

BUSINESS AND ENTREPRENEURSHIP SUPPORT TANZANIA (BEST)

Annual report 2010

Introduction

Business and Entrepreneurship Support Tanzania (BEST) is a registered non-governmental organization working in Arusha region since 2001. The organization has a vision of... A community empowered to manage economic and social development activities sustainably.

In the year BEST implemented the project of WAP and FIPO. The two projects are about poverty reduction through the means of entrepreneurship. The projects were implemented in the Arusha Region in Arumeru District. During the year BEST conducted consultancy activities under TAPP project in Arusha and Kilimanjaro region. The credit facilitation was carried in all projects operational areas of Arusha municipal and Arumeru District.

Besides the project and credit interventions, BEST conducted institutional activities that were all about the organizational capacity building and review of her operational strategies.

Projects

War Against Poverty (WAP)

The War Against Poverty is a project that started in July 2008. The project is being implemented in the Arusha and Arumeru district. The project is providing services to the poor micro-entrepreneurs, poor peasants (farmers) and poorest of the poor people of Arumeru District.

This is the third year of the project. The project started in July 2008 and expected to come to an end in June 2011. Up to December 2010, the project activities were implemented by 75%. The project is partially funded by CORDAID. The plan was to have multilateral donors for this project.

However, it was not possible to find another donor to support the project within its operational span; thus some activities were left out.

Activities implemented at project level:

(a) Business management training

Training of Entrepreneurs in business Management:

DISTRICT CUNCIL	WARD	WOMEN	MEN	TOTAL
Arusha Municipal	Terrat	53	70	123
	Moshono	117	69	186
	Themis	21	-	21
Arusha Rural	Ngaramtoni	16	4	20
Meru	Maroroni	80	80	160
TOTAL		287	223	510

The business management training was a basic and suitable for the grassroot people. The training is simplified to accommodate the people with different educational background to catch the subjects. Training was given in a class of 25 - 30 and rare cases to 40. From the fact that the classes comprises of people with different educational backgrounds it is obviously that the level of understanding is also different. There are those who are fast and the slow learners. That pose a challenge for the trainer to re-arrange the class to make sure those fast learners help the slow learners. The group works were given to make sure the whole classes participate in learning.

The other problem that affected the classroom training is the abilities of participants to read and write. BEST provide training to adults. There are adults who have not gone to school and for that reason they cannot read and write. BEST apply the adult learning methods to make them understand the subjects.

(b) Provision of micro-credits

The loans were given on condition that the borrower should first undergo the business management training offered by BEST. The loans were given in group of five to six each. The staff assesses the businesses of the loan applicant. They prepare the report which they present to the credit

committee for approval. Once the credit committee is satisfied with the assessment report they approve the loan.

The loan is given to beneficiaries on phases that range from 50,000 to 1,000,000 Tshs. The first loan ranges from 50,000 – 300,000; the second 300,001 – 500,000 Tshs and third loans 500,001 – 1,000,000.00

During the year, 303 beneficiaries were given loan amounting to Tshs 177 millions as shown in the table below:

Table showing loan distribution per District Council

District Council	Female		Male		Total
	No of attended people	Amount given	No of attended people	Amount given	
Arusha Municipal	248	98,600,000	88	30,400,000	129,000,000
Meru Council	22	8,900,000	33	11,100,000	20,000,000
Arusha Rural	33	18,500,000	19	9,500,000	28,000,000
Total	303	126,000,000	140	51,000,000	177,000,000

The percentage of females given loan is 68.4% of the total people received loans. In Arusha Municipal, women are used to loans and are ready to take loans compared to rural areas. In Meru District Council more men received loans than women. More effort is needed to persuade women to access loans services. Women in those areas are afraid of taking loans because they lack collaterals. Acceptable collaterals such as livestock, houses and farms are belonging to their husbands and their relatives.

Challenges facing the micro-finance

Borrowers commented that the loan is not enough to run the businesses. They ask BEST to raise the first loan to Tshs 500,000 and in many cases to issue loans according to individual business. That arose because commodities' prices are high.

The borrowers want the loan to be paid on time to allow continuation of the business. Once the loan application forms are submitted to BEST, immediate action shall be taken to ensure no delay in the second and third phase of the loans sequence. They also asked BEST to reduce the interest rate to from 27% to 20% annually.

The beneficiaries are forced to form groups for the purpose of receiving loan. Sometimes they faced problems in repayment because some of the group members are not honest. They end up paying penalties that they could avoid. In that sense they are asking the possibilities of BEST to issue individual loans.

(c) Follow Up

Follow –up was carried out to a sample of trained and loan recipients. During the year BEST made follow–up to 228 beneficiaries. BEST carried the follow-up activity in order to advise and support the beneficiaries in carrying out profitable businesses. The beneficiaries could have time to discuss the successes, problem and suggest to BEST ways of delivering services effectively.

