brac

realising potential

Tanzania

Annual Report 2009

ABOUT**BRAC**

BRAC is a development organisation dedicated to alleviating poverty by empowering the poor to bring about change in their own lives. We started out in Bangladesh in 1972, and over the course of our evolution, we have established ourselves as a pioneer in recognising and tackling the many different realities of poverty.

BRAC achieves large scale, rapid change by working with individuals, families, communities and institutions to overcome poverty. Our approach is comprehensive – with financial services, capacity building and livelihood development as well as health, education and social justice – enabling people to realise their potential. Through continuous innovation to introduce more cost effective solutions and adapting them for greater effectiveness, we scale up for immediate and lasting change. We are pioneering a new kind of organisation, which integrates development programmes with social enterprises and enables BRAC and individuals to become self-reliant. While using our southern based knowledge and expertise, we are constantly learning from people, communities and countries where we work.

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Annual Report 2009

BRAC in TANZANIA

Since our launch in Tanzania in 2006, BRAC has become a major development organisation and provider of microfinance in the East African nation of 41 million people. We now operate 104 branches in 44 districts with more than 111,500 microfinance members. This past year, we disbursed over USD 20 million in loans to poor women and men. BRAC takes an integrated approach to helping people rise out of poverty and realise their potential. We provide support services in agriculture, livestock and poultry, health and adolescent development. BRAC's programmes are bolstered by rigorous research, monitoring and auditing. To build capacity we comprehensively train our members and staff. At the end of 2009 we employed 1,052 Tanzanians, many of whom are promoted within the organisation.

Shamimu Issa (right), Kihesa Branch Manager, conducts a microfinance meeting in Mafifi village, Iringa.

BRAC/Shehab Uddin

Chairperson's Statement

It is quite amazing to see how enthusiastically Tanzania's poorest people have embraced the multifaceted opportunities that BRAC provides to help them realise their potential. In 2009 we achieved significant growth in all of our livelihood-enhancing programmes that are so essential to breaking the cycle of poverty.

For example, the number of borrower groups in our Microfinance Programme increased 86.5% to 6,376, a tribute to the hard work of our staff and the effectiveness of the programme in reaching out to the poorest of the poor. Our cumulative loan disbursement increased 86.6% to USD 45.61 million.

The vast majority of microfinance members, all of whom are women, are in the poorest half of the population, those without financial access. Unique among the top microfinance institutions, we provide the support of health, adolescent development, agriculture, livestock and poultry services.

Even our relatively more financially secure clients do not qualify for bank loans and are turning to BRAC for capital. Begun as a pilot project in 2008 with 94 borrowers, the Small Enterprise Programme rolled out across the country in 2009, growing in terms of borrowers to 1,108. These entrepreneurs, who include male borrowers as well, are receiving loans from USD 800 to 5,000 to expand their businesses and create employment.

If microfinance can be seen as the heart of BRAC's work, perhaps the Empowerment and Livelihood for Adolescents Programme is the soul. ELA is aimed at saving girls aged 13-20 from early marriage and pregnancy through a network of neighbourhood clubs coupled with livelihood training and microfinance. In 2009, we scaled up ELA from 40 to 100 clubs and now have 3,450 members, 248% more than where we were the year before.

In the clubs for three hours a day, the girls are encouraged through a variety of activities to find their own voice and express themselves. During the year, 544 girls who are not in school received training in such skills as poultry rearing and tailoring.

Our Agriculture and Livestock Programme blossomed in 2009. For example, the number of general farmers grew by 110% to 32,249. BRAC's investment in agricultural research stations and trial plots are key to developing quality seeds that will dramatically increase farming yields.

Essential health care is central to alleviating poverty; people cannot make money when they are sick. From our microfinance members, we select and train Community Health Volunteers who give health care services and health information to their neighbours, and sell health-related products to supplement their income. There are now 1,645 CHVs taking the pulse of their community's health.

We conduct rigorous research, monitoring and auditing activities to continuously check on the effectiveness of our programmes. Since the Research and Evaluation Unit for East Africa programmes was launched in 2008, the regional research team based in Kampala, Uganda, has initiated impact studies of all our development programmes and 15 operational research projects.

As our programmes expand, so does our staff. Employment of Tanzanian staff rose 70% in 2009 to 1,052. To prepare our new employees and upgrade existing staff, we opened our first residential BRAC Training Centre in Dodoma in September 2009.

BRAC Tanzania's success is the result of the dedication, hard work and commitment of the staff in Tanzania, led by Country Programme Head Gunendu K. Roy and is also due to the leadership and vision provided by BRAC's senior management team in Bangladesh.

(Sir) Fazle Hasan Abed KCMG
Founder and Chairperson

microfinance

livelihood development services

"Life was very bad before. My husband would come home after six months of digging for minerals with almost nothing. I was selling clothes door to door and made very little, maybe 500 shillings [USD 0.38]. Sometimes there was no lunch or supper for me and my baby. But with the loans from BRAC, my life has changed. I have my own shop now and have increased my stock. It's very good for me as a woman to have my own business."

Glor Nyangusi (21) is a BRAC Microfinance member in Arusha. With the help of a BRAC loan she makes a daily profit of about 10,000 shillings (USD 7.69).

PROGRAMME**HIGHLIGHTS**

"Since I got my loan, I've added three sewing machines and two staff. My ambition when I complete the loan and get a new one is to open a tailoring centre so many girls can learn how to make clothes." Nesha Miraji (42), Small Enterprise Programme member

Microfinance is at the heart of BRAC's integrated approach to alleviating poverty and helping poor Tanzanian women realise their potential. More than 111,500 women are members of 6,376 community-based microfinance groups throughout Tanzania. They gather weekly in villages, towns and city neighbourhoods to make repayments on their loans and apply for new ones. Their loans can often lead to very swift changes in their livelihoods.

"I feel happy because I was not expecting that someday I'd be a successful woman," said Scolastica Rister, 28, who runs a busy restaurant in Chadulu Village, Dodoma, working from 6 am to 10 pm. "I began with just a small business making mandazi (doughnuts). When I got the loan from BRAC I expanded. I started cooking food in the afternoon. With my profits I bought a plot of land. With my second loan I hired three staff and built a house with three rental units."

When she only made mandazi, Scolastica's daily sales were 15,000 to 20,000 shillings (USD 11.50-17.75). Then she got her first microloan of 250,000 shillings (USD 192) in January 2009 and her second of 350,000 (USD 269) in October. Now she makes daily profits of upto 70,000 shillings (USD 54).

Like Scolastica, BRAC borrowers are able to expand their small businesses with loans and other livelihood development services that are central to our Microfinance Multiplied approach.

Evar Steve Shoo, 30, began with a hairdressing salon in Kibaoni Village, Arusha. After BRAC surveyors visited her in 2007, she joined the Esuvat microfinance group and received her first BRAC loan of 400,000 shillings (USD 308). She bought a hair dryer and other equipment. With two more loans of 550,000 shillings (USD 715), Evar rented the shop next to her salon and opened a bright and beautifully displayed cosmetics store. Before BRAC, she earned less than USD 8 a day, but now makes more than USD 30.

"For the future, I heard about SEP [Small Enterprise Programme]. I want to take the biggest loan so I can add more business. I want to expand the salon and put tiles on the floor. I want the cosmetics shop to be the biggest in Arusha," Evar said.

When Dorothy Alex Fote started her home-based business making and bottling fruit-flavoured drinks in 2005 with capital from her accountant husband, the 35-year-old Arusha resident and SEP client was earning 500,000 shillings (USD 385) a month. After taking out her latest BRAC loan of 5 million shillings (USD 3,846), she now has more equipment and staff. "I feel so proud because I can make my own business. I can even support my husband."

While BRAC microfinance groups are exclusively for women, the larger SEP loans are disbursed to men as well. Arusha batik artist Davis John Mbuya, 38, learnt about BRAC from his wife Judith, who is a microfinance group member. He has used the 1 million shilling (USD 769) SEP loan he received in October 2009 to expand his business, which employs eight artists making designs for the tourist trade. Davis earns about 600,000-700,000 shillings (USD 462-538) a month, while his wife makes 100,000 (USD 49) running her medicine shop. "My ambition is to build a huge workshop in town," said Davis.

In 2010, we plan to extend microfinance to members of BRAC's adolescent clubs to help them develop their own businesses.

Small Enterprise Programme (SEP) client Davis John Mbuya (38) expanded his batik business with his BRAC loan in Arusha.

PROGRAMME ACHIEVEMENTS 2009

USD 1,437,308

lent to 1,108 borrowers in the Small Enterprise Programme's first full year of operation, compared with USD 136,890 to 94 borrowers in 2008, a partial year.

USD 20,446,385

in loans disbursed to poor women from 104 BRAC branches across Tanzania, 26 of which were opened in 2009. We recruited and trained 250 new employees - mainly women from local communities. BRAC has a national task force of 689 specialist microfinance staff (100% women). Our focus is on expanding into remote rural areas.

Microfinance borrower Pendo Danford runs her fruit and vegetable stall in Dodoma. Over 111,500 women like Pendo have benefited from BRAC's microfinance programme.

PROGRAMME **DESCRIPTION**

BRAC's microfinance programme has been designed to serve large numbers of poor people with reliable access to cost-effective financial services.

Programme Components

Women's Groups: Community partnerships and institution building are essential for poor people if they are to change their economic, social and political conditions. We deliver our microfinance and other programmes through organising groups of poor women who come together to improve their socioeconomic position.

BRAC provides more than just microfinance. We use the microfinance groups as a social platform to deliver scaled-up services in health, education, business development and livelihood support - all critical components needed to ensure that poor people can break the cycle of poverty.

BRAC microfinance branch offices conduct area surveys and consult with community leaders and local elders to select the 15-30 members of each group. The group is then subdivided into smaller groups of five, each with their own elected leader. The members of the small groups take co-responsibility to solve peer repayment problems. New borrower groups meet three times before any loan disbursement takes place. After that, they meet weekly to discuss credit decisions with their dedicated BRAC Credit Officer and make their loan repayments. BRAC provides training and technical assistance to its members and others in the community, empowering them to earn more income from existing activities and start new ones.

Microloans

At the core of the programme are microloans, which are exclusively for the women participating in the group process. Borrowers range in age from 20-50 with little or no education. BRAC lends to women who are not served by other microfinance institutions. Borrowers typically operate businesses that provide products or services to their local communities. Women with seasonal businesses, such as farming related activities, may also be eligible for shorter term loans.

Key Features of a Microloan

- Loan repayments in small weekly instalments
- No physical collateral needed
- Competitive interest rates
- Death benefit provided
- Services delivered to member's village
- Available in rural and urban areas

Small Enterprise Loans

BRAC offers small enterprise loans to entrepreneurs seeking to expand small businesses. The loans enable owners to create new employment opportunities and provide new services. Typically loans are given for trading, agriculture, livestock, fruit production and other types of small enterprises. These small entrepreneurs would otherwise have limited access to the formal financial system - too large for microloans but with not enough collateral for commercial banks. The small enterprise loan is offered to an individual rather than to a group and is available for both male and female entrepreneurs. Some members of the microloan groups will become eligible for this scheme as their businesses expand and their investment needs grow.

Key Features of a Small Enterprise Loan

- Available to both male and female entrepreneurs
- Loan range: USD 800-5,000
- Competitively low interest rates
- Repayment mode: equal monthly instalments

Most popular loan uses

Grocery stores
Beauty parlours
Tailoring
Clothing retail
Restaurants
Agriculture
Agro-based enterprises
Poultry, livestock and fisheries
Cottage industry
Hotel and restaurants / food processing
Wood products
Transportation
Plastic and rubber industry
Stationery shop

1 SEP client Dorothy Alex Fote runs a fruit-flavoured drink business in Arusha. She initially took out two 400,000 shilling (USD 308) BRAC loans, repaid that and recently borrowed 5 million shillngs (USD 3,846) to further expand her business.

2 Microfinance client Scolastica Rister (standing) makes and serves chapati and eggs in her restaurant in Chadulu Village, Dodoma.

3 BRAC borrower Tobadina Luhwavi runs a small store in Mafifi Village, Iringa.

agriculture and livestock

livelihood development services

"I have seen big differences since I started using good quality maize seeds from BRAC. My crops grow faster and are not too affected by pests. There are two ears of maize on a stalk instead of one. Before I was getting five bags of maize per acre and now I'm getting 10. I'm hoping to increase the yield to 15 bags when I harvest in June."

Khatibu Ally Mkude (50), a General Farmer in Itamba Village, Iringa, with his family.

PROGRAMME**HIGHLIGHTS**

"I do poultry vaccinations and sell medicines in case of disease. The money I'm earning with BRAC helps me educate my children and feed them nutritious food."
Violet William (40), poultry and livestock volunteer in Arusha

In Tanzania, agriculture leads the economy, accounting for more than 40% of GDP, 85% of exports and providing livelihoods for 80% of the people. Yet, with drought and mountainous terrain limiting cultivated crops to only 4% of land area, there are high levels of food shortages. In 2007, BRAC launched its agriculture and livestock programme in Tanzania to begin addressing the problems of poor crop and livestock productivity. Our goal is to increase production by at least 30% within five years by expanding irrigation and ensuring the supply of agricultural inputs, such as quality seeds, fertiliser and pesticides.

Our programmes are increasing income for farmers and livestock rearers by helping boost productivity in core agriculture and livestock activities. Amina Adolf, 30, a BRAC Model Farmer in Magadrisho Village, Arumeru District, trains 30 general farmers in using better methods and sells them quality seeds.

Amina teaches about sowing seeds in rows, proper plant spacing, making liquid and compost manure, mulching, interplanting, weeding and crop storage. "I request them to come to my farm to see what I do and I visit them in their farms to make seed beds. My plan for the future is to extend this knowledge to the people and help expand their farms."

The mother of three has added another half acre to her garden thanks to better production, seed sales and her four microfinance loans since 2007. Before BRAC, Amina earned about USD 38 a month while her husband made USD 154 from his job at a water company. Now Amina makes USD 112 - his salary remains the same. "My family is living in a better way because the profit I get from the farm is better than before. I have been able to build a good house and pay for my children's education."

We provide training in new farming and livestock-rearing techniques, and access to markets for our borrowers and other members in the community. We are investing in agriculture research stations and seed trial plots to develop disease-resistant, high-yielding seed varieties.

Debora Jakobo, 30, is a Model Poultry Farmer in the same village as Amina. She used to make USD 2 a day selling some of the vegetables she grew. But after joining a BRAC microfinance group in 2006, she was encouraged to raise chickens.

She now has 200 layer chickens that give her 150 eggs a day for a profit of USD 12. "I'm feeling confident in training other people with the skills I've learnt from BRAC," she said. "So many people come and ask where I learned to rear chicken. I let them know about BRAC's loans and training." With her profits and five BRAC loans, Debora has built 10 rental units from which she earns USD 115 a month.

In addition to increasing the productivity of crops and poultry, we also increased the number of Artificial Insemination Workers in 2009 to 189 to help produce cross-breed cattle that give more milk.

Rhoda Komba is a Model Farmer in Dodoma. Self-employed Model Farmers/Agricultural Workers like Rohda specialise in crop production and promote good farming practices to others in their communities by turning their own small farms into demonstration model farms.

PROGRAMME ACHIEVEMENTS 2009

1,190
villages covered by BRAC's agriculture programme which is in its third year of operation.

16,938
General Farmers trained along with 402 Model Farmers/Extension Workers, 80 Seed Entrepreneurs, 290 Horticultural Nurserers, 2,794 Kitchen/Homestead Gardeners and 288 Orchard/Fruit Gardeners.

4.4 million doses of poultry vaccine administered by 905 of our Livestock and Poultry Volunteers who were trained in 2009. They sold USD 21,870 worth of medicine.

General Farmer Stefanie Aloys and her husband Deus Matei talk with Erick Mhongole, Area Agriculture Coordinator (right) on their maize plot in Iringa. BRAC provides expert advice to farmers in Tanzania where agriculture is very much dependent on rainfall.

