

REPORT ON THE 14th CONFERENCE OF FINANCIAL INSTITUTIONS

ARUSHA INTERNATIONAL CONFERENCE CENTRE (AICC),

ARUSHA, TANZANIA

6th - 7th NOVEMBER 2008

THEME: SECOND GENERATION FINANCIAL SECTOR REFORMS

Brief Summaries of Presented Papers

2.4 PROSPECTS FOR LEASE FINANCE IN TANZANIA (BY TOBIAS SWAI)

The paper on "The Future and Potential for Financial Leasing for SMEs in Tanzania" examined current global trends in lease financing and then focuses on the role of this product in promoting lending in Tanzania.

It observed that leasing industry has been growing rapidly in developed countries – a development attributed to effective policy environment conducive to flexible financing to SMEs, and other small businesses. As regards to Tanzania, the paper focuses on the role of financial leasing in accelerating growth, existing potential in the lease market, and challenges ahead.

On the role of financial leasing in Tanzania, the paper underscored the following:

- Sectors particularly small and medium scale enterprises (SMEs) are hampered in accessing financial credit, in view of the existing weaknesses in the financial markets.

- In line with Government's Strategy for Poverty Reduction and Economic Growth (MKUKUTA), financial leasing to such sectors, will impact on the economic and developments significantly, given the number and profile of this sector.

- There is a growing opportunities for the SME's to participate in various activities on account of increased awareness and training.

The paper further noted that future potential in the leasing industry appears strong due to a number of factors:

- The huge demand of financial leasing by SME's attracts considerable attention of potential players who have or making arrangements to enter the leasing market.

- Although SME's are concentrated on trade, other sectors such agriculture, construction, services and manufacturing are expected to provide future

potential for financial leasing as the SME's start venturing in these sectors.

- Improvement in the financial institutions and markets is expected to accelerate performance in the leasing markets since financial development and leasing business develop in tandem. In addition, the Second Generation Financial Sector Reforms which include among others long-term finance, mortgage financing and lease financing will contribute towards enhancing future potential in the leasing market.

- The enactment of Financial Leasing Act, No. 5 of 2008 that was passed by the National Assembly in April, 2008 and become operational from July, 2008 is a landmark step, as it provides legal framework through which financial leasing is promoted.

The Challenges ahead identified in the paper are to enhance the sector's infrastructure in order to facilitate leasing transactions and reducing red tapes in assessing bank loans to SME's. It also called for ensuring that the suppliers of leased properties maintain the required standards of goods imported and manufactured locally.

In discussing the paper, the participants noted that there is great potential in the leasing industry which if fully exploited can contribute significantly towards economic growth. It was thus advised that all stakeholders, financial institution in particular take all the necessary steps with a view to exploiting the existing opportunities in the leasing industry.