forum for the microfinance stakeholders conducted by 2019;

(ix) Microfinance fund for capacity building instituted within the Microfinance regulatory framework by June, 2020;

(x) Awareness programme on digital microfinance services conducted by June 2019;

(xi) Regulatory framework for digital microfinance to low income population developed by June, 2019;

(xii) Regulations guiding transformation of microfinance service providers developed by December, 2019;

(xiii) Assessment of Government Funds and Programs to ensure sustainability conducted by June, 2028;

(xiv) Legal and regulatory frameworks of government funds and programs harmonized by June, 2019;

(xv) Operational frameworks for Government Funds and Programs harmonized by June, 2019;

(xvi) Guideline for operation of community financial groups developed by 2020;

(xvii) Code of conduct of community financial groups developed by 2020;

(xviii) Linking of community financial groups to formal financial services providers facilitated by June, 2019;

(xix) Guideline for rating MFIs developed by 2019; and

(xx) Training to MFIs and public awareness on rating conducted by 2028.

4.3 Regulating Microfinance Service Provision

The regulation and supervision of MFIs should be an integral part of a strategy to develop a market based microfinance sub-sector. Microfinance is not limited to borrowing, but also includes other financial services such as savings, micro-insurance, and transfer facilities. Such growth prompts innovative approaches for achieving and maintaining financial sustainability calling for appropriate legal structure for regulation and supervision. The regulation and supervision of microfinance institutions aims at ensuring consumer protection.

Currently there is a rapid expansion and growth of various players, including credit only MFIs, financial NGOs and foreign MFIs with aggressive promotions in the microfinance sector which are not regulated and supervised. Their operations have brought about public complaints and concerns on issues related to consumer protection including unfair provisions in loan agreements; reckless lending; mismanagement of savings/funds; inadequate disclosure and transparency of lending terms and conditions; lack of privacy; inadequate complaints handling mechanism; unfair loan collection and recovery procedures; and high interest rates.

Objective: Create legal and regulatory framework for effective and efficient delivering of microfinance products and services.

Strategies:

(i) Enactment of Microfinance law;
(ii) Enhancement of compliance of microfinance services providers with consumer protection principles; and
(iii) Institute legal framework for sharing information in the Microfinance sub-sector.

Targets:

(i) Microfinance law enacted by 2019;
(ii) Regulations for microfinance Act prepared by 2019;
(iii) Operation guideline for microfinance service providers prepared by

October, 2019;

(iv) Public awareness on microfinance legal and regulatory framework conducted by November, 2019;

(v) Microfinance Act and Regulations disseminated by December, 2019;

(vi) Regulations for consumer protection in the microfinance sub-sector prepared by June, 2019;

(vii) Guideline for consumer protection in microfinance sub-sector developed by June, 2019;

(viii) Database for microfinance sector developed by June, 2019;

(ix) Regulation for microfinance service providers to share information in the credit reference bureau developed by June, 2019;

(x) Public awareness on effective use of credit reference bureau created by September, 2019; and

(xi) Legal and regulatory framework for sharing information among regulators in the microfinance sub sectors instituted by June, 2019.

4.4 Research, Innovation and Product Development in Microfinance sub-sector

The Government recognizes research, innovation and product development as vital components towards growth, outreach and sustainability of microfinance sub-sector. The on-going research, innovation and product development are integral part of the market systems for development of microfinance sub-sector. Up-to-date information with respect to microfinance is required throughout the life of the sector in order to guide, promote, and generate intelligence to influence players, expand outreach and provide the basis for monitoring and evaluation.

There are few players in the microfinance sub-sector have attempted to conduct continuous research, innovation and product development in microfinance including academic institutions and microfinance institutions but the outcomes are not widely shared and up-scaled within the sub-sector. This is partly attributed to among others, unreliable data, high level of information asymmetry, inadequate resources and inadequate capacity. Hence, there is a need to redress this situation in order to have

vibrant sector focusing on real needs of low income population.
Objective: Strengthen research, innovation and product development in microfinance sub-sector.

Strategies:

(i) Enhance capacity of policy makers and microfinance players to conduct research in the microfinance sub-sector;
(ii) Enhancement cooperation in conducting international and regional research work;
(iii) Encourage development of innovative microfinance products and services; and
(iv) Enhancement of dissemination and sharing of research findings to the public.

Targets:

(i) Capacity building programs in microfinance for policy makers, academicians, and microfinance players developed by 2028;
(ii) Research to develop microfinance sub sector conducted by 2028;
(iii) Domestic researchers engaged in regional and international microfinance research by 2028;
(iv) Innovation funds in the microfinance sub-sector strengthened by June, 2028;
(v) Annual competition on innovation and product development in the microfinance sub sector conducted by June, 2028; and
(vi) Research findings disseminated to the public by 2028.

4.5 Regional and International Cooperation

Cooperation with regional and international community is important for development of the microfinance sub-sector. The Government of Tanzania is a member of regional and international bodies including EAC, AU, SADC and International Microfinance Network. There are number of Protocols with issues related to microfinance, which have been signed and ratified by the Government. The protocols, among others, require Partner States to harmonize their policies, laws and systems related to financial system of which microfinance sub-sector is inclusive. Therefore, there is a need to strengthen cooperation with international bodies to take

advantage of their facilities, resources, and experience.

Objective: Strengthen Regional and International cooperation in microfinance sub-sector.

Strategies:

(i) Harmonisation of policy, legal and regulatory framework on microfinance matters in line with Regional and international cooperation;

(ii) Promotion of investment opportunities available in the regional and international communities on microfinance sub sector; and

(iii) Establishment of regional supervisory network for home/ host cooperation in supervision, crisis management and resolution.