PROGRAMME **DESCRIPTION**

BRAC's agriculture and livestock programme addresses the problem of poor crop and livestock productivity in Tanzania. Crops grown for domestic consumption include bananas, cassava, fruits, maize, rice, vegetables, roots and tubers - as well as other traditional varieties such as a plantain, sweet potato, millet, sorghum, beans and ground nuts.

Tanzanian agriculture remains heavily dependent on rainfall, with less than 1% of arable land under irrigation. Small holder farms account for 99% of all cattle - mainly the Ankole Longhorn breed - and nearly 100% of all sheep, goats and poultry.

Our aim is to improve the efficiency and management of small to medium farm enterprises. The programme is designed to increase agricultural output, decrease livestock mortality, raise farm income and increase rural employment.

Specialist Programme Officers

Both components of the programme are implemented at the branch level through dedicated Programme Organisers who have completed a four-year diploma from a recognised government institute in their respective field. After recruitment as BRAC staff, they receive extensive training from specialists at BRAC and the government on topics such as livestock and poultry rearing, improved farming practices, high-yield seed varieties and programme operation strategies. The Programme Organiser's role is to train and supervise the Model Farmers/Agricultural Extension Agents and the Livestock Volunteers who are at the core of the programme.

Model Farmers/Agricultural Extension Agents

The primary outreach agents for the agriculture activities are the self-employed Model Farmers/Agricultural Workers. They specialise in crop production and promote good farming practices to others in their communities by turning their own small farms into demonstration model farms.

They are required to have a minimum of two years agricultural experience and farm at least two acres of land. They must be willing to work with other low-income farmers in their community and supply them

with quality inputs. Initially, the Agricultural Extension Agents receive one week intensive training on crop production technology. Later, they receive one-day refresher training each month. The Model Farmers/Agricultural Extension Agents are trained by BRAC's Programme Organisers to offer technical assistance to various types of farmers:

- General Farmers - These are farmers who operate on a small scale, less than one acre of land and do not have to be BRAC members. These General Farmers are provided technical knowledge by the Agricultural Extension Agents and Programme Organisers through farmers' meetings and also receive input supplies from the Extension Agents.
- Horticulture Nurserers - These are farmers trained in how to set up a nursery and sell seedlings, such as ornamental plants, fruit trees and flowers.
- Vegetable and Kitchen Farmers - Kitchen farmers use very small pieces of land, or no land at all, farming from a bucket or sack. Vegetable Farmers operate on one acre of land.

BRAC agriculture branch staff attend microfinance group meetings to identify Model Farmers/Agricultural Workers from among the members. The local BRAC branch is responsible for screening and short-listing candidates while the final selection is done by the area coordinators.

The Model Farmers/Agricultural Workers are then provided training for six days at the branch office. This covers farming techniques for specific crop varieties, focusing on the entire life cycle of the crop, starting from preparation of the land to harvesting. When their training is complete, the Agricultural Workers start identifying the small farmers living in their communities with the support of the branch staff. They assist the farmers on technical issues such as choice of varieties, improved seeds, crop spacing, rotation, intercropping, weeding, planting, fertilisation, pest control, post harvest management and utilisation of by-products, as well as integration of crop and livestock enterprises within the farm. They also sell improved seeds and other agricultural inputs.

Poultry and Livestock Volunteers

The livestock and poultry component also operates outreach activities through self-employed volunteers. These are women farmers with experience rearing livestock and poultry who are selected from BRAC microfinance groups. After selection, they receive extensive training in livestock husbandry, health issues and vaccinations. Training also includes the production and conservation of fodder crops. Once trained, they generate income by charging fees for their services. With help from BRAC, they offer vaccination services, sell veterinary medicines and provide technical assistance to other microfinance group members and the wider farming community. They select and assist the following types of livestock and poultry farmers:

Columba (right), a BRAC Agriculture Programme Organiser, speaks to a group of female farmers in Singisi Village, Arusha.

Our aim is to improve the efficiency and management of small to medium farm enterprises. The programme is designed to increase agricultural output, decrease livestock mortality, raise farm income, and increase rural employment.

Model Poultry Farmers: These are farmers with more than 50 birds. They receive five days of training on rearing and management of day-old chicks and layer hens to help improve their poultry farming yields. They are also trained in how to regularly vaccinate their birds and receive advisory services from the Poultry and Livestock Volunteers. Each BRAC branch will select and train approximately 70 Model Poultry Farmers. The farmers will earn a minimum of 80,000 shillings (USD 62) by selling eggs and chickens each month.

Broiler Rearers: These farmers receive five days of field-based training on broiler rearing, management and marketing. At least 20 broiler rearers are trained for each participating BRAC branch. The broiler rearer will receive 50 or more broiler chickens per batch and after six weeks, they sell the birds to the market. BRAC Area Livestock Coordinators and Programme Organisers ensure the supply of broiler chicks from commercial parent-stock poultry farms. The broiler rearer will earn a minimum of 50,000 shillings (USD 39) per batch of chicks.

Artificial Insemination (AI) Workers: The AI Worker receives a one-month training, sponsored by BRAC, from reputable institutes such as the National Artificial Insemination Centre (NAIC) in Arusha. After training, BRAC provides the equipment for starting up insemination activity. The AI programme is promoted through posters and leaflets while Programme Organisers hold meetings with cattle owners to discuss artificial insemination issues. The monthly minimum income target for each AI Worker is USD 39 while the monthly insemination target is at least 10 during their first two years.

Model Cow Rearers: These farmers have two to three dairy cows. They receive five days training on cow rearing and management to increase production and income. Each BRAC branch will select and train approximately 100 Model Cow Rearers. BRAC microfinance group members have access to microloans for purchasing additional livestock. They have access to the Poultry and Livestock Volunteers who provide services such as deworming and vaccination of animals under the supervision of a qualified BRAC Programme Organiser.

AGRICULTURE RESEARCH AND DEVELOPMENT

BRAC's agriculture research and development programme began tackling Tanzania's many farming challenges in 2007 and the seed production programme followed in 2008. Our goal is to increase farming income, improve food security and reduce poverty by promoting and delivering high-quality crop varieties to Tanzanian farmers.

BRAC's research evaluates local and imported crop germplasms (seeds and other genetic material, such

as plant cuttings). We have started producing maize, rice, sunflower and vegetable seeds by using government-released varieties. At the same time, we are trying to develop our own varieties through research.

BRAC agronomist Amiri Bocca, a graduate of the Sokoine University of Agriculture, said there are two major tests for the seed development process: "Are they adapting to our environment and how do they perform?"

The objectives of our programme are:

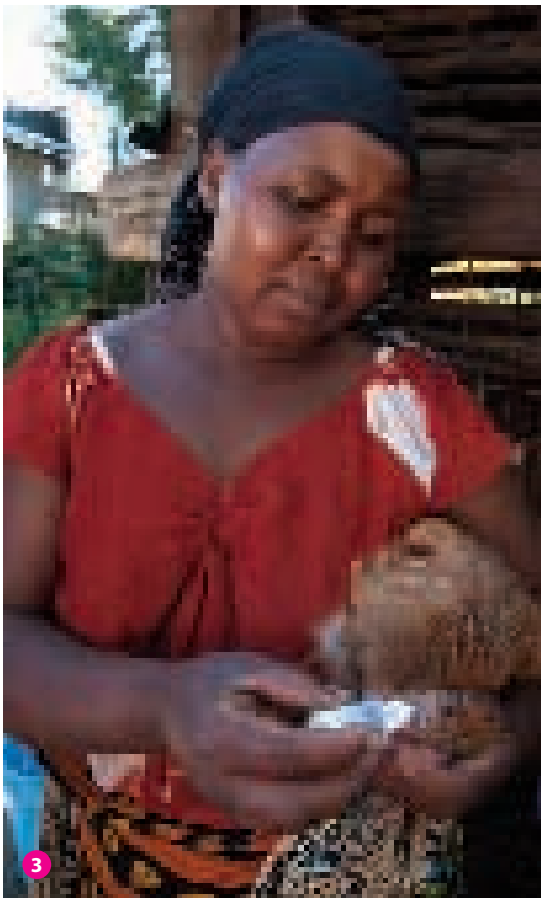
- To evaluate different crops' germplasms through on-farm and on-station trials
- To select promising exotic varieties for release and registration in Tanzania
- To introduce exotic hybrid and high-yielding varieties that can survive the Tanzanian climate along with local high-yielding varieties
- To develop and disseminate appropriate and environmentally friendly technologies to farmers at the grassroots level

We are conducting a number of seed trials and demonstration projects. In Arusha, in northern Tanzania, we have leased land from the Tengeru Horticulture Research Institute for maize and vegetable research. Rice research is conducted at Morogoro in the southern highlands.

BRAC's goal is to establish a seed business in Tanzania once all of the government's requirements have been met. In Bangladesh, BRAC is a pioneer in maize and vegetable seed production. We have been producing high-quality seeds for distribution to farmers since 1996. We currently have 23 seed production and processing centres and sell 80% of the maize seed in Bangladesh. By producing high-yielding variety seeds in-country, we can supply low-income farmers directly and help reduce their costs.

Maize is the principal food and cash crop for millions of people in Tanzania and throughout eastern Africa. Our research has had particular focus on identifying varieties of maize which produce high yields for low-income farmers.

As a member of the Tanzania Maize Working Group, BRAC is involved in conducting regional maize trials. We have been able to develop promising entries for conducting multilocation trials.



1 Livestock rearer Emmy Magesa took out a loan of 200,000 shillings in 2008 to buy 6 goats to breed. She is pictured here with one of the family's goats in Chadulu Village, Dodoma.

2 Model Poultry Farmer Debora Jakobo in Magadrisho Village, Arumeru District.

3 Livestock and Poultry Volunteer Violet William vaccinates a chicken in Arusha.

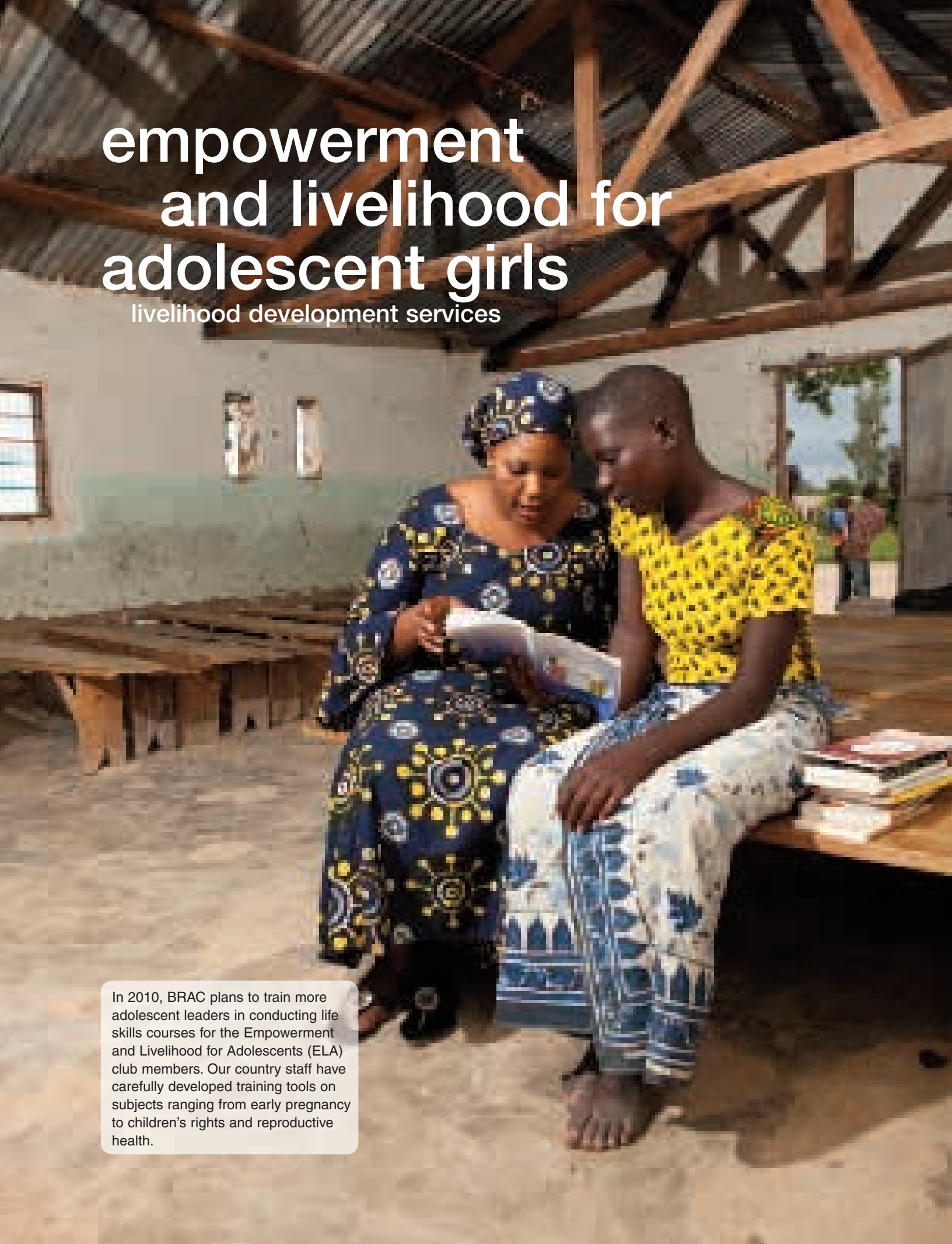
For vegetables crops, we have already submitted seed samples for tomato, eggplant and okra to the Tanzania Official Seed Certification Institute for distinctness, uniformity and stability tests. Farmers' assessment trials have been implemented under supervision of the Horticulture Research Institute. We also have strong ties with other national and international agriculture research organisations.

Seed production 2009

Crop	Variety	Acres planted	Kgs seed produced
Rice	TxD 306	15	9,930
Maize	TMV	14	5,360
Sunflower	Record	6	703
Tomato	Tengeru 97	1	17.5
Amaranth	White	0.25	90
Total		36.25	16,100.5

empowerment and livelihood for adolescent girls

livelihood development services



In 2010, BRAC plans to train more adolescent leaders in conducting life skills courses for the Empowerment and Livelihood for Adolescents (ELA) club members. Our country staff have carefully developed training tools on subjects ranging from early pregnancy to children's rights and reproductive health.

PROGRAMME**HIGHLIGHTS**

"I like talking with the girls. I'm a woman and I like seeing the changes in the lives of women as they become more empowered. I dream that one day one of my girls will be a great leader of the nation." Hilda Mohammed (35), Adolescent Organiser in Ipagala branch, Dodoma

Begun in 2008, the Empowerment and Livelihood for Adolescents (ELA) programme is already making a difference in the lives of vulnerable Tanzanian teenage girls. Funded by the Nike Foundation and organised into 100 clubs for 13 to 20 year olds, the programme provides a safe place for them to socialise and take part in group activities as well as a forum for talking about issues in their lives. Many of the older members who are out of school have taken training in income-generating skills. In 2010, we plan to disburse microfinance loans to these members so they can launch their own businesses.

Housed in simple rented or donated rooms, the clubs are brimming with energy and laughter. The girls read books and discuss their lives. They also entertain each other through songs, dances and dramas. For three hours in the afternoons, the girls play outdoor sports such as netball and soccer, and indoor games like chess and Monopoly.

Prisca Hando, 17, has been coming to the Swaswa club in Dodoma after school for a year. "It's a good idea because after my classes instead of joining bad company I can go to the club and sing and dance with my friends."

This sense of sanctuary and companionship is no small matter in a country where 39% of the 4.1 million adolescent girls get married and 25% become pregnant. HIV prevalence, which affects 6.2% of the total population, is increasing among adolescents and women.

While Prisca is one of the 5% of Tanzanian girls studying in secondary school, many ELA members have dropped out or never went to school. Hundreds have been recruited by BRAC to receive livelihood training in tailoring, poultry, agriculture and food processing.

Vumilia Mlati, 28, is the Area Supervisor for ELA in Iringa, which she notes has the highest HIV rate (14.7%) in the country. "I feel very sorry for that. But I can see our girls are changing. They're learning in our programme. Some of the girls are going back to school."

