



# **Social Enterprise Ecosystem Country Profile TANZANIA**

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## Overview

In Sub-Saharan Africa, with 388 million people living on less than the poverty line of USD 1.90 per day and rapid population growth, the challenge for the public sector to deliver services will only grow in the coming years.<sup>1</sup> So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services, such as access to water, energy, sanitation, education, and health care.

In this context, social enterprises (SEs) have emerged as a new type of development actor with the potential to help solve the service delivery gap. During the last decade, SEs in Africa increasingly address service delivery gaps for the poor in novel ways, with Kenya and South Africa among the leading countries in the SE sector.

SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contract of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

Although positive examples abound, SEs have not yet fully realized their potential in Africa. With variations across sectors, many SEs struggle to scale-up and develop sustainable models. SEs face high barriers that are often aggravated by the difficult markets they serve. Common challenges include unconducive regulation and policy, lack of financing solutions, weak infrastructure and human capital, and a lack of information and networks. In addition, SEs are not organized as a sector and fall between traditionally recognized public and private organizations. The public sector often does not play a catalytic role.

The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions capture the enabling environment for SEs: policy and regulation, financing solutions, infrastructure and human capital, and information and networks. Where these dimensions are improved, SEs can significantly contribute to a service delivery challenge.

In developing countries and in particular in Africa, there is limited data collected and analyzed on existing supporting factors, challenges, and opportunities for the SE sector. This report profiles how SEs across seven African countries—Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia—address service delivery gaps for poor populations and assesses the status of their SE ecosystems. The report targets development practitioners involved in policy design and implementation who are interested in new ways to address service delivery challenges. These specific examples of challenges and opportunities for SEs in Africa can highlight ways to increase the sustainability and scale of current and future SE business models.

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<sup>1</sup> Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/22575>.

## Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 1). These countries represent:

- Different levels of socio-economic development.
- Different stages of SE development and ecosystem support.
- Two regional clusters to test for regional patterns and potentially allow regional knowledge sharing and learning.

## Service Sectors

The report covers four basic service areas: education, energy, health, and water and sanitation. These basic services lay the foundation for alleviating poverty, reducing income inequalities, and ultimately contributing to each country's socio-economic development.

## Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the Base of the economic Pyramid (BoP), living on less than USD 1.90 per day in 2015 (the World Bank Group's poverty line at the time of starting the research).

## Analytical Framework

In this report, the ecosystem framework consists of four parts: demand, supply, SE situation, and ecosystem dimensions. SEs are at the heart of the model (Figure 2).

SE opportunities for providing services depend on the *demand* by the BoP and the existing *supply situation*. The four ecosystem dimensions influence the ability of SEs to operate effectively and scale up. The ecosystem framework guides the analysis at all levels: country, service sector, and service sub-sector. Table 1 describes each element in more detail.

Figure 1. Focus countries in this report

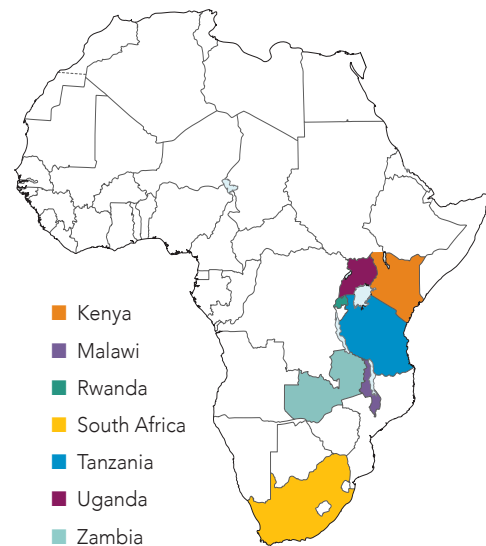


Figure 2. Ecosystem framework



Table 1. Four parts of the ecosystem framework

<b>Demand</b>	<ul style="list-style-type: none"> <li>• <b>BoP needs:</b> What are the development challenges and unmet needs for the BoP?</li> <li>• <b>BoP market:</b> What are the volume and dynamics of the current BoP market? What are the main challenges related to the 4 A's: awareness, accessibility, affordability, and acceptance?</li> </ul>
<b>Supply</b>	<ul style="list-style-type: none"> <li>• <b>Public supply:</b> What is the structure and level of current public supply for the BoP? What are supply gaps and challenges?</li> <li>• <b>Non-public supply:</b> What is the structure and level of current non-public supply for the BoP? For example, from NGOs or the private sector.</li> <li>• <b>Donors:</b> What role do donors play in the sector?</li> </ul>
<b>SE situation</b>	<ul style="list-style-type: none"> <li>• <b>SE understanding and presence:</b> How many SEs are there? How are they perceived?</li> <li>• <b>Type:</b> How big are they? How are they organized? What is their level of maturity?</li> <li>• <b>Value chain:</b> What are typical activities in the value chain? In which service sectors and service sub-sectors are SEs active?</li> </ul>
<b>Ecosystem dimensions</b>	<p>Ecosystem dimensions capture the enabling environment for SEs. This includes dimensions that are specific to SEs and dimensions that determine the viability of market-based approaches more broadly.</p> <ul style="list-style-type: none"> <li>• <b>Policy and regulation:</b> What are the main policy drivers or barriers for SEs? Including policy strategy, regulation, and level of public-private collaboration.</li> <li>• <b>Financing solutions:</b> What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance, and grant funding.</li> <li>• <b>Infrastructure and human capital:</b> What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent?</li> <li>• <b>Information and networks:</b> What organizations, incubators, networks, training, etc. are available to build awareness, knowledge, and capacity among SEs, or advocate for SEs?</li> </ul>

### Data Collection

Endeva and BoP learning labs conducted desk and field research to map the SEs and ecosystem dimensions. They based the SE mapping on publicly available resources and desk research, which was supplemented with semi-structured interviews with SEs and local stakeholders representing different parts of the ecosystem. Accordingly, the sample size for each country varies in the report.