Targets:

(i) Assessment on microfinance sub-sector compliance with regional and international treaties and protocols conducted by June 2020;

(ii) Legal and regulatory frameworks in the microfinance sub-sector to streamline with regional and international microfinance practices reviewed by June 2020;

(iii) Protocols and agreements related to microfinance sub-sector ratified by 2028;

(iv) Participation in regional and international meetings and forums by 2028;

(v) Awareness programs on the available investment opportunities in the regional and international communities to microfinance sub-sector by June, 2028;

(vi) Bilateral and multilateral investment treaties related to microfinance sub-sector negotiated by 2020;

(vii) Framework for cross-border cooperation among regulators in microfinance sub sector developed by 2020;

(viii) Memorandum of Understanding between microfinance regulatory authorities prepared by June 2019; and

(ix) Sensitization programs to harmonize Cross border arrangement with other regulatory authorities to promote consistence of prudential and market standards conducted by 2019.

4.6 Good Governance in Microfinance Sub-Sector

Good governance is a key factor to microfinance associations' success in delivering quality services and developing a vibrant microfinance sub-sector. While effective external regulation and supervision from regulatory bodies are important to the health of the microfinance sub sector, no amount of external oversight can replace accountability that stems from proper governance and supervision performed by the owners and directors of financial institutions.

Standards, disclosure requirements and codes of conduct of associations of providers of microfinance services are common tools to enhance transparency. Accounting standards and external audit requirements serve to push microfinance institutions to produce better accounts, clearer and more comprehensive financial information, and improved management and control systems. Disclosure requirements (and voluntary disclosure through standardized performance reports) not only increase transparency but also are an incentive to improve performance, notably, when benchmarking is involved.

Over the past few years shows that microfinance institutions are highly vulnerable to weak governance, poor portfolio management, delinquency control, improper pricing and deficient in management capacity. Absence of sound corporate governance increase management risk and lack of public confidence in microfinance institutions.

Objective: Encourage adherence to principles and best practices of good corporate governance in microfinance sub-sector.

Strategies:

(i) Enhance accountability, fairness and transparency among all actors involved in the microfinance sub-sector; and

(ii) Institute legal and regulatory framework for MFI's disclose source of funds in accordance with Anti- Money Laundering regime.

Targets:

(i) Guidelines on good corporate governance in microfinance sub-sector developed by June 2018;

(ii) MFIs compliance with guidelines on good corporate governance in microfinance sub-sector monitored by 2028;

(iii) Legal and regulatory framework for MFI's disclose source of funds in accordance with Anti- Money Laundering regime instituted by 2028; and

(iv) Awareness of Anti-Money Laundering in microfinance sub sector created by 2028.

4.7 Disadvantaged groups, Gender and Youth Mainstreaming

Microfinance has the potential to have a powerful impact on disadvantaged groups, women's and youth's empowerment. Strengthening disadvantaged groups, gender and youth financial base and economic contribution to their families and communities will play a role in empowering them economically, hence increasing their confidence and security. Despite the role played by women in the country, they are still marginalized in terms of access to financial services. In 2017, 30.3 percent of women working population were totally excluded from accessing financial services compared to 25.5 percent for men working population. In addition, the number of SACCOS has grown substantially, of which 60 percent of total membership are men. Further, women are constrained by social norms in accessing assets that can be used as collateral. Although there is no adequate information on youth access to financial services but evidence shows that they are also marginalized in access to finance.

Objective: Mainstream disadvantaged groups, gender and youth issues in accessing and usage of fair and affordable microfinance products and services.

Strategies:

(i) Create awareness to disadvantaged groups, gender and youths on the available microfinance services and products; and

(ii) Encourage microfinance service providers to develop innovative

microfinance products and services to cater for the needs of disadvantaged groups, gender and youth.

Targets:

(i) Sensitization programs to disadvantaged groups, gender and youth in the microfinance sub-sector conducted by 2028;

(ii) Entrepreneurship training to disadvantaged groups, gender and youth conducted by 2028;

(iii) Disadvantaged groups, gender and youth promoted to form financial groups by 2028;

(iv) Products and services for microfinance which cater for the needs of disadvantaged groups, gender and youth developed by June, 2020; and

(v) Disadvantaged groups, gender and youth disaggregated reporting system for MFIs prepared by June 2020.

CHAPTER FIVE

A LOG FRAME OF IMPLEMENTATION STRATEGY FOR NATIONAL MICROFINANCE POLICY 2017

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
1. Promote the development of a robust, inclusive financial sector	(i) Encourage Public and Private Sector to invest in infrastructure that support development of microfinance sub sector	(i) Capacity building programs to microfinance service providers on the use of technological integration of MIS and MNOs/ Technology Aggregators in microfinance sub sector executed by 2019	750,000	June, 2019	PMO, MOFP, BOT, TPSF, TCRA, Payment System Providers
		(ii) Harmonize and review legislation that support innovation and ICT by 2028	600,000	June, 2028	PMO, MOFP, BOT, TPSF, TCRA, Payment System Providers

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
		(iii) PPP projects in Microfinance sub sector increased by 2028	240,000	June, 2028	PMO, MOFP, TIC, BOT, TPSF, TCRA, Payment System Providers, MFIs
	(ii) Extension of Government support in development of micro, small and medium enterprises (MSMEs)	(i) Study on assessments of Government Funds and Programs that support MSMEs by June 2019	1,500,000	June, 2019	PMO, MOFP, MITI, NEEC,

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iii) Promotion of agricultural value chain financing	(i) Capitalization of Tanzania Agricultural Development Bank to finance and support smallholder farmers by June 2028	900,000,000	June, 2028	MOFP, BOT, MALF
		(ii) Conduct study on assessment of the use of Warehouse receipt system as alternative collateral by 2019	200,000	June, 2019	MOFP, MALF, MITI
		(iii) Public awareness on Commodity exchange conducted by 2019	1,150,000	June, 2019	MOFP, CMSA, Tanzania Mercantile Exchange
	(iv) Enhancement of registration process of land and property titles	(i) Survey, registration and issuance of land titles across the country scaled up by June 2028	1,400,000	June, 2028	MLHHS, LGAs, MKURABITA,