Salma Adam is one example. The Dodoma Road F Club mentor in TRM Village, Iringa, dropped out after primary school, took some basic nursing training but found the salary she could earn wasn't enough. Now she's a secondary school student. "In 2008 I started in Form 2 (Grade 9) and did well in exams. In 2009, I entered Form 3."

The ELA Programme has attracted the attention of Elesia Isabula, a senior producer for the Tanzania Broadcasting Corporation. She has featured club members discussing issues such as AIDS on her show 'Children's Voices'. "ELA is good," she said, "sometimes girls are staying at home, not going to school, and it's easy to be tempted by men. Now there's a club for them."

Sarder Lutfor Rahman, ELA Project Manager, says the clubs are making a difference with the girls. "I am seeing the light in their faces. They have hope," he said. "Community leaders want me to take this programme to the government schools. They also want us to develop material for boys."

BRAC continues its work to help adolescent girls improve their socio-economic condition by expanding its services further into remote areas of Tanzania.

Sardar Lutfor Rahman, Project Manager for ELA (left) talks with Hilda Mohammed (centre), Adolescent Organiser, ELA, Ipagala Branch, Dodoma and Beatrice Gawedence Mkuwa, Area Supervisor for ELA.

PROGRAMME ACHIEVEMENTS 2009

100 clubs in total opened across 10 branches in Dodoma, Kondoa, Iringa and Mufundi districts, this is up from 40 in the previous year. BRAC formed eight ELA microfinance groups and plans to to disburse loans to the girls to start their own businesses.

3,450 girls currently in the ELA programme's clubs. During the year, ELA provided livelihood training for many of the girls in tailoring, poultry rearing, vegetable growing and food processing and hopes to add training courses in photography, computer operations and beauty salon skills in the future.

Madina Ally (18) tried sewing on a neighbour's machine and liked it. She signed up for a 20-day ELA training course at a tailoring centre in Kikuyu, Dodoma and has hopes to earn a living with her new skills. "When I buy my own machine, I'll mend clothes, sew new ones and make some money."

PROGRAMME **DESCRIPTION**

BRAC's programme for adolescents is designed to socially and financially empower youth aged between 13 and 19. Targeted exclusively at vulnerable teenage girls, the programme combines innovative livelihood and life skills training with a customised microfinance programme.

The objectives of the ELA Programme

- To create confidence and a sense of self-worth
- To cause positive behaviour change
- To improve the quality of life for young people

PROGRAMME COMPONENTS

Adolescent Clubs

ELA services are provided through dedicated clubs that provide a safe, non-threatening environment for adolescent girls. The girls are able to freely socialise and share each other's experiences, as well as find support for dealing with personal challenges. The clubs act as both social spaces, where girls can win positive recognition from their peers, and training venues for skill development courses. Each club organises daily team sports - such as netball - as well as dancing and other recreational activities.

Adolescent Leaders

The clubs and training courses are managed by the adolescents themselves. Two girls from each club are selected and trained by BRAC to be adolescent leaders. They have to be at least 19 years old. These leaders are responsible for the management of all club activities and for conducting the training courses. Training for the leaders covers facilitation and life skills and is provided through:

- Six days basic training
- Six days training on conducting life skills training
- One-day refreshers (bi-monthly)
- One-day orientation
- One-day refresher for life-skills training

Life Skills Training Course

The life skills training course is offered to all the girls attending the clubs. The goal of the training course is to equip adolescents with the necessary knowledge and skills to improve their lives and to prevent child marriage. The objectives of this course are:

- To coach adolescent girls to be conscious, conscientious and confident citizens
- To raise their awareness of relevant social issues such as gender imbalance, early marriage and drug addiction
- To enhance understanding of general health, hygiene, HIV/AIDS and reproductive health issues
- To develop leadership skills
- To develop negotiation and conflict resolution skills

Income Generation Skills Training

The older teenage girls who are out of school are able to choose a training course in one income generation activity that is of interest to them. As many of the centres are in rural areas, the courses are mostly linked to agriculture. The following types of courses have proven to be beneficial and appropriate for girls entering into microfinance for the first time:

- Vegetable cultivation
- Poultry rearing
- Food processing
- Tailoring and other non-farm businesses

BRAC has found that a lack of financial literacy is a constraint to adolescent empowerment. The courses are designed in the context of the local economies and we offer several options to each girl. In our experience, the adolescents are keen observers of market opportunities. They are given training on basic market analysis techniques and are encouraged to select a business that suits them.

Appropriately Designed Microfinance

The key differences between ELA and BRAC's regular microfinance programmes are the targeted age groups and the average loan size. The average loan size of ELA is much lower compared to a comparable loan cycle in the regular microfinance programme. The unique features of the adolescent microfinance programme are:

- Credit Officers who are female adolescents
- Smaller first loan sizes compared to adults
- 16 years is the minimum age for borrowers (in compliance with financial regulations)

Community Participation

We involve parents and guardians in the process of adolescent empowerment through parents meetings, mothers' forums and workshops for community leaders. Much of the frustration faced by the adolescents is due to isolation and lack of adult understanding of the issues they face. Their parents and the communities in which they live may deliberately or subconsciously contribute to discrimination against girls and the violation of their rights. Given that the adults have often had little or no formal education themselves, they may not be fully aware of the causes and depth of the problems faced by adolescents.

Sadia Zerin is the only Bangladeshi woman among BRAC's 78 expatriate staff in Tanzania. As ELA Area Manager, she is organising training for the girls in photography and computer operation, as many villages do not have those services. "I like working with the girls," she says. "If they develop, this will be my achievement."

BRAC's adolescents programme socially and financially empowers girls aged 13-19, giving them indispensible skills for their livelihoods which are further supported with a customised microfinance programme.

Life skills course subjects

Critical thinking
Creative thinking
Decision making
Effective communication
Coping with stress
Coping with emotion
Problem solving
Empathy
Self-awareness
Negotation
Interpersonal relationships

health

livelihood development services

"I want to help the community. I can help with first aid. When someone becomes sick, I immediately know what I'm supposed to do. For example, when someone has a high fever, I give them tablets to reduce the fever. I sell medicines at a reduced price. When I began earning profits from sales, it motivated me because I am able to help my family when they become sick."

Febronia Saning'o (49), Community Health Volunteer and microfinance member in Arusha. Each month she earns about 15,000 shillings (USD 12) from selling health-related products.

PROGRAMME**HIGHLIGHTS**

"Our main objective is to improve the conditions of the people at the community level and increase their access to health services in those areas where BRAC's microfinance programme operates." Marietha Shao (35), Area Health Coordinator in Kimandolu, Arusha District

BRAC takes a multifaceted approach to delivering essential health care in Tanzania. We focus on the prevention of malaria, tuberculosis (TB), and HIV/AIDS, the reduction of infant and under-five mortality rates. We increase accessibility to healthcare by taking it to the doorsteps of the people and improve utilisation of government and private health facilities.

At the centre of BRAC's approach are the Community Health Volunteers (CHVs), who are women selected from their microfinance groups and trained to provide basic health care. Every day, 1,645 dedicated CHVs provide basic healthcare services to their communities. Each CHV has overall responsibility for 150 to 200 households in her area that she will visit, all within one kilometre of her home. During each visit, a CHV checks on the health of household members, offers treatment for basic illnesses and checks to see if there are any pregnant women in the house, in which case she refers them for antenatal check-ups. The CHVs earn a small income from selling health-care products, such as insecticide-treated bed nets, contraception and some over-the-counter medicines. For serious cases, she refers patients to health facilities.

For Jennifer Joseph, 32, in Arusha, the weekly visits she receives from CHV Febronia Saning'o (pictured opposite) are making a significant difference to her health. "Last time when the CHV visited me, I was suffering from headache and abdominal pain. She advised me to go to hospital for a malaria test." Jennifer was tested and treated. "Since then, Febronia has come twice to make sure I'm taking the medicine. I'm feeling much better."

In fact, Jennifer said she wishes Febronia would come every day to her crowded compound. "There are many tenants here and everyone has a different attitude toward cleanliness. Febronia advises me on personal hygiene and using safe water. If she could come every day, it would help motivate others to employe better sanitation."

However, being a CHV is part-time work. Febronia, for example, is a mother of nine who runs a small shop selling items like sugar, salt and kerosene. Like all CHVs, she is a microfinance group member and has received three loans.

CHVs are supported and supervised by Community Health Workers (CHWs), who are staff members responsible for implementing the health programme at the branch level. One of their duties is to help CHVs conduct community health forums on such topics as sanitation, hygiene, HIV/AIDS and malaria.

There are two CHWs in every branch, each responsible for 10 CHVs. Area Health Coordinators with nursing diplomas are responsible for five branches.

Niranjan Chandra Dey is BRAC's Programme Manager for health in the country office in Dar es Salaam. He said that when the health programme began in January 2007, BRAC needed to build trust among Tanzanians at all levels. "Now, day by day, the community members' trust in us is growing and cooperation with government health personnel is increasing," Dey said, "we are creating awareness among people on health issues and changing their behaviour and practices."

Community Health Volunteers not only serve the basic health needs of their communities but also earn a small income from selling health-care products such as insecticide-treated bed nets and anti-malarial drugs.

PROGRAMME ACHIEVEMENTS 2009

807,419
people, mainly in rural areas, attended 52,466 health forums and meetings.

48,747
successfully referred suspected malaria cases and 2,549 suspected TB cases to hospital for treatment in the past year.

780,000 Tanzanian men, women and children served by 1,645 Community Health Volunteers, 587 of whom had been trained in 2009.

Community Health Volunteer Eva Timothy with Asha Mahammed (38), a patient with TB currently receiving Direct Observation Treatment Short Course (DOTS) treatment in Mbagala, Dar es Salaam.

PROGRAMME **DESCRIPTION**

BRAC's Essential Health Care (EHC) programme in Tanzania is a scalable model of community health care. The overall goal of the programme is to improve health conditions and increase access by providing basic health services in communities where BRAC has an established microfinance group. One member of each BRAC microfinance group is designated and trained as a Community Health Volunteer. CHVs serve the health needs of the entire community, with particular attention to poor women and children.

Programme Objectives

BRAC's Community Health Workers and Volunteers serve the health needs of the entire community, with particular attention to poor women and children.

- To increase reproductive health care services by raising awareness, ensuring antenatal care (ANC) and post-natal care (PNC) visits, and facility based deliveries
- To reduce the incidence of malaria, especially among pregnant women and children, by enhancing control and prevention
- To bring positive behavioural change for prevention of HIV/AIDS and ensuring access to HIV/AIDS services through community sensitisation and participation
- To develop a community based approach to increase and sustain TB case detection and cure rate as per the Millennium Development Goals
- To improve basic sanitation and hygiene by bringing behavioural change and ensuring access to safe water and latrines
- To mobilise women and disseminate information through village meetings and home visits
- To collaborate with the government to further facilitate and strengthen the implementation of national tuberculosis, malaria and immunisation programmes

PROGRAMME COMPONENTS

Reproductive Health Care

One of BRAC's primary concerns is to improve reproductive health care awareness and service utilisation. To fulfill this objective, CHVs identify pregnant women during their household visits and refer them to nearby government or non-government health facilities. The CHVs raise awareness on pregnancy care and antenatal danger signs and follow up to ensure that ANC and PNC visits are made to the health facilities.

The CHV keeps a check on whether her clients have taken their Tetanus Toxoid (TT) doses and completed the Intermittent Presumptive Therapy (IPT) course, which is a promising treatment against childhood malaria in Africa. She also raises awareness on the importance of Voluntary Counselling and Testing (VCT) for HIV/AIDS, and Preventing Mother to Child Transmission of HIV (PMTCT).

Malaria Control

During household visits, the CHV identifies suspected cases of malaria and refers the patients to the nearest government health centres. She follows up to determine test results and to see if the patient is taking their anti-malarial medication. A relative of the patient is put in charge of supervising the drug intake according to their prescription. The CHV then conducts a follow-up visit to check on the patient's recovery and to make sure that the patient has not developed further complications. The CHV keeps records of all information in her household visit register.

The CHV sells Insecticide Treated Nets (ITN) in the community and promotes the concept of every family member sleeping under a net. She ensures that nets are treated every six months and sells K-O TABS, which are insecticides that are dissolved in water and sprayed on mosquito nets to restore potency.

TB Control

CHVs implement a well-tested, community-based approach for increasing and sustaining TB case detection and treatment. During household visits, CHVs ask simple questions related to suspected TB cases (based on symptoms such as fever and/or cough for more than two weeks, excessive night sweats, noticeable weight loss and coughing up bloodstained sputum). When a suspected TB victim is identified, the CHV motivates that person to be tested at a nearby government facility. She explains the dangers that TB can pose to the sick person as well as the rest of the family. She then follows up on the patient to determine the test results. If the patient tests positive, the CHV can also act as a Direct Observation Treatment Short Course (DOTS) agent. DOTS involves second party observation of a TB infected person taking a prescribed course of medication so that the patient does not default on taking their medications, which can result in drug resistance.

Family Planning

During regular household visits, the CHV mobilises and motivates women to use modern methods of contraception. She provides clients with birth control pills and condoms. For other temporary and/or permanent methods, couples are referred to government health care facilities.

Community Health Initiatives

BRAC takes a multi-pronged approach to community health education. We offer community health forums on issues such as malaria, TB and HIV prevention, maternal health, family planning and sanitation.

Basic Curative Services

CHVs are trained to diagnose and treat some basic ailments such as diarrhoea, dysentery, common cold, helminthiasis, anaemia, ringworm, scabies, hyperacidity and angular stomatitis. They refer individuals with more complicated conditions to local public and private health facilities. CHVs earn a small income by selling health commodities such as sanitary napkins, condoms, oral rehydration salts, soap, mosquito nets, etc. to people in their communities.

Ten Components
BRAC Essential Health Care

- Health and nutrition education
- Safe water, sanitation and hygiene
- Family planning
- Immunisation and Vitamin A supplementation
- Basic curative care
- Respiratory tract infections (e.g. pneumonia)
- Pregnancy related care
- Malaria control
- Tuberculosis control
- HIV/AIDS

recruitment training and research

"I like going to the field and visiting members, learning about their views and their problems. I feel good because this job is related to my college education. I learn a lot on the job by experiencing business and how to deal with people."

Catherine Lyimo (24), was hired as a BRAC Community Organiser for microfinance in 2009 right after graduating from the College of Business Education in Dodoma. By the end of the year she was promoted to manager of the Ipagala branch.

RECRUITMENT

BRAC invests considerably in recruiting, training and continually developing its workforce of Tanzanian staff and builds their capacity in many ways. With the recruitment of new employees, our total staff grew by 35% in 2009 to 1,130, bolstering expansion of all programmes across Tanzania. In September 2009, we opened our first training centre in Dodoma, Tanzania's legislative capital. We also hired five Masters of Business Administration (MBA) graduates as the first Tanzanian members of our permanent training staff.

In 2009 BRAC recruited 250 Tanzanian employees - our largest intake - and trained them as specialist microfinance staff. These staff are all young women in their 20s or 30s who are now on the fast career trajectory that BRAC offers its employees.

Some women also start as volunteers - such as a Community Health Volunteer - and go on to be promoted to full-time paid positions.

TRAINING AND CAPACITY BUILDING

Training is the backbone of BRAC's programmes in Tanzania. As BRAC hires hundreds of new staff, many of them straight out of college, it is critical to provide them with sufficient orientation and training. In addition, BRAC believes in constantly investing in building the capacity of existing staff, helping them to learn new skills and grow within the organisation.

Training new staff

By the end of 2009, BRAC had trained 1,028 new staff in programme management and operations. Most of the new staff will be working as Credit Officers and Community Organisers, spending almost 80% of their time running microfinance meetings, community health forums, awareness raising activities, undertaking survey work and monitoring. All the training is participative with brainstorming sessions, large and small group discussions, case study analysis and presentations.

A typical induction for new staff members includes a three-day course at a training centre, one month of field experience in a branch office, and one week of operational training and awareness on development issues.

