



ANNUAL REPORT 2021

BRAC TANZANIA FINANCE LIMITED



“

When people ask me now what BRAC stands for, I like to think that we stand for an idea- an idea of a world where everyone has an equal opportunity to realise their potential.

Sir Fazle Hasan Abed KCMG
1936-2019

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I am very thankful for the 2 years I have been with BRAC for enabling me and my family to have a good life.





A BUDDING ENTREPRENEUR

Mwanamkasi Kea is a 40-year-old mother of three, two sons and a daughter. She lives in Tanga with her daughter and sister.

Mwanamkasi worked at a non-profit advocating for HIV awareness before she gained an interest in business and left to start her own. Her first business was a small shop selling beverages. However, she had a difficult time financing the business, and all her options for loans had very high-interest rates. Having left her job to concentrate on the business, she could not sustain an expensive loan. One day, a friend introduced her to BRAC, and she learned about the collateral-free, low-interest business loans and she decided to join.

Mwanamkasi got her first loan of Tsh 400,000 (USD 170) and she used the money to boost her beverage shop by adding products. Six months later she had made enough profits to expand into another business, and she opened a restaurant near the beverage shop. After repaying her first loan, she took out a second loan of Tsh 600,000 (USD 257) and invested it in the two businesses to increase her profits.

Mwanamkasi's loan portfolio has gone up to Tsh 1,250,000 (USD 536) and her businesses are booming. Her profits have gone up and now in a day, she makes about Tsh 30,000. She is even looking to open a third business- a women's clothing store in her area.

Mwanamkasi says her and her family's lives have improved from the thriving businesses. She can now provide for her children and has been able to educate them, far beyond the education that she herself received. Her first-born son is now employed, her second-born is in his second year of university studying business management and her daughter is in primary school.



Shameran Abed
Executive Director
BRAC International

MESSAGE FROM BOARD CHAIRPERSON

Following the unprecedented challenges of COVID-19 in the last two years, we were able to considerably reduce the spread of the pandemic in 2021, through our collective efforts at the global and individual level. Countries opened up their borders and people returned to their physical and newly formed 'hybrid' workplaces. The global economy gradually began to return to its normal state.

For BRAC's nearly 700,000 clients in 2021, 97% of whom were women, living mostly in poverty in the villages and urban slums of Africa and Asia, the year was about recovering and rebuilding livelihoods. We endeavoured to remain close to our clients offering information on health and safety and much-needed economic support to help them get back on their feet.

BRAC Tanzania Finance Ltd (BTFL) continued on its growth trajectory in 2021. It reached 253,672 people by the end of the year, 97.5% of whom were women. It also opened five new branches, in hard-to-reach parts of the country, further expanding the umbrella of financial inclusion.

In 2021, BTFL carried out its third annual Lean DataSM Impact Survey. Clients reported greater levels of financial resilience and stability, with a remarkable 96% of clients saying they earned more and 96% of clients seeing an overall improvement in the quality of their life after engaging with BRAC. The results demonstrate the importance and impact of responsible financial services for people living in poverty, especially in times of crisis.

We're excited that in 2021, BTFL received a Tier 2 License from the Bank of Tanzania, becoming a fully regulated entity. The company also promoted BRAC's microfinance digital agenda by piloting mobile money repayment services for group loan clients. The pilot that started with five branches in Dar es Salaam and Tanga will expand to 20 branches in 2022.

2022 will mark BRAC's 50th Anniversary. From its humble beginnings in Bangladesh as a relief organisation to partnering with over 100 million people globally across 10 countries, it has proved to the world that impact can be delivered at scale. Our founder, Sir Fazle Hasan Abed, always reiterated that 'small is beautiful, but scale is necessary' and it will continue to be one of the guiding principles of BRAC as it sets foot on its ambitious target to reach 250 million people globally by 2030.

