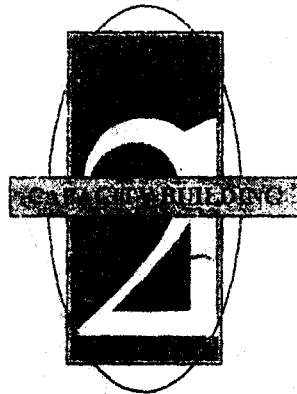


PRESIDENT'S OFFICE
PLANNING COMMISSION



**Sensitization Workshop on Capacity Building for Planning for
Sustainable Development at Central and
Local Government Levels in Tanzania.**

**Stakeholder Consultations and Participation at Central Level:
Executive Summary, Conclusions and Recommendations**

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EXECUTIVE SUMMARY

1. The study is made up of five major parts, namely the methodology, major issues of consideration on capacity building and sustainable development, discussions on the study which has seven issues for discussion, observations on about 10 key elements of capacity building, and the conclusions and recommendations.

2. Consultations were conducted in 23 ministries, 16 donor agencies, 6 non-governmental organizations, 4 parastatals, 3 private sector organizations, 4 community organizations, 2 religious organizations, academics and ordinary citizens.

3. Sustainable Development

The concept is not widely known, is perceived differently and to many it is a difficult concept. A common interpretation of the concept in Kiswahili was considered necessary. "Maendeleo endelevu" was recommended.

4. Capacity Building

The perception of the concept centred around human resource development, financial capacity and infrastructural development. A few added issues of leadership, policies, administration/management, legal framework and institutions. Some referred to human resource development only.

5. Planning for Sustainable Development (Sustainable Development Planning)

- (a) plans should start from below
- (b) all stakeholders should be involved
- (c) empower the community to build a sense of ownership and belonging
- (d) plan from resource base available
- (e) build local capacity.

6. Sustainability of Donor Assistance Results

Identifiable donor supported projects which are sustainable are very few but there are sustainable results. Most donor programmes/projects were conceived without taking into account of the following:-

- (a) sustainability criteria at the time of project formulation/preparation
- (b) involvement of the beneficiaries in the project cycle
- (c) empowerment of the community
- (d) accountability and financial discipline
- (e) Co-ordination of activities
- (f) local capacity building.

7. Channelling of Donor Assistance Funds

- (a) Donor assistance related with budgetary support should be channelled through government. For other support/aid funds the respective donor should channel as considered appropriate.
- (b) Transparency on donor support including flows to NGOs was deemed necessary.
- (c) There is indiscriminate inflow and allocation of funds for lack of development priorities.

8. Development Goals

- (a) A total of 34 development goals have been proposed, and grouped in four clusters. These are:- Cross Cutting Goals (11), Social Services (10), Productive Sector (7) and Economic Services (6).
- (b) The figures in (a) above suggest that good governance is the desire of those who participated in the discussions.

9. Distribution of Development Resources

Most participants in the discussion suggested that, capacity building programme resources should be allocated in the proportion of 39, 31 and 30 percent for human resource development, financial capacity and infrastructural development respectively.

6. CONCLUSIONS AND RECOMMENDATIONS

In concluding this study, the author attempted to review what is already known in respect of the importance of capacity building for sustainable development. The review is briefly presented in chapter three.

During the study, the main issues discussed included: the concepts sustainable development, capacity building, and planning for sustainable development; sustainability of donor assistance results, channelling of donor assistance, Tanzania's development goal, and the distribution of development efforts towards capacity building components - human resource, financial capacity and infrastructural development. As a result of the study we came out with the following conclusions.

6.1 Conclusions

1. Sustainable Development

The concept is not widely known perceived differently and to many it is difficult and far from normal language usage. A common interpretation of the concept "*sustainable development*" in Kiswahili was considered necessary by most participants in the discussions. "Maendeleo endelevu" was proposed by some participants as the most appropriate and "closer" interpretation of the concept sustainable development.