When new Credit Officers are appointed to the microfinance programme, they are immediately sent to the training centre to do an operational management course and learn about the complex rules and regulations of microfinance. They need to know how the programme will be operated - how to conduct surveys and form village organisations, how borrowers are selected and the selection criteria as well as the loan procedure: how to apply, how to appraise applications and loan repayment procedures.

Training is also given to Area Branch Managers, Project Officers, Trainers and Community Organisers for the different programmes. We offer two types of training: operational training and training on management and development theory. The training needs of the programmes are being continually assessed with frequent field visits by the team of permanent trainers and the wider pool of trainers.

BRAC aims to recruit a young Tanzanian workforce eager to learn and contribute to the development of their nation. This year alone, we trained and hired 250 Tanzanians across our various programmes.

Training Courses

Number of participants 2009

Microfinance operational training:	
• Financial Management Course	86
• Operational Management Course for microfinance	114
• Operational Management Course for SEP	149
• Operational Management Course for ELA	10
• Microfinance Management Course	669
• Management Accounting Training	10
Livestock and Poultry Management Courses:	
• Livestock and Poultry, Volunteers	330
• Model Poultry farmers	1850
• Model Cow Rearers	977
• Broiler Rearers	458
• Artificial Insemination Worker	189
Agriculture Management Courses:	
• Technical Training for Model Farmers and Extension Agents	507
• Crop Management Training for General Farmers	14,889
• Training on Horticulture Nursery Management	93
• Training on Orchard Gardening Management	102
Basic Training for Community Health Volunteers	144
Basic Training for Adolescent Mentors	112

Trainers like M. Hasan Mahomud teach Tanzanian staff courses on programmes, management and operations at BRAC's Training Centre in Dodoma.

From 2010, some of our training courses related to microfinance will be taught by our five newly-hired Tanzanian trainers. "Other programmes will be taught by programme specialists, principally the Programme Managers," said M. Hasan Mahomud, Trainer, BRAC in Tanzania.

Examples of courses available for BRAC staff include:

Microfinance Management Course
This six-day course develops participants' conceptual understanding of microfinance as a development programme. It covers the tools and techniques of operating the groups, as well as effectively implementing and managing the programme.

Small Enterprise Management Course
Upon completing the course, participants will have enhanced their competencies for managing small enterprises. They will have familiarised themselves with strategies for making a business profitable by selecting potential entrepreneurs and enterprises.

Staff are all young women in their 20s or 30s who aspire to the fast career trajectory that BRAC offers its employees.

Training of Trainers
The focus of this course is to develop the trainers' professional understanding and skills in designing, facilitating and managing training programmes effectively and efficiently. The course helps the participating trainers to increase their capacity on appropriate training methodologies and techniques.

BRAC Training Centre
The BRAC Training Centre was opened in September 2009 in Dodoma, we conducted courses in the country office, the area offices and other rented venues. Now we have a fully residential centre for 25 people. There is a large classroom, a sitting room, a dining hall and offices.

The goal behind establishing a training centre is to improve the management competencies of development practitioners at BRAC and to enhance the human and operational skills of the programme participants and development professionals. The specific objectives of the centre are:

- To develop and provide training courses for

development practitioners and programme participants of BRAC in Tanzania
- To develop the capacity of other NGOs by providing needs-based professional training
- To extend appropriate support and facilities to other organisations for training, seminars and workshops

The centre is dedicated to building the capacity of our national staff and, in the future, other non-government organisations and the government. Activities of the centre include developing appropriate training curriculum and materials, implementing training programmes, organising non-training interventions for capacity development and developing local master trainers.

RESEARCH AND EVALUATION, MONITORING AND AUDITING

BRAC in Tanzania benefits from a regional research and evaluation unit for our programme's in East Africa that we established in Kampala, Uganda. In its second year of operation, the unit grew significantly in terms of staff and projects undertaken, shifting its focus from data collection in 2008 to analysis in 2009. The unit is an in-house but independent facility supporting BRAC's existing development programmes in Uganda, Tanzania and Southern Sudan with continuous and rigorous evaluation. The unit provides analysis of emerging issues so we can continue to innovate and become more effective.

With the addition of two researchers in 2009, there are now five on staff, plus a field manager, a survey quality controller, a data manager and 30 data entry operators. "Whenever we have a big survey, we hire around 50 data collectors and supervisors as field staff," said Research Manager Abebual Zerihun. BRAC's data centre in Kampala, which receives all the data from the three countries, went to two shifts a day in 2009 to handle the workload.

In sub-Saharan Africa, BRAC is pioneering the use of hand-held personal digital assistants (PDAs) and global positioning system (GPS) receivers to maximise the speed of data capture. So far, we have conducted one mid-level and two large-scale surveys using PDAs. Similarly, GPS devices have been used to collect geographical coordinates in various research projects.

In 2009, the unit conducted three impact evaluations to measure the effects and extent to which programme goals were achieved. It ran 5 formative studies to help create programmes specific to the needs of target groups and to ensure programme acceptability and feasibility and conducted 11 operational studies to aid in programme operations and improvement.

Our Tanzanian staff recieve training that helps them efficiently apply their newly-acquired skills in the field in areas such as health, education and microfinance.

The research findings are a critical means of communicating with wider audiences about BRAC experiences on what works and what does not. In 2009, we presented papers at conferences in Washington, DC, and Kampala and shared findings with BRAC staff as well as partners and academic institutions. In 2010 we will implement the results of a scorecard drawn up by BRAC, which assesses our microloan borrowers' progress out of poverty, in Tanzania.

The training needs of the programmes are being continually assessed with frequent field visits by the team of permanent trainers and the wider pool of trainers.

We conduct studies in collaboration with researchers from partner research institutions such as the World Bank and the Makerere Institute for Social Research in Uganda.

EXAMPLES OF CURRENT RESEARCH IN TANZANIA

1. **Evaluation of Adolescent Girls Programmes in Tanzania, Uganda and Southern Sudan**
   This impact evaluation measures the effects of the programmes on the socio-economic wellbeing of the girls and their households. In these pilot programmes, we try innovative approaches, measure the results and provide evidence for possible scaling-up of similar interventions. By the end of the project, we will have invaluable evidence about what works for promoting the empowerment of the adolescents.

2. **Evaluation of BRAC Health Programme: A Sustainable System for Defeating Children's Diseases**
   BRAC aims to establish a system that reduces mortality and morbidity for children under five by at least 15%, and has the potential to be replicated throughout Sub-Saharan Africa and beyond. The research in Tanzania and Uganda includes measuring the effects of BRAC Community Health Volunteers on health awareness, behaviour and outcomes. The impact evaluation report for Tanzania will come out in 2010.

3. **Evaluation of Microfinance Programme**
   The impact, in Tanzania, of BRAC's integrated approach needs to be assessed. But separate evaluations of each service are required to assess our expansion policies. With microcredit central to BRAC in Tanzania's operations, it is necessary to evaluate its effectiveness in changing economic lives. We have conducted surveys and will be analysing the data.

4. **Study on Microfinance Participation**
   To assess the poverty outreach of our Tanzania microcredit operations, we surveyed participants and non-participants. We found that those with even limited access to formal sources of finance among the population with low penetration by banks are getting into microcredit. Participants are not only more likely to be the major household earners but they also have greater control over their income than those from non-participant households.

5. **State of CHVs in Tanzania and Uganda**
   In 2009, a cross-sectional survey studied the financial and economic sustainability of BRAC's Community Health Volunteer model. CHVs in Uganda are significantly more educated, have more children of their own or are responsible for larger family sizes, and are more likely to be the head of the household than those in Tanzania. Significantly more Ugandan CHVs (25%) reported that increasing household income was the main reason for becoming a CHV, compared to only 1% in Tanzania.

6. **Environmental Management for BRAC Microfinance**
   We have prepared a baseline survey on the environmental impact of BRAC's microfinance programme so we can observe changes over the years. This means looking at degradation in terms of not just pollution but also issues such as occupational hazards and child labour. As a result, we have incorporated guidelines for members, training staff, branch managers and the monitoring department. We will continue to evaluate and report on our progress.

MONITORING AND AUDITING

BRAC has strengthened the monitoring and internal audit functions and swift, decisive action is taken in cases of mismanagement and misappropriation.

The goals and objectives of the monitoring department are maintaining the quality of BRAC programmes, providing information on achieving targets, controlling resources, identifying problems, analysing situations, fact finding and providing opinions for making effective decisions.

The internal audit department ensures the accountability and authenticity of every financial transaction and financial statement. This department also pinpoints any mismanagement and misallocation of financial resources in different programmes. Currently, four Tanzanian auditors are working out of regional offices and verifying all bill vouchers, accounts, money transfers, petty cash, daily collection register, cash book, loan security withdrawal and instalment sheets for BRAC microfinance and other programmes.

Mariam Mchala, Area Health Coordinator works with Community Health Volunteers (CHV) at a monthly refresher training session in Dodoma. Regular training sessions like these help keep our staff effective, efficiently and adaptive in their field work.

six big research questions

1. What is the impact of programme participation?
2. How sustainable are the activities run under each programme?
3. To what extent do programme members benefit from BRAC's interventions?
4. Is the "multiplying" effect on communities conditional on the availability of a combination of BRAC programmes, such as microfinance plus agriculture?
5. How successful are BRAC's targeting strategies in reaching the poor?
6. What structural changes do we have to adopt in service delivery to reach remote areas?

Audited

Financial Statements

of BRAC Tanzania
Year ended 31 December 2009

BRAC Tanzania

REPORT OF THE GOVERNING COUNCIL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

1. The members of governing council present this report and the audited financial statements for the year ended 31 December 2009.

2. **Registration**
   BRAC Tanzania is a 'not for profit' making organisation registered under section 12(2) of the Non-Government Organisation Act, 2002 on 23 February 2007 with the registration number of 00NGO/1983.

3. **Nature of business**
   The principal activity of the BRAC Tanzania is the provision of micro finance services to micro and small-scale entrepreneurs in the informal sector of the Tanzanian Economy. BRAC has also been involved in partnership with people fighting poverty to improve their welfare in the various regions of Tanzania

4. **Directors**
   Members of the governing council, who served during the year and up to the date of this report except where otherwise indicated, are:

Name	Nationality	Date appointed
Mr F H Abed	Bangladesh	12 February 2001
Mr S H Kabir	Bangladesh	12 February 2001
Mr K Aminul Huq	Bangladesh	12 February 2001
Mr A.S Mahmud	Bangladesh	12 February 2001
Ms Salma Sobhan	Bangladesh	12 February 2001
Ms Taherunnessa Abdullah	Bangladesh	12 February 2001
Mr A Muyeed Chowdhury	Bangladesh	12 February 2001

5. **Corporate governance**
   The members of the governing council believe that high standards of corporate governance directly influence the organisation's stakeholder and investor confidence. The directors also recognise the importance of integrity, transparency and accountability.

6. **Risk management**
   The members of the governing council are ultimately responsible for any loss suffered by the BRAC Tanzania. Risk taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward.

7. **Related party transactions**
   Related party transactions are disclosed in note 24 to these financial statements

8. Employees' welfare
Management/employee relationship

There were no disputes between management and employees. As at year end the BRAC Tanzania had 1,055 employees (2008: 834 employees).

Medical assistance
BRAC Tanzania reimburses medical costs incurred by employees for medical treatment.

Retirement benefits
All eligible employees are members of the National Social Security Fund (NSSF). BRAC Tanzania contributes 10% of the employees' gross salary.

The NSSF fund is a defined contribution scheme with the BRAC Tanzania having no legal or constructive obligation to pay further top-up contributions.

9. Auditors

The company's auditors, KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditors will be put to the Annual General Meeting.

By order of the Board

Approval of the Annual Financial Statements

Member of Governing Council, BRAC Tanzania

BRAC Tanzania

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management team of BRAC Tanzania is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2009, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management have made an assessment of BRAC Tanzania's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the organisation, as indicated above, were approved by the management team on May 9, 2010 and are signed on its behalf by:

Member of Governing Council, BRAC Tanzania

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC TANZANIA

Report on the Financial Statements

We have audited the financial statements of BRAC Tanzania, which comprise the statement of financial position at 31 December 2009, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The management team of BRAC Tanzania is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Tanzania at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept by the company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

_____

M Salim Bashir **Date:**

BRAC Tanzania

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Micro Finance 2009 Tzs '000	Social Development 2009 Tzs '000	Total 2009 Tzs '000	Total 2008 Tzs '000 Re stated
Income					
Interest and similar income	6	4,864,804	-	4,864,804	2,920,875
Amortisation of deferred grant	23	4,511,530	2,236,643	6,748,173	2,075,332
Interest expense and similar charges	7	(1,345,873)	-	(1,345,873)	(1,379,964)
		8,030,461	2,236,643	10,267,104	3,616,243
(Impairment losses)/ recoveries on loans and advances	11	(829,324)	-	(829,324)	(578,369)
		7,201,137	**2,236,643**	**9,437,780**	**3,037,874**
Other income	8	723,377	90,778	814,155	524,909
Operating expenses					
Salaries and allowances		(3,919,438)	(1,103,010)	(5,022,448)	(1,966,984)
Training, workshop and seminars		(35,578)	(122,814)	(158,392)	(87,736)
Occupancy expenses	9	(428,608)	(116,188)	(544,796)	(265,990)
Other general & admin. expenses	10	(3,732,916)	(983,212)	(4,716,128)	(1,229,104)
Depreciation	15	(102,727)	(63,274)	(166,001)	(54,341)
Amortisation of grant for fixed assets		102,727	61,077	163,804	41,372
Net Income before taxation		**(192,026)**	**-**	**(192,026)**	**-**
Taxation	22	1,868,707	-	1,868,707	-
Surplus/ (Deficit) for the year		**1,676,681**	**-**	**1,676,681**	**-**
Other comprehensive income, (net of tax)		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**1,676,681**	**-**	**1,676,681**	**-**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Micro Finance 2008 Tzs '000 Re stated	Social Development 2008 Tzs '000 Re stated	Total 2008 Tzs '000 Re stated
Income				
Interest and similar Income	6	2,920,875	-	2,920,875
Amortisation of deferred grant	23	962,783	1,112,549	2,075,332
Interest and similar expense	7	(1,379,964)	-	(1,379,964)
		2,503,694	1,112,549	3,616,243
(Impairment losses)/ recoveries on loans & advances	11	(578,369)	-	(578,369)
		1,925,325	**1,112,549**	**3,037,874**
Other income	8	443,281	81,628	524,909
Operating expenses				
Salaries and allowances		(1,340,921)	(626,063)	(1,966,984)
Training, workshop and seminars		(10,647)	(77,089)	(87,736)
Occupancy expenses	9	(199,514)	(66,476)	(265,990)
Other general & admin. expenses	10	(804,555)	(424,549)	(1,229,104)
Depreciation	15	(35,329)	(19,012)	(54,341)
Amortisation of grant for fixed Asset		22,360	19,012	41,372
Net Income before taxation		**-**	**-**	**-**
Taxation	22	-	-	-
Surplus/ (Deficit) for the year		**-**	**-**	**-**
Other comprehensive income, (net of tax)		-	-	-
Total comprehensive income for the period		**-**	**-**	**-**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	Micro Finance 2009 Tzs '000	Social Development 2009 Tzs '000	Total 2009 Tzs '000	Total 2008 Tzs '000 Re stated
Assets					
Cash and cash equivalent	12	3,370,862	753,494	4,124,356	4,953,360
Fixed deposit with Bank	13	16,383,400	-	16,383,400	6,806,730
Loans and advances to customers	14	11,529,935	-	11,529,935	7,812,623
Deferred tax asset	22	1,868,707	-	1,868,707	-
Property, plant and equipment	15	366,532	248,311	614,843	516,709
Other asset	16	415,045	123,054	538,099	785,405
Total assets		**33,934,481**	**1,124,859**	**35,059,340**	**20,874,827**
Liabilities					
Loan security fund	17	3,323,746	-	3,323,746	2,083,499
Term loans	19	21,029,346	-	21,029,346	9,108,163
Loan revolving fund	21	3,495,050	-	3,495,050	3,179,888
Other liabilities	18	1,229,940	892,392	2,122,332	1,047,939
Corporate tax payable	22	-	-	-	-
Deferred grant	23	1,173,434	232,467	1,405,901	3,449,054
Total liabilities		**30,251,516**	**1,124,859**	**31,376,375**	**18,868,543**
Accumulated funds					
BRAC contribution		612,675	-	612,675	612,675
Retained surplus		3,070,290	-	3,070,290	1,393,609
		3,682,965	**-**	**3,682,965**	**2,006,284**
Total accumulated funds and liabilities		**33,934,481**	**1,124,859**	**35,059,340**	**20,874,827**