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(v) Encourage provision of long term financing for housing microfinance in the rural areas	(i) Capacity building programmes of Housing Microfinance executed by June, 2028	300,000	June, 2028	MOFP, MLHHS, LGAs, BOT, MFIs
		(ii) Public awareness on Housing microfinance fund conducted by 2019	960,000	June, 2019	MOFP, MLHHS, LGAs, MFIs
	(vi) Encourage microfinance services providers to serve the rural areas	(i) Capacity of TADB and rural based-MFIs to offer rural finance built by 2028	600,000	June, 2028	MOFP , TADB, MFIs, MIVARF/PMO, FSDT
		(ii) Mechanism for agricultural Credit guarantee schemes to rural areas developed by 2028	150,000	June, 2028	MOFP, TADB, BOT

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(vii) Encourage Business Development Services (BDS) in the microfinance sub-sector	(i) Regulatory framework for operations of BDS developed by 2019	300,000	June, 2019	MOFP, BOT, TCDC, TAMFI, LGAs,BDS
		(ii) Conducive learning environment through business participation and exhibitions provided by 2028	300,000	June, 2028	MOFP, MITI,LGAs, MKURABITA
		(iii) Training manual for BDS developed by 2019	300,000	June, 2019	MOFP, BOT, TAMFI, BDS

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(viii) Provision of financial education and public awareness on microfinance products and services in the country	(i) Guidelines for financial education in the microfinance sub-sector prepared by 2019	150,000	June, 2019	MOFP, TCDC BOT, TAMFI, LGAs,
		(ii) Microfinance public finance education programs developed by 2019	300,000	June, 2019	MOFP, TCDC BOT, TAMFI, LGAs,
		(iii) Stakeholder workshop to discuss financial education conducted by 2019	150,000	June, 2019	MOFP, BOT
		(iv) Financial education and public awareness on microfinance products and services conducted by 2028.	1,800,000	June, 2028	MOFP, TCDC BOT, TAMFI, LGAs,

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
2. Attain sustainability of microfinance service providers	(i) Encourage wholesale financiers to provide affordable credits to microfinance services providers	(i) Regulations for wholesale financiers to provide affordable credits to microfinance services providers developed by 2019	150,000	June, 2019	MOFP, BOT, TCDC, LGA,s , SSRA
		(ii) Mechanism for MFIs to participate in the capital market developed by 2019	600,000	June, 2019	MOFP, CMSA, TAMFI

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(ii) Promote saving culture among low income population	(i) Awareness programme to the low income population on the benefits of savings conducted by June, 2020.	900,000	June, 2020	MOFP, BOT, TCDC, LGA's
		(ii) Financial education programs in schools and universities curricular mainstreamed by June, 2020.	200,000	June, 2020	MOFP, BOT, CMSA, TCDC, TPSF, Pension Funds, MFIs
		(iii) Financial education trainings in schools, university and microfinance clients conducted by June, 2020	300,000	June, 2020	MOFP, MoEVT BOT, TCDC,

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iii) Provision of capacity building to the microfinance services providers	(i) Capacity building framework for microfinance service providers developed by 2028.	300,000	June, 2028	MOFP, TCDC BOT, TAMFI, LGAs,
		(ii) Training manual for the microfinance service providers developed by 2028	300,000	June, 2028	MOFP, BDS, BOT,TCDC, TAMFI
		(iii) Training programs for microfinance service providers conducted by 2028	1,200,000	June, 2028	MOFP, BDS, BOT,TCDC, TAMFI
		(iv) Annual forum for the microfinance stakeholders conducted by 2028	1,200,000	2016-2028	MOFP, BDS, BOT,TCDC, LGA's, NEEC TAMFI
		(v) Microfinance fund for capacity building instituted within the Microfinance regulatory framework by June, 2020	1,200,000	June, 2020	MOFP, TCDC, LGAs, BOT, MIVARF/PMO, FSDT, MFIs, NEEC and Development Partners

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iv) Promotion of using Information and Communication Technology (ICT) in microfinance sub-sector	(i) Awareness programs on digital microfinance services conducted by June 2019		June, 2019	MOFP, TCDC, LGAs, BOT, TCRA, MIVARF/PMO, FSDT, MFIs
		(ii) Regulatory framework for digital microfinance to low income population developed by June, 2019		June, 2019	MOFP, BOT, TCRA, TCDC and LGA's
	(v) Encourage transformation of microfinance service providers from one tier to another	(i) Regulations guiding transformation of microfinance service providers developed by December, 2019	200,000	December, 2019	MOFP, BOT, AGC, MITI, BRELA, TCDC, LGAs, MFIs

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(vi) Enhance Government coordination in microfinance funds and programmes	(i) Assessment of Government Funds and Programs to ensure sustainability conducted by June, 2028	300,000	June, 2028	NEEC, PMO, MOF, BOT, TCDC, MITI, SIDO, MIVARF/PMO, FSDT, PO-TAMISEMI,
		(ii) Legal and regulatory framework of government funds and programs harmonized by June, 2019	150,000	June, 2019	MHCDGSC, MAFC, , MNRT, , MITI, MLHHS,
		(iii) Operational framework for Government Funds and Programs harmonized by June, 2019	150,000		MKURABITA, LGAs, MFIs, MSMEs