2. Capacity Building

The perception of this concept is centred around three components, namely human resource, financial capacity and infrastructural development. A few added issues of leadership, policies, administration/management, legal framework and institutions. There were some respondents who thought the concept referred to human resource development only. The translation into Kiswahili was less controversial than that of *sustainable development* but what it exactly meant was again problematic to many.

3. Planning for sustainable development

Planning for sustainable development was perceived as participatory planning or even sustainable development planning. The major elements or prerequisites include: involvement of all stakeholders, empowerment of communities so that they have sense of ownership of the plans, resource based planning, capacity building, and planning from below.

4. Sustainability of donor Assistance Results

Tanzania has received donor assistance (aid) since independence. Aid is a game, it is politics, business, and it is industry. Donor assistance is likely to continue despite the fatigue. Identifiable donor supported projects which are sustainable are very few but there are some sustainable results.

Most donor funded projects were conceived without taking into account sustainability considerations. Stakeholders were not involved and empowered in the whole process of the project cycle. Accountability, financial discipline (management) and co-ordination were loose and minimal. Capacity building for sustaining the projects once the external funding came to an end was not given the priority it deserved.

5. Channelling of Donor Assistance Funds

Donor assistance for matters of national interest such as budgetary support should be channelled directly to the government. Other donor support funds should be dealt with as considered appropriate by the respective donor. Transparency on all the donor support funds which flow to NGOs was deemed necessary. Indiscriminate inflow and allocation of donor funds was entertained by lack of development priorities. Commitment to the set priorities was considered a necessary ingredient in guiding investment activities of the different players/actors in development.

6. Development Goals

A total of 33 development goals have been proposed. They are grouped in four clusters namely cross cutting goals which are 11, social services 9, productive sector 7 and economic services 6. The groups are presented below without any ranking. From the number of proposals made, it appears good governance is the desire of many of those who participated in the discussions. The group consensus approach (GCA) workshop will tell which exactly is the most preferred goal.

**Group 1: Social Services Related
Development Goals**

These aim at:

- 1.1 removing Tanzanian from poverty and enabling them to live in a cleaner environment
- 1.2 removing people from chronic poverty
- 1.3 attaining appropriate social services (health, education)
- 1.4 improving social welfare
- 1.5 alleviating poverty, improving household life and meeting all basic needs
- 1.6 bringing those in abject poverty into main stream of business development
- 1.7 having a Tanzanian pursue a quality of life which enables him/her to meet basic human needs (primary health care, education, and housing) adequately.
- 1.8 building Tanzania which is self-reliant in basic needs (food, water supply, health, education, housing, and other social services).
- 1.9 having equitable, quality and self-sustaining health services.
- 1.10 Poverty alleviation (The environment will be destroyed totally if we do not alleviate poverty).

**Group 2: Economic Services Related
Development Goals**

The aim is to:

- 2.1 make rural areas accessible throughout the year
- 2.2 have adequate, reliable and safe power supply
- 2.3 have fast development comparable to other countries and that everybody pays tax
- 2.4 build capacity of meeting development expenditure from own sources
- 2.5 build capacity in local communities of generating revenue and paying tax, and of bringing development for themselves which they then own.
- 2.6 develop a strong economy with a positive balance of payments

Group 3: Production Related Development Goals

These aim at:

- 3.1 carrying out activities whose output contributes to the achievement of the overall national socio-economic development goals
- 3.2 promoting and regulating Rufiji River basin
- 3.3 developing a resilient and competitive private sector
- 3.4 facilitating commerce and agriculture at the level of production and marketing
- 3.5 making supportive structures of business activities support each other and move to a higher plane all the time
- 3.6 being self-sufficient in food. removing a small holder farmer from poverty and make him/her enter the commercial stage of development/farming.