The information is based on:

- 59 interviews with SEs
- 140 interviews with stakeholders
- Interviews with BoP service users
- A database with 271 SE examples



## Social Enterprise Ecosystem Country Profile

# TANZANIA

*SE landscape and ecosystem is nascent. Hybrid SE models are relevant to mitigate key market challenges. Relatively good support infrastructure is important first step to promote SEs development.*

### Policy and Regulation

- Increasing private sector focus, but slow implementation
- No legal framework for social enterprises exists
- Health is most developed service sector for BoP relevant PPPs

### Infrastructure and Human Capital

- Infrastructure gaps are a significant cost driver
- A number of training programs build skills of social enterprise staff

### BoP Demand

- Low service levels are pressured by urbanisation and population growth
- BoP markets are dispersed and informal

### SE Situation

- Low recognition of SE terminology, but pockets of awareness are emerging
- NGOs transfer to SE models, few private SEs
- Most SEs in energy and health

### Supply to the BoP

- Weak public services for BoP in health and education, while water, energy and sanitation does not reach BoP
- Private sector investment into basic services is limited
- Donor aid among the highest in Africa

### Financing

- The majority of SEs in Tanzania receive funding from grants and donor sources
- Growing impact market, but challenges dispersing funds
- Consumer financing is a major SE bottle-neck

### Information and Networks

- SE support outnumbers SEs currently
- Research and data for social enterprises is quite limited
- One of the first African SE networks is in Tanzania

## Study background

This profile is part of the *Social enterprise ecosystem mapping*. Social enterprises (SEs) are defined as non-public providers of services to low-income populations, based on a sustainable revenue model and a social mission. The profile maps the *ecosystem* for SEs in Tanzania based on a guiding framework that identifies key elements of the SE ecosystem. The profile supplements service profiles *and a report* with cross-cutting analysis. The service areas are:

- Water and sanitation
- Health

The profile is based on desk research and interviews with local experts and social enterprises (SE) conducted in summer 2015. Unless otherwise noted, information provided in the profile is based on research and interviews. The list of interviewees is provided in the annex.

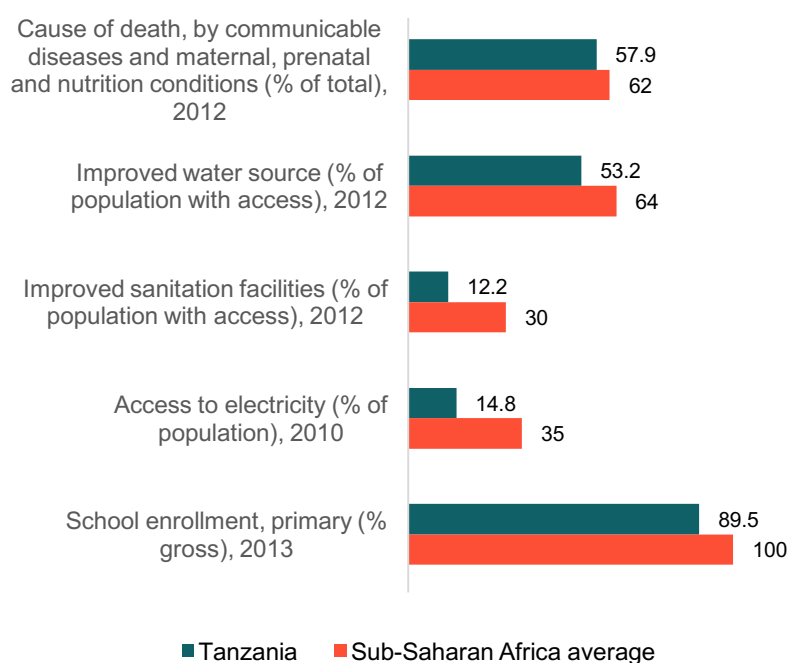
## Country facts<sup>2</sup>

- **Population:** 49.3 Million (2013)
- **BoP < \$1,25 per day:** 20.8 Million (2011)
- **GDP per capita PPP:** US\$ 2443 (2013)
- **Average GDP growth, 2009-2013:** 6.4 %

## NEED AND DEMAND FOR SERVICES

Despite an average annual GDP growth rate of around 6.4% during the last 5 years and a high level of donor support, Tanzania remains one of the poorest countries in the world. In 2012 more than 43.5% of Tanzania's population lived on less than \$1.25 per day.<sup>3</sup> High population growth (average 3% in 2009-2013—WB WDI) is putting increased pressure on service delivery. As a result, Tanzania scores in the lowest quartile on the Human Development Index and is moving in the wrong direction dropping 7 positions from 2013-14. Rural areas score lowest, while cities such as Arusha, Kilimanjaro, and Dar es Salaam HDI score similar to countries with medium rankings.<sup>4</sup> This score reflects the general low service delivery outside cities.

Figure 3. Access to basic services in Tanzania (Source: World Bank data)



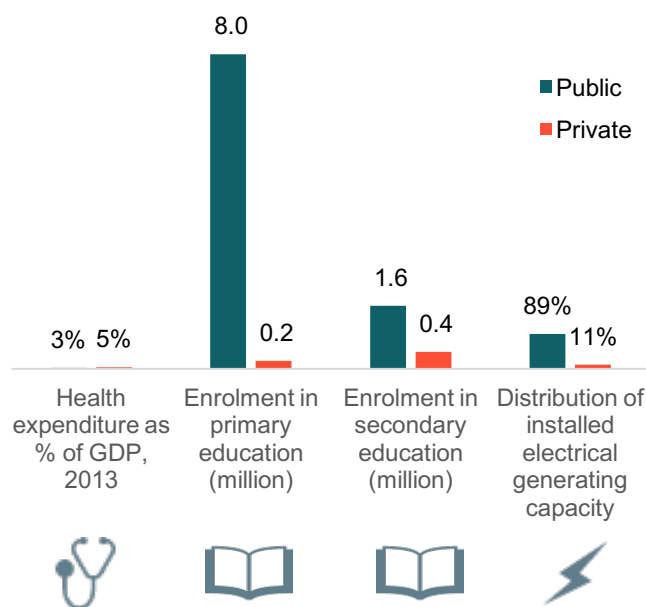
<sup>2</sup> World Bank, World Development Indicators

