TGT

Tanzania Gatsby Trust

Catalyst for SME and Farmer Development

Annual Report & Accounts 2012

OUR VISION

TGT's Vision is "working in partnership with others striving towards an enterprising Tanzania in which properity is widely distributed."

OUR MISSION

TGT's Mission is to be a catalyst for SMEs development by "harnessing, channelling and unleashing human energy to build social, financial and physical capital through entrepreneurship development."

TGT

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CHAIRMAN'S STATEMENT

Mr. Epaineto B. Toroka
Chairman

On behalf of the Board of Trustees, I have the honor to present to the TGT stakeholders 2012 Annual Report. As an NGO, TGT is striving to be a partner in "creating a foundation for a thriving and robust private sector in Tanzania" through its farmer and SME development programmes. Services related to private sector development are not readily available or affordable to the economically active poor who are struggling to build enterprises. Most institutions and associations supporting micro and small enterprises are weak, fragmented and uncoordinated. Their services are quite basic; mainly focusing on helping few of the poor eke out a living and unable to address the strategic needs of the enterprises. TGT's 2012-2014 strategy and activities as portrayed in the 2012 Annual Report are a continuation of its goal of "empowering vulnerable groups and SMEs with entrepreneurial skills and opportunities within the various sectors value chains" as response to address such needs.

During the 20 years of its existence, TGT has developed strengths to address a wide range of SMEs' needs and has involved many opportunities to reach a multitude of vulnerable groups in both the formal and informal sector including reaching out to farmers. The economy of Tanzania is lately experiencing a very encouraging rate of economic expansion which by definition challenges diligent entrepreneurs to tap a wealth of opportunities presenting themselves. Concurrently and with all stakeholders, the government of Tanzania is working to continually improve the policy and operational environment. To this end we are very grateful to our partners who have all along supported our initiatives as indicated in the financial report section. These are

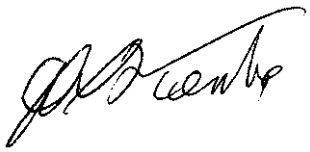
- The Gatsby Foundation of UK supporting the Cotton and Textile Development Programme, and the Tanzania Tree Biotechnology Programme

- DFID for co-financing the Tanzania Cotton and Textile Development Programme
- The World Bank and the Italian Government for supporting MKUBWA (the Tanzania Virtual Incubator Programme for women SME whose funding ended in June 2012
- DANIDA for supporting the IESP (Informal Economy Sector Support Programme) a pilot programme. The major purpose of the programme is to ease the access to suitable and secure business premises available to businesses operating in the informal economy in greater Dar es Salaam through a PPP (Public Private Partnership) arrangement.
- Ford Foundation for supporting the Horticulture Womens Programme whose aim is to change the lives of women through integrated Tourism Value Chain horticulture farming in Zanzibar.
- Cherie Blair Foundation for the e-mentoring programme that commenced in September 2012.

While there are successes, challenges remain especially in the implementation of the Tanzania Cotton and Textile Development Programme which mainly stem from political interference. Since the government and the stakeholders are aware of such challenges it is hoped that concerted efforts will be undertaken to bring the programme on course.

We welcome new partners who share our Vision and Mission so that together we can sustain efforts to build a thriving private sector in Tanzania

We close year 2012 on a positive note, courtesy of the excellent work and cooperation of the Board of Trustees, diligent management and staff. I commend them collectively and individually, trusting that their dedication will be sustained throughout the period ahead. As always and together, “we can!”.



Epaineto Toroka
Chairman

TANZANIA GATSBY TRUST
BOARD OF TRUSTEES

Mr. Epaineto B. Toroka
Chairman

Mr. Biharilal Keshavji Tanna

Mrs. Magareth Chacha

Dr. Donath Olomi

Mr. Laurence Cockcroft

Mr. Ali Khalil Mirza

Prof. Bruton Mwamila

Ms. Modesta L. Mahiga

TANZANIA GATSBY TRUST MANAGEMENT STAFF

Mrs. Olive D. Luena-CEO
Secretary of the Board of Trustees

Mr. Mark Mambo
Finance & Admin Manager

Mrs. Wankembeta Kinyau
SMEs, BDS Manager

Mr. Joachim Mahega
Marketing Officer

Mr. Erick Kimasha
Coordinator I ESP

Mrs. Teddy Kunulilo
Project Coordinator
TGT Zanzibar

Ms. Jennifer Warburg
Administrative Officer

Mr. Geofrey Martine
Accountant

MANAGEMENT REPORT

Mrs. Olive D. Luena-CEO
Secretary of the Board of Trustees

The Mission of Tanzania Gatsby Trust is to: "Harness, channel and unleash human energy to build social, financial and physical capital through entrepreneurship development" This is in pursuit of TGT's Vision of "Working in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed." According to the 2012-2014 Strategic Plan, the 2012 TGT operations were sector focused within the broad framework of farmer and SMEs Development and concentrated on broadening and scaling up its core approach for pro-poor enterprise development by offering a variety of services .The services provided by TGT include business and technical skills development, linkage to financial services and farm inputs, value addition , market access (to growth oriented sectors such as horticulture, textile, apparel, poultry) coaching, mentoring and networking and consultancy services. During the year under review TGT continued facilitating and managing sector development projects that aim at providing market based solutions through public private partnerships to groups aiming at accelerating the development of a thriving Tanzania private sector. The thrust is through value chain interventions focusing on the following sectors/priorities:-

- **SMEs Sector:** Provision of virtual incubator business development services to Women SMEs
- **Informal Sector Development:** Managing Public Private Partnership Programme Fund and Management services for the implementation of the Informal Economy Sector to ease the access to suitable and secure business premises available to businesses operating in the informal economy in greater Dar es Salaam

- **Cotton and textiles in the mainland Tanzania:** The Programme aims to double the yields of Tanzania's 400,000 plus cotton farmers who should work on their farms as a business and catalyze value-adding industries in the textile and clothing sector.
- **Forestry:** Improvement of forest conservation and production through environmentally friendly technologies which are, socially acceptable, economically viable and culturally compatible so as to improve the living standards of rural families in Tanzania.
- **Horticulture Development:** Changing the lives of small holder farmers through integrated horticulture farming and value addition to enable them to benefit from the Tourism Value Chain in Zanzibar

The Management also focused Organisational Development Programmes for the growth and sustainability of the Trust which included:

- Resource mobilization for programmes and the sustainability of the Trust
- Human Development
- Monitoring TGT investments in community banks and the Fanikiwa Microfinance Company Ltd.

Taking full regard of the foregoing, the management is pleased to present to all stakeholders the TGT 2012 Annual Report - an account of programmes implementation according to the key result areas as detailed in the reports under section two below together with the 2012 Audited Accounts.

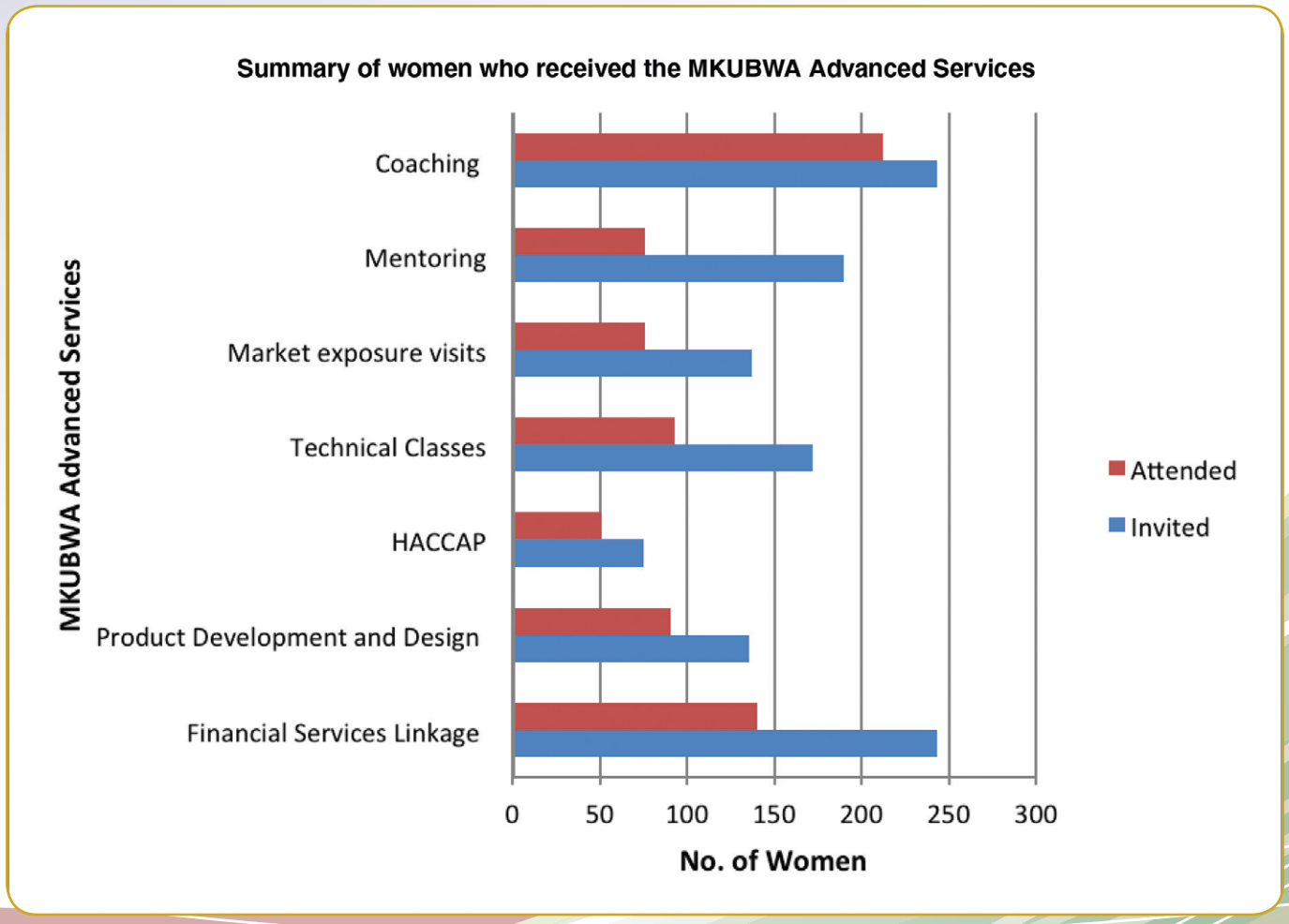
1. SMEs BUSINESS DEVELOPMENT PROGRAMMES

In the TGT business plan (2012-2014), it was envisaged that TGT would broaden and scale up its core approach for pro poor enterprise development by offering a variety of services which include SMEs Business Development services. The main focus is to provide Business Development Services to growth oriented sectors such as textiles, apparel and tailoring, handcrafts, poultry and food processing.