Group 4: Cross Cutting Development Goals

These aim at:

- 4.1 achieving a sustainable government budget
- 4.2 having a proper, Efficient, and Professional Public Sector
- 4.3 attaining an optimum utilization of human resources
- 4.4 protecting Tanzanians and their property
- 4.5 having an efficient and effectively (productive) performing civil service
- 4.6 ensuring that justice reaches everybody and that laws are followed so that peace and tranquillity prevails.
- 4.7 having a government which has strong capacity to supervise the country's development
- 4.8 having good governance
- 4.9 having human resource capacity which can manage the country's destiny
- 4.10 promoting local governance
- 4.11 developing a vibrant strong nation which takes a strong place in the international arena.

7. Allocation of Development Resources

The response from most respondents suggests that top on the list in the capacity building programme should be human resource development followed by financial capacity and infrastructural development at second and third place respectively. The proportions in terms of resource allocation should be 39 percent for human resource development, 31 percent financial capacity and 30 percent for infrastructural development.

6.2 Recommendations

These recommendations are made based on the findings which were established in carrying out the *broad-based consultative process* at the central level as specified in the terms of reference (Appendix 1).

Recommendation 1: Sustainable Development, Capacity Building

Both concepts are new to many but the concept "sustainable development" is the most intriguing. It is recommended that a sensitization programme be mounted to create awareness among the public at all levels, from the village to the national level.

Recommendation 2: Planning for sustainable development

In planning for sustainable development there must be spirit of ownership.

It is recommended:

- (i) Start plans from below
- (ii) Involve all stakeholders in planning
- (iii) Empower the community to build a sense of ownership and belonging
- (iv) Plan from resource base available
- (v) Build local capacity for Planning for sustainable development.

Recommendation 3: Sustainability of Donor Assistance Results

Most donor assistance projects come to an end as foreign assistance comes to an end.

It is recommended:-

- (i) Consider sustainability criteria at the time of project formulation/preparation
- (ii) Involve the beneficiaries in the project cycle
- (iii) Empower the owners/community.
- (iv) Enforce accountability
- (v) Co-ordinate activities
- (vi) build local capabilities

Recommendation 4: Channelling of Donor Assistance/Funds

Currently donor funds flow in the country unchecked.

It is recommended:

- (i) Planning Commission prepares economic and social development priorities
- (ii) Government takes firm commitment to the priorities
- (iii) Donors to direct their support to the set priorities only
- (iv) Establish a Donor Assistance Co-ordination Centre (DACC) where all aid support including that which flows to NGOs must be recorded for transparency.

Recommendation 5: Development Goal

A total of 34 goals have been proposed. Not all can be implemented even if resources were unlimited. It is recommended:-

- (i) top three priority development goals are identified
- (ii) to the first priority development goal a capacity building programme for attaining the goal is designed.

Recommendation 6: Allocation of Capacity Building Efforts

The allocation of capacity building efforts is directed at human resource development, infrastructural development and financial capacity. It is recommended:

- (i) Priority one should be the direction of efforts towards human resource development.
- (ii) Priority two should be direction of efforts towards having adequate financial resources to meet operation costs
- (iii) Priority three should be direction of efforts towards infrastructural development.

President's Office Planning Commission

CAPACITY BUILDING FOR PLANNING FOR SUSTAINABLE DEVELOPMENT AT CENTRAL AND LOCAL GOVERNMENT LEVELS IN TANZANIA

Bullet Points

- One: Sustainable development is that which meets the needs of the present without compromising the ability of future generations to meet their own needs.
- Two: Sustainable development demands a sustainable environment.
- Three: Sustainable environment suggests putting environmental conservation and management issues at the fore front of our development process.
- Four: Planning for sustainable development is that planning process which takes into account environmental considerations and involves all stakeholder groups (participatory planning) so that decisions and agreed plans are binding.
- Five: Would Tanzania be a poorer nation if it is careless with the environment? That is carefree with what happens with the wildlife, forests, water and soil resources?
- Six: Tanzanians should own issues of the entire resource base of their country, the problems of the entire resource base of their country, and the solutions to the problems of the resource base of their country.
- Seven: Capacity Building is the sum of efforts needed to nurture, enhance and utilize the skills so that they can effectively lead their own processes of national development.
- Eight: *Capacity 21 is a novel and catalytic initiative that assists developing countries build their capacity to integrate the principles of Agenda 21 into national development.*