Questionnaires were used in the follow-up. Those questionnaires focused on the services provided to them through BEST. The services provided are: business management training, loans, gender training and identification and dissemination of information of new income generating activities. The following are sample of questions and responses from the Beneficiaries;

- *What was more interesting/attractive in the training*

The beneficiaries were more interested on business management training. Business record keeping ranked the highest followed by Costing and pricing, Gender, Business Planning, Business idea generation and Market research.

- *What changes have taken place in the business*

The beneficiaries responded that they have realized more capital and increased profits. They are able to calculate profit because they keep business records. They managed to add new businesses. The tendency of selling livestock for paying school fees has decreased because now they are using the profit realized from the business for that purpose. The beneficiaries increased the ability of purchasing better products for example vegetable farmers managed to purchase improved seed for high yields. Customer care have been improved hence the attraction of more customers. The beneficiaries have increased the capacities of creativity and thus have diversified sources of income. They advertise their businesses and that leads to accessibility of more customers. Through their businesses they managed to create savings and keep them in the banks.

- *What improvement have taken place on nutrition status*

The beneficiaries are now affording three meals per day. The breakfasts now include bread, milk and eggs in comparison to tea only or porridge before BEST services interventions. Before the intervention they were used to just maize meal but now they add fruits, meat and sometimes Irish potatoes.

- *What improvement have taken place on households assets*

Beneficiaries have acquired better furniture. They improved their houses and the tendency of selling their family assets like farms and livestock to carter for daily needs have been reduced. Few of them have acquired means of transport like the bicycles and motor cycles.

- *What improvement have taken place on family relations*

Now there is more understanding and cooperation between couples. Children are happy as they eat, dress well and the school expenses are promptly paid. The husbands appreciate the wives efforts. Husbands do housework while wives are out on business. Husbands and wives together check and support the business. **However**, there is a negative impact. Some of the husbands are giving less money for household expenses because wives are doing better in business.

- *What changes have taken place in health services*

Beneficiaries have increased the abilities of affording health services in the private hospitals. They are able to pay medical expenses without draining the business capital.

- *What changes have taken place regarding education for their children*

School attendance is regular because school expenses are paid promptly. Some of the beneficiaries have transferred their children from government schools to private schools where they consider education to be of high quality. Some have ability to pay for extra tuition for their children. The enrollments of children to English medium school have increased.

- *What changes have taken place regarding social change*

The target group has increased abilities of contributing for community and social affairs such as road projects, school projects and weddings. They advise other possible beneficiaries to access BEST services.

- What does the community around say about BEST services/BEST beneficiaries

Beneficiaries are happy about the system of monthly repayment of loans as compared to other institutions which operate their credit on weekly repayment system. People who did not want to join BEST are now asking for the service because they see the value added to their friends, businesses through the training and follow up conducted by BEST.

- *Reasons for beneficiaries success*

The beneficiaries gained and utilized business management skills obtained from the trainings offered by BEST. Also the loan obtained from BEST increased their capital.

- *Reasons for failures of beneficiaries businesses*

Besides the successes of beneficiaries' businesses, still there are seasons when the business does not perform well. Also businesses perform bad sometimes due to competition among the entrepreneurs especially when they engage in the same business.

- *Beneficiaries' future plans*

The beneficiaries are planning to engage in big businesses which will realize high profit. They are also planning to open bank saving accounts to keep their savings. Some of them have planned to establish group fund which will act as collateral to the banks and will also provide credit to the group.

- *Beneficiaries recommendations*

Beneficiaries recommend more training. They suggested training to range from basic business management to intermediate trainings to the micro-entrepreneurs. They also advised BEST to review the training curricular to accommodate changes. They argue BEST to issue non-cash loans such as machinery, livestock such as cows, goats and chicks. They also advised BEST to issue individual loans rather than group loans because sometimes group loans discriminate individuals who do not want to borrow through groups. Some of the beneficiaries are proposing the repayments to be collected at their business sites/homes.

Activities conducted at institutional level:

Review of five year strategic plan

BEST has five year strategic plan that started January 2008 – 2012. The strategy gives directions as to what to be done when and how. However, in the course of implementation of the strategy, there are already activities that have been achieved by year 2010. Some of activities are the employment of key staff: that is the professional Accountant, the Credit Officer and Trainers. BEST has established the credit department which conducts daily loan activities. The credit committee work close with the department to oversee, manage and advise all credit issues such as assessment of the loan beneficiaries, approval, disbursement and follow-up of loan. BEST already shifted part (23 million Tshs) of her credit fund which was handled by her later agent - the Mount Meru Saccos. The remained over 88 Millions Tshs is still with Mount Meru Saccos.