Though we have now become used to living with the pandemic, we are seeing other complex challenges emerge that transcend borders. The global food and energy crises, high inflation, and social and political unrest – all against the backdrop of a visibly changing climate – are already being felt in the places we work in. As a Global South organisation, I strongly believe that we need to follow the example of the communities we work with, and in particular, the women, who show amazing resilience and spirit in the face of incredible odds. As long as we stay true to our mission, and develop pragmatic, scalable solutions grounded in local realities, I am sure we will be able to create opportunities for people to realise their potential.



Nkosilathi Moyo
Chief Executive Officer

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

On behalf of the Board and Management, I am delighted to present the Annual Report and audited financial statements for BRAC Tanzania Finance Limited and BRAC Zanzibar Finance Limited (referred to as BRAC Tanzania) for the year 2021.

We recorded significant achievements in 2021. Our total interest income increased by 30.4% from 2020 due to the improvement in the business environment post Covid-19. Loan disbursed increased from TZS 104.7 billion in 2020 to TZS 128.9 billion in 2021. We also expanded our reach by opening five new branches, ending the year with 155 branches located in 23 regions of Mainland Tanzania and Zanzibar.

Our third impact survey was conducted in 2021 in partnership with 60 Decibels using Lean DataSM methodology. The survey found that 96% of clients improved their quality of life after engaging with BRAC. 96% of clients reported they earned more, 89% of clients planned their finances better, and 90% of clients saved more, after engaging with BMMCL. This annual exercise guides us in setting targets and strategies to reach more people living in poverty and achieve long-term social impact for our clients.

In 2021, we prioritised digital transformation by piloting a mobile money repayment service in six branches and preparing the ground to implement a new Core Banking System in 2022. In the first phase of the mobile pilot, we reported general uptake of up to 60% of borrowers. Clients reported that their primary motivations for repaying their loans via mobile were the reduced security risk and the option to repay their loans in advance. In 2022 we will focus on phase two of the digital transformation initiative and expanding the mobile money repayment service to more branches with a goal of reaching our whole network by the end of 2022.

I would like to sincerely thank our staff for their continued commitment to serving and supporting our clients. I would also like to take this opportunity to thank our partners, shareholders, and Board of Directors for their unwavering support as we continue to grow. Finally, I would like to thank our clients, who have continued to trust us as we execute our mission to provide financial services responsibly to people at the bottom of the pyramid.



BRAC INTERNATIONAL MICROFINANCE

BRAC has been one of the pioneers of microfinance since it first started in 1974. BRAC first expanded its microfinance operations internationally in 2002 and now operates in six countries outside of Bangladesh - Myanmar, Tanzania, Uganda, Rwanda, Sierra Leone and Liberia. Together, these six entities serve nearly 700,000 clients, 96% of whom are women.

BRAC International Microfinance's mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. It particularly focuses on women living in poverty in rural and hard-to-reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

We offer inclusive, accessible, and convenient loan and savings products, tailored to the needs of the local community. Our core credit products include group-based microloans provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses.

We are a strong advocate of client-centric microfinance that includes adhering to the industry's Universal Standards for Social Performance Management and the Client Protection Principles, placing clients' well-being at the center of everything we do to achieve our mission. The client value proposition is at the core of our digital transformation efforts, with a particular emphasis on reducing the gap in women's digital financial inclusion.

BRAC believes that sustainable, large-scale change, must address and deliver both economic and social progress. Microfinance has been an integral part of BRAC's holistic approach to development, equipping people who would otherwise be excluded from formal financial systems with the tools to invest in themselves, their families, and their communities.

OUR REACH AND IMPACT

458k

borrowers

502k

savers

\$87.71m

loan outstanding

96%

of clients are
women

54%

outreach to people
living in rural areas

71%

outreach to people
living in poverty



93%

of clients said their quality
of life had improved after
engaging with BRAC

94%

of clients earned more
after engaging with
BRAC

89%

of clients saved more
after engaging with
BRAC

90%

of clients planned
their finances better
after engaging with
BRAC

72%

of clients contributed
more to important
household decisions after
engaging with BRAC



INEQUALITY IS HUMAN-MADE.
IT CAN BE UNMADE.
TOGETHER,
PEOPLE CAN CHANGE
ANYTHING.
THERE IS **ALWAYS** A WAY.

