



STATUS OF THE 10% LOCAL GOVERNMENT AUTHORITIES (LGAs) LOANS TO GROUPS OF WOMEN, YOUTH AND PERSONS WITH DISABILITIES.



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INTRODUCTION

The 10% Local Government Authorities (LGAs) loans to Women Youth and Persons with Disabilities operate as a revolving fund whereby the Local Government Finance Act (Cap 290, Section 37A) directs all LGAs to allocate 10% of their annual own-source revenues for disbursing free interest loans to groups of women (4%), youth (4%), and persons with disabilities (2%). The loans are intended to bolster income-generating activities of women, youth and persons with disabilities with no formal employment, thereby enhancing their overall livelihoods.

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Provision of the loans was suspended in April 2023, by the Prime Minister, Hon. Majaliwa Kassim. This followed a President’s directive after the Controller and Auditor General (CAG) Annual General Report on Audit of LGAs for 2021/22 disclosed several shortcomings in the management and governance of these loans.

The outlined shortcomings include:

- 53 LGAs not allocating 5.06 billion TZS from 10% of their own source income for the women, youth, and persons with disabilities loans, contrary to the Local Government Finance Act,
- Failure to collect loan repayment amounting 88.42 billion TZS in 180 LGAs due to insufficient capacity of Community Development Officers to assess, manage, monitor and train the loan beneficiary groups,
- 9 LGAs disbursing 2.25 billion TZS to 627 groups that had ceased business activities,
- 3 LGAs disbursing 895.94 billion TZS to 48 non-existent groups,
- 201 loans beneficiaries’ groups in 8 LGAs misusing 774.66 million TZS provided as loans by distributing it among group members instead of funding the approved business projects,

- 45 LGAs disbursing 20.79 billion TZS loans without adhering to loan disbursement ratio of 4% to women, 4% to youth and 2% to persons with disabilities,
- 1 LGA disbursing 147.26 million TZS loans to 5 groups comprised of formally employed individual's contrary to the regulation 6(1)(f) y of the loan provision and management regulations,
- Failure to allocate funds for the management and monitoring of loan beneficiaries' groups at the ward level, and
- Exclusion of loan management experts from the loan issuance and repayment process leading to increased loan defaulting.



Similar challenges were also evident in [ANSAF's 2019 study](#) to assess the capacity of LGAs to allocate 10% for the loans in 25[1] districts across Tanzania. ANSAF also observed the challenges during implementation of its Finnish Embassy funded project named "Strengthening Management and Governance of the Women, Youths and Persons with Disabilities Empowerment Fund in the 25 districts.

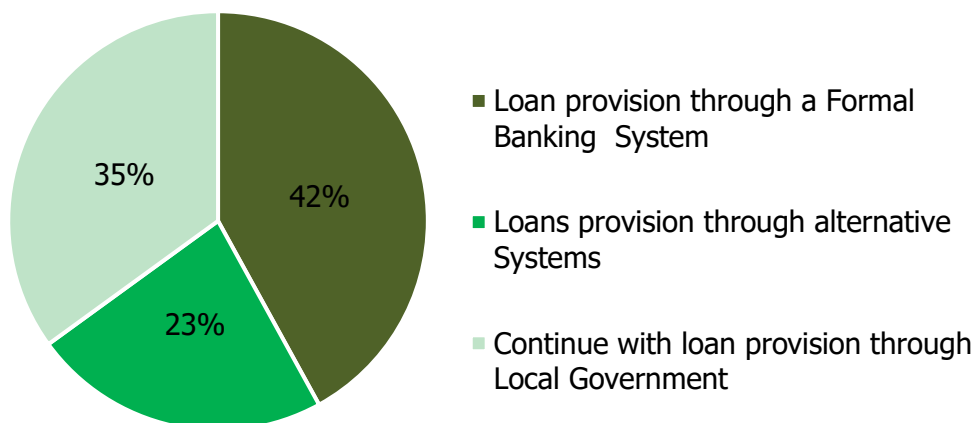


Following the suspension of the 10% LGAs loans provision to groups of women, youth and persons with disabilities, ANSAF conducted an online survey and held a national level consultative meeting in collaboration with [MEDA Tanzania](#). The aim was to bring together, women, youths and persons with disabilities as well as the women, youth and persons with disabilities led-CSOs, to deliberate on how best the government can manage these loans and produce recommendations for enhancing the loans' effectiveness and performance.

[1] LGAs include Nyamagana, Sengerema, Musoma Rural, Bukoba Urban, Karagwe, Muleba, Bukombe, Bariadi, Karatu, Longido, Monduli, Korogwe, Babati, Mvomero, Ulanga, Kilosa, Kilwa, Mtwara Rural, Tandahimba, Newala, Rungwe, Njombe, Iringa Rural, Mufindi and Momba.