**FINANCIAL SECTOR REFORMS AND FINANCING
OF RURAL AND MICRO ENTERPRISE ACTIVITIES**

**CO-OPERATIVE BANKING
KILIMANJARO CO-OPERATIVE BANK'S EXPERIENCE**

**PRESENTED AT:
THE 10TH BOT CONFERENCE OF FINANCIAL INSTITUTIONS
7TH - 9TH APRIL 1997 - AICC ARUSHA - TANZANIA**

KCB PAPER

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THE KILIMANJARO CO-OPERATIVE BANK LTD

(KCB)

KILIMANJARO CO-OPERATIVE BANK'S EXPERIENCE

Back-ground

History:

Cooperative Banking is not a new phenomenon in Tanzania Mainland.

A Co-operative bank operated in 1962 when the former Land bank was converted into a co-operative bank.

In 1970, however despite its good performance, the bank was dissolved by the government. there are no clear reasons given to this government action (this was the beginning of an era when the government started to nationalize co-operative business in Tanzania mainland). After the dissolution of this bank, the activities and assets disbanded by the co-operative bank were taken over by the newly formed National Bank of Commerce and Tanzania Rural Development Bank which in 1982 was renamed CRDB. But it was unfortunate that the activities taken over by the two new banks could not meet the aspirations of Tanzania Co-operators. They felt that though the NBC and the later restructured CRDB have created links with savings and credit societies in the rural areas, these were mere channels of resource accumulation by way of deposits at the centres of such banks without facilitation of credit to the rural as President of United Republic of Tanzania - Hon. B.W. Mkapa stated "other banks have failed to serve the small farmers and co-operative societies, that they have no chance to meet the demand of such banks for obtaining credit facilities. These banks have moved to serve the big borrowers and they are in town competing." (KCB - Inauguration speech 9th August, 1996).

Co-operative Societies Act of 1991

The enactment of the Co-operative Societies Act of 1991 which aimed at the establishment of a member-based co-operative movement has resulted into new and positive thinking amongst the Co-operators. In line with this new thinking, one of such move is the step being taken to establish co-operative financial institutions to cater for the co-operatives and the rural population. The Kilimanjaro Co-operative Bank (KCB) is the outcome of this move and aspirations of cooperators.

KCB Formation:

(i) Need and Registration of Rural Bank - KCB

Being dissatisfied with the services provided by the existing financial institutions especially in the rural areas, the Co-operators in Kilimanjaro Region have decided to form a Regional Co-operative Bank, to cater for banking services. This bank is linked with the savings and credit societies which are already established in the rural areas in Kilimanjaro Region, the Community Banks when established, and cooperative marketing credit schemes already in operation.

A feasibility study confirmed both the need and the viability of such a Co-operative bank. The bank is needed to stimulate economic development in the rural areas in the region:

- economic potentiality of the rural area in question is able to support the bank at its self sustenance stage after initial investments, the funds of which were already available.
- there is a ready market of the co-operative bank services at the local level.

- the bank is in line with the co-operative reform's policy of bottom-up structure in co-operative movement. And it is in line with the Government policy to form a suitable credit and financial system for the rural areas.
- the government as a whole will gain in form of taxes and financial reforms geared to strengthening the economy of the country.
- the bank will enhance monetary circulation, develop an efficient payment system and stimulate economic growth in the region.
- It will also mean increased agricultural sector output and processed goods hence a greater ability of foreign exchange earnings (crop, livestock and small scale industries)

(ii) Registration and licensing

After meeting the basic requirements, the Kilimanjaro Co-operative Bank (KCB) was registered as a secondary co-operative society. To that it is bound by the Co-operative Societies Act and Rules of 1991 and ethics of Co-operative principles. The license for operating a regional bank was given on 14th August 1995 by BOT.