<sup>3</sup> World Bank, World Development Indicators

<sup>4</sup> UNDP/Republic of Tanzania (2014): "Tanzania Human Development Report 2014, Economic Transformation for Human Development"

Energy, water and sanitation are especially challenging. While basic sanitation standards are relatively high, only 12% of the total population have access to improved sanitation facilities in Tanzania (2012). In addition, power cuts and failures in the water supply remain frequent. In Tanzania, national educational indicators such as school enrolment reveal some positive trends, particularly at the primary and secondary levels, although large challenges on quality of education, especially at the higher levels, remain a major concern.<sup>5</sup> The BoP face many health challenges typical of the region, but the situation has improved from a low starting point in recent years with for example increase in life expectancy and reduction in child mortality. Importantly, the gaps between urban and rural children and between income segments are moving in the right direction.<sup>6</sup>

Figure 4. Public and private sector indicators (Source: World Bank data)



Informal BoP markets exist in all four service areas and span small local enterprises as well as larger established companies, which often also operate informally. Within health and education the BoP often turn towards low-cost private options, including faith-based providers, private schools, and health providers. In rural areas water is often seen as a public good, while urban BoP are used to paying for water. Here markets are often informal or NGO's provide subsidized services, which means markets can be hard for SEs. In the energy and sanitation sectors, new technology or products have been introduced. Slow product adaptation has challenged BoP market development in these sectors. Rural BoP markets are often very local and small due to the vast geography and dispersed rural population in Tanzania. As a result BoP in rural areas often have long distances to public and private service access. Some SEs point to a lack of willingness to pay for services due to the many NGOs and donor financed programs in Tanzania.

## SUPPLY OF SERVICES

### Supply by the Public Sector

Despite reforms, public service delivery for the BoP is low both in terms of coverage and quality. Tanzania has implemented major education sector reforms including free primary schools (2001), but teachers and materials are lacking and facilities remain inadequate. Despite education being free, parents are expected to contribute fees for books and inventory, which is a considerable cost for the BoP. The public grid, managed by TANESCO, only reaches a low percentage of the population and almost only in urban areas. As a result the BoP has no public access to electricity. In water and sanitation the public sector also delivers limited urban services which rarely reach the BoP. Whilst education, water and energy are largely public sectors, health services are often private in Tanzania. In the public sector the BoP is often met by inadequate facilities and acute shortage of skilled personnel and is often expected to pay different fees.

<sup>5</sup> UNDP/Republic of Tanzania (2014): "Tanzania Human Development Report 2014, Economic Transformation for Human Development"

<sup>6</sup> WHO (2014): "Country Cooperation Strategy Brief"



## The Role of Donors

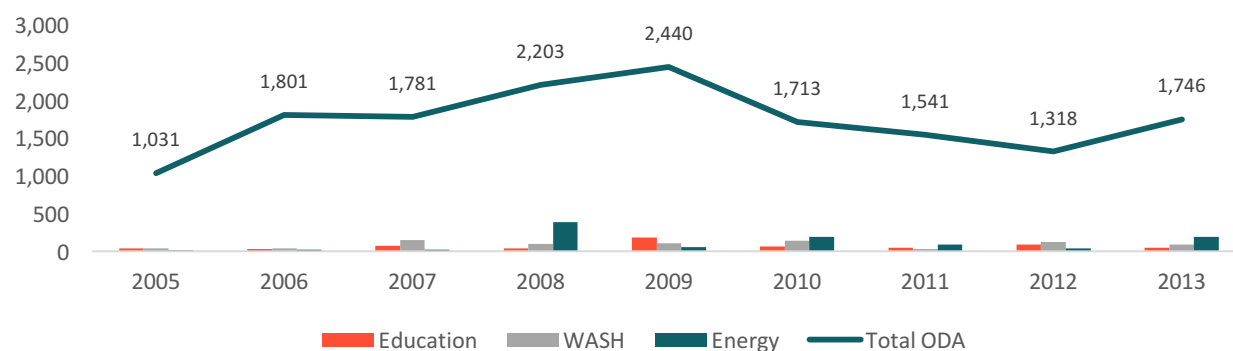
Tanzania is and has been one of the highest aid recipient countries in Africa, with 1.7 billion of ODA in 2013 and as high as 2.4 billion USD in 2009. In health, water and sanitation projects donors support the public sector, as well as many NGOs. In the energy sector, which has attracted most support recently, the government remains the main partner here in the effort to increase public supply. As regards education, the public sector is also the main recipient of donor projects except for smaller faith based organisations.

### Millennium Challenge Corporation

An example of a large scale donor program was the \$698 million Millennium Challenge Corporation granted by USAID. The program ran between 2008 and 2013 and is currently being renewed.<sup>7</sup> The projects were mainly aimed at rehabilitating water and sewerage systems and investment in power infrastructure and as such, targeted direct cooperation with the government.

Many donors have moved support from individual projects towards budget support, which have pressured many NGOs, some of whom have moved into SE models (see SE section). At the same time sources interviewed noted that many donors were frustrated with pace of progress in public reform and implementation and were increasingly open towards new models.

Figure 5. Tanzania ODA commitments, million USD (Source: OECD statistics)



## Non-public supply

In spite of the challenges the government is facing in service delivery, there is not a large playing field for the private sector in delivering services to the BoP. Government regulation leaves little room for private sector players in electricity, water and sanitation. These are still very much viewed as public domains, albeit with NGOs being allowed to fill some service gaps. In the health sector, there is a larger field of private players and even examples of the government paying private operators for service delivery. In education, the government remains very dominant, but a range of private school operators exist (mainly in urban areas, but some religious organisations and private enterprises have also started private schools in rural areas). The private schools are in heavy demand due to the low quality of the public sector schools.