BRAC INTERNATIONAL

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands. It governs all entities outside Bangladesh with an objective to engage in charitable and social welfare activities in any country in the world.

BRAC INTERNATIONAL HOLDINGS B.V.

BRAC International Holdings B.V. (BIHBV) was set up in 2010 as a private limited liability company and is a wholly-owned subsidiary of Stichting BRAC International. BIHBV is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people, particularly women, living in poverty and hard-to-reach areas to build their financial resilience and improve the quality of life for them and their families.



OUR VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.



OUR MISSION

Our mission is to empower people and communities in situations of poverty, illiteracy, disease, and social injustice. Our interventions aim to achieve large-scale, positive changes through economic and social programmes that enable men and women to realise their potential.



OUR VALUES

Integrity
Innovation
Inclusiveness
Effectiveness

BRAC INTERNATIONAL PROGRAMMES

Our **Education programme** focuses on raising awareness on gender and child rights and developing a child-friendly learning atmosphere. Our programme complements the mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. We also provide training with support from local vocational and technical institutes.

Our **Early Childhood Development programme** is an investment toward breaking intergenerational cycles of poverty and facilitating economic growth. We provide early learning opportunities through our Play Labs to 3 to 6-year-olds, with a low-cost and play-based early learning model. Our Play Labs are safe play spaces, providing cost-effective local learning materials to children in marginalised communities.

The **Agriculture, Food Security and Livelihood programme** focuses on four strategic directions - a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.

Through our **Health programme** we partner with respective governments to reduce child mortality, improve maternal and child health, and combat diseases. We work at the community and facility level to strengthen the capacity of female community health volunteers, health workers, and doctors so that they can provide educational, preventive, and curative health services.





Through our **Youth Empowerment programme** we provide life-saving and life-transforming services to adolescent girls to prevent unintended pregnancies, improve their awareness on harmful practices, and empower them financially. We create safe spaces by establishing clubhouses for girls aged 10-21, especially those who are vulnerable, dropped out of school, and at the risk of early marriage and pregnancy.

The **Ultra-Poor Graduation** approach is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.

Through our **Emergency Preparedness and Response programme** we build local emergency preparedness and response capacities in communities, schools, and local governments. Using a participatory and inclusive approach, our interventions in urban, rural, and refugee settings prioritise the equitable participation of all groups, particularly women and youth, to ensure that they are able to mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises.

Through our **Microfinance programme**, we provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

SAFEGUARDING IN 2021



BRAC International (BI) launched **Safeguarding Audit Review** provided on safeguarding indicators to support management in understanding policy compliance and incorporated **Safeguarding clause** in the procurement manual and partnership agreements to ensure compliance of partners and service providers.



BI arranged training on **Safeguarding Case Management and Investigations** as a part of continuous capacity development and continued **awareness-building** of staff and programme participants on the **Safeguarding Policy and sub-set policies**, which are as follows:

- Child and Adolescent Protection Policy
- Sexual Harassment Elimination and Protection from Sexual Exploitation and Abuse Policy
- Prevention of Workplace Bullying and Violence Policy
- Adults with Special Needs Policy
- Whistleblowing policy



BI completed quarterly **safeguarding assessment checklist** to monitor safe organisational practices



BI formed **Inquiry Review Committee (IRC)** to review safeguarding cases to provide decisions and guidance on actions to be taken and developed an **online safeguarding register** to digitize the incident management process and to ensure confidential reporting



BRAC TANZANIA FINANCE LIMITED



OUR APPROACH

BRAC Tanzania Finance Limited (BTFL) was launched in 2007 and has grown to become the largest microfinance institution in the country. Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas to create self-employment opportunities, build financial resilience, and promote women's entrepreneurial spirit by empowering them economically.

Our core products include a group-based microloan provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses. We also provide loans for rural smallholder farmers to invest in agricultural activities.