(iii) Operations

The bank is at the moment operating according to the provisions of the Banking and Financial Institution Act of 1991 and follows strictly the prudential guidelines and circulars of Bank of Tanzania.

- The bank is operating with the objective of protecting the consumers of financial services against loss through fraud or mismanagement.

The bank is operating a prudential credit policy, by giving loans to Savings and Credit Societies and other types of cooperatives and individuals.

With an expatriate from the Rabobank of Netherlands, KCB tries to follow the experiences of the Rabobank, a very successful Co-operative bank in the Netherlands, - the only triple A rated bank in the world and the biggest Agricultural Bank in the World, which started 99 years ago in the same way as KCB is doing now

A strict credit policy with a repayment of more than 99%, made Rabobank strong and at the same moment the interest rates for loans and overdrafts are very fair and acceptable. This is the success of the Rabobank and that is what is also being tested by KCB.

The success of the KCB relies on the confidence and commitment of the SACCOS and other cooperatives. While the bank is also a commercial bank and accessible for everybody, the aim of the bank is to give access to credit and to develop a suitable financial service to the rural people. By a suitable system we mean simply small loans, acceptable economical interest rates, affordable security and loans processed through their respective SACCOS - being a guarantor to that loan.

Experience to date

Experiences as a first Rural Co-op. Bank

KCB is the first Rural Co-operative Bank in the country. As stated above the bank has been in operation for nine months now. What are the experiences. This is the key issue of this paper.

We feel it is good manners to discuss the bad experiences "hurdles" we have faced so that, the fellow professionals can contribute on the possible solutions as a guideline for KCB and other rural banks to be formed. Good experiences have been discussed in a nutshell.

INCOME GENERATION:

The bank has 168 shareholders, mostly Rural Co-operative Societies and Savings and Credit Societies in Kilimanjaro Region. The capital is Tsh. 340 million and earned profit till end of June 1996 before starting operations was 43 million. The loss over the first 8 months of operating expenses and initial costs written off is 35 million.

The deposits are Tsh. 400 million and the loans and overdrafts amounts to Tshs. 30 million.

By mentioning the above data we want to express the problems faced by newly formed rural banks in their efforts to earn their incomes in the first years.

- The major source of income on formation is the Treasury Bills earnings. BOT rates have been falling from 27% in 1996 to an average of 7% now, this is a loss for the bank.
- Income from credit facilities is not much because of low capital and deposits for lending.
- Secondly loans have to be safe with a guarantee of 99% repayments. There is no easy dishing.
- Some of the initial costs have to be expensed to escape the fines of BOT on 10% limits under movable assets investment guidelines.

2. PROBLEMS OF COMMUNICATION

The bank wanted to communicate with the co-operative societies on their needed support in the region; by use of correspondence. It was found that the only way to communicate effectively was to go to their

places and have seminars. KCB conducted seminars in Rumbi, Moshi Rural and HAI-district. Now the committee-members of all the societies in those districts understand that this bank is owned by them and managed by a supervisory and managing committee elected by their representatives. They understand that before you can give loans you need to have the money, so seminars were part of mobilizing savings and deposits from these societies.

This is a costly exercise to a bank which has just started with only an initial capital of Tshs. 337 million part of which has been used in purchase of assets.

3. BOT

- Because we are outside Dar es Salaam invitations to BOT meetings, and communication with it become difficult.
- Tendering for Treasury Bill one day earlier and other reports of administration becomes expensive.
- The BOT requires to fill and submit all forms like every other bank, in time and correctly completed. We feel BOT should reduce some of the forms for a regional community bank or simplify them.
- Rules and conditions by BOT for a regional bank are too heavy

The condition of investment in movable assets is not to be more than 10% of the capital otherwise a fine of one million shillings is very heavy to new banks.