## Supply by Social Enterprises

Many public officials and local stakeholders in Tanzania are unfamiliar with SE terminology.<sup>8</sup> Whilst the idea that organizations may undertake some income generating activity as a way of supporting their

<sup>7</sup> [www.mcc.gov/news-and-events/release/mcc-statement-on-board-of-directors-discussion-of-tanzania-091715](http://www.mcc.gov/news-and-events/release/mcc-statement-on-board-of-directors-discussion-of-tanzania-091715)

<sup>8</sup> Besides interviews conducted for this study, the local researcher in Tanzania conducted a survey of SE perception (with a slightly different definition of SEs) in 2009 (Mori & Fulgence (2009): "Social entrepreneurship in Tanzania: Assessment of Enabling Environment").





social work has become more familiar over the last few years, there is real uncertainty around what SE are and how they are different from NGOs or informal business. The term entrepreneurship in the Tanzanian context is often viewed as a business done by ‘petty traders’. Discussion about social enterprises are hence sometimes coupled with the informal sector. Tanzania still carries a historical scepticism toward the private sector stemming from the socialist era, which influences willingness and experience involving the private sector. However, there are indications that some government officials at an individual level are recognizing SEs as a positive influence. The influx of impact investors and different SE hubs has also created ‘SE noise’ and awareness.

Compared to the other East Africa countries studied, very few companies in Tanzania self-identify as SEs or use SE models. Most SEs in Tanzania are NGOs, community organization or donor projects that have shifted towards revenue models to become sustainable in the light of dwindling donor support. An example is the Tanzanian Training Centre for International Health, which has moved from external funding to 75% self-financing by developing into an SE. Similar to other countries studied faith-based organizations share characteristics with SEs and play a significant role in service delivery, especially in health. Aga Khan is a notable player, which both has commercial high-end services and also targets the BoP through many SE type programs within especially health and education (Aga Khan Foundation). Besides the significant impact of FBO structured SEs in health and a few energy projects, there are very few examples of scaled SEs models in the other service sectors, where smaller individual projects are the norm. As such SE presence in Tanzania is closer to very nascent countries such as Malawi, than to the other East Africa countries, where Rwanda also has few SEs, but a strong private focus from government, which means SE presence is growing quicker. As in several other countries studied there is considerable SE activity outside the focus sectors; in Tanzania, especially in agriculture, microfinance, tourism, and production of different crafts. Here cooperative models are more present and follow a long tradition in Tanzania.

Despite low SEs levels SEs exist in all sectors studied and interview respondents note that SE thinking is on the rise. Most social enterprises have been identified in the energy sector and in the health sector in the form of FBOs. SEs in energy mainly provide off-grid solutions in the rural areas where no services are available. So far, good results from energy SEs in Kenya, Uganda and Rwanda have not been scaled or replicated successfully in Tanzania. In the health sector non-public actors are recognized, including SEs, which provide a range of services independently or with the government as a partner. CCBRT hospital has, for example, signed a Memorandum of Understanding with the government to provide maternal and newborn healthcare in Dar es Salaam in order to prevent disabilities and to reduce the levels of maternal and neonatal mortality in Tanzania. Through the MoU, the government is providing a financial contribution to CCBRT operations. In water and sanitation a few NGO structured SEs focus on water services, waste handling, sanitation solutions and training, but most work as normal NGOs, but might promote market based solutions in their work. The SEs BOMBA<sup>9</sup> is one of the first SEs in water and sanitation structured as a private company. In education service delivery chain SE services for example include low cost schools, but also a number of skill development NGOs, which combine training with revenue generating production (e.g. Arusha Women Entrepreneurs).

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<sup>9</sup> See more in water and sanitation profile or here: <http://idwp.nl/project/safe-water-for-30-000-people-in-mara-region-tanzania>

	Health	Water and sanitation	Energy	Education
SE activity level				
SE Example	<p><b>Business Area</b> CCBRT Disability Hospital provides surgical and outpatient services for ophthalmology, obstetric fistula, orthopedics, and reconstructive surgery and anesthesia. Their services target the lowest income communities with subsidized low prices or free of charge services. Their income is mainly generated through donors and through charging higher prices at their Private Clinic for middle class consumers.</p> <p><b>Type</b> CCBRT is a non-governmental organization based on a hybrid model. It was founded in 2001.</p>	<p><b>Business Area</b> NUMAGRO do pit emptying service to the local community in the Temeke Municipality. It was among the areas where cholera epidemic was critical. Given their engagement, the epidemic is no longer a problem. By using local transportation means to collect the waste and taking it to central dumping areas, they are able to conduct a sustainable business model, which is affordable to the local communities.</p> <p><b>Type</b> NUMAGRO is a for-profit enterprise founded in 2010.</p>	<p><b>Business Area</b> L's Solution promotes and sells solar powered lamps, chargers and cook stoves at village trade fairs. They also install larger-scale devices such as solar water pumps and solar PV panels thereby solving problems for the BoP. The products themselves reduce fuel consumption by 60 percent, reducing deforestation and health risks from indoor air pollution.</p> <p><b>Type</b> L's Solution is a private, for-profit company founded in 2007.</p>	<p><b>Business Area</b> Bright Green Enterprise works with schools in Tanzania by hosting Enterprise Challenge Days (entrepreneurial challenges), talks and career workshops. The company aims to improve the skills and competences of students.</p> <p><b>Type</b> Bright Green Enterprise is a private company based in the UK. It has been working with schools in northern parts of Tanzania since 2010.</p>

## Social Enterprise Ecosystem

The social enterprise ecosystem is only emerging in Tanzania and SEs still face many challenges in the current system. SEs find themselves limited mainly by restrictions of the legal framework, funding issues and lack of appropriate technical support.