Member of Governing Council, BRAC Tanzania

Date: May 9, 2010

Director Finance, BRAC International

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2009

	Notes	Micro Finance 2008 Tzs '000 Re stated	Social Development 2008 Tzs '000 Re stated	Total 2008 Tzs '000 Re stated
Assets				
Cash and cash equivalents	12	4,850,041	103,319	4,953,360
Fixed deposits with bank	13	6,087,181	719,549	6,806,730
Loans and advances to customers	14	7,812,623	-	7,812,623
Deferred tax asset	22	-	-	-
Property, plant and equipment	15	381,212	135,497	516,709
Other asset	16	176,664	608,741	785,405
Total assets		**19,307,721**	**1,567,106**	**20,874,827**
Liabilities				
Loan security fund	17	2,083,499	-	2,083,499
Term loan	19	9,108,163	-	9,108,163
Loan revolving fund	21	3,179,888	-	3,179,888
Other current liabilities	18	229,084	818,855	1,047,939
Corporate tax payable	22	-	-	-
Deferred grant	23	2,700,803	748,251	3,449,054
Total liabilities		**17,301,437**	**1,567,106**	**18,868,543**
Accumulated funds				
BRAC contribution		612,675	-	612,675
Retained surplus		1,393,609	-	1,393,609
		2,006,284	**-**	**2,006,284**
Total accumulated funds and liabilities		**19,307,721**	**1,567,106**	**20,874,827**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Micro Finance 2009 Tzs '000	Social Development 2009 Tzs '000	Total 2009 Tzs '000	Total 2008 Tzs '000 Re stated
Cash flow from operating activities					
Profit/(loss) before taxation		(192,026)	-	(192,026)	-
Depreciation		102,727	63,274	166,001	54,341
Provision on loans and advances		829,324	-	829,324	578,368
Operating profit before changes in Working Capital		**740,025**	**63,274**	**803,299**	**632,709**
(Increase)/Decrease in other assets		(238,381)	485,687	247,306	(627,194)
(Increase)/Decrease in fixed deposit		(10,296,219)	719,549	(9,576,670)	(2,542,656)
Increase/(Decrease) in other liabilities		1,000,856	73,537	1,074,393	986,462
(Increase)/Decrease in loans and advances		(4,546,636)	-	(4,546,636)	(2,027,290)
Cash flow from operating activities		**(13,340,355)**	**1,342,047**	**(11,998,308)**	**(3,577,969)**
Tax paid		-	-	-	-
Net cash flow from operating activities		**(13,340,355)**	**1,342,047**	**(11,998,308)**	**(3,577,969)**
Cash flow from investing activities					
Acquisition of fixed assets		(88,047)	(176,088)	(264,135)	(386,170)
Net cash flow from investing activities		**(88,047)**	**(176,088)**	**(264,135)**	**(386,170)**
Cash flow from financing activities					
Term loan		11,921,183	-	11,921,183	4,430,218
Loan revolving fund		315,162	-	315,162	500,269
Loan security fund		1,240,247	-	1,240,247	908,756
BRAC contribution		-	-	-	-
Donor funds for investment in fixed assets		(14,680)	104,319	89,639	174,372
Donor funds for investment in loans to group members		722,550	-	722,550	74,750
Grant received in advance		(2,235,239)	(620,103)	(2,855,342)	628,152
Net cash flow from financing activities		**11,949,223**	**(515,784)**	**11,433,439**	**6,716,514**
Net increase in cash and cash equivalents		**(1,479,179)**	**650,175**	**(829,004)**	**2,752,378**
Cash and bank balances at the beginning of the year		4,850,041	103,319	4,953,360	2,200,982
Cash and cash equivalents at the end of the year	12	**3,370,862**	**753,494**	**4,124,356**	**4,953,360**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Micro Finance 2008 Tzs '000 Re stated	Social Development 2008 Tzs '000 Re stated	Total 2008 Tzs '000 Re stated
Cash flow from operating activities				
Profit/(loss) before taxation		-	-	-
Depreciation		35,329	19,012	54,341
Provision on loans and advances		578,368	-	578,368
Operating profit before changes in working capital		**613,697**	**19,012**	**632,709**
(Increase)/decrease in other assets		(538,485)	(88,709)	(627,194)
(Increase)/Decrease in fixed deposit		(2,715,078)	172,422	(2,542,656)
Increase/(decrease) in other liabilities		767,320	219,142	986,462
(Increase)/Decrease in loans and advances		(2,027,290)	-	(2,027,290)
Cash flow from operating activities		**(3,899,836)**	**321,867**	**(3,577,969)**
Tax paid		-	-	-
Net cash flow from operating activities		**(3,899,836)**	**321,867**	**(3,577,969)**
Cash flow from investing activities				
Acquisition of fixed assets		(257,203)	(128,967)	(386,170)
Net cash flow from investing activities		**(257,203)**	**(128,967)**	**(386,170)**
Cash flow from financing activities				
Term loan		4,430,218	-	4,430,218
Loan revolving fund		500,269	-	500,269
Loan security fund		908,756	-	908,756
BRAC contribution		-	-	-
Donor funds for investment in fixed assets		72,345	102,027	174,372
Donor funds for investment in loans to group members		74,750	-	74,750
Grant received in advance		893,010	(264,858)	628,152
Net cash flow from financing activities		**6,879,348**	**(162,831)**	**6,716,517**
Net increase in cash and cash equivalents		**2,722,309**	**30,069**	**2,752,378**
Cash and bank balances at the beginning of the year		2,127,732	73,250	2,200,982
Cash and cash equivalents at the end of the year	**12**	**4,850,041**	**103,319**	**4,953,360**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF ACCUMULATED SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Contribution Tzs'000	Surplus/(Deficit) for the Period Tzs'000	Total Tzs'000
Micro Finance and Social Development			
Balance as at 1 January 2008	**612,675**	**1,393,609**	**2,006,284**
Surplus/ (Deficit) for the year – as originally stated	-	1,956,574	1,956,574
- adjustments (Note 26)	-	(1,956,574)	(1,956,574)
Surplus/ (Deficit) for the year - restated		-	-
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2008	**612,675**	**1,393,609**	**2,006,284**
Surplus/ (Deficit) for the Year	-	1,676,681	1,676,681
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2009	**612,675**	**3,070,290**	**3,682,965**

The annexed notes form an integral part of these financial statements

BRAC Tanzania

STATEMENT OF ACCUMULATED SURPLUS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

	Contribution Tzs'000	Surplus/(Deficit) for the Period Tzs'000	Total Tzs'000
Micro Finance			
Balance as at 1 January 2008	**612,675**	**1,393,609**	**2,006,284**
Surplus/ (Deficit) for the year - as originally stated	-	1,874,946	1,874,946
- adjustments (Note 25)	-	(1,874,946)	(1,874,946)
Surplus/ (Deficit) for the year - restated		-	-
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2008	**612,675**	**1,393,609**	**2,006,284**
Surplus/ (Deficit) for the Year	-	1,676,681	1,676,681
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2009	**612,675**	**3,070,290**	**3,682,965**
Social Development			
Balance as at 1 January 2008	**-**	**-**	**-**
Surplus/ (Deficit) for the year - as originally stated	-	81,628	81,628
- adjustments (Note 25)		(81,628)	(81,628)
Surplus/ (Deficit) for the year - as originally stated		-	-
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2008	**-**	**-**	**-**
Surplus/ (Deficit) for the Year	-	-	-
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2009	**-**	**-**	**-**

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. Reporting entity

BRAC Tanzania is a 'not for profit' making organization registered under section 12(2) of the Non-Government Organization Act, 2002 on 23 February 2007 with the registration number of 00NGO/1983. The address of the BRAC Tanzania, P.O Box 105213, Plot No 2329, Block H, Mbezi Beach, Dar-es-Salaam Tanzania.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings, which is the BRAC Tanzania's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania shillings has been rounded to the nearest thousands.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

3. Significant accounting policies

(a) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.

(b) Interest

Interest income and expense are recognised in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement is resulting from Interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(c) Fee and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Grants

Grants received from various donors and relief institutions are recognized initially as deferred income when there is reasonable assurance that they will be received and the BRAC Tanzania will comply with the conditions associated with the grant. Grants that compensate for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate BRAC Tanzania for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(e) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(g) Financial assets and liabilities

(i) Recognition

Organisation initially recognises loans and advances, deposits, debt securities issued and liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at

which the organisation commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the BRAC Tanzania becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification
Refer accounting policies note (3h and 3j)

(iii) De-recognition
Organisation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the organisation is recognised as a separate asset or liability.

The organisation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Organisation enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the organisation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, organisation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

BRAC Tanzania writes off certain loans when they are determined to be uncollectible (see note 4).

(iv) Offsetting
Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, organisation has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the BRAC Tanzania's trading activity.

(v) Amortized cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, organisation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, organisation establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if

available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the organisation where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the BRAC Tanzania believes a third-party market participant would take them into account in pricing a transaction.

(vii) Identification and measurement of impairment

At each balance sheet date organisation assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the organisation on terms that the organisation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Organisation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the organisation uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(h) Cash and cash equivalent

Cash and cash equivalents include notes and coins on hand, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that Organisation does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to BRAC Tanzania and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as stated:

Furniture & fixtures	20%
Equipment	25%
Vehicles	20%
Bicycle	20%
Motor Cycles	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(k) Impairment of non-financial assets
The carrying amounts of the organisation's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Security deposits from customers and term loans

The organisation classifies capital instruments i.e security deposits and term loan as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Security deposits and term loans from the customers are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the organisation chooses to carry the liabilities at fair value through profit or loss.

BRAC Tanzania utilise the term loan as source of funding.

(m) Provisions

A provision is recognised if, as a result of a past event, the organisation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the organisation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the organisation, with the exception of:

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The organisation is currently in the process of evaluating the potential effect of this standard. Given the nature of the Brac Tanzania's operations, this standard is expected to have a pervasive impact on the Organisation's financial statements.

4. Financial risk management

Introduction and overview

BRAC Tanzania has exposure to the following risks from its use of financial instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risks
(d) Operational risks.

This note presents information about the BRAC Tanzania's exposure to each of the above risks, the BRAC Tanzania's objectives, policies and processes for measuring and managing risk.

(a) Credit risk

Credit risk is the risk of financial loss to organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the BRAC Tanzania's loans and advances to customers. For risk management reporting purposes, the BRAC Tanzania considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Members of the governing body have delegated responsibility for the management of credit risk to its organisation's Credit Committee. A separate organisation credit committee is responsible for oversight of the BRAC Tanzania's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers.

- Reviewing and assessing credit risk. Organisation's credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to organisation credit committee on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the BRAC Tanzania in the management of credit risk.

Business unit is required to implement organisation's credit policies and procedures, with credit approval authorities delegated from the organisation credit committee. Business unit has a chief credit risk officer who reports on all credit related matters to local management and the group credit committee. Business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Impaired loans

Impaired loans are loans for which organisation determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans, where contractual interest or principal payments are past due but the organisation believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the organisation.

Allowances for impairment

Organisation establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for organisation's homogeneous assets in respect of losses that have been incurred but have not been identified.

Table provides details of exposure to credit risk

	2009 Tzs'000	2008 Tzs'000
Micro Finance		
Balance at 1 January	251,458	212,114
Provision made during the year	829,324	578,369
Loan-written off	-	(539,025)
Total	**1,080,782**	**251,458**

The loan classification followed by BRAC Tanzania is based on the conventional, international practice of microfinance institutions in different parts of the world catering to a large number of borrowers. The methodology which takes into account international best practice and circumstances relevant to Tanzania, have five aging categories which are labelled correspondingly as "Standard", "Watch List", "Substandard", "Doubtful" and "Loss".

Loan classification	Days in arrears
Standard	Current
Watch List	01-30
Substandard	31-180
Doubtful	181-350
Loss	Over 350

Loan classification	Days in arrears	Principal outstanding 2009 Tzs'000	Loan loss provision 2009 Tzs'000	Principal outstanding 2008 Tzs'000	Loan loss provision 2008 Tzs'000
Standard	Current	11,527,339	741,882	7,199,927	100,297
Watch List	01-30	153,049	7,652	285,390	14,269
Substandard	31-180	666,361	133,272	540,329	108,066
Doubtful	181-350	263,968	197,976	38,435	28,826
Loss	Over 350	-	-	-	-
Total :		**12,610,717**	**1,080,782**	**8,064,081**	**251,458**

Write-off policy

BRAC Tanzania writes off a loan balance (and any related allowances for impairment losses) when BRAC Tanzania credit committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

(b) Liquidity risk

Liquidity risk is the risk that the organisation will encounter difficulty in meeting obligations from its financial liabilities

Management of liquidity risk

The organisation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organisation's reputation.

Residual contractual maturities of financial liabilities.

	Carrying amount Tzs'000	Contractual cash flows Tzs'000	Within 1 year Tzs'000	1 to 2 years Tzs'000	2 to 5 years Tzs'000
Micro Finance					
31 December 2009					
Loan security fund	3,323,746	3,323,746	3,323,746	-	-
Term loan	21,029,346	21,029,346	2,075,455	1,944,187	17,009,703
Other current liabilities	1,229,940	1,229,940	1,229,940	-	-
Total liabilities	**25,583,032**	**25,583,032**	**6,629,141**	**1,944,187**	**17,009,703**
Social Development					
31 December 2009					
Other current liabilities	892,392	892,392	892,392	-	-
Total liabilities	**892,392**	**892,392**	**892,392**	**-**	**-**
Micro Finance					
31 December 2008					
Loan security fund	2,083,499	2,083,499	2,083,499	-	-
Term loan	9,108,163	9,108,163	1,979,536	2,075,948	5,052,679
Other current liabilities	229,084	229,084	229,084	-	-
Total liabilities	**11,420,746**	**11,420,746**	**4,292,119**	**2,075,948**	**5,052,679**
Social Development					
31 December 2008					
Other current liabilities	818,855	818,855	818,855	-	-
Total liabilities	**818,855**	**818,855**	**818,855**	**-**	**-**

The previous table shows the undiscounted cash flows on the organisation's financial liabilities and on the basis of their earliest possible contractual maturity.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc will affect BRAC Tanzania's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

BRAC Tanzania is exposed to currency risk on payments that are denominated in a currency other than the respective functional currency of organisation, the Tanzanian Shilling (Tzs). The currencies in which these transactions primarily are denominated are Tanzanian Shilling (Tzs) and US Dollars (USD).

The organisation's strategy for managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk – currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year end date.

A 10% percent strengthen of the United States Dollars against the following currencies at 31 December 2009 would have increased/decreased profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

Balances denominated in USD	2009	2008
	Tzs equivalent	Tzs equivalent
Fixed deposits with bank	1,911,100	303,750
Term Loan	(13,813,091)	(2,536,063)
Net exposure	**(11,901,991)**	**(2,232,313)**

A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against Tzs

Increase/(decrease) in equity	**(1,190)**	**(223,231)**
Increase/(decrease) in profit or loss	**(1,190)**	**(223,231)**

The rate of exchange as at 31 December 2009 is USD 1=Tzs 1,318 for foreign denominated assets and liabilities, strengthening of USD against Tzs by 10% means that the rate of exchange will move to USD 1=Tzs 1,450.