TVBI programmes

This was a two years (2009-2012) pilot programme focusing on providing a flexible package of Business Development Services to women in Textile and Tailoring, Handcraft, Poultry, Processing, Services and Trading sector in Dar es Salaam and Kibaha.

Year 2012 was the last year of the pilot programme implementation and the main activities were the provision of advanced specialized Business Development Services to MKUBWA women (over 240 women) as summarized in the figure below;



TVBI outcomes

In July 2012, TGT organized a closing ceremony of the MKUBWA pilot phase. More than 500 invitees participated in the event (including invited guests from government, development partners, diplomats, NGOs, Project staff and women entrepreneurs).

A section of the MKUBWA Participants at the closing ceremony

Women Development

The TVBI monitoring system was focusing on the consistent follow up of activities and performance, which were allowing the project team and partners to measure progress towards achievement and providing opportunities to improve project performance in various perspectives.

a) Women's businesses performance

Sales and profits

Based on the initial screening data collected in 2009, the final MKUBWA sample staff visits were conducted in June 2012 for 101 women and showed very positive results. There was a significant improvement in the average monthly sales and average monthly profits of women entrepreneurs. It is evident that women - owned micro-enterprises have strengthened and grown during the two years of programme implementation

BUSINESS SECTOR	VIABILITY SCREENING 2009		STAFF VISIT JUNE 2012	
	Average Monthly Sales in Tzs	Average Monthly Profit in Tzs	Sales per Month Tzs	Profit per Month Tzs
Poultry	485,200	285,650	2,094,000	543,000
Handicraft (soap processing, tailoring and textile)	430,030	193,594	760,667	254,833
Food processing	377,048	111,130	633,743	241,050
Services and trading	668,974	277,668	1,462,450	482,667

Sales and Profit recorded before and after MKUBWA Intervention per sector

i) Business formalisation

Women were informed about the new Tanzania simplified taxation schedule which was introduced in 2004, in order to encourage MSEs to become formal. Through the programme it was realized that more than 40% of women visited were in the process of registering or have registered their business.

ii) Market Network and Linkages

Through market exposure visits and Dar es Salaam International Trade Fair participation, women were enlightened on marketing and product display skills, customer care services, packaging and labeling, product quality management, sales techniques and customer care. Few women in food processing managed to sign contracts and get products placed on shelves in local supermarkets in Dar es Salaam such as SHOPRITE, UCHUMI and other smaller stores.

With the enormous support from PD&D trained women produced new types and designs of products both in handcraft, batik and accessories that targeted an international market in Spain. The products sold are beads accessories, scarves, and tie & dye fabrics to Madrid and Barcelona.

iii) Production capacities (work premises, equipment, skills)

As a result of this programme, women have improved their production capabilities in various forms such as workspace equipment and skills. Some have started constructing new production premises.

50% of women visited have acquired new equipment for production. Hence, there is improvement in production skills, designs, quality and quantity especially in the handcraft, soap, textile and tailoring sectors

Ms. Farida Nassoro –Soap processor

iv) Financial Linkages

MKUBWA women were trained on the importance and use of financial services. 70% of MKUBWA women are enjoying services from financial institutions in the formal sector such as opening savings bank accounts (both personal and business) and accessing financial capital (loans) etc.

b) Women's Social Empowerment

The programme organized a number of awareness creation workshops to keep women informed on their social and cultural rights together with training sessions on creation and strengthening of women owned micro and small enterprises and build their capacity.

95% of MKUBWA women shared significant and positive financial benefits resulting in a significant and increased contribution to household income that is much appreciated by the family. Women are able to send children to better schools, have acquired various managerial and technical skills, have the ability to save for their future and managed to have proper family meals. One woman reported *"Some years ago women were not engaged in business because life was not tough as today. Today life is tough, everyone should do activities to generate income otherwise you all die with poverty and hunger".*

Women in the community recognized MKUBWA as a good quality programme to accelerate the developmental process, where peoples efforts are merged with those of governmental and nongovernmental organizations to rise to the economic, environment and social challenges and assist fully in national development. In addition, the programme created employment opportunities with 70% of women entrepreneurs reporting that they have at least two employees. Moreover, a

good number of women have acquired various leadership positions in the community as a result of confidence built through the MKUBWA programme.

SMEs e-mentoring Programmes

TGT has been implementing the e-mentoring programme with Cherie Blair Foundation since September 2012. The project targeted 60 women entrepreneurs over the next two years. TGT registered five women in the programme and all were matched with mentors, and ten women have been informed on opportunities for the January 2013 intake.

Marketing Linkages and Networking

For the 36th Dar es Salaam International Trade Fair in 2012, TGT facilitated 26 SMEs to exhibit their products. The products included natural herbs, cashew nuts, processed food, detergents and cosmetics, handcrafts, leather products, assorted clothes, bead work and carvings.

MKUBWA video

A TGT documentary of the TVBI intervention to women entrepreneurs in Tanzania is available at : http://www.youtube.com/watch?v=s6aYI9lMa0E
and a longer one:
http://www.youtube.com/watch?v=Ub3J4ZCODPY

The videos describe;

- TVBI model
- How the programme contributed to the creation and development of viable and self-sustaining micro and small enterprises run by women
- How the model promoted the participation of women in the labour market

MKUBWA and Gender Issues

The programme organized a seminar on gender based violence for MKUBWA women on 16th June 2012. The session was attended by MKUBWA women and their spouses/partners with the objective of sharing and discussing issues faced by women who own enterprises especially decision making, asset ownership, responsibilities in taking care of the family and management of family income and expenditures. Men commended the TGT efforts and explicitly mentioned

the positive changes they are experiencing from their partners on enterprises development. A total of 183 MKUBWA women and 42 men attended the workshop.

1.2 Other SMEs activities- Direct Interventions

TGT Marketing strategies for SMEs - the 36th DSM International Trade Fair (DITF)

TGT facilitated 26 entrepreneurs in participating in the 36th Dar es Salaam International Trade Fair (DITF). The products sold ranged from natural herb products, processed foods, soap, handcraft, batiks and tie & dye. The recorded sales for SMEs products under the TGT Pavilion were Tzs 24.5Million.

2. ZANZIBAR MBOGAMBOGA PROJECT REPORT

The objective of the project is to change the lives of women through integrated horticulture farming to benefit from the tourism value chain in Zanzibar and improve livelihoods of the women within the Mbogamboga project. Overall, the project showed that access to irrigation was essential in order to enable a regular supply of produce, particularly in the low season. Farmers, who could adopt good agronomy practices, can increase incomes through taking loans to irrigate their land and enable them to progress from subsistence farming to small scale commercial farming. This ushered in phase two of the project co funded by Ford Foundation, ultimately reaching out to 1087 farmers, 9% above the target. The focus for phase two programme in 2012 has been to:

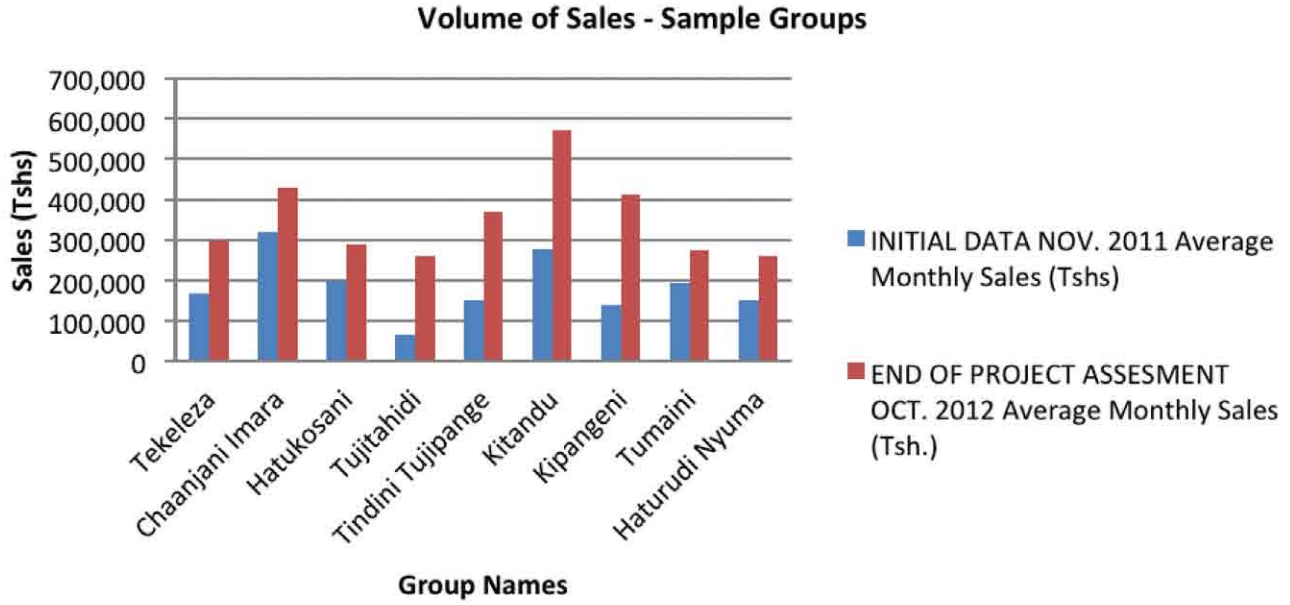
- Organize and manage 50 farmer field schools for training farmers and farmers' groups on agricultural production in horticulture, agro-business management, business planning and financial management;
- Develop leadership skills of the groups to enhance ability to manage, set goals, and enhance group dynamics;
- Develop and pilot a debt factoring product, as a special financial product for enhancing sales and productivity;
- Enhance skills and knowledge through training on how to access markets and link women producer groups/associations to the local markets and the tourist hotel value chain;
- Build skills of farmers in value addition and food processing technologies, including vegetables and fruits using solar dryers.