### POLICY AND REGULATION

#### Policy strategy

The notion of linking production and services with a greater social good has has a long history in Tanzania. Cooperatives date back from the colonial era and were strengthened in the socialist era

through top-down collective models at community level (e.g. Ujamaa policy<sup>10</sup>), but also integrated into state structures, for example through national cooperative banks. While cooperative forms have dwindled in reform drives they as noted have reemerged in some sectors with SE presence. Despite international attempts to liberalise and reduce the state, Tanzania's history is still reflected in an often-times arms-length relation to the private sector and a heavy state involved in many areas of the economy, including price control in certain sectors and many state-owned enterprises. While Tanzania is highlighted as a stable country in general, several SEs and experts quoted unpredictable government policies and lack of experience working with the private sector as key challenges for SE investments.

In recent years the Government of Tanzania has developed a number of poverty reduction strategies, including several phased of the *National Strategy for Growth and Reduction of Poverty*. The strategies have succeeded in sustaining stable growth, but failed to produce equitable growth. In addition to the Poverty Reduction Framework Tanzania's Long Term Development Vision 2025<sup>11</sup> was formulated in 2000. Vision 2025 strives towards developing Tanzania into a middle-income, semi-industrialized and competitive economy. To achieve this, the government has formulated a range of long-term and medium-term plans, which target infrastructure bottlenecks as well as constraints related to skilled labour, business environment, market structure etc. Many of these areas link into public service delivery, but implementation has been slow and hampered by among things poor policy management, bureaucracy and failure to decentralise.<sup>12</sup>

## Regulation

Since SEs are not recognized politically, they have to fit into the existing framework. SE register in a number of forms including societies, companies limited by guarantee or as most NGOs<sup>13</sup>. The amended NGO act allows income generating activity as long as this is aligned with the social mission and profits are reinvested. There are also incentives that support activities with a social mission. For instance, tax exemptions and incentives are provided for import of some medicines and equipment when such things are purchased abroad. However, such exemptions are only offered to NGOs that are registered as not-for-profit. Some experts mentioned examples of NGOs, which registered as companies to avoid the power of officials to deregister NGOs, if they conduct sensitive activities.

Several SEs note that business registration, licenses and tax in Tanzania is cumbersome and includes many fees to government agencies. Foreign SEs should also be aware that land is public, but leasable and that there are restrictions on foreign ownerships of land.

Table 2. Regulations and their relevance to SEs

Examples of regulation	SE relevance
<b>Non governmental organizations act no 24/2002</b> <b>Societies Act</b> <b>The Co-operative Societies Act</b> <b>The Trustees' Incorporation Act</b> <b>Companies Act</b>	Laws governing registration of SE.
<b>Income Tax Act revised edition (2008) Sect. 64</b>	Stipulates how charitable organizations can make use of tax incentives and exemptions

<sup>10</sup> Ujamaa means extended family, brotherhood and was used to describe African socialism. Among other things, the policy was used to promote collective production forms especially in rural areas in the post-independence era.

<sup>11</sup> [www.tzonline.org/pdf/theTanzaniadevelopmentvision.pdf](http://www.tzonline.org/pdf/theTanzaniadevelopmentvision.pdf)

<sup>12</sup> UNDP/Republic of Tanzania (2014): "Tanzania Human Development Report 2014, Economic Transformation for Human Development"

<sup>13</sup> Tanzania Association of Non-Governmental Organizations (2013): "Reviewing Tanzania's non-profit legislative regime and need for a new regulatory framework"

## Public-private collaboration

On paper, there is a willingness from the government to engage with the private sector. The National Public-Private Partnerships (PPP) policy of 2009 point to PPPs as viable means to address constraints of financing, management and maintenance of public goods and services. However, as mentioned, the culture in the public sector has not allowed these partnerships to be implemented in larger scale. Public-Private Partnerships do exist in several cases like with CCBRT, which is largely an SE model. In total, the World Bank database lists 27 PPP projects that were implemented in Tanzania in 1990-2014.<sup>14</sup> Most were large scale projects in the electricity and telecommunications sector. In the WASH sector, PPPs are almost non-existent, with an unsuccessful attempt to privatize water supply in Dares Salaam in 2003. In the health sector, PPPs are more common and the level of public-private collaboration has been increasing exponentially since 2007. For example, the Ministry of Health and Social Welfare has developed Service Level Agreement with a number of non-public stakeholders, including the main Faith based organization and the Association of Private Health Facilities in Tanzania.

## FINANCING

### Grant funding

As noted, Tanzania remains a large recipient of donor support and despite reduction in direct funding many organizations and SEs still rely on donor funding for programs or sell their services to donors. For companies, grants are often harder to access due to unwillingness to support private enterprises. Some experts note that the commercial market for impact investors is challenged by grants and donor funding, since SEs compare deals with free money.

Table 3. Examples of grant funding

Examples of grants	Focus
<b>The Information Society and ICT Sector Development Project in Tanzania</b>	The project runs an innovation fund which provides grants to social innovators.
<b>United States Ambassadors community grants</b>	The program provides grants to community organizations in Tanzania that are involved in projects benefitting rural and urban communities. Some SE type models have been supported.
<b>Human Development Innovation Fund (HDIF)</b>	HDIF is a challenge fund for social innovations in education, health and WASH sectors.
<b>Tony Elumelu Foundation</b>	The foundation runs an entrepreneurship program which provides seed financing to early-stage enterprises, including SE models.
<b>Wateraid</b>	Finance opportunities for selected sanitation companies.
<b>The Tanzania Social Entrepreneurship Network Forum</b>	The Tanzania Social Entrepreneurship Network Forum provides grants from various sources through an online platform. The grants come from international organizations that usually focus on a specific target group. According to the Chairman, “funds are not fully utilized due to the lack of awareness of the SEs.”