4. COMPETITION WITH ESTABLISHED BANKS

Banks, which seemed not to be interested in the rural areas, and have withdrawn from offering credit facilities to them still try to compete with the regional bank(s).

KCB has experienced tough competition from some of the existing banks. The established commercial bank used the tactics they had at their disposal to crash out campaigns and discredit KCB. Mr. Chairman, this was a shocking experience for sister banks not to support each other, while we are additional to the existing banks in terms of serving the public, supervising, training, facilitating Rural Societies especially in giving credit and in strengthening the economy of the country.

• LACK OF CONFIDENCE ON BANKS BY THE PUBLIC

Another experience is the poor confidence in the banking sector and also in Saccos by the public in Kilimanjaro Region.

- People don't have confidence in banks. Fraud and thefts are also rampant in Banks and local Saccos. So to increase confidence there should be a strict supervision. Concerning the banks supervision it is BOT who is in charge and it should continue not in only reports but visits and other techniques of (window dressing) close supervision.
- Who takes care of the supervision of Saccos and Rural Co-operative Societies? At the time the unions had a monopoly and were strong they were able to give supervision, but it failed because of lack of competent inspectors. The co-operative officers used to train and supervise the Saccos, but because of lack of funds they were no longer in the position to do well. SACCOS - in the Region had a cash shortage of Tshs. 53 million in the year 1996/97. Rural banks can not

survive if the rural population loose confidence in the financial institutions.

6. USE OF BANK FACILITIES

Sixth experience is lack of education on the use of banking facilities by the rural people. Although most of the members are Chaggas and Pares there is a need on education about thrift and the use of money like savings and deposits and other bank credit facilities. This money can be used in their own village or district by giving loans to their brothers and sisters to strengthen the economy and stimulate/increasing circulation of money which will improve the economy in the whole country.

7. COSTS OF TRAINING

Another experience is the difficulty of giving training and supervision without any support of funds. Till now KCB has given seminars to committee members of various Co-op societies groups in Rombo, Moshi rural and HAI district. The costs involving materials, transport and allowances for the participants are born by KCB. We have not got any shilling from any institution for this very important issue. Good supervision and training should be paid by the members themselves in the long-run, but they don't have the money. To start with this support should be given by Government, BOT and donors. It is rural banking for rural development.

Although we have talked much on the adverse side of our experience, the other side of the coin are the good experiences of this pioneering peoples bank.

- FARMERS & BANK OWNERS PRIDE

The issue of a license to KCB, by BOT, has given the owners much pride in their bank. They feel better for having their own

bank, which they can control and manage. They are able to direct it to serve the rural population in Kilimanjaro region. The credit procedure is short and known to them.

BOT SUPPORT

The BOT head office in DSM, and especially the Supervisory Department has co-operated with us very well in encouraging us and also understanding all the problems we have been facing. Also BOT - Arusha, where most of our operational activities with BOT, were channeled through, has been very co-operative and very friendly to the staff of KCB. We thank BOT for the good co-operation and urge them to extend the same to other new banks.

- **SUPPORT FROM FINANCIAL INSTITUTIONS**

KCB management has enjoyed good co-operation with the other banks like a good working local clearing system.

Either the co-operative movement in Tanzania has shown its support for having a successful pioneer bank, where other regional cooperative banks can learn from.

- **LEARNING THROUGH EXPERIENCE**

All the staff of KCB have learned through doing and problem solving as none of them had been a banker before, except the expert from the Rabobank.

It is now possible to venture into other bank products without much problems due to confidence created during the nine months of operations.

CONCLUSION

Mr. Chairman, the BOT support to licence the first pioneer cooperative bank has been greeted with joy from the rural population and the cooperative movement at large.

The experiences faced especially problems is the basic foundation for KCB and for any new bank to be faced in the early days of operations of such financial institutions in the competitive market.

But we believe that these experiences are the basics for success of the bank as we do believe after such experiences the success is guaranteed "Mchumia Juani Hulia Kivulini"