OPERATIONAL HIGHLIGHTS

97.55% of clients are women

51% outreach to people living in rural areas

60% outreach to people living in poverty

155 branches

\$122.29M in disbursed loans

253,672 borrowers

As at December 2021

2021 IN FOCUS

In May 2021, BRAC Tanzania Finance Limited became a fully regulated entity, receiving a Tier 2 licence from the Bank of Tanzania (BOT). In the same year, we exceeded our growth target with 45,000 new borrowers. We also opened five new branches across the country, entering new territories like Bagamoyo town, Meatu district, Serengeti district and Mto wa Mbu town, further expanding the umbrella of financial inclusion.

In line with our digitization efforts, we started piloting loan repayments using mobile money among group loan clients in six branches in Dar es Salaam and Tanga regions with the intention of scaling up the pilot to 20 branches in 2022.



SOCIAL PERFORMANCE

In 2021, we conducted our third impact survey in partnership with 60 Decibels using Lean DataSM methodology on five social outcome focus areas of BRAC International Microfinance: quality of life, financial resilience, women's economic empowerment, self-employment and livelihood opportunities, and household welfare.

This annual exercise complements our Social Performance Management and Client Protection initiatives and guides us in setting targets and strategies to reach more people living in poverty and achieve long-term impact at scale. All respondents surveyed were women.



96% of clients said their quality of life had improved after engaging with BRAC



96% of clients earned more after engaging with BRAC



90% of clients saved more after engaging with BRAC



89% of clients planned their finances better after engaging with BRAC



87% of clients contributed more to important household decisions after engaging with BRAC



BRANCH LOCATIONS



OUR TEAM

BRAC TANZANIA FINANCE LIMITED SUPERVISORY BOARD

Shameran Abed	Chairperson
Johannes Maria Antonius Eskes	Director
Syed Abdul Muntakim	Director
Bahati I. Geuzye	Director
Evelyn .M. Richard	Director
Nkosilathi Moyo	Director

BRAC ZANZIBAR FINANCE LIMITED

Shameran Abed	Chairperson
Johannes Maria Antonius Eskes	Director
Syed Abdul Muntakim	Director
Nkosilathi Moyo	Chief Executive Officer

MANAGEMENT TEAM

Nkosilathi Moyo	Chief Executive Officer
Syed Humayun Kabir	Programme Manager, Microfinance
Akmal Hossain	Programme Manager, Small Enterprise Program
Thabit Ndilahomba	Head, Finance
Carolyne Mwanri	Head, Human Resources and Development
Julieth Abia	Head, Internal Audit
Nassor Mnambila	Head, Administration, Procurement and Logistics
Amedeus Mushi	Company Secretary and Legal Manager
Emma Mbaga	Manager, Communications

OUR DONORS AND PARTNERS



OPERATIONAL AND FINANCIAL HIGHLIGHTS

NET INCOME

BRAC Tanzania Finance Ltd completed 2021 with a net profit of USD 4,111,949 compared to USD 3,683,104 in 2020. Interest income earned during the year is USD 25,101,252 in 2021 as against USD 19,248,313 in 2020.

OPERATING EXPENSES

Total operating expenses for the year 2021 was USD 15,966,217 as against USD 12,578,001 in 2020. Additional 4 branches were opened in 2021 for BRAC in Tanzania which is contributing to the additional expenses in 2021.

PROVISION FOR IMPAIRMENT LOSSES

In 2021, amount charged for impairment on loans was USD 1,951,113 as against USD 1,032,519 in 2020. The company followed IFRS 9 provisioning policy to be inline with Bank of Tanzania's guidelines. Total loan loss reserve is now USD 3,811,633 (2020: USD 2,613,841) representing 7% (2020: 6%) of gross portfolio. Portfolio at Risk (PAR>30) is 2.78%.

FINANCIAL POSITION

In 2021, the company's total assets grew by 34% to USD 71,462,457 compared to the previous year's total assets of USD 53,184,045. Loans and advances to customers increased by 23% and is now 73% of total assets. Net equity increased by 17% to USD 29,521,162.