A group of women farmers receiving practical training in a farmer field schools

A proud small holder Mbogamboga farmer

Value addition –Mbogamboga Processed and packed products

Mbogamboga Drip Irrigation


Volume of Sales - Sample Groups
Sales (Tshs)
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Tekeleza
Chaanjani Imara
Hatukosani
Tujitahidi
Tindini Tujipange
Kitandu
Kipangeni
Tumaini
Haturudi Nyuma
Group Names
INITIAL DATA NOV. 2011 Average Monthly Sales (Tshs)
END OF PROJECT ASSESMENT OCT. 2012 Average Monthly Sales (Tsh.)

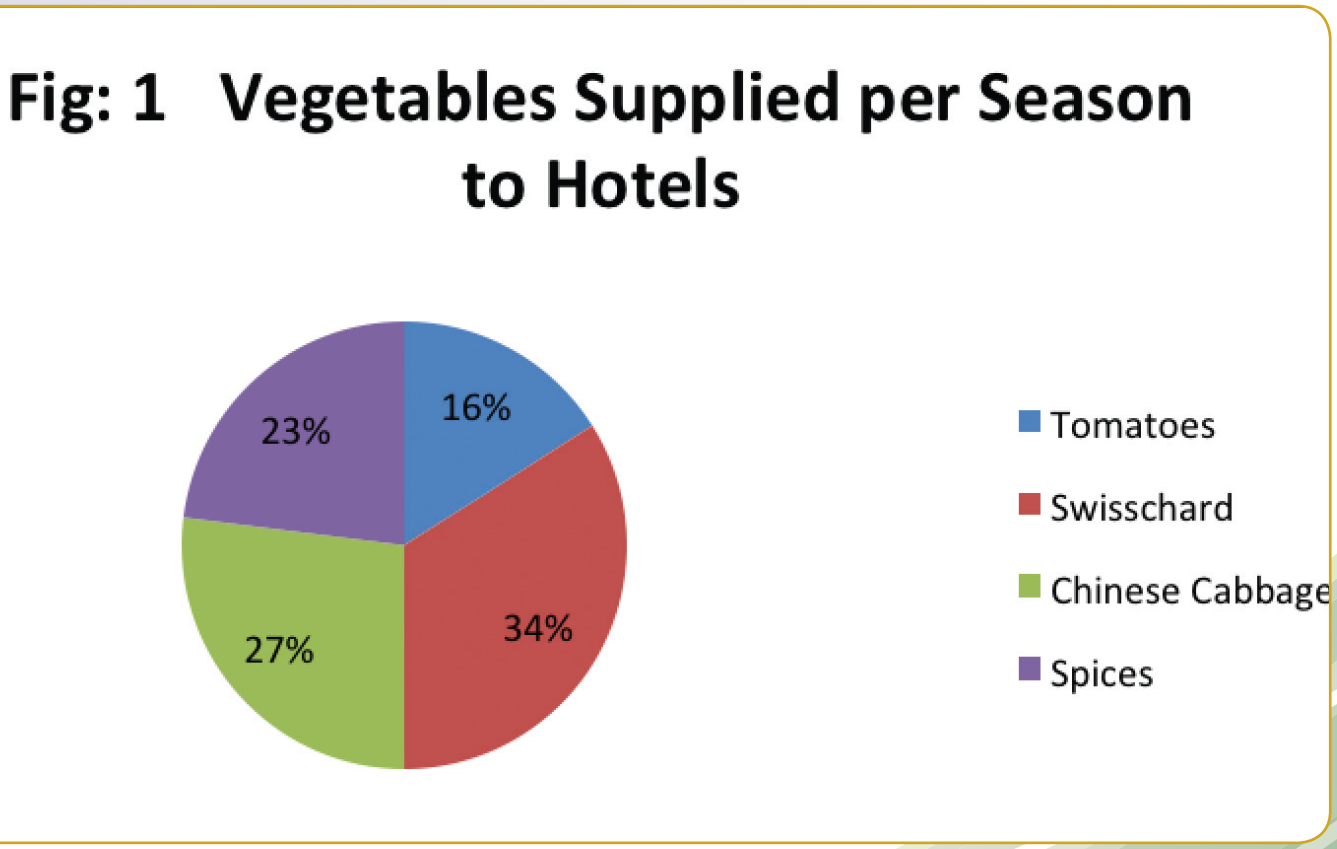


Fig: 1 Vegetables Supplied per Season to Hotels
16%
34%
27%
23%
Tomatoes
Swisschard
Chinese Cabbage
Spices

3. ZANZIBAR HANDCRAFT PROJECT

The objective of the project was to increase access to high quality Zanzibar craft/art products targeting the emerging tourist market by using innovative designs and training whilst providing work opportunities and increasing "choices" available to women. Twelve women have been trained under the leadership of an international craft design expert and now are part of a self sustaining entity. TGT's role in the governance and disbursement of funds that were provided by GCF has ended. Based on this experience TGT has been asked by a funder in the US (Alice Spencer- a professional painter and writer) to assist her in the organization of a women's group that specializes in designs and henna paintings. This new project involves 12 women who are trained and skilled to develop this market opportunity.

Henna painting

Women Networking Group in Zanzibar with supporter – Alice Spencer

4. INFORMAL ECONOMY SECTOR PROGRAMME (IESP)-PPP PROGRAMME

TGT is managing the Public Private Partnership Programme Fund and Management services for the implementation of the Informal Economy Sector Programme (IESP) in Kinondoni Municipality funded by DANIDA. The major purpose of IESP is to "ease the access to suitable and secure business premises available to businesses operating in the informal economy in greater Dar es Salaam".

Public Private Partnerships (PPPs) are ever-evolving as a new way to address the challenges of the public sector to provide services and build infrastructure to encourage private sector investment. PPP are becoming more relevant and powerful due to increasing financial constraints facing the public sector in building the infrastructure and providing social services that meet the demands of an increasing population.

PPP may be defined as an arrangement between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners. The underlying logic for establishing partnerships is that both the public and the private sector have unique characteristics that provide them with advantages in specific aspects of service or project delivery.

Tanzania is increasingly facing the challenge of businesses operating in the informal economy. Such businesses are insecure and their operators are in constant conflict with local authorities. The situation not only hinders business growth but also denies revenue to local government authorities. Within the greater Dar es Salaam area, Kinondoni Municipal Council (KMC) is one of the most affected areas with informal business operators. To address these phenomenon and the challenges of informality, Kinondoni Municipal Council (KMC) and the VIBINDO Society have formulated the Informal Economic Sector Programme (IESP). The KMC is representing the public interests by taking a leading role to facilitate access to secured land, administer laws and regulations, and enforcement thereof while the private sector is represented by the VIBINDO organization as a body of beneficiaries. The programme is implemented as a pilot Public-Private Partnerships (PPP) with funds from DANIDA.

On January, 14th 2012 TGT signed a contract with DANIDA to manage the funds and act as a coordinator to supervise the implementation of the Informal Economy Sector Programme (IESP).

The IESP Program intends to ease the access to suitable and secure business premises and make them available to businesses operating in the informal economy in greater Dar es Salaam. The specific objectives of IESP Programme are to:

- Design and implement sustainable models that transfer the right to use and develop agreed upon pieces of municipal land to businesses in the informal economy for a specified number of years
- Establish a platform upon which co-financing from public institutions, financial institutions and donors for market development can take place
- Establish a permanent local bipartisan forum for dialogue on issues related to development of businesses in the informal economy
- To strengthen the management capacity of VIBINDO and assist the society to expand its services, serve more informal sector businesses and operate sustainably

So far a number of activities have been carried out towards achieving the above objectives. An MoU has been signed between all participating partners' institutions. This MoU specifies roles and rights of each partner in the implementation of IESP Programme. Most important in this instrument, KMC has committed itself to attach land in the partnership while VIBINDO Society has assumed the roles of resources mobilization. The land pledged is located in Mburahati and currently is being used as a market place.

A series of seminars, workshops and trainings on PPP subject in the context of IESP Programme have been conducted. These activities have been attended by Mburahati market traders, VIBINDO Society staff, KMC government officials and councillors. They have been the corner stone to reduce delays and smooth the progress of the programme.

PPP is a new concept in Tanzania. With the intention of building local capacity in this new emerging theme, coordinators from participating institutions have attended PPP courses in Denmark. The knowledge gained is being applied to strengthen internal capacities of TGT, VIBINDO Society and KMC and as well to run daily activities of the programme. A notable application is found at KMC which is striving towards establishing a PPP Unit in its municipal governance structure.

There are clear benefits emerging out of these series of sensitization seminars, workshops and trainings. It is unbelievable how traders at Mburahati including those who constructed permanent structures have accepted wholeheartedly that they will vacate the premise without any compensation to accommodate construction works. This has been achieved as a positive result of dialogue among stakeholders in the PPP concept.

We have been able to implement the programme within the national PPP framework. In this inception phase, the PPP Act, 2010 and PPRA Act, 2011 have been followed to source providers for various services. At the first quarter of the year, Diligent Consulting Ltd was commissioned as a transaction advisor to carry-out the feasibility study for the construction of Mburahati Marketing under PPP. The feasibility study report has been presented to partners and stakeholders. The refined version has been submitted to the National PPP coordinating Unit for approval as the Act requires. While waiting for the approval from Tanzania Investment Centre that would allow the programme to enter the procuring phase, parallel activities to source the services of a consultant for architectural and technical design of the construction of Mburahati market has been carried-on.

Grateful to note that the programme is now moving smoothly despite the institutional challenges delaying the taking-off of the programme at the beginning which gradually have been overcome.