### Off-Grid:Electric

Off-Grid:Electric is an example of an SE which has leveraged public and private financing. US-Aid initiative Power Africa has supported the company “grow, improve, and attract substantial private capital investment. *USAID’s Development Innovation Ventures (DIV), an innovation fund within*

<sup>14</sup> <http://ppi.worldbank.org/snapshots/country/tanzania>

*USAID's U.S. Global Development Lab, invested an initial \$100,000 in 2013 to pilot operations in Tanzania. The company also received \$200,000 in funding in 2013 from the Overseas Private Investment Corporation's U.S.-Africa Clean Energy Finance (ACEF) Program. ACEF support allowed Off-Grid:Electric to upgrade software, and optimize hardware design and supply chain management. These efforts were critical for the company to better serve its existing customer base while allowing it to scale quickly. Between 2013 and 2014, the number of homes receiving electricity from Off-Grid:Electric jumped from 1,000 to nearly 30,000. The company built on its early success by refining their sales model with initial public sector support and raised \$7 million in private equity led by U.S. investors SolarCity, Vulcan Capital, and Omidyar Network. DIV invested another \$1 million in late 2014 and in early 2015 the company secured another \$16 million in equity financing led by SolarCity, Zouk Capital, and Vulcan Capital, as well as an additional \$7 million loan from the IFC and its partners. Together, these events culminated in the 2015 launch of the Million Solar Homes Initiative with a new partner, the Government of Tanzania. The effort seeks to provide affordable off-grid energy to one million Tanzanian households, while creating 15,000 jobs by the end of 2017." Source USAid<sup>15</sup>*

### **Commercial funding**

Accessing credit is extremely difficult in Tanzania. Tanzanian banks are extremely risk averse and are often unwilling to invest in start-up or early-stage enterprises. Interest rates are high at about 14-16% and the demands for collateral are strict. Collateral requirements can be more than the loan amount. The situation is even worse for SEs, since they are largely viewed as NGOs with little or no focus on financial returns. Micro-finance occasionally provide loans to NGOs and certain SE projects, but this will often be at a very high interest rate, even above the rate charged by banks.

The impact investment market is nascent in Tanzania, but it is on the rise. There have been disbursed at least USD 227 million in capital in the country.<sup>16</sup> Overall, however, Tanzania is considered to be the third country after Kenya and Uganda in terms of impact investing activity. There are 129 impact investment vehicles and 92 impact investors (non-DFI) in Tanzania, which is similar to the numbers for Kenya, but the level of deals and investment is much lower in Tanzania. Some impact investors however look towards Tanzania citing a crowded market in Kenya. Financial services, energy, agriculture and housing attract the most capital, while healthcare surprisingly sees few investments despite being a focus sector for private engagement. Generally, impact investors are challenged by the level of informality among Tanzanian enterprises, which makes due diligence hard and point to a lack of mature deals.<sup>17</sup>

### **Consumer finance**

Access to formal financial services has increased significantly in Tanzania reaching 57% in 2013.<sup>18</sup> A majority of these services are provided by non-banking institutions such as MFIs. However, these type of institutions rarely have products which are relevant for the service sectors studied. As a results consumer finance is a major bottle-neck for SEs in Tanzania. Some SEs have included micro-financing, loans or saving groups in their programs.<sup>19</sup> As in other countries energy services are pushing innovation with SEs such as MKopa, Solar Money and Off-grid Electrics employing different sequenced or pay-as-you-go financing schemes. Also see the *Water and sanitation* profile for examples of financing schemes in sanitation.

<sup>15</sup> Text is directly from website (shortened) to provide detailed example of funding structure for large scale SEs.

[www.usaid.gov/powerafrica/newsletter/aug2015/solar-powered-homes-tanzania](http://www.usaid.gov/powerafrica/newsletter/aug2015/solar-powered-homes-tanzania)

<sup>16</sup> Global Impact Investing Network (2015): "The Landscape For Impact Investing In East Africa"

<sup>17</sup> Global Impact Investing Network (2015): "The Landscape For Impact Investing In East Africa"

<sup>18</sup> Share Research Consortium (2015): "Developing microfinance for sanitation in Tanzania"

<sup>19</sup> Example: <http://wsscc.org/2015/05/15/global-sanitation-fund-programme-in-tanzania/>

## INFRASTRUCTURE AND HUMAN CAPITAL

### Infrastructure

Infrastructure remains a challenge in Tanzania in both urban and rural areas. The electricity grid does not reach many rural areas and is of poor quality. In addition, it is difficult for private operators to make use of the grid, limiting them to off-grid solutions. The same is true for the water infrastructure, which is limited outside the urban areas. When it comes to sanitation, infrastructure remains a problem in both urban and rural areas.

The continued expansion of the mobile infrastructure makes it possible to develop new business models, both in terms of transmitting data and using mobile money as a payment infrastructure. However, cost remains an issue when it comes to data usage. There are currently new solutions on the way to try to solve this. One company is currently testing a system to provide low cost internet in rural areas by using IP technology.<sup>20</sup> This could open up a large potential in providing ICT-based solutions to BoP needs. Mobile money is of increased importance and is the banking method of choice for the common Tanzanian. 32% of the population use mobile banking exclusively and only 2% have an active traditional bank account.<sup>21</sup>

Serving the BoP in Tanzania means coping with a vast geography, dispersed rural population and poor transportation infrastructure. For SEs this means high costs and challenging logistics when scaling. Often it is necessary to decentralize distribution, inventory and different service functions due to large distances.

### Skilled staff

Access to skilled staff is a challenge for all sectors in Tanzania because of the poor education system and low productivity among the workforce. There is also a lack of specialized education to provide technical knowledge about operations in the given sector. There is, for example, no specialized education to enable people to work in the WASH sector. In the health sector, government statistics as reflected in the 2009 – 2015 Health Sector Strategic Plan III (2008) indicate that there is an acute shortage of staff and only 35% of the required personnel is in place to provide health services.

