



MOBILISATION OF FINANCIAL RESOURCES

4

Availability of financial resources is a major requirement for smooth operation of ADDO provider associations. However, the June 2009 assessment of ADDO provider associations in Tanzania revealed that financial constraints were experienced by all associations. Most of the associations mainly relied on membership and annual subscription fees, which were hardly enough to meet basic operational costs of the associations.

Although some attempts have been made by some associations to introduce higher monthly contributions, such efforts have not helped to enhance financial capacity of the associations. In some isolated cases, good attempts have been made though with little success, to engage in income-generating activities such as growing of vegetables for sale.

Nevertheless, very little has been done to explore various financing opportunities for the associations. This tool highlights some of the potential opportunities ADDO provider associations could consider to strengthen their financial capacity. Among the opportunities are:-

- Government financial assistance to economic groups;
- Establishment of income generating activities;
- Establishment of self-help Savings And Credit Co-operatives (SACCOs);
- Loans from micro-finance institutions;
- Grants from local and international development organisations;



Good planning is essential for successful resource mobilization

- Fund-raising events;
- Production and sale of the association's promotional materials.

Exploring financing opportunities within the government system

There could be a number of financing opportunities within the government system which ADDO provider associations could explore to strengthen their financial capacity. Most of the opportunities can be accessed through the councils following introduction of the government's policy of decentralisation by devolution. Subsequently, ADDO provider associations need to establish a close working relationship with council authorities in order to benefit from the various financing opportunities within the councils. However, for the associations to be taken seriously, they need to come up with sound plans describing their goals, objectives, activities, as well as resource needs, and ensure that their priorities are included in the council plans. This is the only way to benefit from the Central Government grants channelled every year through councils for different development activities, including delivery of social services.

Other potential funding opportunities within the government system include the President Jakaya Kikwete Economic Empowerment Fund, the Tanzania Social Action Trust Fund (TASAF) and the Entrepreneurship Fund available at the council level for various economic groups.

In view of such opportunities, it is imperative for every association to come up with a clear strategy on how to mobilise financial resources from the council and other existing government sources. The following steps may help to cultivate good relationship with council authorities and open doors for the necessary financial support.

- (i) Establish a finance committee responsible for resource mobilisation and financial oversight. The committee should maintain a close working relation with relevant council authorities, especially the planning department, in order to gain easy access to information regarding funding opportunities which the association could tap.
- (ii) Write down the association's profile and disseminate it to key decision makers in the council. The profile should highlight the association's vision, mission, goal, objectives, activities, resource needs, as well as its roles, benefits and responsibilities. The profile should also highlight the association's management systems including financial management.
- (iii) Develop a comprehensive plan of action for the association, including budgetary needs. Involve relevant council authorities by sharing the plan with

For an association to be taken serious by the government and potential donors, it has to prepare and present a detailed plan of action for the desired support. Many a time, groups present their cases without clear objectives or plans, and fail to be taken seriously.

them and seeking their technical assistance where necessary.

- (iv) During annual general meetings of the association or any other important function, invite council officials as observers. For example, the Council Chairperson or Council Executive Director may be invited as the guest of honour during the association's annual general meeting or any other important event. This would go a long way to strengthen relations with such authorities and make it easier to solicit their support whenever needed.
- (v) Share with the council authorities your annual reports and audited accounts to demonstrate that you are a transparent and accountable organisation with a sense of purpose. This would help to build trust and encourage the council or any other stakeholder to support the association.

Establishment of income generating activities

(i) Agricultural activities

Agriculture is the backbone of the Tanzanian economy. It accounts for about half of the national income, three quarters of merchandise exports, is source of food and provides employment opportunities to about 80 percent of Tanzanians. Nearly all economic activities in rural areas are based the agricultural sector.

In September 2009, the government launched the *Kilimo Kwanza* (Agriculture First) Strategy to facilitate agricultural transformation in the country with emphasis on pro-poor



With a good business plan and support from the council, the association can purchase farm machinery such as tractors and power tillers which could be hired out for income.

growth. The strategy comprises a holistic set of policy instruments and strategic interventions towards addressing the various sectoral challenges and taking advantage of the numerous opportunities to modernise and commercialise agriculture in Tanzania.