The IESP MOU signing between Kinondoni Municipal Council, TGT and VIBINDO

5. TGT SOCIAL INVESTMENTS

Fanikiwa Microfinance Company (FMFCL)

FMFCL has been incorporated as a vehicle for, inter alia, the provision of microfinance loans to individuals, groups of individuals and micro small enterprises. Tanzania Gatsby Trust and the Gatsby Charitable Foundation of U.K are the founding shareholders. TGT has invested in the company a total of Tshs 2,640,000,000/= from its Endowment Fund. The company has been licensed under the Ministry of Industries and Trade as a credit only institution. So far, the management and staff have gained the requisite experience and are more confident and committed to the company than was the case during the last two years. Standardized procedures are in place, necessary working tools such as manuals, computers and furniture are in place. An industry standard banking system has recently been installed, Bankers' Realm from Craft Silicon. This has significantly improved FMFCL's ability to monitor, manage and produce reports on the current portfolio on timely basis.

A new board with diversity of knowledge including microfinance experience has been appointed. However during the year the company recorded losses due to high operating costs and returns to TGT are not foreseen in the near future. Stringent cost measures are taking place to reverse the trend.

Community banks

As part of a rural financial deepening strategy, TGT has invested in Mwanga, Meru, Njombe and Tandahimba Community Banks. These community banks are challenged by the regulator (the Bank of Tanzania) to raise their equity from the initial five hundred million Tanzania shillings to two billion Tanzania shillings. More community resources mobilisation are needed to ensure the sustainable development of these institutions.

The Prime Minister .Hon Mizengo Peter Kayanza Mizengo Pinda (centre) after the Official opening of Meru Community Bank in 2012

6. TANZANIA COTTON AND TEXTILE DEVELOPMENT PROGRAMME

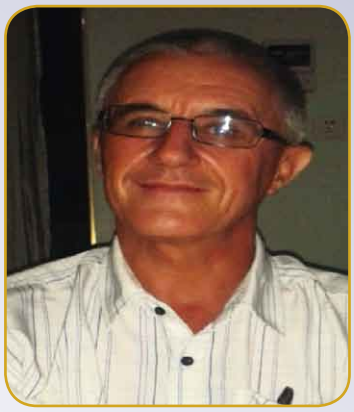
The Programme aims to double the yields of Tanzania's 400,000 plus cotton farmers. The interventions are primarily focused on establishing contract farming as the marketing structure for Tanzania's cotton sector, and to enable sustainable access to inputs for cotton farmers. Activities include providing technical assistance to the TCB and to TCA members who are investing in the industry, to help them promote the necessary policy and institutional reforms, providing support to ginners and farmers within the designated "Seed Multiplication Zone" (SMZ), to ensure that contract farming is managed successfully, and developing public good solutions for the industry, including weather insurance to protect farmers who take loans, and a market database to help manage contract farming in a transparent and fair manner. The Programme is also helping TCB to introduce improved cotton seed (partly through support to the SMZ), and is supporting Ukiriguru Research Institute to improve its research capacity to address new challenges facing the industry. Finally, it is promoting conservation agriculture among farmers to improve yields, through a major Lead Farmer Training Programme (LFTP) and through a range of market development initiatives with input suppliers. TGT management continued to play a key role in the cotton subsector through:-

- Managing the finances and the entire accounting processes of GCF and DfID funding
- Contracting and managing all the partnerships /players
- Managing the programme employees
- Organising and hosting stakeholders meetings
- Liaison work between the programme, TCB and government
- Backstopping on practical organisational activities e.g. communication strategies , consultancies, studies, conferences/meetings
- Housing /provision of office space to some of the programme staff and consultants

Alex Lee Georgianna
Programme Manager
Cotton and Textile
Programme

Donald Sayi
Coordinator
Cotton and Textile
Programme

Contract Farming



William Creighton
Programme Manager

The contract farming programme was a huge success during the season 2012. Some 292,000 farmers signed up to grow cotton under contract and this contributed to a bumper crop of cotton nationally of 360,000 tons. In addition farmers benefitted from the third highest price for cotton in Tanzania history. Contract farming is a means of getting the correct inputs to farmers during the season, seed and pesticides, on loan and with a written contract between the farmer and the ginner/processor. These loans are paid off at the end of the harvesting season through cotton sales to ginners. Despite this success there are challenges to overcome in the coming months and years not least due to resistance in some political circles to contract farming and the necessary reforms of institutions like the Cotton Development Trust Fund and the Tanzania Cotton Growers Association. Tanzania Gatsby Trust will continue to work with the national and local government as well as the Tanzania Cotton Board to bring about the necessary reforms to embed contract farming in the cotton growing areas. Training continued among farming communities on contract farming, technical husbandry through conservation agriculture, business training and leadership. Farmers have endorsed contract farming as their preferred way to work with ginners.

"Contract farming is really helping me to get inputs for my cotton crop at a time of the year when I have little money" Elias Nyawaye a cotton farmer from Musoma district

"I like contract farming as it guarantees my market" Julius Mahangila from Simiyu Region

"The training helps me to increase my yields" Kessy Kasongi from Mwanza

Field training in cotton

Field training in cotton husbandry

Conservation Agriculture Project, incorporating Lead Farmer Training Programme

The Conservation Agriculture (CA) Project aims to introduce and facilitate sustainable production of high yielding cotton and maize crops of high quality among the 400,000 plus cotton farmers in Tanzania. The CA Project uses 6 activities to achieve this aim:

- The Lead Farmer Training Programme (LFTP) was launched in February 2012, and provides training on four Agronomy/Crop Protection Modules conducted at 18 district centres, in order to cover all 28 cotton producing districts of Lake Zone of Tanzania. Lead Farmers (LF) from districts with relatively few cotton farmers are combined under a single training event. The LFTP trains about 2,750 Lead Farmers, all cotton inspectors (CI) of Tanzania Cotton Board, about 520 Ward Agricultural Extension Officers (WAEO), and also cotton extension staff of ginning companies and TechnoServe. Lead Farmers are provided with training packs and inputs for establishing a quarter acre demonstration plot in their village, which they use to train other farmers. The LFTP is now fully endorsed by Regional and District Commissioners and their senior staff.
- Field Officers ('Super Lead Farmers'); 12 out of a target of 20, were appointed March 2013, to train and mentor LF and farmers, and provide extra support to under-performing LF.
- SMS/MPESA product developed in partnership with an agro-dealer, Mukpar Tanzania Ltd., for improving access by farmers to CA inputs and machinery.
- Promotion of minimum-tillage deep basins, ox- and tractor ripping done in the dry season from June to mid-October in Lake Zone.
- Modern Integrated Pest Management (IPM) in cotton, supported by Dr Robert Mensah, which uses a 3 Stage approach of 'softer' insecticides to protect beneficial insects in Stages 1 – 2 (seedling to boll maturation).
- 265 on-farm CA plot-pairs of cotton and maize, and 18 Cotton IPM farms located near the 18 training centres used by LFTP. These are closely supervised by the CA Project, and production information that is gathered is used to refine the methodologies promoted by the CA Project and LFTP.

Highlights:

The largest group trained by LFTP was for Module 2, which involved 2,903 LF, 518 Ward Agriculture Extension Officers, Technoserve staff, Cotton Inspectors and representatives from 3 ginners. The training was conducted over 15 October – 7 November 2012, and covered Conservation Agriculture, herbicides, manure and fertiliser use.

Doubling of cotton and maize yields achieved through dry season minimum-tillage basins and

ox-ripping. This yield increase was attributed to timely planting, precision in crop spacing and rain-water harvesting.

The 265 CA cotton plots managed by CA Project which were spread across all districts gave an average yield for Lake Zone of 850 kg/acre. The average maize yield in 262 CA maize plots grown in both Western and Eastern cotton growing areas was 862 kg/acre.

Yield increase in CA cotton due to soil applied granular fertiliser was 67 % compared to a yield increase of 300 % for fertiliser use in CA maize. This observation has prompted a decision to move away from promoting granular fertilisers for cotton. Foliar fertilisers are being tested on cotton as an alternative strategy.

Good yield response to 'new' insecticides abamectin, imidacloprid for 3 stage IPM in cotton.

Training of Lead Farmers in dry-season ox-ripping of the soil]

Scouting of beneficial and pest insects under modern Integrated Pest Management (IPM) in cotton

PAMBAnet – an Information System for Contract Farming in the Cotton Industry

PAMBAnet is an effective Management Information System that facilitates an efficient marketplace that benefits the three stakeholders, namely, ginners, farmers, and the public sector (district councils, and Government, Tanzania Cotton Board, and other regulatory bodies,):

- **Ginners**
  - Gauge their own credit exposure (both by farmer and District, etc.)
  - Assess the efficiency of their own operations
  - Measure occurrence of borrower default and side-marketing

- **Farmers**
  - Gain credit-based access to otherwise unavailable inputs and services (radically increase productivity)
  - Establish their own credit-worthiness
  - Prove instances of ginner default when necessary

- **Public Sector**
  - Monitor ginner compliance with loan/license obligations
  - Efficiently allocate District resources

PAMBAnet's MIS is a key element in establishing that efficient marketplace. All three stakeholders benefit from sharing of accurate market and production information in the following ways:

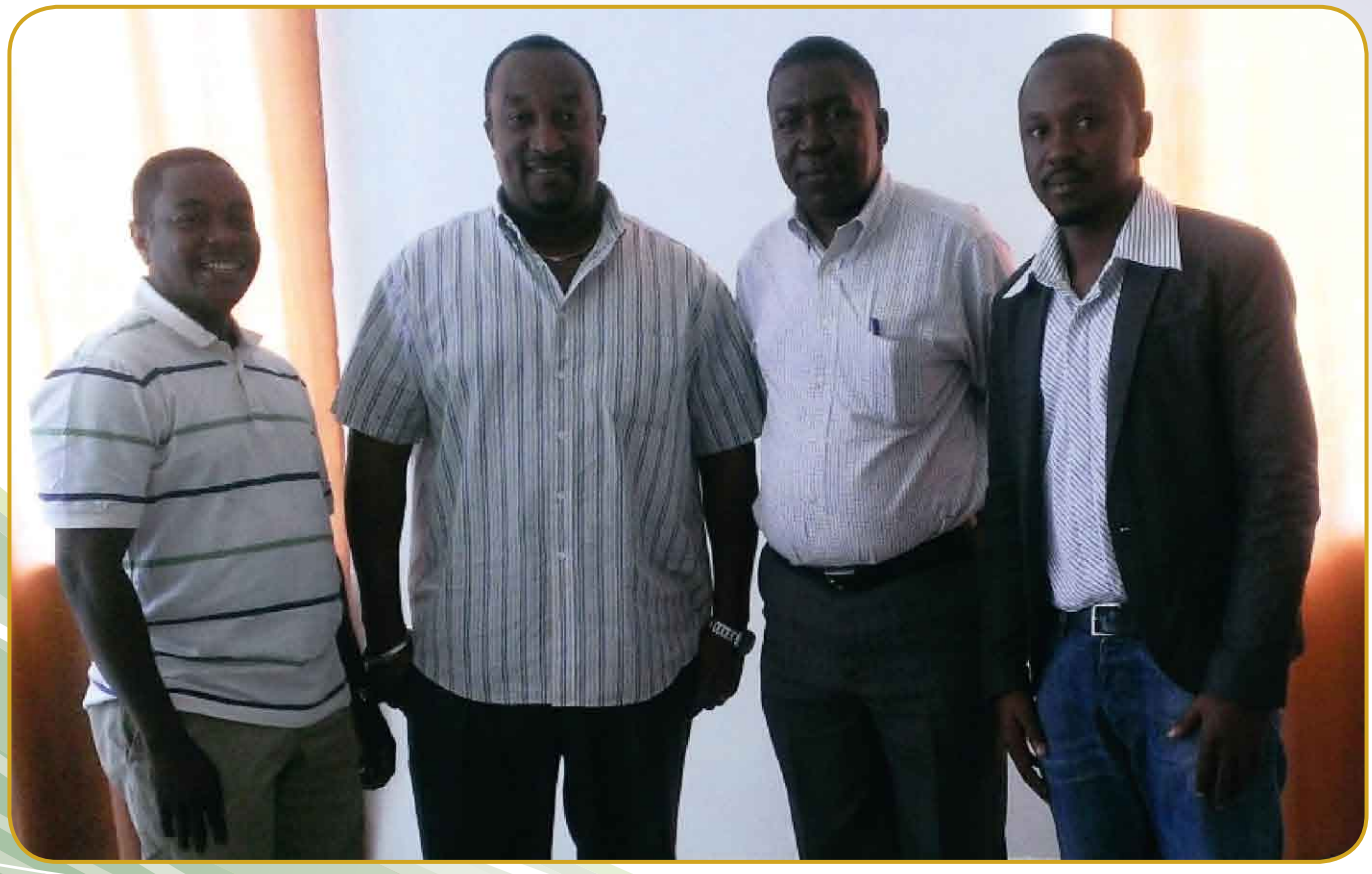
- Consideration of accurate statistics of farmers, acreage, loans/inputs, etc. benefits both ginner investment decisions and District Commissioners/Tanzania Cotton Board regulatory decisions
- Analysis of crop estimates, input effectiveness, etc. benefits farmer investment decisions, and ginner loan monitoring and District Commissioners/Tanzania Cotton Board resource allocations, etc.

In general, increased transparency from information sharing provides:

- Increased productivity of farmers by attaining up-to-date information on good farming practice, market information, weather forecasting, input supplies, and credit availability benefits farmers
- Increased productivity of Ginners by having proper data on inputs extended to farmers, and assurance of quantities of raw cotton with better quality for ginning processes.
- Increase productivity of the regulator by having timely and correct information about the sector.
- Increase transparency to the stakeholders of the cotton sector.
- Researchers can use PAMBAnet data to analyze the effectiveness of certain inputs in the production of cotton.

PAMBAnet team, from left: Ibrahim Rajabu Mbaya, PAMBAnet Developer; Jimmy Mungai, PAMBAnet ICT Project Manager; Hekima Ngindo, PAMBAnet Administrator

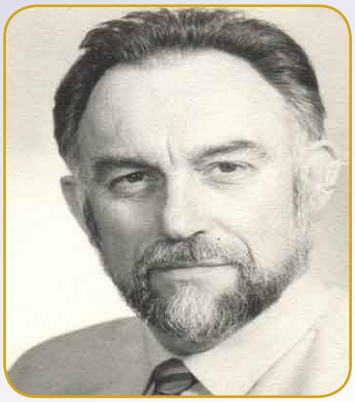
Hekima Ngindo, PAMBAnet Administrator, training ginner data entry clerks at METL



PAMBAnet team, from left, Ibrahim Rajab, Jimmy Mungai, TGT Program Coordinator, Donald Sayi and Hekima Ngindo

Textile Development Unit

Following a consultant's strategy report on the Tanzania Textile Sector in March of 2012 it was agreed that a Textile Development Unit (TDU) would be set up and housed in the Ministry of Industry and Trade. The unit would cover all activities from Ginning through to finished garments. After searches were carried out two people were chosen, one to head up the unit and the second to be the deputy to the head of the TDU. The two people were Geoffrey Willis CText FTI the head of TDU from the UK, and Johnvianney Ndyamukama from Tanzania, both of who have extensive experience of management in the textile and clothing sub-sectors.



Mr. Geofrey Willis
Head of TDU

They are supported by the administrative assistant Farida Mwinyimkuu. The start-up began in August 2012 with both TDU members travelling through the country and visiting every working textile plant. The intelligence gained and the insights developed, has allowed the TDU to formulate a plan for implementing the overall strategy. Since then the unit has intervened in many projects, including the development of added value, by getting domestic textile companies to replace the imported fabrics being used by domestically produced product. The unit holds quarterly meetings with the industry known as the Textile Industry Working Group where industry leaders and stakeholders come together to discuss industry matters and to take action. The unit has helped Foreign Direct Investors process their applications faster and is working with domestic investors to develop more textile capacity. While there are many problems affecting the industry, the Ministry has been supportive in backing the lobbying of the industry and the unit for improved business environment for textiles. One of the major projects is the planned setting up of an operator skills training programme in concert with VETA following the work done with TGT earlier on technology training. Working with TIC and other agencies new investors have now begun to approach the unit for advice and assistance which it is able to give, due to the industry experience of the unit. These are early days in what is a long term programme of reinvigorating an industry that has great potential in the future, for both business growth, and the employment of many people in the country who have little or no working skills, or are currently unemployed.

Launching of the 2 Textile Degrees

Lord David Sainbury the setlor of the Gatsby Foundation of UK, launching the 2 Textile Degrees at the University of Dar es Salaam on 1st May 2012

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

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REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

GENERAL INFORMATION

CHAIRMAN	Mr. Epaineto B. Toroka (Trustee)
TRUSTEES	Mr. Biharilal .K. Tanna (Vice Chairman) Mr. Laurence Cockcroft Prof. B. Mwamila Dr. Donath Olomi Mr. Ali K. Mirza Mrs.Margareth Chacha Mrs.Modesta Lilian Mahiga
CHIEF EXECUTIVE OFFICER	Mrs. Olive D. Luena
FINANCE & ADMINISTRATIVE MANAGER/DEPUTY CEO	Mr. Mark C. Mambo
INDEPENDENT AUDITORS	M/s.Tanna Sreekumar & Co (Independent Member of Morison International) Certified Public Accountants P.O. Box 948 Dar-es-Salaam
BANKERS	Standard Chartered Bank Tanzania Limited Commercial Bank of Africa Tanzania Limited
REGISTERED OFFICE	PPF House, 7th Floor, Samora Avenue/Morogoro Road, Dar es Salaam, P O Box 8695, Telephone: 255-22-211-2900, Fax:255-22-211-2899, Email ID: tgt@tanzania-gatsby.com Website:www.tanzania-gatsby.com

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012 TRUSTEES' REPORT

The Trustees of Tanzania Gatsby Trust (TGT) have the pleasure to submit their report together with the audited financial statements of TGT for the year ended 31st December, 2012, which disclose the state of affairs of the Trust. The audited financial statements are set out on pages 9 to 19

1. GOVERNANCE

The responsibility of governance of TGT is vested in a Board of Trustees. The Board of Trustees consists of eight Members. Apart from the Chief Executive Officer, no Trustee holds an executive position in the Trust. The Board takes overall responsibility for the Trust, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and is in compliance with sound corporate governance principles. The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Chief Executive Officer assisted by senior management. Senior management is invited to attend Board meetings and facilitates the effective control of all the Trust's operational activities, acting as a medium of communication and coordination between all the various business units. During the 2012 financial year, the following persons served as Trustees.

S/N	Name	Position/Qualification	Age	Nationality	Year
1.	Mr. Epaineto B Toroka	Chairman (Economist)	67	Tanzanian	Reappointed 2011
2.	Mr. Biharilal K Tanna	Vice Chairman (Certified Public Accountant)	71	British	Reappointed 2011
3.	Mr. Laurence Cockcroft	Trustee (Economist)	67	British	Reappointed 2011
4.	Mr. Ali K Mirza	Trustee (Economist)	54	Tanzanian	Reappointed 2011
5.	Prof. Burton Mwamila	Trustee (Engineer)	63	Tanzanian	Appointed 2009
6.	Dr. Donath Olomi	Trustee (Economist)	51	Tanzanian	Appointed 2009
7.	Mrs. Modesta L.Mahiga	Trustee (Consultant	32	Tanzanian	Appointed 2012
8.	Mrs. Margareth Chacha	Trustee (Banker)	57	Tanzanian	Appointed 2012

TGT's Board of Trustees has its various committees as the highest policy making body and management as the implementing authority. The Board's responsibility includes development of the Trust's strategy and providing oversight of the Trust. Members of the Board of Trustees are highly experienced and committed, all drawn from business, family enterprises and community development backgrounds. The Board has established committees that are operational to effectively help TGT discharge its role. The committees include Governance Committee/Executive Committee; Endowment Building & Investing Committee; and Audit & Finance Committee. Members of committees are appointed by the Chairman in consultation with the Governance Committee. At the time of appointment, each Trustee signs a Board of Trustees' Code of Conduct Compliance Form.

2. STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trust is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Trust as at the end of the financial year and of the Statement of Comprehensive Income of the Trust for the period

The Trustees confirm that:-

- suitable accounting policies have been adopted and applied consistently, reasonably and that prudent judgments have been used and applied in the preparation of the financial statements for the year ended 31st December 2012.
- applicable accounting standards have been followed and that the Statements have been prepared on a going-concern basis.
- they are responsible for ensuring that proper accounting records are kept and the maintenance of an adequate system of internal control for safeguarding the assets of the Trust.
- they are responsible for taking reasonable steps for prevention and detection of fraud and other irregularities.

The TGT Board of Trustees has the final responsibility in respect of Financial Statements on accounting policies, keeping proper books of account, maintaining adequate control system and confirmation of accuracy of financial statements. The Board of Trustees has established an Audit and Finance Committee comprising of selected Trustees. The overall scope of the responsibilities of the Audit and Finance Committee typically includes:

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing hiring, performance and independence of the external auditors.
- Oversight of regulatory compliance, ethics, and whistleblower hotlines.
- Monitoring internal control process.
- Discussing risk management policies and practices with management.
- Overseeing the financial affairs of TGT and make recommendations to the Board about the financial affairs and policies of the Trust.
- Reviewing and making recommendations on the annual budget submitted by the Management, and developing and recommending long range financial objectives for the Trust.

3. ORGANIZATION'S BACKGROUND INFORMATION

Since its establishment in 1992 as a Charitable Organization under the Trustee's Ordinance (Cap 375), TGT has been successfully addressing the critical barriers for wealth creation by the poor through innovative partnerships. TGT is therefore one of the actors involved in implementing the Government of Tanzania's Vision 2025 and the United Nations Millennium Development Goals.

The TGT responds to the Government's medium term framework, sector policies and strategies which address the challenges of creating widely shared wealth as a means for poverty reduction.

4. MISSION AND VISION

4.1 VISION

TGT's Vision is to "work in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed".

4.2 MISSION

TGT's Mission is to be a catalyst for Small and Medium Enterprise development by "harnessing, channelling and unleashing human energy to build social, financial and physical capital through entrepreneurship development."

4.3 CORE VALUES

These represent TGT's basic principles about what is important in business, its conduct, its social responsibility and its response to changes in the environment. TGT's core values include:

i. Leadership

We believe the leadership skills need to be strengthened at all levels within TGT and that the managerial and professional competence is necessary for organizational growth and development.

ii. Ethics and integrity

We do care how results are achieved and will demonstrate adherence to honest and ethical practices in all our activities.

We will establish and maintain the highest professional and ethical standards.

iii. Teamwork and partnership

We believe that high performing teams containing appropriate diversity can achieve what individuals alone cannot.

iv. Transparency and open communication

Transparency in all operations and accountability to all stakeholders.

v. Community/clients involvement

We believe in nurturing and harnessing Clients' and Community innovative ideas as they are the centre of their own development.

vi. Innovation

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services to customers/clients.

5. TGT'S GENERAL PERFORMANCE

The initial Trust Deed establishing the Trust emphasized on TGT offering a combination of financial and non financial services. The focus of TGT has been on enhancing access to finance, business and technical skills, technology and markets in rural and peri-urban areas in Tanzania. As a result, TGT is now recognized as an effective partner in inclusive private sector development in

the country, involved in the facilitation of the following services:

- Training and related business support services to enable the SMEs to acquire the requisite skills to operate and manage the enterprises profitably.
- Marketing strategies to the entrepreneurs to enable them to access markets for their products both locally and internationally.
- Appropriate technology for productivity to ensure the quality and quantity of products to meet the market demands including packaging.
- Projects management, mainly for its main partner, Gatsby Charitable Foundation of UK.

6. STRATEGIES TO IMPROVE PERFORMANCE

According to the current three years strategic plan , TGT strategy is to be more sector focused and concentrate on:

6.1 SMEs Sector: Provision of BDS (Business Development Services) & SMEs out of which 90% are women owned and Workspace facilitation through PPP to a limited number of growth SMEs.

6.2 Sector Project Management

TGT continues to facilitate and manage sector development projects that aim at providing market based solutions to farmers and SMEs through Public Private Partnerships that accelerate the development of a thriving Tanzania Private sector. The Focus is value chain interventions focusing on the following sectors:-

- *Cotton and textiles in the mainland Tanzania:* The Project aims to double the yields of Tanzania's 400,000 plus cotton farmers and catalyse value-adding industries in the textile and clothing sector. The Main Funder for Project has continued to be Gatsby Charitable Foundation.

- *Forestry:* Improvement of forest conservation and production through technologies that are environmentally friendly, socially acceptable, economically viable and culturally compatible so as to improve the living standards of rural families in Tanzania. The Main funder for the programme has continued to be The Kilimo Trust.

- *Horticulture Development :* Changing the lives of small holder farmers through integrated horticulture farming and value addition to enable them benefit from Tourism Value

Chain in Zanzibar. The Main Funders have been Gatsby Charitable Foundation and Ford Foundation

7. STATEMENT OF SOLVENCY

The Trust is solvent and able to meet its financial commitments and has excess of current assets over the current liabilities.

8. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the TGT. It is the task of Management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations.
- The safeguarding of the TGT's assets.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Business sustainability under normal as well as adverse conditions.
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the TGT system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31.12.2012 and is of the opinion that they met accepted criteria.

The Board does risk and internal control assessment through Audit and Finance Committee.

9. TRUSTEES' INTEREST

The Board of Trustees is responsible for the governance of the Trust. In carrying out this public trust, the Trustees bring to the Trust their own varied backgrounds and expertise. Nevertheless,

the Trustees are expected to put aside parochial interests and keep the welfare of the Trust, not just some particular constituency.

None of the Trustees had conflict of interest with TGT which has not been disclosed by such Trustee. All Trustees signed a declaration to that effect.

10. EMPLOYEES' WELFARE

The very logic behind providing welfare schemes is to create efficient, healthy, loyal and satisfied labour force for the organization. The purpose of providing such facilities is to make their work life better and also to raise their standard of living. On the overall, TGT provides:

- On the job and external (local and overseas) training to broaden the employees' acumen.
- Career development through promotions and internal transfers.
- Staff loans and bonuses.
- Medical benefits through AAR Medical Insurance Scheme.
- Recreation and team building facilities and services.

11. EMPLOYMENT OPPORTUNITIES

TGT is an equal opportunity employer. As a charitable organization, TGT endeavors to employ persons with disability whenever there is a vacancy for which they are qualified. Moreover through the MKUBWA Programme TGT offers training to women with children having disability.

12. ENVIRONMENT CONTROL PROGRAMME

The TGT contributes to the environment programme through the Tanzania Tree Biotechnology Project in collaboration with the Tanzania Forestry Research Institute (TAFORI) and through conservation Agriculture in the Tanzania Cotton and Textile programme.

13. GENDER PARALLELISM

Overall TGT had Thirty (30) employees including staff engaged in the various projects managed by TGT who were under contract of employment with the Trust, out of which 8 were female and 22 were male.

14. THIRD PARTY TRANSACTIONS

There were no third party transactions during the year.

15. POLITICAL AND CHARITABLE DONATIONS

There were no donations made to political party or charitable organizations.

16. APPOINTMENT OF AUDITORS

At the last Annual General Meeting, the Trustees appoint **Tanna Sreekumar & Co** as Auditors of the Trust from the financial year ending 31st December 2012. Before their appointment, the Auditors of the Trust were, **TAC Associates.**

BY ORDER OF THE BOARD OF TRUSTEES

CHAIRMAN

17 June 2013

DATE

AUDITORS' REPORT TO THE TRUSTEES OF TANZANIA GATSBY TRUST

1. We have audited the financial statements on pages 9 to 19 in accordance with International Standards on Auditing. The financial statements are in agreement with the accounting records and we obtained the information and explanations we required.

2. Respective responsibilities of Trustees and Auditors

The Trustees are responsible for the preparation of the financial statements and adopting the accounting policies. It is our responsibility to form an independent opinion, based on our audit on those statements and to report our opinion to you.

3. Basis of opinion

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgment made by the Trustees in the preparation of the financial statements, and whether the accounting policies are appropriate to the Trust's activities, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

4. Opinion

In our opinion the financial statements give a true and fair view of the state of the Trust's financial affairs as at 31st December 2012 and of its net un-utilized committed projects funds carried forward of Tzs 4,312,167,000 and cash flows for the year then ended in accordance with International Accounting Standards and in compliance with International Financial Reporting Standards.

B.S.Sreekumar
Tanna Sreekumar & Co.
Certified Public Accountants

Dar es Salaam

Date: 18 June 2013

TANZANIA GATSBY TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012

	2012			2011		
	Income	Expenditure	**Carried Forward**	Income	Expenditure	**Carried Forward**
	Tzs'000	Tzs'000	**Tzs'000**	Tzs'000	Tzs'000	**Tzs'000**
PROJECTS' GRANTS						
Cotton & Textile Dev Programme (GCF)	13,046,782	(8,412,675)	**4,634,107**	5,670,420	(7,033,412)	**(1,362,992)**
Public Informal Sector (DANIDA)	289,825	(186,205)	**103,620**	-	-	**-**
Tourism Linkage (GCF)	19,558	(62,286)	**(42,728)**	93,540	(88,247)	**5,293**
Vegetable Project (Ford Foundation)	93,568	(152,944)	**(59,376)**	69,157	(26,621)	**42,536**
MFI Transformation	-	-	**-**	28,500	-	**28,500**
Tree Biotechnology Project (Kilimo Trust)	-	(38,805)	**(38,805)**	581,423	(440,926)	**140,497**
MKUBWA Project (World Bank)	49,101	(227,824)	**(178,723)**	362,483	(365,886)	**(3,403)**
Subtotal	**13,498,834**	**(9,080,739)**	**4,418,095**	**6,805,523**	**(7,955,092)**	**(1,149,569)**
NON PROJECTS' GRANTS & OTHER INCOME:						
Grant for TGT's Core Costs	-	-	-	240,000	(199,916)	**40,084**
Reimbursements, Other Income & Admin Exp (Note**11 & 13**)	399,012	(504,939)	(105,928)	531,434	(442,675)	**88,759**
Total Admin & Other Expenses (Note**13**)		**(504,939)**			**(642,591)**	
Subtotal income & expenditure	**399,012**	**(504,939)**	**(105,928)**	**771,434**	**(642,591)**	**128,843**
GRAND TOTAL	**13,897,846**	**(9,585,679)**	**4,312,167**	**7,576,957**	**(8,597,683)**	**(1,020,726)**

The accounting policies and notes on pages 46 to 55 form part of these financial statements.