With low recognition in the public the SE sector is still not well known as an independent career choice. Several social entrepreneurs interviewed had an ICT background and were using ICT technology to provide solutions for social challenges. These interviews reflect that there are pockets of SE awareness that are drawing skilled professionals. Several SEs and experts however note that it is a struggle to find experienced local staff for middle and senior management positions. Compared to for example Kenya, less diaspora is returning and fewer are gaining competencies abroad. Often wage expectations are also a problem for SEs to support.

Notably different SE focused courses are beginning to emerge. At the University of Dar es Salaam, an SE course is for example offered as an optional class in the Project Management Masters program.

### MS TCDC Training Centre

The center is developing a Bachelor degree and a higher diploma for non-profit studies to develop a cadre of people who can establish SEs. The programs have already been accredited by the Tanzania Commission for Universities (TCU). The first intake under this program will start in July 2015. The

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<sup>20</sup> BlueTown

<sup>21</sup> Economidesy, N., & Jeziorskiz, P. (2015): "Mobile Money in Tanzania"



fundamental modules include, among others, Aid and Development, Principles of not-for-profit sector, SE skills, Poverty and Inequality, Project Implementation, Public Advocacy, Ethics and Supply chain. Furthermore, the MS TCDC Training Center is also planning on developing a Master's degree in social economy, which will also have an SE module.

## INFORMATION AND NETWORKS

### Capacity building

SEs in Tanzania are offered a range of training and incubations options, both specifically on SE possibilities and on general business operation. True Maisha Training Company for example conducts a 5-day SE training, where participants conceptualize innovative business ideas, while the parastatal training organization, SIDO, in collaboration with the ILO, offers technical training. Most support entities focus on early stage ventures and needs of these, with little focus on scaling SEs.

Tanzania is also home to a number of SE incubators. The main player in the market is BUNI (see below). Other incubators include Living Labs Reach, which promotes social innovation in rural regions through the use of technology, and Village Company in Arusha, which has 10 SE companies in various stages of development. Furthermore, Reach for Change runs an annual SE startup competition. Some SEs also run incubator programs. Apps & Girls aims to bridge the gender gap in ICT through making school visits and promoting IT social solutions. N-labs aims at promoting social entrepreneurship among youth at the age of 9-19 years. Several new technology hubs have also opened recently, which indicates an increased focus on locally developed tech-based enabling technologies.

Table 4. Examples of capacity building for SEs

Type	Examples
<b>University based incubators</b>	<ul style="list-style-type: none"> <li>The University of Dar es Salaam Entrepreneurship Centre (UDEC) has an incubation program that was launched in 2009. The program targeted business service providers at the start-up stage. Among the services offered were office space, training, counseling and coaching, networking with clients and an opportunity to deliver UDEC programs.</li> </ul>
<b>Private sector based incubators</b>	<ul style="list-style-type: none"> <li>Another SE incubator is KINU group, which focuses on ICT, but also encourages people from other disciplines to become active members.</li> <li>There is also Village Company incubator operated by Village International Africa. This is headquartered in Arusha. The incubator has 10 companies in various stages of development. It has plans to reach 100 companies in the near future.</li> </ul>
<b>Public sector based incubators</b>	<ul style="list-style-type: none"> <li>BUNI is based in Dar es Salaam and funded by TANZICT, a bilateral project between the government of Finland and Tanzania. The hub has been in operation for almost four years since October 2011, and is the biggest in the country with 400 registered members. BUNI operates four programs: an internship program aimed at university students; a mentorship program that helps students develop an SE business model; an innovation outreach program aimed at universities where mentoring, career guidance, and capacity building is offered and a fabrication lab where entrepreneurs invent their ideas.</li> </ul>
<b>Competition or challenges</b>	<ul style="list-style-type: none"> <li>An SE competition in Tanzania is run by Reach for Change. The competition has been successful so far. For instance, the prize winner started an SE organization called Apps &amp; Girls. Reach for Change also has an incubation program to ensure that the ones who get the prize award receive mentorship and training.</li> </ul>



	<ul style="list-style-type: none"> <li>• Enablis and several other entities have also run competitions in Tanzania.</li> </ul>
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### Research and Data

SEs are rarely subject to scientific scrutiny in the academic community in Tanzania. According to experts interviewed the lack of well-documented research and cases delays the development of the sector. Available research at the country level includes Mori & Fulgence (2009) which focuses on the Enabling Environment for Social Entrepreneurship in Tanzania.

In terms of BoP market data SEs largely have to generate their own research. Available data varies for each service and also across subsectors (see health and water and sanitation profiles for examples).

### Coordination and advocacy

The Social Entrepreneurship Network Forum is organized on a monthly basis. Among the members are the Innovation hubs (KINU, BUNI, N-Lab); even impact investors Reach for Change participate in this forum. The existence of a focused network is unique for East Africa, where even Kenya is lacking an operational SE network.

In addition to this network, there are a number of sector specific networks that advocate for members in sectors with a social impact. They do not promote social entrepreneurship as such, but are rather focused on creating opportunities within their respective sectors.