The rate of exchange as at 31 December 2008 was USD 1=Tzs 1,215, strengthening of USD against Tzs by 10% means that the rate of exchange will move to USD 1=Tzs 1,336.

Balances denominated in EUR	2009	2008
	Tzs equivalent	Tzs equivalent
Fixed deposits with bank	-	301,680
Term Loan	-	(289,750)
Net exposure	**-**	**11,930**

A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against Tzs

Increase/(decrease) in equity	**-**	**1,193**
Increase/(decrease) in profit or loss	**-**	**1,193**

The rate of exchange as at 31 December 2008 was EUR 1 = Tzs 1,676, strengthening of EUR against Tzs by 10% means that the rate of exchange will move to EUR 1 = Tzs 1,844.

(ii) Interest rate risk

The Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates and the fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in market interest rates.

On a micro finance side, BRAC Tanzania has invested Tzs 16,383 million (2008: 6,087 million) of excessive cash in a short term deposit. On a Social Development, BRAC Tanzania has invested Nil (2008: 720 million) of excessive cash in a short term deposit. These are exposed to interest rate risk.

(d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the organisation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the organisation's operations and are faced by all business entities.

Organisation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the organisation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall organisation standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

5. Use of estimates and judgements

Management discussed the development, selection and disclosure of the organisation's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(g)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

	2009 Tzs'000	2008 Tzs'000
6. Interest and similar income		
Interest on loans to group members		**Re stated**
Micro Finance	4,677,619	2,608,338
Smal Enterprise Programme	187,185	312,537
Total	**4,864,804**	**2,920,875**
7. Interest expense and similar charges		
Micro Finance		
Interest expense on loans	1,345,873	1,379,964
Deal costs		
Revaluation loss on foreign denominated loans	-	-
Total	**1,345,873**	**1,379,964**

	2009 Tzs'000	2008 Tzs'000
8. Other income		
Micro Finance		
Interest on deposits with banks	327,249	262,933
Admission fees	135,608	72,822
Loan application and appraisal fees	260,387	107,526
Other	133	-
	723,377	**443,281**
Social Development		
Admission fees	1,046	-
Other	89,732	81,628
	90,778	**81,628**
Total	**814,155**	**524,909**
9. Occupancy expenses		
Micro Finance		
Rent	185,358	120,093
Utilities	72,968	26,174
Stationery	170,282	53,247
	428,608	**199,514**
Social Development		
Rent	53,419	30,661
Utilities	11,739	16,963
Stationery	51,030	18,852
	116,188	**66,476**
Total	**544,796**	**265,990**
10. Other general and administrative expenses		
Micro Finance		
Maintenance and general expenses	2,924,358	294,177
Program supplies	-	10,334
VO members death benefit	16,276	9,497
Consultancy and technical services	5,370	-
HO logistics and management expenses	786,912	490,547
	3,732,916	**804,555**
Social Development		
Maintenance and general expenses	685,189	304,415
Program supplies	206,281	49,793
Currency exchange loss	-	-
Consultancy and technical services	79,484	486
HO logistics and management expenses	12,258	69,855
	983,212	**424,549**
Total	**4,716,128**	**1,229,104**
11. Provision on loans		
Micro Finance		
Balance at 1 January	251,458	212,114
Provision made during the year	829,324	578,369
Loan - written off	-	(539,025)
Total	**1,080,782**	**251,458**

	2009 Tzs'000	2008 Tzs'000
12. Cash and cash equivalent		
Micro Finance		
Cash in hand	223,901	226,770
Cash at bank	3,146,961	4,623,271
	3,370,862	**4,850,041**
Social Development		
Cash in hand	45,379	18,734
Cash at bank	708,115	84,585
	753,494	**103,319**
Total	**4,124,356**	**4,953,360**
13. Fixed deposits with Bank		
Micro Finance		
Maturing within 3 months	-	-
Maturing after 3 months	16,383,400	6,087,181
	16,383,400	**6,087,181**
Social Development		
Maturing within 3 months	-	-
Maturing after 3 months	-	719,549
	-	**719,549**
Total	**16,383,400**	**6,806,730**
14. Loans to group members		**Re stated**
Micro Finance		
Balance at 1 January 2009	8,064,081	6,575,816
Disbursement during the year	25,865,200	15,292,115
Realization during the year	(21,318,564)	(13,264,825)
	12,610,717	**8,603,106**
Loan write off (Note-11)	-	(539,025)
	12,610,717	**8,064,081**
Loan loss provision (Note-11)	(1,080,782)	(251,458)
Balance at 31 December	**11,529,935**	**7,812,623**

15. Property, plant and equipment

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
Micro Finance						
At cost						
At 1 January 2009	142,200	165,465	62,725	9,214	56,678	436,282
Additions	34,553	34,912	-	2,467	16,115	88,047
Disposal	-	-	-	-	-	-
At December 2009	**176,753**	**200,377**	**62,725**	**11,681**	**72,793**	**524,329**
Accumulated depreciation						
At 1 January 2009	19,349	21,085	6,018	2,211	6,407	55,070
Charge for the year	31,481	44,733	11,342	1,894	13,277	102,727
Depreciation on Disposal	-	-	-	-	-	-
At December 2009	**50,830**	**65,818**	**17,360**	**4,105**	**19,684**	**157,797**
Net book value						
At 31 December 2009	**125,923**	**134,559**	**45,365**	**7,576**	**53,109**	**366,532**
At 31 December 2008	**122,851**	**144,380**	**56,707**	**7,003**	**50,271**	**381,212**

15. Property, plant and equipment

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Vehicle Tzs'000	Bicycle Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
Micro Finance						
At cost						
At 1 January 2008	88,848	65,554	7,477	6,241	10,959	179,079
Additions	53,352	99,911	55,248	2,973	45,719	257,203
Disposal	-	-	-	-	-	-
At December 2008	**142,200**	**165,465**	**62,725**	**9,214**	**56,678**	**436,282**
Accumulated depreciation						
At 1 January 2008	9,370	7,541	859	765	1,206	19,741
Charge for the year	9,979	13,544	5,159	1,446	5,201	35,329
Depreciation on Disposal	-	-	-	-	-	-
At December 2008	**19,349**	**21,085**	**6,018**	**2,211**	**6,407**	**55,070**
Net book value						
At 31 December 2008	**122,851**	**144,380**	**56,707**	**7,003**	**50,271**	**381,212**
At 31 December 2007	**79,478**	**58,013**	**6,618**	**5,476**	**9,753**	**159,338**

15. Property, plant and equipment

Social Development						
At cost						
At 1 January 2009	116,489	25,657	327	2,702	9,927	155,102
Additions	132,727	1,180	35,154	3,102	3,925	176,088
Disposal	-	-	-	-	-	-
At December 2009	**249,216**	**26,837**	**35,481**	**5,804**	**13,852**	**331,190**
Accumulated depreciation						
At 1 January 2009	8,803	7,693	249	349	2,511	19,605
Charge for the year	48,083	4,786	7,046	1,091	2,268	63,274
Depreciation on Disposal	-	-	-	-	-	-
At December 2009	**56,886**	**12,479**	**7,295**	**1,440**	**4,779**	**82,879**
Net book value						
At 31 December 2009	**192,330**	**14,358**	**28,186**	**4,364**	**9,073**	**248,311**
At 31 December 2008	**107,686**	**17,964**	**78**	**2,353**	**7,416**	**135,497**

15. Property, plant and equipment

Social Development						
At cost						
At 1 January 2008	366	25,312	201	243	13	26,135
Additions	116,123	345	126	2,459	9,914	128,967
Disposal	-	-	-	-	-	-
At December 2008	**116,489**	**25,657**	**327**	**2,702**	**9,927**	**155,102**
Accumulated depreciation						
At 1 January 2008	76	411	47	46	13	593
Charge for the year	8,727	7,282	202	303	2,498	19,012
Depreciation on Disposal	-	-	-	-	-	-
At December 2008	**8,803**	**7,693**	**249**	**349**	**2,511**	**19,605**
Net book value						
At 31 December 2008	**107,686**	**17,964**	**78**	**2,353**	**7,416**	**135,497**
At 31 December 2007	**290**	**24,901**	**154**	**197**	**-**	**25,542**

	2009 Tzs'000	2008 Tzs'000
16. Other assets		
Micro Finance		
Interest on loans to group members	(154,306)	89,781
Advances and Prepayments	540,659	79,155
Stock and stores	28,692	7,728
	415,045	**176,664**
Social Development		
Advances and Prepayments	29,945	520,032
Stock and stores	93,109	88,709
	123,054	**608,741**
Total	**538,099**	**785,405**

17. Loan security fund		
Micro Finance		
Balance at 1 January	2,083,499	1,174,743
Collection during the year	2,557,233	1,537,983
Withdrawals during the year	(1,316,986)	(629,227)
Total	**3,323,746**	**2,083,499**

This represents contribution to the fund by group members at 10% on loans disbursed. The fund is refundable subject to repayment of the loan availed by the respective members of the group.

18. Other liabilities		
Micro Finance		**Re stated**
Liabilities for expenses	1,202,969	226,989
Revolving fund	25,763	507
Employee income tax	555	401
Deposit refundable	653	1,187
	1,229,940	**229,084**
Social Development		
Liabilities for expenses	888,278	818,855
Revolving fund	4,114	-
	892,392	**818,855**
Total	**2,122,332**	**1,047,939**

19. Term loan		
Micro Finance		
Balance at 1 January	9,108,163	4,677,945
Received during the year (Note-20)	14,362,220	4,552,093
Payments made during the year (Note-20)	(2,441,037)	(121,875)
Total	**21,029,346**	**9,108,163**
Current portion of Term loan	2,075,455	1,979,536
Non current portion of Term loan	18,953,891	7,128,627
	21,029,346	**9,108,163**

	2009 Tzs'000	2008 Tzs'000
20. Collection during the year		
Micro Finance		
BRAC Africa Micro finance Ltd.	4,791,500	4,552,093
BRAC Africa Micro finance Ltd.	7,264,940	-
Financial Sector Deepening Trust (FSDT)	2,305,780	-
	14,362,220	**4,552,093**
20.1. Withdrawals during the year		
Micro Finance		
KIVA Foundation	489,662	-
BOA Bank Tanzania Limited	800,000	-
Netri Foundation	289,750	-
Deutsche Bank Micro credit Development Fund	289,750	-
Stitching Hivos Triodos Fonds	287,500	-
Financial Sector Deepening Trust (FSDT)-*	284,375	121,875
Total	**2,441,037**	**121,875**

As at 31 December 2009, BRAC Tanzania had an outstanding term loan amounting to Tzs 894 million with the Registered Trustees of Financial Sector Deepening Trust. The loan was entered on 31 December 2006 of Tzs 1.3 billion for period of five years payable in quarterly instalments of Tzs 40.6million in Year 2, Tzs 81.3 million in year 3&4 and Tzs 121.9 in year 5 after the grace period of one year from the date of signing the agreement. The interest rates applied on the loan are follows; Year 1-5%, Year 2-7%, Year 3-9% and Year 4 & 5-11%. This loan was obtained to provide funding needed for ten branch pilot programme in Dar-es-salaam and Arusha. In 2009 BRAC Tanzania paid Tzs 284 million

**As at 31 December 2009, BRAC Tanzania had another outstanding term loan amounting to Tzs 4.6 billion with the Registered Trustees of Financial Sector Deepening Trust. The loan was entered on 16 September 2008 of Tzs 6.9 billion for period of five years payable in quarterly instalments of Tzs 277 million in Year 2, Tzs 346 million in year 3 and Tzs 553 in year 4 & 5 after the grace period of one year from the date of signing the agreement The interest rates applied on the loan are follows; Year 1-5%, Year 2-7%, Year 3-9% and Year 4 & 5-10%. The loan was obtained to finance the growth of loan portfolio and operating and capital expernditure for establishment of additional one hundred branches mainly in Dar-es-salaam, Arusha, Morogoro, Zanzibar, Mwanza, Coast Region and Shinyanga. The loan was obtained to finance the growth of loan portfolio and to cover for operating and capital expenses at the branch level. In 2009, BRAC Tanzania received an additional amount of Tzs 2.3 billion as part of this facility.

As at 31 December 2009, BRAC Tanzania has an outstanding term loan amounting to Tzs 1.4 billion with the Stitching Hivos Triodos Fonds. The loan was entered on 7 August 2007 of Tzs 1.75 billion for period of five years payable every six months in six equal instalments of Tzs 287.5 million commencing from 1 January 2010. The interest rate on the loan is 14% per annum fixed until 1 July 2008. The purpose of the loans is to finance loans to micro entrepreneurs. During the year 2009 BRAC Tanzania paid Tzs 287 million.

As at 31 December 2009, the BRAC Tanzania has an outstanding loan facility amounting to Tzs 13.4 billion (USD 1,000,000) with BRAC Africa Micro Finance Limited. The loan was entered on 27 October 2008 of USD 24.25 million for period of 7 years payable with the payment of first instalment commencing on December 2012. The loan is attracting interest at the rate of 12% per annum which is payable every quarterly. The loan is obtained to finance

micro finance loans in the country and to pay overhead, capital expenses and similar costs directly incurred in conducting micro finance program. In 2009 BRAC Tanzania received Tzs 12.1 billion as part of this facility.

As at 31 December 2009, the BRAC Tanzania has outstanding loan facility of Tzs 452 million with KIVA Micro funds, a California non-profit public benefit corporation. KIVA through its web based business allows users throughout the world to connect local lenders, in this case BRAC Foundation, who are in need debt capital from individuals and entities (Donors) who also access KIVA's website. BRAC Tanzania raises funds every monthly which are expected to be repaid in twelve months from the date when the fund were availed to BRAC Tanzania through KIVA's website. The funds availed to BRAC Tanzania through KIVA's website are interest free. In 2009, BRAC Tanzania paid Tzs 490 million to KIVA Micro funds.

	2009 Tzs'000	2008 Tzs'000
21. Loan revolving fund		
Micro Finance		
Balance at 1 January	3,179,888	2,679,619
Transferred from grant received in advance (Note-23)	315,162	500,269
Total	**3,495,050**	**3,179,888**

The loan revolving fund represents portion of grant received that is utilized for onward lending to individuals and viable micro and small business

22. Taxation		
Micro Finance		
Current income tax at 30% of tax adjusted	-	-
Surplus/(Deficit)	(1,868,707)	-
Deferred tax charge/(credit)	**(1,868,707)**	**-**
Deferred tax liability/(asset)		
Micro Finance		
At 1 January	-	-
Charge/(credit) for the year	(1,868,707)	-
	(1,868,707)	**-**
Deferred tax arising from temporary differences on the following items:		
Property, plant and equipment	26,770	-
Tax loss carried forward	(910,204)	-
Impairment provision - General	(438,252)	-
Other provisions - prior year under provision	(547,021)	-
	(1,868,707)	**-**
Tax rate reconciliation	**%**	**%**
Standard rate of income tax	30	-
Tax effects of non deductible expenses	669	-
Tax effects of prior year deferred tax under provision	274	-
Effective rate of income tax	**973**	**-**

	2009 Tzs'000	2008 Tzs'000
23. Deferred income		
Micro Finance		
Grants received in advance		**Re stated**
Balance as I January	2,235,239	1,302,276
Grant received from Bill and Melinda Gates Foundation (BMGF)	3,402,050	2,479,941
Grant received from United Way International	-	74,750
Grant received from KIVA Foundation	-	12,392
Investment in fixed asset	(88,047)	(96,318)
Fund utilized for loan disbursement to group member	(722,550)	(74,750)
Transferred to statement of comprehensive income	(4,511,530)	(962,783)
Transferred to loan revolving fund	(315,162)	(500,269)
Balance as at 31 December	**-**	**2,235,239**
Grants invested in fixed assets		
Balance as at 1 January	233,095	159,137
Transferred from grants received in advance	88,047	96,318
Amortisation to income statement (Note 15)	(102,727)	(22,360)
Balance as at 31 December	**218,415**	**233,095**
Grants invested in loan disbursement to group Members		
Balance as at 1 January	232,469	157,719
Transferred from grants received in advance	722,550	74,750
Balance as at 31 December	**955,019**	**232,469**
Total	**1,173,434**	**2,700,803**
Social development		
Grants received in advance		
Balance at 1 January	620,103	966,589
Grant received from Bill and Melinda Gates Foundation (BMGF)	1,781,936	632,102
Grant received from United Way International	-	255,000
Grant Received from KIVA Foundation	-	-
Investment in fixed assets	(165,396)	(121,039)
Transferred to statement of comprehensive income	(2,236,643)	(1,112,549)
Balance as at 31 December	**-**	**620,103**
Grants invested in Fixed Assets		
Balance as at 1 January	128,148	26,121
Transferred from grants received in advance	165,396	121,039
Amortisation to income statement (Note-15)	(61,077)	(19,012)
Balance as at 31 December	**232,467**	**128,148**
	232,467	**748,251**
24. Related party transaction		
Due to related parties	-	-
Loan From BRAC Foundation	273,445	273,445
Loan from BRAC Micro Finance Africa	13,361,430	1,305,000
Contribution from BRAC	612,675	612,675
	14,247,550	**2,191,120**

25. Contingent liabilities

As at 31 December 2009, the organization has a contingent tax liability of Tzs 800 million in respect of corporate tax and Skills and Development Levy (SDL) for years 2006-2007 with Tanzania Revenue Authority (TRA). BRAC Tanzania had lodged notice of objection to Commissioner General of Tanzania Revenue Authority against the assessment and for the waiver of the requirement to pay one third of the tax assessed pending the determination of the notice of objection. The matter is referred to Tax Revenue Appeals Tribunal after efforts to obtain charitable status and waiver to pay one third of the tax assessed was unsuccessful at Tax Revenue Appeals Board. The next hearing at Tax Revenue Appeals Tribunal is going to take place on 1 June 2010 and 3 June 2010.