Implementation of the *Kilimo Kwanza* strategy is expected to open doors to various opportunities including increased access to loans and subsidies for improved agricultural production. Such opportunities could be tapped by ADDO provider associations by investing in agricultural activities as way of generating income. However, this will require good plans and capital resources especially land. With a good business plan and support from local authorities, the association can secure land for agricultural development and loans to purchase farm machinery. Such machinery could be made available for hire by other farmers, for additional income. The council agricultural officer should be consulted on such ventures. He/she should be in the position to help the association technically, and guide members through the necessary steps and where the funding sources are.

(ii) ADDO restricted wholesale (ARW)

Establishment of a district-based ADDO Restricted Wholesale (ARW) for ADDO owners or retail outlets for dispensers, are some of the most probable ventures which ADDO provider associations could undertake with less difficulties. The process of establishing an ARW should begin with getting approval from members of the association at an annual general meeting or a special meeting. The management should have adequate information regarding the project and fully enlighten other members of the association about its potential benefits. The management may as well invite an expert on such issues to explain the necessary details about the venture before a decision can be made to implement the project.



Establishment of a wholesale unit within the district will reduce waiting time for out of stock products as retail outlets would easily reach the district and buy the few items that they need to replenish their stock.

The advantages of undertaking this venture include:

- Reduced time of out of stock products in ADDOs since the retail outlets would be able to easily access the district-based ARW to buy items out of stock, even if they are just a few products;
- The ARW will make it easier to bundle needs (demand) of the retail outlets and carry out bulk purchase from regional/national wholesalers, leading better profit margins from the resultant economies of scale;
- Active members of the association could be offered discounted prices when purchasing products from the ARW. This would be a good incentive to ADDO providers, who have not yet joined the association or are not active enough, to participate more actively in the activities of the association;
- Profits earned from activities of the ARW could be shared between the association and its members. For example, 30% of the net profit could be retained by the association, and the remaining 70% proportionately divided among members based on the level of individual investment in the ARW. This would go a long way to strengthen financial capacity of the association while empowering the members economically;
- Many districts do not have pharmaceutical wholesaling outlets. By investing in the ARW, ADDO provider associations will be making a major contribution to the growth and development of Tanzania's pharmaceutical sector;
- The venture presents the associations with a unique opportunity to discuss with TFDA possibilities of expanding the drug list for the ARW and reducing requirement for ARW supervision. For example, a well trained ADDO dispenser could be allowed to work as a wholesaler in the ARW with distant supervision from the council pharmacist.
- The ARW could also serve as the sole distributor of the ADDO drugs register, dispenser coats, among other regulatory tools. The revenue earned from the sale of these items would help to strengthen the association financially and enhance compliance with regulations and standards.

The process towards establishment of ARW should begin with getting approval from the members of the association at an annual general meeting or special meeting.

Establishment of SACCOs

Access to loans from commercial banks has been a major challenge to many ADDO providers. Lending conditions are often tied with collateral which most ADDO providers do not have. Given this situation, ADDO provider associations need to look for other ways to support the members to access liquidity for development of their businesses. Establishment of a Self-help Savings and Credit Cooperative (SACCOs) could be a viable alternative to commercial banks, and has several advantages.

- SACCOs encourage savings and thrift especially for small entrepreneurs;
- SACCOs make loans more easily available as they are not tied to collaterals, as is the case with commercial banks;
- The profits accrued from the SACCOs belong to the members and the association.

ADDO provider associations have the potential for establishing sustainable SACCOs. The process requires collective input and involvement of all members of the association. To facilitate this, leaders of the association need to collect and fully share relevant information about SACCOs with all their members. Whenever possible, district cooperative officer should be invited to provide first-hand information about SACCOs, government policies and the establishment procedures. Well informed members will be a great asset to the entire establishment process and effective management of the SACCO.

Loans from micro-finance institutions

Though some ADDO providers have experienced difficulties accessing loans from commercial banks and some microfinance institutions, experience has shown that a close working relationship with the institutions can help to improve lending conditions to the providers.