The online survey findings regarding provision of the loans are as portrayed below:

The online survey findings



The recommendations that were gathered and consolidated from the online survey and consultative meeting were then submitted to the National Committee for Loan Lending System Reform that had been selected by the Minister of PO-RALG. These recommendations include:

1. Considering establishment of an independent loan management system in each LGA, similar to the National Entrepreneurship Development Fund (NEDF) under SIDO. The loans beneficiaries had doubts on enforcement of a banking system or establishing a bank for the loans compared to the initial objectives of the 10 LGAs loans. They highlighted the necessity of learning and drawing lessons from previous experiences such as the women bank.
2. Ensuring capacity building for government officials responsible for loan management to enhance performance and efficiency.



3. Prioritizing capacity building to beneficiaries' groups prior issuing of the loans to promote profitable and sustainable businesses and loan recovery.

4. Ensuring adequate human and financial resources. This includes allocating sufficient budget for loan management and increasing the number of government officials responsible for the loans management and monitoring.

5. Allowing provision of loans to individuals projects within a group for women and youth.



Resumption of the 10% LGAs Loans Provision to Youth, Women, and Persons with Disabilities.

According to the Minister of the President's Office - Regional Administration and Local Government (PO-RALG), Hon. Mohamed Omary Mchengerwa (MP), 2024/25 Budget Speech provision of the 10% loans to groups of women, youth, and persons with disabilities will resume from July 2024, whereby:

- The expected loan disbursement amounts 227.96 billion TZS, of which 63.67 billion TZS is repayment collected from loans issued before suspension, 63.24 billion TZS is LGAs 10% allocation earmarked for loans during the suspension, and 101.05 TZS is the estimated LGAs 10% allocation for 2024/25. Moreover, PO-RALG plans to continue overseeing LGAs in collecting repayments totaling 43.77 billion TZS from loan beneficiaries' groups.



- ♦ A banking system will be used for 10 trial LGAs which are Dar es Salaam and Dodoma cities, Kigoma Ujiji and Songea, Towns of Newala and Mbulu, Districts of Siha, Nkasi, Itilima, and Bumbuli municipalities.
- ♦ The remaining 174 councils will adopt an improved system to address the initial challenges whereby, a unit for the management of loans for women, youth, and persons with disabilities will be established within the PO-RALG and loan management committees will be established at the regional, council, and ward levels. The responsibilities of the ward-level committees include identifying applicants, verifying loan groups, and registering them in the system before submission to the council committee.
- ♦ PO-RALG has established a new system called the Wezesha Portal, which will be used for loan disbursement procedures for groups of women, youth, and persons with disabilities. This system will eliminate the challenges of the previous system, which existed prior to the suspension of loan provisions.
- ♦ The Government has employed 787 community development officers (who are responsible for the management of these loans) and assigned them to deficient wards.



The PO-RALG plans to:

1. Enhance capacity for loan managers by increasing the number of loan managers at the ward level.
2. Provide training to staff and the entire team overseeing these loans at all levels by experts in managing loans of this nature.
3. Amend the Local Government Finance Act governing the 10% LGAs loans and the regulations for the loans distribution and management to increase efficiency.
4. After the transitional period, an evaluation will be conducted to determine the best system for providing these loans.



CONCLUSION

ANSAF applauds the Government for resumption of the 10% LGAs loans and reiterates the potential of the fund to improve the livelihoods of women, youth and persons with disabilities. These efforts signify a crucial step towards rectifying past shortcomings and fostering inclusive economic development. With renewed commitments, improved systems, and capacity building, as outlined in the PO-RALG 2024/25 Budget Speech, there is optimism for a more impactful loan provision system. Moving forward, effective governance and management is key in ensuring that these loans truly empower the targeted women, youth and persons with disabilities, fostering their participation and prosperity in economic sectors.

ANSAF recommends the following:

1. For Beneficiaries: Provide ongoing capacity building for women, youth, and persons with disabilities to enhance their financial literacy, loan management, and business skills for improved loan performance and efficiency.
2. For Duty Bearers (LGA Officials): Continuously train and equip LGA officials responsible for loan management with the skills and knowledge needed to effectively oversee, support, and monitor loan processes and beneficiaries.
3. Enhance efficiency and management of the funds by allocating and disbursing sufficient resources, increasing the loan management budget, and recruiting additional government officials to oversee and administer the fund effectively.



Way Forward

ANSAF will continue to complement and collaborate with the government, like minded organizations, the local communities and other key stakeholders to contribute to strengthening the management and governance of the 10% LGAs loans to women, youth and persons with disabilities, particularly through sensitization, awareness rising and education provision.

4. Enhance enforcement of LGAs compliance to the 10% allocation to the loans and effective disbursement as stipulated by the Local Government Act, through strengthened supervision and close follow up with LGAs.
5. Create awareness especially on the loan qualification requirements and use of the Wezesha Portal for loans application to the intended beneficiaries.
6. Continue to implement an effective, inclusive, and participatory strategy for monitoring and evaluation of the loans management and performance.

