

*Bill Supplement to the Zanzibar Government Gazette  
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## **NOTICE**

The Bill hereunder shall be presented before the House of Representatives for the first reading which will start its session on 13<sup>th</sup> September, of 2023 and is gazetted together with its objects and reasons for public notice.

**ZANZIBAR**  
23<sup>rd</sup> August, 2023

(Eng. Zena Ahmed Said)  
***Secretary to the Revolutionary  
Council and Chief Secretary***

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**A BILL***for*

**AN ACT TO PROVIDE FOR PROVISIONS FOR LICENSING,  
REGULATING AND SUPERVISING MICROFINANCE  
BUSINESS FOR MAINTAINING STABILITY, SAFETY  
AND SOUNDNESS OF THE MICROFINANCE  
SERVICES AND OTHER MATTERS  
CONNECTED THEREWITH**

**ENACTED** by the House of Representatives of Zanzibar.

**PART ONE  
PRELIMINARY PROVISIONS**

Short title  
and commen-  
cement.

**1.** This Act may be cited as the Zanzibar Microfinance Business Act, 2023 and shall come into operation immediately after being assented to by the President.

Application.

**2.** This Act shall apply in all matters relating to microfinance business in Zanzibar including microfinance business operating under the Islamic Principles.

Interpre-  
tation.

**3.** In this Act, unless the context requires otherwise:

“Bank” has the meaning as ascribed to it under the Bank of Tanzania Act, No. 4 of 2006;

“bank” has the meaning as ascribed to it under the Banking and Financial Institutions Act, No.5 of 2006;

“community microfinance group” means a group collectively formed and managed by members that is registered under this Act to undertake microfinance business including mobilization of savings from its members and provision of loans to its members but does not include:

- (a) community self-help groups formed for safety net purposes and socio-economic welfare of members and which do not receive savings and provide loans to its members for the purpose of undertaking microfinance business;
- (b) special interest groups, clubs and associations collecting financial contributions from members or receiving charity donation formed and registered under the Zanzibar Cooperative Societies Act, No. 15 of 2018; and
- (c) groups occasionally formed for the purpose of receiving donations or fund raising for religion purposes or social events including marriages or other customary family related affairs by individuals or groups;

“Credit Reference Bureau” means an entity specialized in collecting and sale of credit performance information for individuals and entities;

“consumer” means a client or member of a microfinance service provider who acquires or intends to acquire the services of the microfinance service provider;

“Delegated Authority” means a public institution delegated by the Bank the mandate to execute the functions and powers of the Bank under this Act;

“financial crime” means any act among the following:

- (a) an offence that involves theft, fraud, forgery or uttering a forged document, perjury or an offence under the Zanzibar Anti-Corruption and Economic Crimes Act, No. 5 of 2023 and the Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009;
- (b) financing, facilitating or being involved in financing or facilitating an offence relating to a financial institution;
- (c) dealing with the proceeds of an offence, whether or not related to a financial institution; and

(d) any financial crime offence stated by any law of Zanzibar;

“Financial institution” has the meaning as ascribed to it by the Banking and Financial Institutions Act, No. 5 of 2006;

“Foreign owned microfinance service provider” means a microfinance service provider incorporated in Zanzibar and whose majority owners or shareholders are foreigners;

“Individual money lender” means a person licensed to undertake microfinance business of lending money in accordance with the provisions of this Act;

“Local Government Authority” has the meaning as ascribed to it under the Local Government Authority Act, No. 7 of 2014;

“microfinance business” means extending micro-loans, accepting savings and providing other financial services as provided for in this Act;

“Microfinance service provider” means an entity or a person registered or licensed to undertake microfinance business under this Act;

“Minister” means the Minister responsible for Finance;

“SACCOS” has the meaning ascribed to it under the Zanzibar Cooperative Societies Act, No. 15 of 2018.

## **PART TWO MICROFINANCE SERVICE PROVIDERS**

Microfinance  
business.

**4.-(1)** The microfinance service providers registered in accordance with their respective laws shall be recognized under this Act.

(2) The microfinance service providers under subsection (1) of this section shall undertake microfinance business in accordance with the provisions of this Act.