*Table 5. Examples of networks relevant to SEs*

Sector	Example
<b>Education</b>	<ul style="list-style-type: none"> <li>• Tanzania Education Network/Mtandao wa Elimu Tanzania (TEN/MET) is a national network of over 150 national NGOs and CBOs, international NGOs and district networks throughout Tanzania that are concerned with the promotion of education. Its core aim is to work and link with other actors in Civil Society Organizations (CSOs), to support local groups, such as Community Based Organizations (CBOs), Faith Based Organizations (FBOs), and NGOs, to carry out their advocacy work with an informed collective voice and to influence policies for basic quality education for all in Tanzania.</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>• The African Medical and Research Foundation (AMREF) is an independent non-profit, non-governmental organization (NGO) whose mission is to improve the health of disadvantaged people in Africa as a means for them to escape poverty and improve the quality of their lives. AMREF has some SE relevant activities.</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Tanzania Renewable Energy Association (TAREA), formerly TASEA (Tanzania Solar Energy Association) is a non-profit making, non-governmental organization that brings together actors in the renewable energy sectors to promote the accessibility and use of renewable energy in Tanzania.</li> </ul>
<b>Water and Sanitation</b>	<ul style="list-style-type: none"> <li>• The Association of Tanzanian Water Suppliers (ATAWAS) is a membership-based association operating in Tanzania. ATAWAS was established in October 2002 as a Non-Governmental Organization. The Association has members from water suppliers, from regional and district headquarters, individual members and other sectors in water industry such as water and sanitation</li> </ul>

	service vendors, manufacturers of water supply materials, water borehole drillers, water and sanitation engineering services and training institutions in water and sanitation. The organization supports the water industry through information sharing, knowledge management and advocacy.
<b>Enabling SEs Micro Finance</b>	<ul style="list-style-type: none"> <li>• The Social Entrepreneurship Network Forum is organized on a monthly basis. The network discusses and advocates for social entrepreneurship issues.</li> <li>• Tanzania Association of Microfinance Institutions provides services to the microfinance institutions and clients of microfinance services. It is a platform for all microfinance stakeholders which allows them to meet and discuss their concerns and interests, network and collaborate for the purpose of developing the microfinance sector in the country.</li> </ul>

## OUTLOOK

**SEs have the right mindset to work in challenging Tanzanian markets. Supporting SEs develop and scale is needed to leverage potential. Relatively good support infrastructure is important first step.**

**Service status and SE opportunity:** In small numbers SEs are present across the four service areas with often small local projects. As in other countries FBOS span wide in education and health, while newer types of SEs are present to a limited degree. In energy innovative SEs are beginning to pick up and are drivers of both innovation and scale. It is important to note that profile only paints a half picture, since more SE type organization can be found in sectors beyond the scope of this study and add to the SE landscape in Tanzania. However, even with a broad perspective, SEs are not recognized widely as an independent type of organization. Several experts however point towards SEs models as a necessary approach to drive change. Business challenges linked to vast geography, low purchasing power and lack of BoP awareness and demand, means private service solutions are developing slowly. In the short-run hybrid models are therefore an interesting alternative to donor projects and slow public improvements. An example is the sanitation sector, which will require patience, innovation and demand creation – three qualities of SEs.

**Ecosystem strengths/weaknesses:** The ecosystem for SEs in Tanzania is fragmented. On the one hand, Tanzania is behind East African peers on private sector engagement and hosts a challenging business environment. On the other hand, Tanzania has a number of impact investors looking for deals, incubators and SEs courses, which matches or exceeds other countries. A key focus should be to ensure that these support entities help local companies cope with the structural barriers in Tanzania. The following are examples of possible areas of intervention.

### Potential areas for intervention:

- **Leverage existing initiatives:** In all sectors studied there is strong donor presence and many civil society projects being completed. Many of these spend resources on BoP education and demand creation, but face challenges on sustainability. Supporting some of these transfer into SE models (as Tanzanian Training Centre for International Health) or linking SEs with projects could enhance market links and bring down demand creations costs for SEs.
- **Support implementation:** In several sectors relevant policies or political aspirations are in place, but implementation is not happening. The health sector is furthest and could be a good test sector to support public stakeholders on integrating and supporting SE models to expand service delivery.
- **Partnerships:** Tanzania lacks good cases, which can illustrate the large-scale potential of SEs. The example of 1 million solar lights shows a new development, where donors are including

SEs in energy sector work and linking with both government and private investment. This type of partnerships will be necessary to drive change. Experiences from this project should be monitored closely.

- **Larger players and regional links:** Larger players need to be more strategically involved in development of the service delivery chains in Tanzania, since business barriers are often too large for small organizations and links are needed across the service delivery chains. Smaller players can link into service delivery chains and also benefit. Tanzania is the only country studied that links into both the southern and eastern regional markets. Being a dual member of EAC<sup>22</sup> and SADC<sup>23</sup> for example means South African companies are more active here than in other neighboring countries. Leveraging the East and South link as well as engaging larger local players in SE type models will be important to develop high-impact SE models. Supporting strong SEs to replicate across borders and learning from best practice in Kenya, Uganda and Rwanda is also important to bring Tanzania up to speed. Developing support programs and knowledge sharing mechanisms with a regional perspective can facilitate this type of cross border learning.

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- Beatrice Mgaya, CEO, Social Action Trust Fund (SATF), June 12, 2015
- Benedict Tesha, Community Manager, KINU Group, June 17, 2015
- Bill Lightfoot, Managing Director, Village International Africa, June 19, 2015
- Deborah Tien, Accelerating Innovation and Social Enterprise (AISE), June 11, 2015
- Elia Yobu, Programme officer, University of Dar es Salaam Entrepreneurship Centre, June 5, 2015
- Elias Ngomuo, Project Coordinator, World Vision Dar es Salaam, June 19, 2015
- Erick Crispin, Chairman, Social Entrepreneurship Network Forum (SENF) and CEO, True Maisha Consultancy, June 9, 2015
- Ian Tarimo, Founder, Tanzania Aspiration Initiative (TAI), June 15, 2015
- Jumanne Mtambalike, Community and Business Manager, Buni Innovation Hub, June 12, 2015
- Kengera, Lecturer, University of Dar es Salaam, June 20, 2015

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<sup>22</sup> East African Community

<sup>23</sup> Southern African Development Community

Omar Bakari, Director General, Small Industries Development Organization (SIDO), June 10, 2015  
Peter Nyanda, Country Director, Reach for Change, June 25, 2015  
Shimimana Ntuyabaliwe, General Manager, PRIDE, June 19, 2015  
Suma Karees, Principal, TCDC, June 15, 2015  
Wilhelm Oddo, Partner, Apps and Girls, June 11, 2015

*Additional sector interviews have been completed and feed into the country profile.*