The members of Governing Council are not aware of any other contingent liabilities against the organisation as at the date of this report.

26. Adjustments processed in 2008 financial statements

The following adjustments were processed in 2008 financial statements

2008	Micro Finance Tzs'000	Social development Tzs'000	Total Tzs'000
Surplus/ (Deficit) for the year as previously reported	**1,874,946**	**81,628**	**1,956,574**
Prior year adjustments			
Being adjustment for over recognition of interest income for 2008 micro finance loan	(204,496)	-	(204,496)
Being adjustment for recognition of w/tax on interest expense on term loans for 2008	(40,079)	-	(40,079)
Being amortisation of deferred grant for the year 2008	962,783	-	962,783
Being reversal of the amortisation of deferred grant for the year 2008*	(2,593,154)	(81,628)	(2,674,782)
Revised Surplus/ (Deficit) for the year	**-**	**-**	**-**

* This adjustment was made to comply with BRAC policy on the recognition of grant income as stated in 3(d) of these financial statements.

Audited

Financial Statements

of BRAC Zanzibar

Year ended 31 December 2009

BRAC Zanzibar

REPORT OF THE GOVERNING COUNCIL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

1. The members of Governing Council present this report and the audited financial statements for the year ended 31 December 2009.

2. **Registration**
   BRAC Zanzibar is a 'not for profit' making organization registered under Societies Act No 6 of 1995, Zanzibar Revolutionary Government

3. **Nature of business**
   The principal activity of the BRAC Zanzibar is the provision of micro finance services to micro and small-scale entrepreneurs in the informal sector of the Zanzibar Economy. BRAC has also been involved in partnership with people fighting poverty to improve their welfare in the various parts of Zanzibar

4. **Directors**
   Members of the Governing Council, who served during the year and up to the date of this report except where otherwise indicated, are:

Name	Nationality
Mr F H Abed	Bangladesh
Dr M Hossain	Bangladesh
Mr M.A Ali	Bangladesh
Mr A Alam	Bangladesh
Dr I Matin	Bangladesh
Dr H Mshinda	Bangladesh
Dr H Kasale	Bangladesh

5. **Corporate governance**
   The members of the Governing Council believe that high standards of corporate governance directly influence the organisation's stakeholder and investor confidence. The members also recognise the importance of integrity, transparency and accountability.

6. **Risk management**
   The members of the Governing Council are ultimately responsible for any loss suffered by the BRAC Zanzibar. Risk taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward.

7. **Related party transactions**
   There were no related party transactions during the year 2009 for BRAC Zanzibar.

8. **Employees' welfare**
   Management/employee relationship

   There were no disputes between management and employees. As at year end the BRAC Zanzibar had 75 employees (2008: 78 employees).

Medical assistance

BRAC Zanzibar reimburses medical costs incurred by employees for medical treatment.

Retirement benefits

All eligible employees are members of the Zanzibar Social Security Fund (ZSSF). BRAC Zanzibar contributes 10% of the employees' gross salary.

The ZSSF fund is a defined contribution scheme with the BRAC Zanzibar having no legal or constructive obligation to pay further top-up contributions.

9. Auditors

The company's auditors, KPMG have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditors will be put to the Annual General Meeting.

By order of the Board

Approval of the Annual Financial Statements

Member of Governing Council, BRAC Zanzibar

BRAC Zanzibar

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management team of BRAC Zanzibar is responsible for the preparation and fair presentation of the financial statements comprising the Statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and cash flow for the year ended 31 December 2009, and notes to the financial statements, which include a summary of significant accounting polices and other explanatory notes, in accordance with International Financial Reporting Standards.

The management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management have made an assessment of BRAC Zanzibar's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the organisation, as indicated above, were approved by the management team on May 9, 2010 and are signed on its behalf by:

Member of Governing Council, BRAC Zanzibar

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF GOVERNING COUNCIL OF BRAC ZANZIBAR

Report on the Financial Statements

We have audited the financial statements of BRAC Zanzibar, which comprise the statement of financial position at 31 December 2009, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The management team of BRAC Zanzibar is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of BRAC Zanzibar at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, proper accounting records have been kept by BRAC Zanzibar and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

M Salim Bashir **Date:**
KPMG

BRAC Zanzibar

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Tzs '000	2008 Tzs '000 Re stated
Income			
Interest and similar income	6	571,329	493,996
Amortisation of deferred grant	18	409,644	142,324
		980,973	**636,320**
(Impairment losses)/ recoveries on loans and advances	10	(51,672)	(57,029)
		929,301	**579,291**
Other income	7	42,357	45,378
Operating expenses			
Salaries and allowances		(343,081)	(274,445)
Training, workshop and seminars		(5,125)	(7,449)
Occupancy expenses	8	(21,518)	(36,448)
Other general & admin. expenses	9	(1,197,982)	(253,336)
Depreciation	13	(5,694)	(2,611)
Amortisation of grant for fixed asset		5,694	2,611
Net surplus/(deficit) before taxation		**(596,048)**	**52,991**
Taxation	19	178,814	(43,472)
Surplus/ (deficit) for the year		**(417,234)**	**9,519**
Other comprehensive income, (net of tax)		-	-
Total comprehensive surplus/(deficit) for the period		**(417,234)**	**9,519**

The annexed notes form an integral part of these financial statements

BRAC Zanzibar

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 Tzs '000	2008 Tzs '000 Re stated
Assets			
Cash and cash equivalents	11	149,258	400,418
Loans and advances to customers	12	747,380	1,311,229
Deferred tax asset	19	178,814	-
Property, plant and equipment	13	21,905	25,283
Other asset	14	11,071	6,107
Total assets		**1,108,428**	**1,743,037**
Liabilities			
Loan security fund	15	293,006	308,390
Term loans		-	-
Loan revolving fund	17	814,454	814,424
Other current liabilities	16	251,390	91,580
Corporate tax payable	19	43,472	43,472
Deferred grant	18	21,905	383,736
Total liabilities		**1,424,227**	**1,641,602**
Accumulated funds			
BRAC contribution		-	-
Retained surplus		(315,799)	101,435
		(315,799)	**101,435**
Total accumulated funds and liabilities		**1,108,428**	**1,743,037**

Member of Governing Council, BRAC Zanzibar **Date:** May 9, 2010

Director Finance, BRAC International

The annexed notes form an integral part of these financial statements

BRAC Zanzibar

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Tzs '000	2008 Tzs '000 Re stated
Cash flow from operating activities			
Surplus/(Deficit)) before taxation		(596,048)	52,991
Depreciation		5,694	2,611
Provision on loans and advances		51,672	57,029
Operating Profit before changes in Working Capital		**(538,682)**	**112,631**
(Increase)/Decrease in other assets		(4,964)	(6,050)
Increase/(Decrease) in other liabilities		159,810	91,076
Movement in Loans and Advances		512,177	(729,014)
Cash flow from operating activities		**128,341**	**(531,357)**
Tax paid		-	-
Net cash flow from operating activities		**128,341**	**(531,357)**
Cash flow from investing activities			
Acquisition of fixed assets		(2,316)	(11,144)
Net cash flow from investing activities		**(2,316)**	**(11,144)**
Cash flow from financing activities			
Term loan		-	-
Loan revolving fund		30	154,050
Loan security fund		(15,384)	213,845
BRAC contribution		-	-
Donor funds for investment in fixed assets		(3,378)	-
Donor funds for investment in loans to group members		-	10,524
Grant received in advance		(358,453)	358,453
Net cash flow from financing activities		**(377,185)**	**736,872**
Net increase in cash and cash equivalents		**(251,160)**	**194,371**
Cash and bank balances at the beginning of the year		400,418	206,047
Cash and cash equivalents at the end of the year	**11**	**149,258**	**400,418**

The annexed notes form an integral part of these financial statements

BRAC Zanzibar

STATEMENT OF ACCUMULATED SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Contribution Tzs'000	Surplus/(Deficit) for the Period Tzs'000	Total Tzs'000
Balance as at 1 January 2008	**-**	**91,916**	**91,916**
Surplus/(Deficit) for the year - as originally stated	-	440,094	440,094
- adjustments (Note 21)	-	(430,575)	(430,575)
Surplus/ (Deficit) for the year - restated	-	9,519	9,519
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2008	**-**	**101,435**	**101,435**
Surplus/(Deficit) for the year	-	(417,234)	(417,234)
Other comprehensive income, net of income tax	**-**	**-**	**-**
Transactions with others, recorded directly in equity	**-**	**-**	**-**
Contributions by and distributions to owners	-	-	-
Balance as at 31 December 2009	**-**	**(315,799)**	**(315,799)**

The annexed notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. Reporting entity

BRAC Zanzibar is a 'not for profit' making organization registered under Society No 6 of 1995, Zanzibar Revolutionary Government. BRAC Zanzibar is situated at House No-KS/MJ/205E, Plot No-52, Mbweni, P O Box 2635, Zanzibar.

2. Basis of preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings, which is the BRAC Zanzibar's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania shillings has been rounded to the nearest thousands.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

3. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.

(b) Interest

Interest income and expense are recognised in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through

the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement is resulting from Interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(c) Fee and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Grants

Grants received from various donors and relief institutions are recognized initially as deferred income when there is reasonable assurance that they will be received and the BRAC Zanzibar will comply with the conditions associated with the grant. Grants that compensate for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate BRAC Zanzibar for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(e) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(g) Financial assets and liabilities

(i) Recognition

Organisation initially recognises loans and advances, deposits, debt securities issued and liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the organisation commits to purchase or sell the asset. All other financial assets and liabilities (including assets

and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the BRAC Zanzibar becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification
Refer accounting policies note (3h,3i and 3l)

(iii) De-recognition
Organisation de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the organisation is recognised as a separate asset or liability.

The organisation de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Organisation enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the organisation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, organisation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

BRAC Zanzibar writes off certain loans when they are determined to be uncollectible (see note 4).

(iv) Offsetting
Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, organisation has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the organisation's trading activity.

(v) Amortized cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.
When available, organisation measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, organisation establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if

available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the organisation where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the organisation believes a third-party market participant would take them into account in pricing a transaction.

(vii) Identification and measurement of impairment

At each balance sheet date organisation assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the organisation on terms that the organisation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Organisation considers evidence of impairment for loans and advances securities at both a specific asset and collective level. All individually significant loans and advances securities are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the organisation uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that organisation does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to organisation and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as stated:

Furniture & fixtures	20%
Equipment	25%
Vehicles	20%
Bicycle	20%
Motor cycles	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(k) Impairment of non-financial assets

The carrying amounts of the organisation's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Security deposits from customers and Term loans
The Organisation classifies capital instruments i.e security deposits and term loan as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Security deposits and term loan from the customers are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the organisation chooses to carry the liabilities at fair value through profit or loss.

BRAC Zanzibar utilise the term loan as source of funding.

(m) Provisions
A provision is recognised if, as a result of a past event, the organisation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Employee benefits
(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the organisation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the organisation with the exception of:

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The organisation is currently in the process of evaluating the potential effect of this standard. Given the nature of the organisation operations, this standard is expected to have a pervasive impact on the organisation's financial statements.

4. Financial risk management

Introduction and overview

BRAC Zanzibar has exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Market risks
(d) Operational risks.

This note presents information about the organisation's exposure to each of the above risks, the organisation's objectives, policies and processes for measuring and managing risk.

(a) Credit risk

Credit risk is the risk of financial loss to organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the BRAC Zanzibar's loans and advances to customers. For risk management reporting purposes, the BRAC Zanzibar considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Members of the governing body have delegated responsibility for the management of credit risk to its organisation's credit committee. A separate organisation's credit committee is responsible for oversight of the organisation's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers.
- Reviewing and assessing credit risk. organisation's Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to organisation's credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the organisation in the management of credit risk.

Business unit is required to implement organisation's credit policies and procedures, with credit approval authorities delegated from the organisation credit committee. Business unit has a chief credit risk officer who reports on all credit related matters to local management and the Group credit committee. Business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Impaired loans

Impaired loans and securities are loans and securities for which organisation determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans, where contractual interest or principal payments are past due but the organisation believes that impairment is not appropriate on the basis of the level of security or the stage of collection of amounts owed to the organisation.

Allowances for impairment

Organisation establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for organisation's of homogeneous assets in respect of losses that have been incurred but have not been identified.

Table provides details of exposure to credit risk

	2009 Tzs'000	2008 Tzs'000
Micro Finance		
Balance at 1 January	76,112	19,083
Provision made during the year	51,672	57,029
Loan - written off	-	-
Total	**127,784**	**76,112**

The loan classification followed by BRAC Zanzibar is based on the conventional, international practice of microfinance institutions in different parts of the world catering to a large number of borrowers. The methodology which takes into account international best practice and circumstances relevant to Tanzania, have five aging categories which are labelled correspondingly as "Standard", "Watch List", "Substandard", "Doubtful" and "Loss".

Loan classification	Days in arrears
Standard	Current
Watch List	01-30
Substandard	31-180
Doubtful	181-350
Loss	Over 350

Loan classification	Days in arrears	Principal outstanding 2009 Tzs'000	Loan loss provision 2009 Tzs'000	Principal outstanding 2008 Tzs'000	Loan loss provision 2008 Tzs'000
Standard	Current	819,136	115,054	1,298,524	55,931
Watch List	01-30	4,083	204	6,472	324
Substandard	31-180	48,059	9,612	76,185	15,237
Doubtful	181-350	3,886	2,914	6,160	4,620
Loss	Over 350	-	-	-	-
Total		**875,164**	**127,784**	**1,387,341**	**76,112**

Write-off policy

Organisation writes off a loan balance (and any related allowances for impairment losses) when organisation credit committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

(b) Liquidity Risk

Liquidity risk is the risk that the organisation will encounter difficulty in meeting obligations from its financial liabilities

Management of liquidity risk

The BRAC Zanzibar's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organisation's reputation.

Residual contractual maturities of financial liabilities.