(3) Without prejudice to the generality of the provisions of subsection (2) of this section, the microfinance business undertaken under this Act shall include:

- (a) accepting savings and providing loans or other credit facilities to micro or small enterprises and low-income households or individuals;
- (b) receiving money by way of deposits or interest on deposits or borrowing and which is lent to members or clients;
- (c) providing micro credit, micro savings, micro insurance, micro-leasing, micro-pension and micro-housing finance;
- (d) transferring and payment services, including digital microfinance services;
- (e) undertaking commodity microfinance business including provision of commodity loans;
- (f) providing financial education; and
- (g) any other related service as may be prescribed in the regulations.

**5.-(1)** For the purpose of this Act, there shall be four Tiers of microfinance service providers as follows:

Tiers of the microfinance service providers.

- (a) Tier One shall comprise of deposit taking microfinance service institutions;
- (b) Tier Two shall comprise of non-deposit taking microfinance service providers such as money lenders;
- (c) Tier Three shall comprise of Saving and Credit Cooperative Societies; and
- (d) Tier Four shall comprise of community microfinance groups.

(2) Microfinance service providers under subsection (1)(a) of this section, shall be regulated in accordance with the Banking and Financial Institutions Act, No. 5 of 2006.

Prohibition  
of conducting  
microfinance  
business.

**6.-(1)** A person shall not conduct a microfinance business unless that person is licensed and registered as a microfinance service provider and carries on that business in accordance with the provisions of this Act.

(2) Any person who contravenes the provisions of subsection (1) of this section, commits an offence and shall, upon conviction:

- (a) in the case of the Tier Two, be liable to a fine of not less than Twenty Five Million Tanzanian Shilling and not exceeding One Hundred Million Tanzanian Shilling or imprisonment for a term of not less than three years but not exceeding five years or both such fine and imprisonment; and
- (b) in the case of the Tier Three, be liable to a fine of not less than Fifteen Million Tanzanian Shilling and not exceeding Fifty Million Tanzanian Shilling or imprisonment for a term of not less than two years and not exceeding five years or both such fine and imprisonment.

(3) Without prejudice the provisions under subsection (2) of this section, where a person advances a loan to another person in the course of microfinance business that is conducted in contravention of subsection (1)(a) of this section:

- (a) the interest or profit shall not be payable on the loan or advance; and
- (b) the capital sum of the loan or advance shall not be recoverable from the borrower unless a competent Court, on application by the lender, has condoned the lender's failure to comply with the provisions of subsection (1) of this section.

(4) The provisions of subsection (3) of this section, shall apply whether or not there has been a prosecution for an offence referred to in subsection (2) of this section.

7.-(1) A microfinance service provider shall not engage in any prohibited activity under this Act.

Restrictions on micro-finance activities.

(2) The Minister shall, through regulations, prescribe permissible and prohibited activities of microfinance service providers.

(3) Where a microfinance service provider fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

8.-(1) Any microfinance service provider may, upon attaining the required criteria, apply for transformation from his respective Tier to another Tier.

Transformation of microfinance services providers.

(2) Where a microfinance service provider transforms to another Tier, such microfinance service provider shall be regulated in accordance with the laws governing the respective Tier and this Act.

(3) For the purposes of this section, the criteria for transformation of a microfinance service provider shall include:

- (a) minimum capital requirement;
- (b) number of members and customers;
- (c) nature of microfinance service business; and
- (d) any other relevant criteria prescribed in the regulations.

(4) Notwithstanding the provisions of this section, the Bank may, prior to directing transformation of microfinance service providers, conduct an assessment regarding sustainability of microfinance service providers after transformation.

(5) Subject to the provisions of subsection (4) of this section, where the Bank is satisfied that a microfinance service provider meets the criteria of transformation, it may direct transformation of such microfinance service provider subject to such terms and conditions.

(6) Where a microfinance service provider without reasonable cause, fails to comply with the directives issued under subsection (5) of this section, the Bank shall take such measures as may be appropriate to ensure compliance.

Minimum capital, liquid assets and solvency requirements.