Auditors' Report on Page 41

Signature _____

Name EPAINETO B. TOROKA

Date 17 June 2013

Signature _____

Name MARGARETH M. CHACHA

Date 17 June 2013

TANZANIA GATSBY TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2012

		Projects	Non Projects	TOTAL 31.12.2012	TOTAL 31.12.2011
FIXED ASSETS	**Note**	**Tzs'000**	**Tzs'000**	**Tzs'000**	**Tzs'000**
Computers		50,525	4,098	**54,623**	**28,954**
Motor Vehicles		724,530	65,724	**790,254**	**565,147**
Furniture and Fittings		18,510	14,069	**32,579**	**5,540**
Office Equipment		-	23,256	**23,256**	**8,280**
Total Fixed Assets	**2 & 3**	**793,565**	**107,147**	**900,712**	**607,921**
NON FIXED ASSETS					
Endowment Fund/Investment in Equity					
Endowment Fund_New York		-	2,737	**2,737**	**1,376,938**
ShoreCap International Ltd		-	454,286	**454,286**	**439,776**
Local Endowment Fund (at CBA)		-	434,709	**434,709**	**63,950**
Total Endowment Fund	**5**	**-**	***891,732***	***891,732***	***1,880,664***
Fanikiwa Microfinance Co Ltd		-	2,640,000	**2,640,000**	**2,640,000**
Njombe Community Bank Ltd		-	100,000	**100,000**	**100,000**
Mwanga Community Bank Ltd		-	43,338	**43,338**	**43,338**
Meru Community Bank Ltd		-	45,000	**45,000**	**40,000**
Tandahimba Community Bank Ltd		-	20,000	**20,000**	**20,000**
Total Investments in Equity	**4**	**-**	**2,848,338**	**2,848,338**	**2,843,338**
Social Investment Fund	**6**	**-**	42,417	**42,417**	**39,970**
Total of Non Fixed Assets			**3,889,634**	**4,683,198**	**5,371,893**
CURRENT ASSETS					
Other receivables	**7 & 8**	-	189,756	**189,756**	**244,045**
Less: Provision for for doubtful recovery		-	(56,619)	**(56,619)**	**-**
Net other Receivables		-	133,137	**133,137**	244,045
Bank balances and Cash	**9**	2,201,666	544,467	**2,746,134**	**1,012,338**
Total Current Assets		**2,201,666**	**677,604**	**2,879,271**	**1,256,383**
CURRENT LIABILITIES					
Accrued expenses	**10**	-	(82,906)	**(82,906)**	**(107,087)**
Current account - FANIKIWA		-	(24,916)	**(24,916)**	**-**
Current account - FANIKIWA - For Issue of Shares					**(1,210,259)**
Deferred grants income (CTDP)		-	-	**-**	**(2,467,581)**
Net Current liabilities		**2,201,666**	**569,782**	**2,771,449**	**(2,528,544)**
TOTAL ASSETS		**2,995,232**	**4,459,417**	**7,454,648**	**2,843,349**
FUNDED BY:					
Projects' Fixed Assets		793,565	**-**	**793,565**	**533,942**
Projects' Funds		2,201,667	**-**	**2,201,667**	**(698,516)**
Endowment Fund		-	**891,732**	**891,732**	**1,880,664**
General Fund		-	**3,567,685**	**3,567,685**	**1,127,259**
TOTAL FUNDS		**2,995,232**	**4,459,417**	**7,454,648**	**2,843,349**

The accounting policies and notes on pages 46 to 55 form part of these financial statements.
Auditors' Report on Page 41

Signature _____
Name EPAINETO B. TOROKA
Date 17 June 2013

Signature _____
Name MARGARETH M. CHACHA
Date 17 June 2013

TANZANIA GATSBY TRUST
STATEMENT OF CHANGES IN EQUITY
AS AT 31st DECEMBER 2012

	Projects Fixed Assets	Project Funds	Endowment Fund	General Fund	Total
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	**Tzs'000**
Balance 01/01/2011	**665,378**	**451,053**	**1,747,553**	**899,052**	**3,763,036**
Addition	47,346	-	4,389	-	**51,735**
Amortization	(178,782)	-	-	-	**(178,782)**
Valuation	-	-	-	99,364	**99,364**
Exchange difference	-	-	126,158	-	**126,158**
Interest	-	-	2,564	-	**2,564**
Comprehensive satement of income	-	(1,149,569)	-	128,843	**(1,020,726)**
Balance 31/12/2011	**533,942**	**(698,516)**	**1,880,664**	**1,127,259**	**2,843,349**
Balance 01/01/2012	**533,942**	**(698,516)**	**1,880,664**	**1,127,259**	**2,843,349**
Correction of opening balance	**-**	**-**	**-**	38,239	**38,239**
Adjustment - see below	-	-	(990,203)	990,203	-
Contra	-	(1,517,912)	-	1,517,912	**-**
Opening Balances Restated	**533,942**	**(2,216,428)**	**890,461**	**3,673,613**	**2,881,588**
Addition	532,638	-	-	-	**532,638**
Amortization	(273,015)	-	-	-	**(273,015)**
Exchange difference	-	-	(13,721)	-	**(13,721)**
Interest	-	-	14,992	-	**14,992**
Comprehensive statement of income	-	4,418,095	-	(105,928)	**4,312,167**
Balance 31/12/2012	**793,565**	**2,201,667**	**891,732**	**3,567,685**	**7,454,649**

Adjustment

This arises after the Endowment Funds were transferred from the New York Bank to Standard Chartered Bank Tanzania for onward payet to FANIKIWA Microfinance Co Ltd for the call of shares, hence, the cumulative amount in Equity Statement after the transfer has to be shifted from Endowment Fund to the General Fund, so that, the amount in the Equity Statement matches with that in the Statement of Financial Position, i.e. Tzs 891,732,000.

TANZANIA GATSBY TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	2012 Tzs'000	2011 Tzs'000
SURPLUS/ (DEFICIT) FOR THE YEAR CARRIED FORWARD STATEMENT OF CHANGES IN EQUITY	**4,312,167**	(1,020,726)
Adjustment:		
Transactions Directly Recorded in the Equity	**572,148**	180,457
Depreciation	**26,177**	28,265
Net Transfer of Property, Plant and Equipment to FMFCL	**-**	2,725
NET CASH FROM OPERATING ACTIVITIES	**4,910,492**	(809,279)
CHANGES IN WORKING CAPITAL ITEMS		
(Increase)/Decrease Social Investment Fund	**(2,447)**	(2,685)
(Increase)/Decrease in Other Receivables	**54,289**	(142,092)
Increase/(Decrease) in Deferred Income	**(2,467,581)**	442,581
Increase/(Decrease) in Due to FANIKIWA	**(1,185,343)**	(84,364)
Increase in provision for doubtful debts	**56,619**	-
Increase/(Decrease) in accrued expenses	**(24,181)**	(110,021)
NET CHANGE IN WORKING CAPITAL ITEMS	**(3,568,643)**	103,419
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	**1,341,849**	(705,860)
CASH FLOWS FROM FINANCING & INVESTING ACTIVITIES:		
Net (Increase)/Decrease in Endowment Fund	**988,931**	(133,111)
Net (Increase)/Decrease in Investment	**(5,000)**	(20,000)
Revaluation Property, Plant and Equipment-Non Projects	**-**	(53,925)
Revaluation Surplus	**-**	99,364
Additions of Property, Plant and Equipment – Non Projects	**(59,294)**	-
Additions of Property, Plant and Equipment – Projects	**(532,638)**	(47,346)
NET CASH FLOWS FROM FINANCING ACTIVITIES (B)	**391,999**	(155,018)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A + B)	**1,733,848**	(860,878)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,012,338**	1,873,216
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,746,134**	1,012,338

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The principal accounting polices adopted are consistent with those applied in the previous year.

(a) Basis of Accounting

The financial statements of TGT at 31 December, 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS). In addition to the standards also encompass the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All existing and currently applicable IFRS rules as of 31st December, 2012 were observed.

IFRS 9 Financial Instruments

Classification and Measurement Original issued 2009 and is effective for financial years beginning on or 1 January 2013

(b) Income

Grant moneys from donors and interest on bank deposits are recognized on receipt basis. Non-Project grants are credited to equity whereas Grants related to revenue expenditure are credited to income statement in the same period in which the revenue expenditure to which they relate is charged. Project Funds earmarked for the next accounting period following the year of receipt to the extent not utilized are credited to the current liabilities under the deferred income component.

(c) Property, Plant and Equipment

The Trust has elected to use cost model as its accounting policy to an entire class of property, plant and equipment

(i) Recognition

Property, Plant and Equipment are initially recorded at cost. Cost comprises of the expenditure that is directly attributable to the acquisition (purchase or construction) of the items. Subsequent costs

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

(ii) Measurement after Recognition

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(iii) Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment is calculated on a straight line method to write off the cost/value of the property/equipment over the expected useful economic lives. The principal annual rates, which are consistent with those applied in the previous years, are as under:-

Description of Assets	**Rate p.a.**
Computers	33.33%
Motor vehicles	25.00%
Furniture, fittings and equipment	12.50%

Property, plant and equipment acquired during the year are depreciated from the date when they are available for use and cease to be depreciated at earlier of the date that the asset is classified as held for sale and the date that the assets is de-recognized.