	Carrying amount Tzs'000	Contractual cash flows Tzs'000	Within 1 year Tzs'000	1 to 2 years Tzs'000	2 to 5 years Tzs'000
Micro Finance					
31 December 2009					
Loan security fund	293,006	293,006	293,006	-	-
Other current liabilities	251,390	251,390	251,390	-	-
Total Liabilities	**544,396**	**544,396**	**544,396**	**-**	**-**
Micro Finance					
31 December 2008					
Loan security fund	308,390	308,390	308,390	-	-
Other current liabilities	91,580	91,580	91,580	-	-
Total Liabilities	**399,970**	**399,970**	**399,970**	**-**	**-**

The previous table shows the undiscounted cash flows on the organisation's financial liabilities and on the basis of their earliest possible contractual maturity.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc will affect organisation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the organisation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the organisation's operations and are faced by all business entities.

Organisation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the organisation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall organisations standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

5. Use of estimates and judgements

Management discussed the development, selection and disclosure of the organisation's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(g)(vii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

	2009 Tzs'000	2008 Tzs'000
6. Interest and similar income		**Re stated**
Interest on loans to group members -		
Micro Finance	537,890	441,731
Small Enterprise Programme	33,439	52,265
Total	**571,329**	**493,996**
7. Other income		
Admission fees	9,966	17,542
Loan appraisal fee	25,871	-
Other Income (Health)	(4)	27,055
Other Income (Agriculture)	6,454	-
Other Income (Livestock)	70	781
Total	**42,357**	**45,378**
8. Occupancy expenses		
Rent	11,470	29,659
Utilities	4,238	6,789
Stationery	5,810	-
Total	**21,518**	**36,448**

	2009 Tzs'000	2008 Tzs'000
9. Other general and administrative expenses		
Maintenance and general expenses	1,116,332	52,849
Program supplies	2,833	128,976
Travelling and Transport	24,841	36,745
HO logistics and management expenses	53,976	34,766
	1,197,982	**253,336**
10. Provision on loans		
Balance at 1 January	76,112	19,083
Provision made during the year	51,672	57,029
Loan - written off	-	-
Total	**127,784**	**76,112**
11. Cash and cash equivalents		
Cash in hand	13,676	9,219
Cash at bank	135,582	391,199
	149,258	**400,418**
12. Loans to group members		**Re stated**
Balance at 1 January	1,387,341	658,327
Disbursement during the year	2,583,600	2,851,450
Realization during the year	(3,095,777)	(2,122,436)
	875,164	1,387,341
Loan write off (Note-10)	-	-
	875,164	1,387,341
Loan loss provision (Note-10)	(127,784)	(76,112)
Balance at 31 December	**747,380**	**1,311,229**

13. Property, plant and equipment

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
Cost				
At 1 January 2009	20,619	6,268	1,173	28,060
Additions	2,316	-	-	2,316
Disposal	-	-	-	-
At 31 December 2009	**22,935**	**6,268**	**1,173**	**30,376**
Accumulated depreciation				
At 1 January 2009	1,674	986	117	2,777
Charge for the year	4,252	1,231	211	5,694
Depreciation on Disposal	-	-	-	-
At 31 December 2009	**5,926**	**2,217**	**328**	**8,471**
Net book value				
At 31 December 2009	**17,009**	**4,051**	**845**	**21,905**
At 31 December 2008	**18,945**	**5,282**	**1,056**	**25,283**

13. Property, plant and equipment

	Furniture & Fixtures Tzs'000	Equipment Tzs'000	Motor Cycles Tzs'000	Total Tzs'000
Cost				
At 1 January 2008	11,019	5,897	-	16,916
Additions	9,600	371	1,173	11,144
Disposal	-	-	-	-
At 31 December 2008	**20,619**	**6,268**	**1,173**	**28,060**
Accumulated depreciation				
At 1 January 2008	92	74	-	166
Charge for the year	1,582	912	117	2,611
Depreciation on Disposal	-	-	-	-
At 31 December 2008	**1,674**	**986**	**117**	**2,777**
Net book value				
At 31 December 2008	**18,945**	**5,282**	**1,056**	**25,283**
At 31 December 2007	**10,927**	**5,823**	**-**	**16,750**

	2009 Tzs'000	2008 Tzs'000
14. Other assets		
Interest on loans to group members	6,329	6,053
Advances and Prepayments	4,688	-
Stock and stores	54	54
	11,071	**6,107**
15. Loan security fund		
Balance at 1 January	308,390	94,545
Collection during the year	258,360	285,345
Withdrawals during the year	(273,744)	(71,500)
	293,006	**308,390**

This represents contribution to the fund by group members at 10% on loans disbursed. The fund is refundable subject to repayment of the loan availed by the respective members of the group

16. Other liabilities		
Liabilities for expenses	109,915	91,580
Revolving fund (Health)	33	-
Revolving fund (Livestock)	349	-
Liability to third party	20	-
Current account in transit	141,073	-
Total	**251,390**	**91,580**
17. Loan revolving fund		
Balance at 1 January	814,424	660,374
Transferred from grant received in advance (Note-18)	-	154,050
Transferred during the period	30	-
Total	**814,454**	**814,424**

	2009 Tzs'000	2008 Tzs'000
18. Deferred income		
Grants received in advance		**Re stated**
Balance at 1 January	358,453	-
Received during the year	53,507	665,971
Grant Receivable	-	-
Transferred to deferred income-investment in fixed asset	(2,316)	(11,144)
Transferred to statement of Comprehensive Income	(409,644)	(142,324)
Transferred to Loan Revolving Fund	-	(154,050)
Total	**-**	**358,453**
Grants Invested in fixed assets		
Balance at 1 January	25,283	16,750
Transferred from grants received in advance	2,316	11,144
Amortisation to income statement	(5,694)	(2,611)
	21,905	**25,283**
Grand Total	**21,905**	**383,736**

19. Taxation		**Re stated**
Current income tax at 30% of tax - adjusted profit	-	-
Prior year adjustment (Note 21)	-	43,472
Deferred tax charge/(credit)	(178,814)	-
	(178,814)	**43,472**
Deferred tax liability/(asset)		
At 1 January	-	-
Charge/(Credit) for the year	(178,814)	-
At 31 December	**(178,814)**	**-**

20. Contingent liabilities

The members of Governing Council are not aware of any other contingent liabilities against the organisation as at the date of this report.

21. Adjustments processed in 2008 financial statements

The following adjustments were processed in 2008 financial statements

	2008 Tzs'000
Surplus/ (Deficit) for the year as previously reported	**440,094**
Prior year adjustments	
Being adjustment for over recognition of interest income for 2008 micro finance loan	(28,650)
Being adjustment for the recognition of tax liability on the profit for 2008	(43,472)
Being reversal of the amortisation of the deferred grant for the year 2008 for social development *	(358,453)
Revised Surplus/ (Deficit) for the year	**9,519**

* This adjustment was made to comply with BRAC's policy on recognition of grant income as stated in note 3 (d) of these financial statements

Notes

Notes

BRAC Around the World

USA

Initiated:
2007

An independent charity to raise profile and funds for BRAC globally

UK

Initiated:
2006

An independent charity to raise profile and funds for BRAC globally

Netherlands

Initiated:
2009

BRAC International registered as a charity (Stichting).

Haiti

Initiated:
2008

Providing support to:
Fonkoze, Partners in Health/Zanmi Lasante, CGAP, CHF Partners in Rural Development and Linked Foundation

Support in:
Ultra Poor

Sierra Leone

Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock

Population reached:
299,058

Microcredit Group Members:
13,325

Liberia

Initiated:
2008

Programme focus:
Microfinance, Health, Agriculture, Poultry and Livestock

Population reached:
465,575

Microcredit Group Members:
10,092

Southern Sudan

Initiated:
2007

Programme focus:
Microfinance, Education, Health and Agriculture

Population reached:
162,659

Microcredit Group Members:
22,303

Sudan (North) initiated in 2008 to support Bank Al Usra in Microfinance.

Key

Programme Countries
Affiliate Countries
Technical Support Countries

Yemen

Initiated:
2008

Programme focus:
Social Fund for Development (SFD)

Support in:
Ultra Poor

Afghanistan

Initiated:
2002

Programme focus:
Microfinance, Education, Health, National Solidarity Programmes, Capacity Development and Enterprise Development.

Population reached:
24.5 million

Microcredit group members:
204,022

Pakistan

Initiated:
2007

Programme focus:
Microfinance, Health and Education

Population reached:
437,465

Microcredit Group Members:
62,495

Bangladesh

Initiated:
1972

Programme focus:
Microfinance, Education, Health, Ultra Poor, Social Development, Human Rights & Legal Services, Agriculture, Disaster Management & Climate Change, Gender Equality.

Population reached:
110 million

Microcredit Group Members:
8.46 million

India

Initiated:
2009

Providing support to:
Bandhan

Support in:
Ultra Poor

Uganda

Initiated:
2006

Programme focus:
Microfinance, Empowerment and Livelihood for Adolescents, Agriculture, Poultry and Livestock, Health and Education

Population reached:
1.6 million

Microcredit Group Members:
155,960

Tanzania

Initiated:
2006

Programme focus:
Microfinance, Empowerment and Livelihood for Adolescents, Agriculture and Health

Population reached:
2 million

Microcredit Group Members:
112,709

Sri Lanka

Initiated:
2005

Programme focus:
Sustainable Livelihood and Long-term Rehabilitation Programme, Microfinance and Strengthening the Capacity of Local Non-Government Organisations

Population reached:
403,940

Microcredit Group Members:
100,402

Indonesia

Initiated:
2008

Providing support to:
Aceh Society Development (ASD) Cooperatives

Support in:
Microfinance

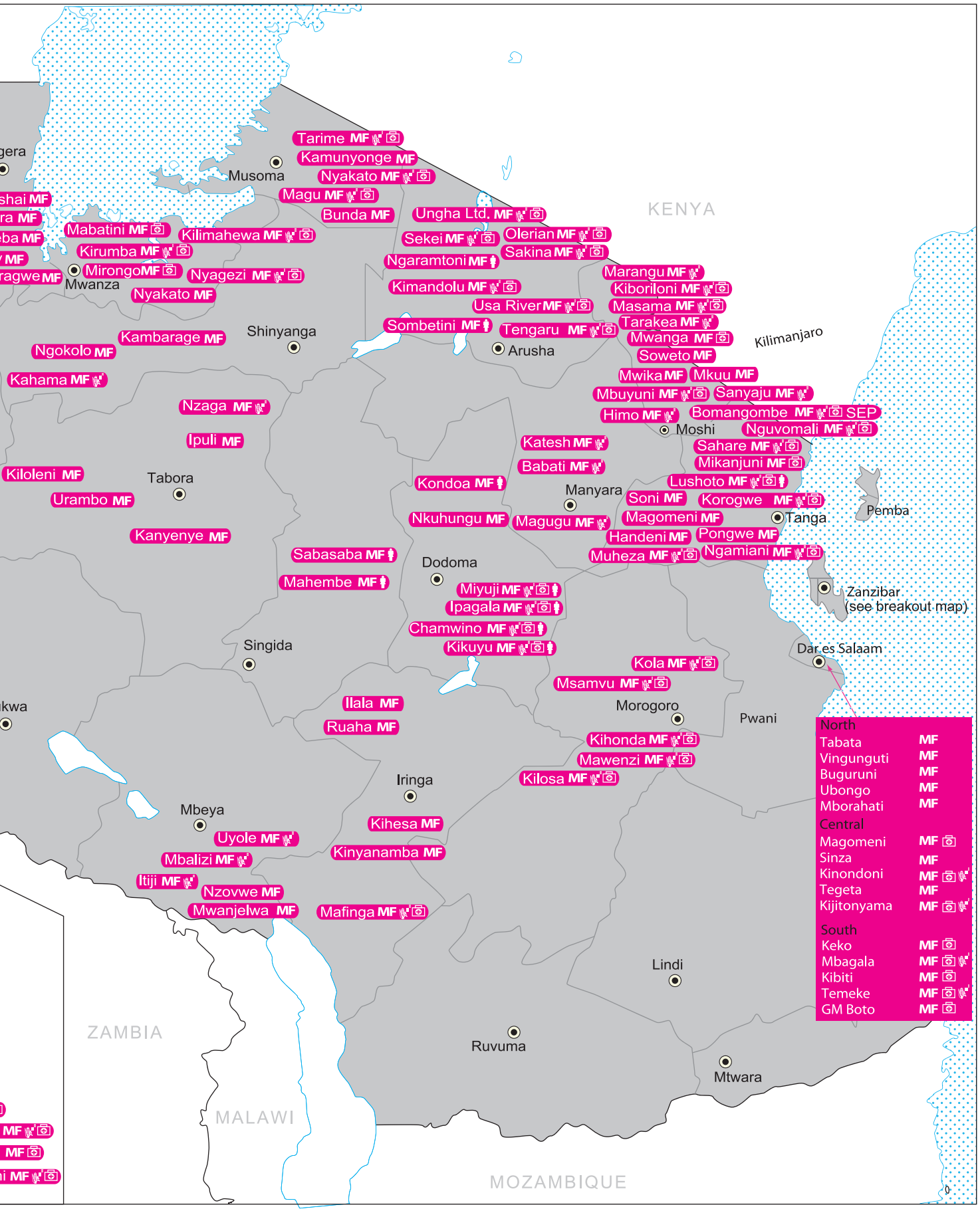
BRAC in Tanzania

BRANCH LOCATIONS

Branch Programmes

- MF Microfinance
- Agriculture, Livestock & Poultry
- Health
- Education
- ELA (Adolescents)
- SEP Small Enterprise Programme

Map by Md. Abdur Razzaq



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Notes

At a glance

Programme Update as of December 2009

Health (since 2007)

Trained Community Health Volunteers	1,645
Trained Community Health Workers	203
Number of health meetings	52,466
Number of health meeting participants	807,419
Referrals (malaria, TB, antenatal care, immunisations)	134,692

Programme outreach

Total number of regions	(out of 26) 18
Total number of BRAC branches	104
Total number of BRAC area offices	22
Tanzanian staff	1,052
Bangladeshi staff	78

Empowerment and Livelihood for Adolescents (since 2008)

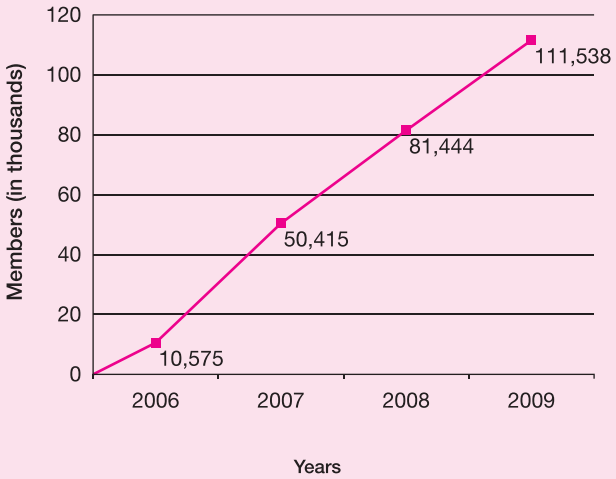
Number of clubs opened	100
Number of club members	3,450
Number of mentors trained	112
Mothers forums organised	550
Parents meetings	396

Microfinance (since 2006)

Microloan groups	6,376
Microloan group members	111,538
Borrowers (current)	88,710
Microloan disbursement (cumulative)	USD 44,054,454
Microloan disbursement (Jan-Dec 2009)	USD 20,446,385
Microlloan outstanding (as of Dec 2009)	USD10,903,331
Small Enterprise (SEP) borrowers	1,108
SEP loan disbursement (cumulative)	USD 1,564,615
Loan disbursement (Jan-Dec 2009)	USD 1,437,308
SEP loans outstanding (as of Dec 2009)	USD 1,163,946

Agriculture, Poultry and Livestock (since 2007)

Model farmers and extension agents	1,120
Extension workers	206
General farmers	32,249
Land under seed production (acres)	36.25
Poultry and livestock volunteers trained	905
Poultry vaccinations (doses)	6,644,387
Livestock rearers (poultry, cows, goats, etc.)	8,988
Number of artificial insemination workers	189



*includes microloans and small enterprise loans
1 USD = 1,360 Tanzanian shillings (2009)

BRAC International

Aminul Alam
Executive Director

Imran Matin PhD
Deputy Executive Director

Tanwir Rahman CPA
Director Finance

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