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(vii) Develop mechanism for linking informal financial institutions with formal financial services provider to access financial services	(i) Guideline for operation of community financial groups developed by 2020	150,000	June, 2020	MOFP, BOT, TCDC, LGAs, FSDT, MIVARF, TAMFI.
		(ii) Code of conduct of community financial groups developed by 2020	300,000	June, 2020	MOFP and LGA's
		(iii) Linking of community financial groups to formal financial services providers facilitated by June, 2019	750,000	June, 2019	MOFP, TCDC, LGAs, BOT, MIVARF/PMO, FSDT, TAMFI
	(viii) Establish rating mechanisms for MFIs	(i) Guideline for rating MFIs developed by 2019	300,000	June, 2019	MOFP, TCDC, LGAs, BOT, MIVARF/PMO, FSDT, TAMFI
		(ii) Training to MFIs and public awareness on rating conducted by 2028	300,000	June, 2028	MOFP, TCDC, LGAs, BOT, MIVARF/PMO, FSDT, TAMFI

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
3. Create legal and regulatory framework for effective and efficient delivering of microfinance products and services	(i) Enactment of Microfinance law.	(i) Microfinance law enacted by December 2018	500,000	December, 2018	MOFP, BOT, AGC, TCRA,TCDC, LGA's, MFIs
		(ii) Regulations for microfinance Act prepared by 2019	300,000	December, 2019	MOFP, BOT, AGC, TCRA,TCDC, LGA's, MFIs
		(iii) Operation guideline for microfinance service providers prepared by October, 2019	150,000	October, 2019	MOFP, BOT, AGC, TCRA,TCDC, LGA's, MFIs
		(iv) Public awareness on microfinance legal and regulatory framework conducted by November, 2019	300,000	November, 2019	MOF, BOT, TCDC and LGA's
		(v) Microfinance Act and Regulations disseminated by December, 2019	300,000	December, 2019	MOF, BOT, TCDC and LGA's

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(ii) Enhance compliance of microfinance services providers with consumer protection principles	(i) Regulations for consumer protection in the microfinance sub-sector prepared by June, 2019	150,000	June, 2019	MOFP, BOT, AGC, FCC TCRA,TCDC, LGA's
		(ii) Guideline for consumer protection in microfinance sub-sector developed by June, 2019	300,000	June, 2019	MOFP, BOT, TCDC, FCC, MIVARF/ PMO,FSDT

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iii) Institute legal framework for sharing information in the Microfinance sub-sector.	(i) Database for microfinance sector developed by June, 2019	900,000	June, 2019	MOFP, BOT, TCDC, LGA's
		(ii) Regulation for microfinance service providers to share information in the credit reference bureau developed by June, 2019	150,000	June, 2019	MOFP, BOT, TCDC, LGA's
		(iii) Public awareness on effective use of credit reference bureau created by September, 2019	300,000	September, 2019	MOFP/BOT
		(iv) Legal and regulatory framework for sharing information among regulators in the microfinance sub sectors instituted by June, 2019	150,000	June, 2019	MOFP, BOT, , TCDC, LGA's, TCRA

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
4. Strengthen research, innovation and product development in microfinance sub-sector.	(i) Enhance capacity of policy makers and microfinance players to conduct research in the microfinance sub-sector	(i) Capacity building programs in microfinance for policy makers, academicians, and microfinance players developed by 2028	900,000	June, 2028	MOFP, BOT, FSDT, Academic Institutions, MIVARF, Development Partners
		(ii) Research to develop microfinance sub sector conducted by 2028	900,000	June, 2028	MOFP, BOT, FSDT Academic Institutions, MIVARF, Development Partners
	(ii) Enhance cooperation in conducting international and regional research work;	Domestic researchers engaged in international and regional microfinance research by 2028	300,000	June, 2028	MOFP, MFAEAIC, FSDT Academic Institutions, MFIs

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iii) Encourage development of innovative microfinance products and services	(i) Innovation funds in the microfinance sub-sector strengthened by June, 2028	600,000	June, 2028	MOFP, FSDT, COSTECH Academic Institutions, MFIs
		(ii) Annual competition on innovation and product development in the microfinance sub sector conducted by June, 2028	900,000	June, 2028	MOFP, BOT, LGA's, TCDC, FSDT Academic Institutions, MIVARF,
	(iv) Enhancement of dissemination and sharing of research findings to the public	(i) Research findings disseminated to the public by 2028.	540,000	June, 2028	MOFP, FSDT Academic Institutions, MFIs

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
5. Strengthen Regional and International co-operation in microfinance sector	(i) Harmonisation of policy, legal and regulatory framework on microfinance matters in line with Regional and international cooperation	(i) Assessment on microfinance sub-sector compliance with regional and international treaties and protocols conducted by June 2020	300,000	June, 2020	MOFP, BOT, MFAEAIC
		(ii) Legal and regulatory frameworks in the microfinance sub-sector to streamline with regional and international microfinance practices reviewed by June 2020	600,000	June, 2020	MOFP, AGC's, MFAEAIC, BOT

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
		(iii) Protocols and agreements related to microfinance sub-sector ratified by 2028	600,000	June, 2028	MOFP, AGC's, MFAEAIC, TCDC, BOT and LGA's
	(ii) Promotion of investment opportunities available in the regional and international communities to microfinance sub sector	(i) Participation in regional and international meetings and forums by 2028	900,000	June, 2028	MOFP, AGC's, MFAEAIC, TCDC, BOT and LGA's
		(ii) Bilateral and multilateral investment treaties related to microfinance sub-sector negotiated by 2020	600,000	June, 2020	MOFP, MFAEAIC, BOT, TCDC
		(iii) Framework for cross-border cooperation among regulators in microfinance sub sector developed by 2020	300,000	June, 2020	MOFP, MFAEAIC, BOT,TCDC

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(iii) Establish regional supervisory network for home/ host cooperation in supervision and crisis prevention, management and resolution	(i) Memorandum of Understanding between microfinance regulatory authorities prepared by June 2019	150,000	June, 2019	MOFP, MFAEAIC, BOT, MIVARF/ PMO, MFIs
		(ii) Sensitization programs to harmonize cross border arrangement with other regulatory authorities to promote consistence of prudential and market standards conducted by 2019	300,000	June, 2019	MOFP, MFAEAIC BOT, TCDC