CONTRIBUTION TO GOVERNMENT EXCHEQUER

BRAC Tanzania Finance Ltd regularly contributes government exchequer through providing withholdings and deposition tax from it's employees and suppliers and contributing to The Tanzania Revenue Authority and National Social Security Fund (Tanzania). Total contribution to government exchequer for the last two years as follows:

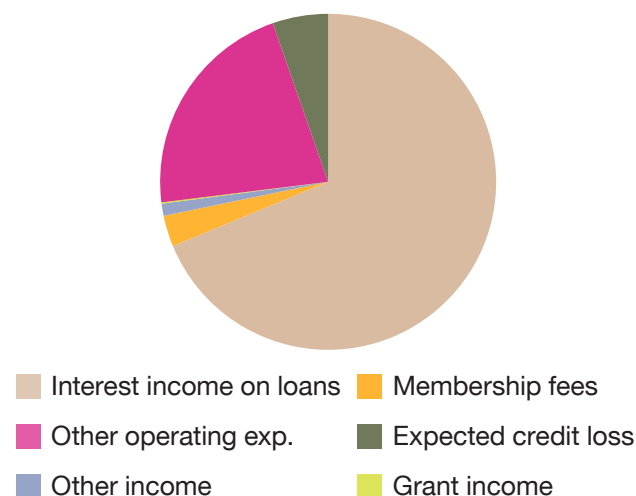
Particulars	2021	2020
Corporate Income Tax	2,095,038	1,731,851
Withholding Tax	625,615	1,238,870
Social Security Benefit	766,631	758,606

VALUE ADDED STATEMENTS

A value added statement provides a detail account of total value addition and the distribution of value created by the organization. BRAC Tanzania Finance Ltd contributes positively to overall economic development by empowering the poor people (especially females) through micro-credit.

Value added	2021		2020	
	Amount (USD)	% of Total	Amount (USD)	% of Total
Interest income on loans	25,101,234	149%	19,248,315	131%
Membership fees	1,092,657	6%	831,972	6%
Other income	427,904	3%	272,225	2%
Grant income	45,828	0%	-	0%
Other operating exp.	(7,889,687)	-47%	(4,655,450)	-32%
Expected credit loss	(1,951,113)	-12%	(1,032,519)	-7%
Total Value Added	16,826,823	100%	14,664,543	100%

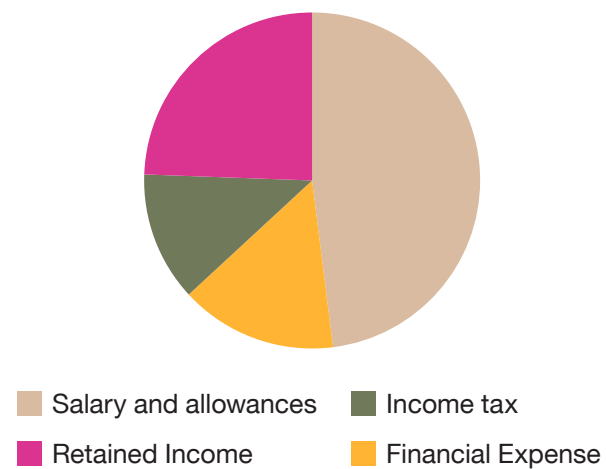
Value Added in 2021





Value Distributed	2021		2020	
	Amount (USD)	% of Total	Amount (USD)	% of Total
Employees				
Salary and allowances	8,078,522	48%	7,922,552	54%
Creditors				
Financial Expense	2,543,374	15%	1,327,492	9%
Local Authorities				
Income Taxes	2,095,036	12%	1,731,851	12%
Growth				
Retained Income	4,109,891	24%	3,682,648	25%
Total Value Distributed	16,826,823	100%	14,664,543	100%