In 2008, the Management Sciences of Health (MSH) commissioned a consultant, Mennonite Development Associates (MEDA) to help link ADDO owners in Morogoro and Ruvuma regions with financial institutions and advocate for favourable lending conditions. Among the banks reached were the National Microfinance Bank (NMB), the National Bank of Commerce (NBC) and CRDB Bank. All these banks have wide national networks covering both urban and rural areas. As a result of the exercise, some of the banks softened their lending conditions to ADDO owners. For example, as a matter of policy, most banks do not offer loans to customers residing outside 20km radius from the lending branch. However, a number of branches of NMB agreed to offer loans to ADDO owners with shops located as far as 60 to 100km away from the lending branches. In some cases, some of the banks even accepted non-permanent structures put up for the drug shops, as collateral in giving loans to the ADDO providers. A considerable number of the providers continue to get loans from the banks with majority repaying the loans on schedule. The experience is an important lesson to ADDO provider associations that by working closely with micro-finance institutions, they can increase their members' access to liquidity. The association can also act as a guarantor to its members seeking loans from the financial institutions. Members who

SACCOs encourage savings and thrift especially for small entrepreneurs, make access to loans much easier since they are not tied to collaterals as is the case with commercial banks, and the profits accrued belong to members and the association.

get loans through the association's guarantee could be asked to pay a small fee to the association for the service. This could be another source of funds to the association. In such a case, the management of the association would need to develop and present to the lending institution, a plan which clearly states the measures it would take to ensure that every member, who gets a loan through such an arrangement, repays the loan on schedule.

It is important to note that many financial institutions which are not banks but have options of providing loans to individuals or groups, very much like to provide loans through groups which are well established because there is more security in such a group than an individual. The association may also borrow money from the financial institutions for implementation of any of its projects so long as the lending institution is convinced about the feasibility of the project. ADDO provider associations have that potential and can be very attractive customers to financial institutions especially banks.

Many financial institutions which are not banks but have the option of providing loans generally prefer to provide loans to groups since such loans are relatively more secured than loans to individuals.

Grants from national and international development organizations

There are many international non-governmental organisations that would be willing to provide financial support to ADDO provider associations. In order to get support from such organisations, associations need to:-

- Have a clear sense of purpose and direction, which can be easily understood and supported by the potential donors. This should be captured in the association's profile;
- Gather basic information about the potential donors in order to understand their institutional capacities, values, development priorities and areas of interest. This would make it easier to tell specific areas/things a particular donor might be interested in supporting;
- Have concrete plans indicating how the association intends to meet its goals and objectives. The plans should include properly worked out budgets for different items. This might be of great help to donors interested in offering support for a particular budgetary item;
- Demonstrate the credibility and potential of the association by showing what it has achieved and / or capable of achieving in its areas of work. This requires good documentation of achievements (success stories), as well as transparency and accountability in management of different activities of the associations;
- Provide information on how the requested support will benefit the associations and the communities it serves.

Fund-raising events

ADDO provider associations can also organise fund-raising events to which influential people within and from outside the district are invited as distinguished guests. Some of the influential people who could be invited to such events are political leaders (e.g. ministers, members of parliament, ward councillors, etc), senior government officials (e.g. regional commissioner, district commissioner, district executive director, district chairperson), and established business people, among others. During such events, members of the association should be encouraged to contribute according to their individual abilities without being limited to a certain amount as is the case with membership fees. This would enable those in a position to contribute more to the association to do so.

Production and sale of promotional materials

Production and sale of the association's promotional materials is another potential way of generating income. Such materials may include but not limited to T-shirts, caps, *khangas*, pens and calendars. For example, each member would be encouraged to buy and keep the association's calendar in his/her shop and at home. The calendars could also be sold to ADDO clients. On special events of the associations such as annual general meetings and fund-raising functions, each member could be asked to dress in the association's T-shirt, cap or *khangas* (for women) bought from the association. This approach would help to raise the association's profile while generating income from the sale of promotional materials.



On special events of the associations such as annual general meetings and fund-raising functions, members should be encouraged to put on the association's uniforms.



*This tool is produced by Management Sciences for Health (MSH) in collaboration with Tanzania Food and Drugs Authority (TFDA).
Content development, design and layout by Medianet Ltd.
Special thanks to Rockefeller Foundation for financial support.*