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
6. Encourage adherence to principles and best practices of good corporate governance in microfinance sub-sector.	(i) Enhance accountability, fairness and transparency among all actors involved in the microfinance sub–sector	(i) Guidelines on good corporate governance in microfinance sub-sector developed by June 2019	900,000	June, 2019	MOFP, BOT, AGC's, MIVARF/PMO, FSDT, TCDC, LGAs
		(ii) MFIs compliance with guidelines on good corporate governance in microfinance sub-sector monitored by 2028	150,000	June, 2028	MOFP, BOT, AGC's, MIVARF/PMO, FSDT, TCDC, LGAs

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(ii) Institute legal and regulatory framework for MFI's disclose source of funds in accordance with Anti- Money Laundering regime.	(i) Legal and regulatory framework for MFI's disclose source of funds in accordance with Anti- Money Laundering regime instituted by 2028	200,000	June, 2028	MOFP, BOT, TCRA, FIU TCDC, LGA's
		(ii) Awareness of Anti-Money Laundering in microfinance sub sector created by 2028	600,000	June, 2028	MOFP, BOT, FIU TCDC, TCRA, LGA's

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
7. Mainstream disadvantaged groups, gender and youth issues in accessing and usage of fair and affordable microfinance products and services.	(i) Create awareness to disadvantaged groups, gender and youths on the available microfinance services and products.	(i) Sensitization programs to disadvantaged groups, gender and youth in the microfinance sub-sector conducted by 2028	300,000	June, 2028	MOHCDEC, MOFP, TCDC, LGAs, FSDT, MIVARF/PMO.
		(ii) Entrepreneurship training to disadvantaged groups, gender and youth conducted by 2028	900,000	June, 2028	MOHCDEC, MOFP, TCDC, LGAs, FSDT, MIVARF/PMO.
		(iii) Disadvantaged groups, gender and youth promoted to form financial groups by 2028	900,000	June, 2028	MOFP,BOT NEEC, TCDC, LGA's, MOHCDEC and

Objective	Strategy	Target	Resource (TZS '000)	Time	Responsible
	(ii) Encourage microfinance service providers to develop innovative microfinance products and services to cater for the needs of disadvantaged group's gender and youth.	(i) Products and services for microfinance which cater for the needs of disadvantaged groups, gender and youth developed by June, 2020	300,000	June, 2020	MOHCDEC, MOFP, TCDC, LGAs, FSDT, MIVARF/PMO, Academic Inst, Media.
		(ii) Disadvantaged group's, gender and youth disaggregated reporting system for MFIs prepared by June 2020.	120,000	June, 2020	MOHCDEC, MOFP, TCDC, LGAs, FSDT, MIVARF/PMO
Grand Total			936,860,000		

CHAPTER SIX

ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS

The Ministry responsible for Finance has a major role and responsibility of ensuring effective implementation of the NMP 2017 and its Strategy in co-operation with other key stakeholders in the financial sector. The following are the roles and responsibilities of the key stakeholders:

6.1 Roles and Responsibilities of Microfinance Stakeholders

The revised Policy takes into accounts all the new challenges, opportunities and developments, including roles and responsibilities of the actors and mechanism for their coordination and linkages. Implementation actors constitute a diverse set of Government Ministries, Authorities, Private Sector, Donor Agencies and Development Partners.

The Government influences the development of the microfinance sub-sector in significant ways. It also collaborates with other key stakeholders to facilitate effective implementation of the revised Policy. Furthermore, the Government will be required to ensure that its roles, policies, and actions are coherent, effective, and efficient. The roles and responsibilities of the Government through its various ministries and agencies are delineated below.

Ministry responsible for finance

The ministry responsible for finance has the overall responsibility of coordinating the implementation of the National Microfinance Policy in the country. Specifically the Ministry will:

(i) Coordinate the implementation of National Microfinance Policy;
(ii) Promote microfinance activities in the country;
(iii) Strengthen legal and regulatory framework for microfinance sub-sector;
(iv) Monitor and evaluate the progress of the financial sector including microfinance sub-sector;

(v) Prevent money laundering;
(vi) Constitute National Microfinance Steering Committee;
(vii) Coordinate Development Partner intervention efforts in line with this Policy;
(viii) Facilitate establishment of the Apex body; and
(ix) Prepare periodic reports for Microfinance sub-sector.

Microfinance Unit in the ministry responsible for finance

The Microfinance Unit in the ministry responsible for finance has the overall responsibility of regulating and supervising Non-Deposit Taking MFIs and government funds and programme. Specifically the unit will:

(i) Licence, regulate and supervise Non-Deposit Taking MFIs and government funds and programme;
(ii) Develop and manage database of microfinance in the country;
(iii) Monitor and evaluate the progress of the microfinance sub-sector;
(iv) Prepare annual forum for microfinance service providers; and
(v) Prepare periodic reports for Microfinance sub-sector.

National Microfinance Steering Committee

The NMP 2017 provides for establishment of the National Microfinance Steering Committee, comprised of members from the President Office, Public Services Management; Prime Minister's Office - Regional Administrative and Local Government; Ministries of Finance (Mainland and Zanzibar); Bank of Tanzania; Attorney General's Chambers; Tanzania Cooperative Development Commission; Tanzania insurance Regulatory Authority; Social Security Regulatory Authority; Capital Market and Securities Authority; and Microfinance Apex Body. The Committee will have the following responsibilities:

(i) Serve as the monitoring body for implementation of the National Microfinance Policy 2017;
(ii) Ensure consensus among ministries and other actors on key milestones for improvement of microfinance sub sector in the country and monitor the achievement of those milestones;
(iii) Advise the Government on appropriate response and action to address challenges facing microfinance sub-sector; and
(iv) Promote multi-sectoral coordination of microfinance activities in the country.