Value Distributed in 2021

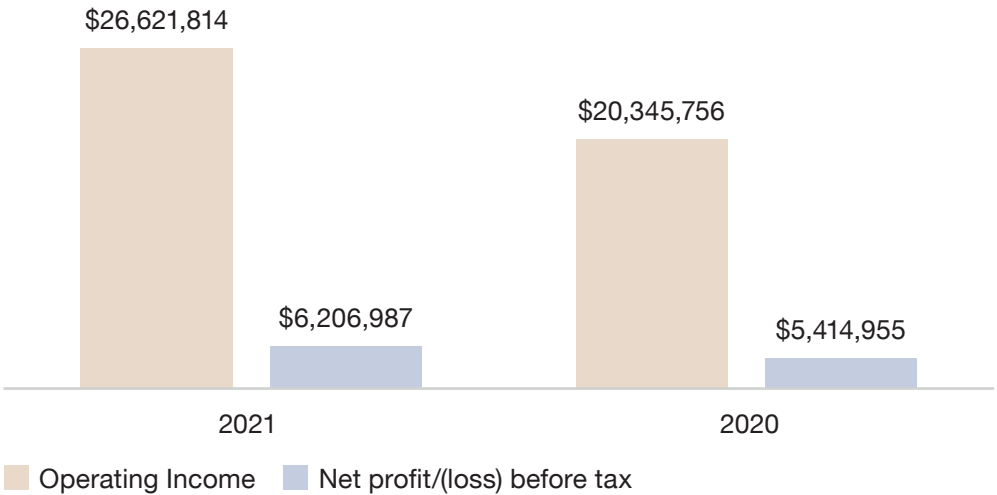


PERFORMANCE REVIEW

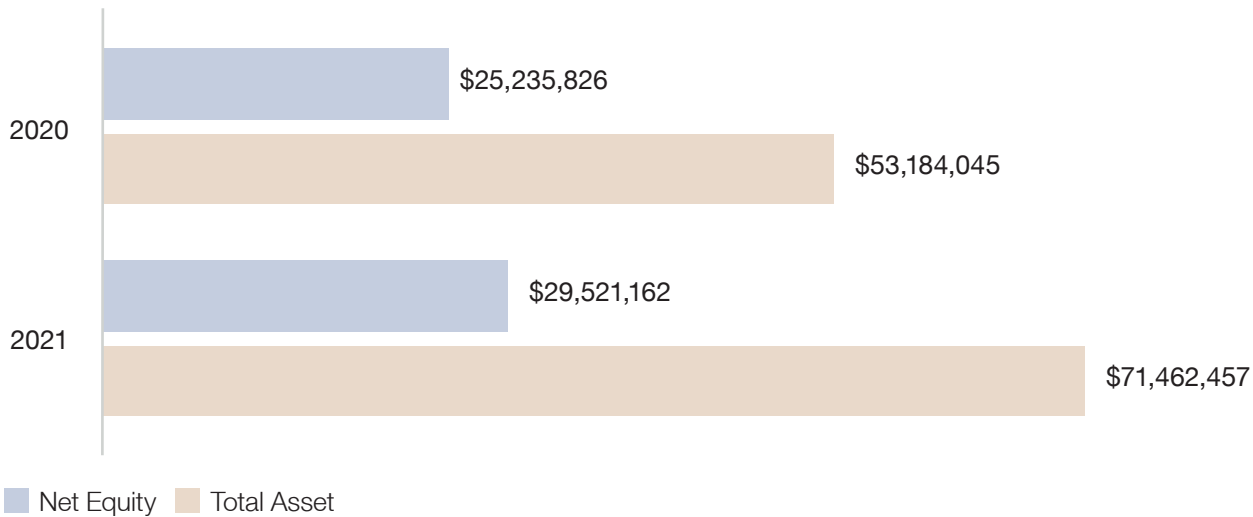
Particulars	2021 Amount (USD)	2020 Amount (USD)
Income Statement		
Operating Income	26,621,814	20,345,756
Net profit/(loss) before tax	6,206,987	5,414,955
Financial Position		
Total Asset	71,462,457	53,184,045
Net Equity	29,521,162	25,235,826
Loans to customer (net)	52,073,466	42,504,021
Cash and cash equivalents	10,355,752	3,967,293
Returns and Ratio		
Return on Asset	9%	10%
Cost to Income	66%	66%
Operational Statistics		
Total Borrowers	253,627	203,031
PAR>30	2.78%	3.92%



OPERATING INCOME VS PROFIT BEFORE TAX



TOTAL ASSET VS NET EQUITY



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