The multipurpose hall which is within the BEST compound in Njiro was built. The hall has a capacity of accommodating 100 people. The hall is fully furnished by the tables, chairs and the training facilities: that is flip chart boards and power point projector.

BEST developed project purely focusing on servicing extreme poor. The project is known as 'Fighting Poverty" (FIPO). More elaborations will be seen under the FIPO project in the following pages.

Additional board members

Two new technical board members were recruited. The recruited board members are from professional and technical bodies. One is an engineer from Small Industries Development Organization while the other one is an expert in the field of Organizational Development (OD).

Staffing

Staff movement was experienced as the first credit officer left the organization for her own purpose. The vacancy was filled by recruiting a new staff to continue the service. The remained staff positions remained stable.

FIPO PROJECT

FIPO stands for Fighting Poverty. Fighting poverty is a project purposely formulated to serve poorest of the poor people. The project resulted from the stakeholder's analysis during the preparation of five year strategic plan. The stakeholders advised BEST to formulate and implement projects that will liberate poorest people from the extreme poverty.

The poorest of the poor are the beneficiaries that do not possess assets and majority live in huts. The groups served during the year were from Usa - River. The majority of the served people were the former employees in the settlers' farms. Soon after **privatization** of those farms the servants who were occupied in those farms became jobless. They are not properly housed and no capital to initiate income generating activities. These people are growing poorer as days passed.

The FIPO Project was funded by MRDF for a year. The project was planned to serve 200 people from poorest group. The activities planned for this project was:

- Mobilization and sensitization of the group on poverty
- Provision of business management training
- Provision of seed grant to start up income generating activities
- Conduct close follow up to the beneficiaries

Activities realized

It was planned that 200 people could be sensitized on poverty related issues and come up with possible solutions as to how to get out of that situation. Soon after the sensitization they could be trained on business idea generation and come up with income generating activities. 200 beneficiaries were trained on business idea generation and business plan. The other topics was about basic business management that covered business record keeping, marketing, costing and pricing and they were also trained on gender.

All of them were trained on business management skills and business plan. Soon after the training they were asked to prepare the business plan. Out of 200 people 161 people prepared viable business plans and given seed capital. Still there are 39 clients who are waiting for seed capital. Deviation was due to lack of enough fund, thus they are waiting for their fellow to pay back so that they can be served.

Follow up was conducted to 150 clients of FIPO 1 to make sure that their income generating activities are performing well.

Agricultural loan

7 clients were given agriculture loan. The seven clients are among the best poorest who did well with seed grant. They managed to start up income generating with the small amount of grant. They started micro-businesses that needed more capital to take off. In that sense they were obliged to ask for loan to boost their working capital. All loan recipients in this project are cultivating rice. Rice takes three –five month before harvesting. Those loan borrowers were given loans from BESTs' loan fund on condition that they will pay back the loans within three months after harvesting. The agricultural loans bear 15% interest.

SUCCESS

Socially: Clients and especially women, who were considered to have no voice in the entire community and family level, are now having chances of making decisions. They speak in front of the people because they have income. This proves that people with income are valued in the communities compared to the poorest.

At household level, the relationship between wife and husband has been improved because a wife now can contribute something in the home.

Husbands feel happy when helped by their wives in subsidizing household's income.

Economically

There is improvement in affording the basic needs. Project beneficiaries are happy because they have a feeling of being valued by the community and on top of that they participate in economic activities.

They managed to eat three meals per day and to some extent few of them have started to acquire the households assets. That indications show that there is improvement in the standard of living.

Politically

Some of them have gained recognition in the society to the extent that have been selected to join the team of village leaders because now they have power. They receive attention from the community due to changes of their financial status.

CHALLENGES

The major challenge that faces the poorest of the poor is lack and low level of education. Most of them have not gone to school. For those who attended school they could not finish universal primary school education. Thus they remain poor. Their thinking capacities are low and thus make them to fall in marginalized groups.

Some of them are used to the situation they live in. They don't know that they are poor. Sensitizing them that they need to change to more positive way of living seems to them as some sort of disturbances.

BEST is trying to offer just a start up motion. For that matter, beneficiary's needs are numerous. BEST and Donors cannot offer or support all services that are needed by them at once.

FIPO Phase two

Fighting poverty is among the projects that have yielded results in a short period. The donor visited the project site and was touched by the condition and people served by the project because they are the real intended beneficiaries. The beneficiaries expressed their concern regarding their lives and the improvements realized due to the project interventions. The Donor (MRDF) was happy for the changes. The beneficiaries placed their request to

the donor that more people need to be served under the same project. For that reason, the Donor assured them to continuing supporting them through BEST so that more beneficiaries are reached.