Microfinance Regulators Forum

The NMP 2017 provides for establishment of the Microfinance Regulators Forum which will have the following responsibilities:

(i) Build consensus on issues of common interest in the microfinance sub sector;
(ii) Create enabling environment to facilitate smooth transformation of different MFIs from one tier to the other;
(iii) Harmonise legal and regulatory framework; and
(iv) Monitor emerging issues in the microfinance sub-sector, including new products to facilitate timely review of existing regulatory frameworks.

Ministry Responsible for Private Sector development, investments and economic empowerment

Ministry responsible for Private Sector development, investments and economic empowerment will:

(i) Put in place predictable legislative environment and stable institutional framework which will act as an incentive in reducing costs and line of doing business;
(ii) Coordinate investments (FDI inclusive) and Public-Private Partnership;
(iii) Strengthen private sector associations; and
(iv) Continue to supervise, monitor and coordinate all government funds and programmes engaged in microfinance activities;
(v) Monitor and evaluate the government funds and programmes;
(vi) Develop and manage database of the government funds and programmes; and
(vii) Prepare periodic reports for government funds and programmes.

Ministry responsible for Regional Administration and for Local Government Authorities

Ministry responsible for Regional Administration and for Local Government Authorities will:

(i) Guide and monitor the integration of microfinance matters in regional and local government authorities plans and by-laws;
(ii) Develop and manage database of Community financial groups; and
(iii) Prepare periodic Community financial groups reports

Regional Administration will:

(i) Guide and monitor the integration of microfinance matters in local government authorities plans and by-laws;
(ii) Coordinate microfinance activities at regional level; and
(iii) Prepare periodic community financial groups reports.

Local Government will:

(i) Register and regulate community financial groups;
(ii) Develop and manage database of community financial groups;
(iii) Continue promoting formation of community financial groups;
(iv) Constitute Microfinance Committee;
(v) Monitor and evaluate the progress of the community financial group's; and
(vi) Prepare periodic reports community financial groups.

Ministry responsible for Education

Ministry responsible for Education will:

(i) Facilitate provision of microfinance education in schools and colleges.

Bank of Tanzania

The Bank of Tanzania will:

(i) Enhance enabling environment for banks and financial institutions to support microfinance sub-sector;
(ii) Licence, regulate and supervise deposit taking MFI's;
(iii) Develop and manage database for deposit taking MFI's and financial sector related information; and
(iv) Prepare periodic reports for deposit taking MFI's.

National Economic Empowerment Council (NEEC) will:

(i) Coordinate government funds and programmes;
(ii) Monitor and evaluate the government funds and programmes;
(iii) Develop and manage database of the government funds and programmes; and
(iv) Prepare periodic reports on government funds and programmes.

Tanzania Insurance Regulatory Authority

Tanzania Insurance Regulatory Authority will:

(i) Enhance enabling environment for insurance companies to provide micro insurance services;

(ii) Licence, regulate and supervise micro insurance service providers; and

(iii) Prepare periodic micro insurance reports.

Social Security Regulatory Authority

Social Security Regulatory Authority will:

(i) Enhance enabling environment for social security funds to provide wholesale funds to the microfinance institutions;

(ii) Licence, regulate and supervise social security funds; and

(iii) Prepare periodic micro pension reports.

Capital Markets and Securities Authority

Capital Markets and Securities Authority will:

(i) Enhance enabling environment for microfinance services provider to raise capital through capital markets; and

(ii) Prepare periodic capital market reports.

Tanzania Cooperative Development Commission

Tanzania Cooperative Development Commission will:

(i) Register, Licence, regulate and supervise SACCOS particularly financial cooperative societies;

(ii) Coordinate cooperatives in accessing and usage of financial services;

(iii) Develop and manage database of SACCOS in the country;

(iv) Promote development of SACCOS;

(v) Monitor and evaluate SACCOS; and

(vi) Prepare periodic report for SACCOS reports.

Microfinance Service Providers

The microfinance service providers will:

(i) Adhere to legal and regulatory framework for microfinance sub sector and other related legislations;

(ii) Develop appropriate innovative products and services for low income segment of the population;
(iii) Provide financial education and adhere to consumer protection legal and regulatory framework; and
(iv) Prepare periodic microfinance reports as may be required by their respective regulators.

Payment systems providers

Payment systems providers will:

(i) Adhere to legal and regulatory framework for microfinance sub-sector and other related legislations ;
(ii) Create platform and distribution channels for digital microfinance services; and
(iii) Provide financial support for development of microfinance sub sector.

Apex body

Apex body will:

(i) Adhere to legal and regulatory framework for microfinance sub-sector and other related legislations;
(ii) Develop appropriate code of conduct for network and microfinance associations in line with international best practices;
(iii) Register networks and microfinance associations;
(iv) Establish and manage data base of microfinance member associations;
(v) Prepare periodic reports on network and microfinance associations;
(vi) Develop capacity building program for network and microfinance associations; and
(vii) Lobby and advocacy on behalf of their members

Development Partners

The Development Partners will:

(i) Adhere to legal and regulatory framework for microfinance sub-sector and other related legislations ; and
(ii) Provide technical assistance and financial support to the microfinance sub sector.

Academic Institutions

The Academic Institutions will:

(i) Prepare and conduct tailor-made programs related to Microfinance operations;

(ii) Run short, medium and long-term microfinance training programs in-line with national microfinance education curricula; and

(iii) Conduct research and studies for microfinance sub sector.

Media

The media will:

(i) Carry out coverage of microfinance activities including participating in promoting financial literacy; and

(ii) Create public awareness on the microfinance services.