(iv) Subsequent Expenditure

Expenditure incurred to replace a component of item of property, plant and equipment is accounted for separately and capitalized. Subsequent expenditures are capitalized only when they increase the current economic benefits. All other expenditure items are recognized in the income statement as expenses as they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. No depreciation is charged if the residual value of an item is equal to or greater than its carrying value.

TANZANIA GATSBY TRUST
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Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized.

(d) Investment Securities (Investment in shares)

The Trust classifies its investment in shares as available for sale investments. These investments are initially carried at cost. After initial recognition, investment in shares are measured at fair value with gain or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gains or losses previously reported in equity is included in the Statement of Comprehensive Income. The fair value of these investments is determined using valuation techniques such as recent arms length market transactions and reference to the current market value of another instrument, which is substantially the same. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the Trust's right to receive payment is established.

(e) Functional and Presentation Currency

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the Trust operates ("the functional currency").

The financial statements are presented in Tanzanian Shillings, which is the Trust's functional and presentation currency.

(f) Foreign Currency Transactions

Foreign currency transactions are translated into Tanzanian Shillings by applying the exchange rates ruling on the transactions dates.

Assets and liabilities denominated in foreign currencies are translated into Tanzanian Shillings at exchange rates ruling on the Balance Sheet date.

Gains or losses arising thereon are dealt with in the statement of Comprehensive Income.

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
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(g) Impairment of Assets

The Trust recognizes an impairment loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(h) Employee Benefits

(i) Short Term Benefits

Short-term benefits are monetary and non-monetary benefits as covered in employment contract and scheme of service. A liability is recognized for unpaid short term benefit. An expense is recognized as the entity benefits from services provided by employees.

(ii) Post –Employment Benefits

The Trust contributes to Parastatal Pensions Fund (PPF) 10% of basic salary of each staff and the staff contributes 10% of his/her basic pay every month. The Trust collects both contributions and remits to PPF every end of the concerned month. The Trust contribution is charged to the Statement of Comprehensive Income on accrual basis.

(i) Gratuity

The Trust provides gratuity to all its employees upon successful completion of their employment contracts. Gratuity is payable at 25% of earnings during the period of Contract of employment. The gratuity is charged to the statement of Comprehensive Income on accrual basis.

(j) Retirement Benefits

The Trust recognizes employees' retirement benefits a) as a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and b) as an expense when the Trust has consumed the economic benefit arising from service provided by the employee in exchange for the employee benefit.

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
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2 . PROPERTY, PLANT AND EQUIPMENT (FOR NON-PROJECTS)

Description	Computers Tzs'000	Motor Vehicles Tzs'000	Furniture & Fittings Tzs'000	Office Equipment Tzs'000	Total Tzs'000
Cost					
As at 01.01.2012	15,620	53,925	8,750	13,150	91,445
Additions	1,900	25,280	12,886	19,228	59,294
As at 31.12.2012	**17,520**	**79,205**	**21,636**	**32,379**	**150,739**
Depreciation					
As at 01.01.2012	8,349	-	4,246	4,870	17,465
Charge for the Year	5,072	13,481	3,321	4,253	26,127
As at 31.12.2012	**13,421**	**13,481**	**7,567**	**9,123**	**43,592**
Net book value					
As at 31.12.2012	**4,098**	**65,724**	**14,069**	**23,256**	**107,147**
As at 31.12.2011	**7,271**	**53,925**	**4,504**	**8,280**	**73,980**

3. PROPERTY, PLANT AND EQUIPMENT (FOR PROJECTS)

Description	**Tzs'000**	Vehicles **Tzs'000**	Fittings **Tzs'000**	**Tzs'000**
Cost				
As at 01.01.2012	31,354	680,187	1,183	712,724
Additions	50,639	464,159	17,840	532,638
As at 31.12.2012	**81,993**	**1,144,346**	**19,023**	**1,245,362**
Depreciation				
As at 01.01.2012	9,670	168,963	148	178,781
Charge for the Year	21,796	250,855	365	273,016
As at 31.12.2012	**31,466**	**419,818**	**513**	**451,797**
Net book value				
As at 31.12.2012	**50,527**	**724,528**	**18,510**	**793,565**
As at 31.12.2011	**21,684**	**511,223**	**1,035**	**533,942**

TANZANIA GATSBY TRUST
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4. INVESTMENTS IN SHARES

	No. of Shares	2012	No. of Shares	2012
Unquoted Shares		**Tzs'000**		Tzs'000
Njombe Community Bank Ltd	**100,000**	**100,000**	100,000	100,000
Mwanga Community Bank Ltd	**866,765**	**43,338**	866,765	43,338
Meru Community Bank Ltd	**45,000**	**45,000**	40,000	40,000
Tandahimba Community Bank Ltd	**20,000**	**20,000**	20,000	20,000
Fanikiwa Microfinance Co Ltd	**2,640**	**2,640,000**	2,640	2,640,000
TOTAL		**2,848,338**	1,029,405	2,843,338

5. ENDOWMENT FUND

	£	Tzs'000	£	Tzs'000
The Bank of New York				
Opening balance 01.01.2012	**572,361**	**1,376,938**	571,523	1,282,498
Transfer to Standard Chartered (T) Ltd	**(571,523)**	**(1,428,808)**	-	-
Interest	**332**	**817**	838	2,096
Exchange difference	**-**	**53,790**	-	92,344
Closing balance 31.12.2012	**1,170**	**2,737**	572,361	1,376,938
ShoreCap International				
Opening balance 01.01.2012	**182,811**	**439,776**	182,811	410,228
Exchange difference	**-**	**14,510**	-	29,548
Closing balance 31.12.2012	**182,811**	**454,286**	182,811	439,776
Commercial Bank of Africa	**US$**	**Tzs'000**	**US$**	**Tzs'000**
Opening balance 01.01.2012	**41,080**	**63,950**	36,788	54,827
Transfer to Tzs account	**(41,080)**	**-**	-	-
Exchange difference	**-**	**874**	-	2,268
Net additions during the year	**-**	**357,965**	292	455
Interest	**-**	**11,920**	4,000	6,400
Closing balance 31.12.2012	**-**	**434,709**	41,080	63,950
		891,732		1,880,664

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The Endowment Fund is a long term investment for the future sustainability of the Trust. The Funds are invested in Sterling Pounds at The Bank of New York Mellon in the UK and in Tzs at the Commercial Bank of Africa Tanzania Limited.

The Gatsby Charitable Foundation (GCF) has invested £ 182,811 on behalf of TGT in Shore Cap International Limited (SIL). There is still a balance of £ 67,189 with GCF to be invested in SIL.

6. SOCIAL INVESTMENT FUND

		2012
	£	Tzs'000
Balance 1st January	16,615	39,970
Exchange Difference	-	2,447
Balance 31st December	16,615	42,417

These are funds disbursed to Women Entrepreneurs Development (WED) for procurement of Packing Materials for the Food processors SMEs; in the event that there is a dissolution of WED, amount invested in WED by TGT is refundable.

7. PREPAYMENTS

	2012
	Tzs'000
Medical Insurance	58,662
Rent	-
	58,662

8. OTHER RECEIVABLES

Imprests	-
Staff advances	15,767
Refundable Expenditure from CBA	56,618
Refundable Expenditure GCF & TTBP	58,709
	131,094

9. CASH AND CASH EQUIVALENT

Cash on Hand	500
Projects Funds	2,201,665
Non Projects Funds	543,967
	2,746,133

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

10. PROVISIONS AND ACCRUALS

Audit fees	10,000
Retirement benefit	46,562
Staff imprest	22
Gratuity	26,099
PAYE	223
	82,906

11. REIMBURSEMENTS and OTHER INCOME

Reimbursement of Administration Expenses - CTDP	167,375
Reimbursement of Administration Expenses - Craft Project	-
Reimbursement of Administration Expenses - DANIDA	141,221
Reimbursement of Administration Expenses - TTBP	25,445
Reimbursement of Administration Expenses - MbogaMboga Project	26,392
Fees for Use of Conference Room	1,250
Fees from Planet Rating	12,768
Interest from Bank's Call Account	7,441
Training Fees from MKUBWA Project	-
Sale of Tender Documents - DANIDA	300
Donation	10,191
Exchange Difference	(4,841)
Debts Collected by Fanikiwa for TGT	3,100
Trade Fair Participation Fees	8,370
	399,012

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
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12. ADMINISTRATIVE EXPENSES

	2012	2011
	Tzs'000	Tzs'000
Audit Fees	10,000	10,000
Bank Charges	4,070	4,416
Board/Various Committees Meeting Expenses	21,934	43,615
Communication	4,988	11,895
Community Social Support	1,400	8,030
Electricity & Water	5,580	3,552
Entertainment	719	2,833
Insurance for motor vehicles	2,328	2,739
Internet Charges	3,919	2,610
Legal fees	7,200	-
Local travel	6,018	5,688
Motor Vehicles Running Expenses	9,010	13,581
Office Expenses	3,366	2,142
Office Rent	34,445	29,144
Personnel Costs	242,286	332,119
Provision for Retirement Benefit	6,570	39,992
Printing and Stationery	1,912	1,781
Provision for WED Revolving Fund	-	39,969
Professional Fees	8,154	4,238
Publications	5,590	7,330
Repairs and Maintenance	6,356	3,714
Subscriptions	7,985	1,944
	393,829	571,332

13. OTHER EXPENSES - non projects

Dar Trade Fair Expenses	25,279	23,625
SME's support	3,037	-
Provision for doubtful debts - CBA	56,617	-
Inter Trust Seminar Expenses	-	19,370
Depreciation	26,177	28,264
	111,110	71,259
GRAND TOTAL	504,939	642,591

TANZANIA GATSBY TRUST
NOTES TO THE FINANCIAL STATEMENTS
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14. TAXATION

The Trust is exempted from Corporate Tax under the Income Tax Act of 2004. Returns for other taxes have been filed with Tanzania Revenue Authority as required.

15. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December, 2012.

16. COMPARATIVE FIGURES

Previous year's figures have been re-grouped whenever considered necessary in order to make them comparable with current year's figures.

17. CURRENCY

These financial statements are presented in thousands of Tanzanian Shillings, abbreviated as Tzs'000

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