Fighting Poverty (FIPO) Project phase two was submitted to MRDF and approved for the coming three years starting from November 2010 to October 2013. The project area is Usa-river, Kikatiti and Maji ya chai. The project will benefit 360 people. 120 people from each ward will be served within the three years.

Evaluation of WAP Project

The WAP project is coming to an end in June 2011. In November 2010 BEST contracted the external consultant to carry out the WAP evaluation process. The consultant carried the evaluation successfully and came out with the evaluation report which shows the strength, weaknesses and challenges of the project.

The consultant involved the staff, board, beneficiaries and the project stakeholders in the whole process. The report of the consultant pointed out that the project objective was achieved by 75%. The main challenge faced by the project implementers were the insufficient funds to run the project as planned. The funds obtained in year one for specific activities was reshuffled to allow continuity of activities although not as set in the proposal. For example the purchase of second hand car was suspended after realizing no more funds could be obtained for running the program activities. Some of the items such as income generating activities, number of loans to be given to the beneficiaries were reduced; some trips to follow ups of as well as trainings were left out due to lack of funds. The monies were used for project activities. Although that second hand car was not purchased, it was significantly that more repairs for the existing two cars whose total book value is below US \$ 2,000 were often done.

In general WAP was successful besides that there were challenges that was supposed to be incorporated in the action plans such as modifying the loan interest rate, accommodating varying individual needs such provision of individual loans and modalities of provision of business management training to different groups with different educational backgrounds.

Finally BEST as an institution was tasked to look for and also establish income generating activities to minimize the rate of donor dependence. For

the time being BEST is 100% donor dependency. This is very dangerous because some of the donors are facing difficulties of securing donations due to changes of world economic situations.

Staff training

BEST staff was trained on relevant skills for enabling them deliver the intended goal. Out of nine present staff, six were trained on quickbooks accounting system. Apart from the quickbook staff attended short courses on entrepreneurship. The training has helped them to deliver services in effective way.

Income generating activities for BEST

From the evaluation report, where the consultant asked BEST to start up income generating activities, BEST came up with handloom and soap making projects. The handloom project is at initial stage with one machine. The target is to have three operational machines for full time production. The second project of soap making is not yet started. Some preparations are still need to be completed so that the project can take off. Hopefully if things went well some of the monies that will be generated will help to subsidize the operational costs.

Consultancy work

BEST conducted nine (10) consultancy works to Tanzania Agricultural Productivity Program (TAPP) Organization. Their branch office is in Arusha. Total number of 460 people was trained and acquired business management skills. The trainings were conducted in Hai and Moshi rural district in Kilimanjaro region, Karatu and Monduli Districts in Arusha Region as seen in the table in page 13.

In those consultancies, BEST collected an income of Tshs 7,224,500.00.

A table representing consultancy work by site:

Region	District/Ward	Total beneficiaries trained
Kilimanjaro	Rundugai - Hai	80
	Sanya Juu –Siha	40
	Kibongoto - Siha	80
	Ghona – Moshi Rural	45
	Kilema Pofu – Moshi Rural	40
	Karanga – Moshi Urban	55
Arusha	Monduli	40
	Kilima Tembo – Karatu	40
	Kambi ya Simba – Karatu	40
Total		460

Overall Challenges that are facing BEST Organization

Service area: BEST is facing the challenges of diverse area of operation. Many people from different angles are asking for the service. BEST cannot meet all demands due to limitation of resources.

Educational backgrounds of beneficiaries: There are beneficiaries who cannot keep business records due to illiteracy. Few adults in the rural can read and write, for that matter record keeping is a problem although the business growth to those without ability of record keeping is noticeable.

Loan repayment: Loan repayments pose another challenge. The loans are given in groups. We noticed that many groups are formed for the purpose of accessing loans. There is no group coherence. The groups disintegrate few

days after receiving loans. BEST witness group loans repaid on individual base.

Financial resources: BEST is facing financial crises due to lack of project and organizational operational funds. While donors are pulling out, beneficiaries are asking for quantity and quality services. We are taking this opportunity to invite interested donors, charity organizations and other philanthropy to support our services. *Financial annual report 2010 is attached.*

Visitors

In February 2010 Tom Korremans and Vincent from CORDAID visited BEST. During their visit they received the report of WAP activities. They advised BEST to conduct the project evaluation between September and November 2010.

Claire Grant from MRDF and her team visited BEST in March 2010. During their visit, they managed to see the project activities in rural areas and talked with beneficiaries. They also took some time to educate BEST staff and Board on matters relating to project implementation and managerial issues.

Mr. Omari Mkombole the Arusha City Education Officer visited BEST during the closing of TOT training. He was impressed by the services provided and asked the TOT to deliver services in their respective areas to speed up development.