Business Development Services Provider

The Business Development Services Providers will:

(i) Adhere to legal and regulatory framework for microfinance sub-sector and other related legislations;

(ii) Provide financial support for development of microfinance sub sector;

(iii) Provide business skills development services to microfinance clients and microfinance services providers; and

(iv) Prepare periodic microfinance reports as may be required by regulatory authorities.

CHAPTER SEVEN

MONITORING AND EVALUATION FRAMEWORK

7.1 Monitoring and Evaluation Framework

M&E system is instituted as a review mechanism to monitor progress and assess the level of attainment of specific targets relative to the respective planned targets. The proper functioning of M&E system highly depends on a well-coordinated and functioning of all components of the system, from data collection to the highest level of analysis and reporting to relevant stakeholders.

The overall responsibility for the monitoring and evaluation of the Policy implementation lies within the Ministry responsible for Finance. The Ministry will play key roles in coordination, implementation, monitoring and evaluation of this policy. For effective monitoring and evaluation, each stakeholder will have to establish a reliable internal monitoring system and ensure capacity is available to assess efficiency and effectiveness of their respective organizations in relation to the National Microfinance Policy 2017.

The Monitoring and evaluation will involve, among other things conducting baseline survey, establishing performance indicators, and setting M&E framework. Tracking progress on implementation of the milestones and targets will be done periodically. In addition, there will be an annual review, which will focus on assessing whether the planned activities are in line with the achievement of set targets. Moreover, the review will involve conducting case studies, diagnostic studies, surveys, and beneficiary assessments to track any changes in terms of outputs realized over the period under review.

7.2 The Objectives and Guiding Principles of NMP M&E Framework

7.2.1 Overall and Specific Objectives

The overall objective of M&E Framework is to guide implementation of the policy and its strategies with the view to maximize efficiency

and effectiveness of the intervention mechanism. Specifically, the M&E framework intends to:

(i) Establish benchmark of indicators for policy and programme assessment;
(ii) Set targets and standards for policy implementation;
(iii) Guide actors participation in implementation and monitoring activities; and
(iv) Control use of resources during implementation.

7.2.2. Guiding Principles of M&E

NMP monitoring and evaluation framework will be under the following guiding principles:

(i) Harmonize the framework with other M&E systems of the Government;
(ii) Align with the M&E systems of Development Partners;
(iii) Adopt and use of result-based management system;
(iv) Start from the current situation;
(v) Development capacity building on current M&E activities; and
(vi) Flexibility in revising the M&E framework.

7.3 Scope of M&E Framework

The M&E framework covers the following scope:

(i) Measurements of input, process, outputs, outcomes and impacts of the NMP 2017 implementation;
(ii) Database and reporting used for the NMP 2017 Monitoring and Evaluation framework; and
(iii) Monitoring of planning and implementation thereof, including the financial and physical progress.

7.3.1 Performance Indicators

Ministry responsible for Finance will use a set of indicators developed based on the NMP 2017 mission, objectives and outcomes. These include the following:

Table 7.1: Performance Indicators for NMP Monitoring and Evaluation Framework

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
Strategic Objective1: Promote the develo pment of a robust, inclusive financial sector	(i) Number of individuals, households and enterprises who have accessed financial services (ii) Number of individuals, households and enterprises who have received extension services (iii) Number of microfinance education interventions conducted (iv) Number of individuals, households and enterprises who have access and use innovative products and services (v) Number of MSMEs accessing and usage of Government supports. (vi) Number of crops under Contract farming systems (vii) Absolute number of established Warehouse receipt system	(i) Rural microfinance penetration ratio (ii) Microfinance market growth rate (iii) Percentage of Credit volumes and amounts extended to agriculture (iv) Increased productivity per unit area (i) Increased per capita expenditure by smallholder organisation (v) Volume and value of commodities traded. (vi) Percentage of Credit volumes and amounts extended to agricultural value chain (vii) Percentage of Farmers associations and agricultural marketing cooperatives access and use credits for MFIs	**65%**	FinScope (2017) Household Budget Survey Report (2011/12)

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
	(viii) Number of agro-processors accessing financing (ix) Number of Commodities' traders and transporters financing (x) Number of registered land and property titles (xi) Number of individuals, households and enterprises who have accessed financial services as a result of formalized property and business (xii) Available Housing products targeting low income populations	(viii) Percentage usage of Mobile financial services increased (ix) Percentage of improved housing in rural areas (x) Percentage of low income population accessing and usage of housing micro financing. (xi) Number of operating PPPs in microfinance sector		

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
Strategic objective 2: To attain sustainability of microfinance service providers	(i) Number of wholesale financers for microfinance service providers. (ii) Number of transformed MFIs (iii) Number of MFIs accessing capital through EGM window (iv) Saving ratio (v) Number of Informal Savings Group linked with microfinance institution and bank services. (vi) Number of MFI and client trained	(i) Volume of lending to rural clients (ii) Absolute amount of Capital raised through EGM window.	N/A	MOFP, BOT, CMSA,
Strategic Objective 3: To create legal and regulatory framework for effective and efficient delivering of microfinance product and services	(i) Microfinance legislation in place (ii) Apex Body for MFIs established (iii) Code of Conducts for MFIs' Networks/ Association-ns in place; mechanism for rating MFI,s established	(i) Timely, accurate and reliable data for micro-finance in place (ii) Number of MFIs rated (iii) Financial services inclusion ratio	N/A	AGC, PO-RALG MOFP, TCDC,MFI's Apex Body

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
Strategic objective 4: Strengthen research , innovation and product development in microfinance sub-sector	(i) Number research conducted; (ii) Improved products and services in the microfinance sector; and (iii) Improve awareness knowledge on microfinance issues	Percentage increase in local microfinance expertise.		MOFP, FSDT Academic Institutions, MFIs

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
Strategic Objective 5: To strengthen Regional and International co-operation in microfinance sub-sector.	(i) Legal and regulatory frameworks in the microfinance sector comply with regional and international standards. (ii) A National technical committee on regional and international co-operation in Microfinance. (iii) Regional and international regulations, protocols and conventions, memorandums of understanding, and agreements endorsed and ratified by the government	(i) Increased FDI in the microfinance sector (ii) Increased number of MFIs cross border financial intermediation (iii) Increased volume and value of cross-border MFIs products and services (iv) Enhanced sharing experience and knowledge related to microfinance in the regional integration and international best practices. (v) Number of global and regional engagements for extending microfinance services and products in the country.	N/A	MOFP

Strategic Objectives	Output Indicators	Outcome/Impact Indicators	Baseline	Source
Strategic Objective 6: To encourage adherence to principles and best practices of good corporate governance in microfinance sector.	(i) Guidelines for good corporate governance in the microfinance sector in place (ii) Number of microfinance institutions complying with Legislation for Anti-Money Laundering	(i) Proportion of actors implementing the guidelines.	N/A	MOFP, BOT, TCDC, PO-RALG and Microfi-nance Apex Body
Strategic Objective 7: To mainstream disadvantage group, gender and youth issues in accessing and usage of fair and affordable Microfinance Services and Products.	(i) Number of disadvantaged groups, gender and youth accessing MFI product and services (ii) Number of microfinance education interventions conducted (iii) A gender analysis report. (iv) Guidelines for mainstreaming disadvantaged groups, gender and youth microfinance services and products.	(i) Proportion of microfinance service and products that have mainstreamed disadvantaged groups, gender and youth.	N/A	MOFP, BOT, TCDC, PO-RALG and Microfi-nance Apex Body

7.3.2. Data Collection and Analysis

The data for monitoring and evaluation will be collected routinely using appropriate monitoring tools as agreed upon with the national coordinating authority. The data will be collected through surveys, periodic performance reports, activity reports, monitoring visits and other reliable and appropriate methods and sources. The data will be appropriately analysed and fed into the national microfinance data base provided for under this policy. Likewise, the establishment of a central data bank will facilitate access of data required for M&E.

7.4 Monitoring and Evaluation Reports

7.4.1 Types of M&E reports

At the organization level a number of reports will be used for M&E as follows:

(i) MOF quarterly, mid-year and annual reports;
(ii) Ministerial, independent departments, agencies, regional and LGAs evaluation reports;
(iii) Development Partners annual reports; and
(iv) Various reviews, studies and survey reports.

Table 7.2: Types of Reports

Types of reports	Contents	Frequency
Comprehensive performance reports	Consolidated reports covering all the activities undertaken at the organization level	Quarterly, semi- and annual reports
Physical/inventories and financial performance report	Physical performance, revenue and expenditure	Quarterly, semi- and annual reports
Evaluation/Progress report	Internal and external evaluation reports of Programme	Annual, biennial, three or five years
Policy Review	Review of National Microfinance policy	After five Years

7.4.2 Reporting schedule

The contents and frequency of reporting are indicated in Matrix 3:

Table 7.3: Reporting Schedule for NMP Monitoring and Evaluation Framework

Type of reports	Contents	Frequency
1.The National Microfinance Report	A consolidated report covering the key microfinance indicators outlined in the Strategy	Annual
2.Ministries, Departments and Agency (MDA) reports	Performance reports on implementation of microfinance activities in accordance with the provisions of the policy	Semi-annual, annual
3.LGA reports	Performance reports on implementation of microfinance activities in the LGAs	Quarterly, semi-annual, annual
4.Development partners reports	Information on technical, funding, logistical and other forms of support extended, including geographical coverage and target groups (beneficiaries).	Annual, semi-annual
5.Non-state actors reports (private sector, Apex body and other players)	Performance reports on implementation of microfinance activities as provided for by the Policy.	Semi-annual, annual

6.Microfinance Surveillance reports	Results of surveillance on microfinance activities.	Quarterly, semi -annual, Annual
7.Microfinance research and survey reports	These will include Household surveys, and any other focused surveys.	May be periodically or ad-hoc
8.Public Expenditure Review on Microfinance activities	Tracks and assesses resource allocation, expenditure	After every 2 years
9.Policy implementation strategy evaluation reports	Evidence- based assessments of outcomes and impacts of interventions	-Midterm (after 5 years) and end-term (after 10 years)
10.Programme/ Intervention evaluation reports	Evidence- based assessments of outcomes and impacts of key programme and project type interventions being implemented in the country that significantly contribute to the achievement of the Policy and Strategy objectives.	Mid and end-term reports for in accordance with their timeframe.

7.4.3 Reporting Flows

The reports on achievement of targets and milestones will be prepared by responsible institutions and forwarded to the Ministry responsible for Finance for consolidation. The Ministry responsible for Finance will produce consolidated performance reports on quarterly, semi-annual and annual basis, to be disseminated to all stakeholders for record and necessary action.

7.4.5 Feedback Mechanism

Feedback Mechanism provides a two-way flow of information between report producers and users, the feedback should be incorporated in the lateral linkages among stakeholders to improve the quality of reports and report submission.

7.5 Use of Monitoring and Evaluation Information

The M&E reports will be used by the Government, Development partners, beneficiaries and other stakeholders for:

(i) Better services delivery;

(ii) Demonstrated results as part of accountability;

(iii) Decision making;

(iv) Planning; and

(v) Resources allocation.

7.6 Action Plan

A National Microfinance Action Plan covering all the seven priority Policy issues outlined in the Policy and its Strategy will be prepared upon approval of the Policy. The outlined broad strategic actions in the Strategy have been unpacked into interventions and activities with estimated costs. All key implementing sectors and actors will be bound by the Action Plan, developed in a participatory and inclusive manner, and thus providing the basis for a common results framework that is necessary to achieve a fundamental goal of delivering financial services and products to the underserved as well as low income populations in the country in the shortest possible time.