**9.** A Microfinance service provider who undertakes microfinance business under this Act, shall comply with the minimum capital requirements, a minimum liquid assets and a solvency ratio as prescribed in the regulations.

Structure of interest rates, profit or charges.

**10.** Microfinance service provider shall adopt a structure of interest rate, profit or charges that allow to recover its operating expenses including the cost of capital and losses on loans as determined by the Bank.

Place of business.

**11.-(1)** Each microfinance service provider shall have a place of business with proper address for carrying out a business.

(2) Subject to the provisions of subsection (1) of this section, a microfinance service provider shall not open or close a place of business without the prior approval of the Bank or Delegated Authority.

(3) A microfinance service provider who contravenes the provisions of this section, commits an offence and shall, upon conviction, be liable to a fine of not less than One Million Tanzanian Shillings or not exceeding Five Million Tanzanian Shillings.

Governance of micro-finance service providers.

**12.-(1)** The governance of the microfinance service providers shall be as provided for in their respective establishing laws, constitutions or By-laws.

(2) Notwithstanding the provisions of subsection (1) of this section, the Bank or Delegated Authority may, if it is satisfied that the



governance of a microfinance service provider is not in compatible with microfinance business, issue general or specific directives to the microfinance service provider regarding its governance and such directives shall be complied.

**13.** A microfinance service provider shall, for the purposes of undertaking microfinance business, be accountable to the Bank or Delegated Authority.

Accountability of microfinance service provider.

### **PART THREE ADMINISTRATIVE PROVISIONS**

**14.-(1)** The Minister shall formulate and supervise implementation of microfinance policy for the purpose of ensuring conducive environment for the microfinance business.

Role of the Minister.

(2) For the purpose of the provisions of subsection (1) of this section, the Minister shall:

- (a) enhance enabling environment to support microfinance business;
- (b) ensure promotion, transparency and accountability of microfinance business;
- (c) ensure sustainability of microfinance business;
- (d) issue directives to the Bank on the implementation of the policy relating to microfinance business; and
- (e) perform any other role for better carrying out of the provisions of this Act.

(3) In performing his role under this section, the Minister may, after consultation with relevant Ministers, require or demand information or documents relating to microfinance business from Ministry, institutions or office and such Ministry, institutions or office is obliged to comply.

(4) The Minister may, in consultation with the Minister responsible for cooperative societies or the Minister responsible for Local Government Authorities as the case may be, make regulations for the better carrying out of his roles under this Act.

Functions  
of the  
Bank.

**15.**-(1) The Bank shall be responsible to oversee and monitor microfinance service providers in accordance with this Act.

(2) Subject to the provisions of subsection (1) of this section, the functions of the Bank shall be to regulate and supervise the operations of microfinance business in accordance with this Act and any other relevant laws.

(3) Without prejudice to the generality of the provisions of subsections (1) and (2) of this section, the Bank shall:

- (a) issue license to qualified microfinance service providers in accordance with this Act;
- (b) advise and report to the Minister on matters relating to microfinance business;
- (c) develop and manage database for microfinance service providers;
- (d) issue circulars and guidelines for microfinance services providers;
- (e) promote standard of sound business and financial practices in Zanzibar;
- (f) inspect, monitor and evaluate the performance of microfinance business;
- (g) ensure proper management of complaints relating to microfinance business;
- (h) assess and issue approvals for transformation of microfinance service providers from one tier to another;

- (i) ensure protection for consumers of microfinance service providers including sanctioning usurious lending practices contrary to lending procedures;
- (j) ensure that credit information relating to microfinance business are collected, disseminated and shared easily; and
- (k) perform such other functions as may be required for proper regulation and supervision of microfinance business.

**16.** The Bank shall, in the performance of its functions under this Act, have powers to:

Powers of  
the Bank.

- (a) investigate or inquire into the operations of microfinance service providers;
- (b) demand for information related to the activities of microfinance service providers;
- (c) instruct on the proper management of microfinance service providers;
- (d) enter at a reasonable time, into any premise of a microfinance service provider or any premise in which it is believed on reasonable grounds, that books of accounts, records or documents in any form relating to the microfinance service provider's business are kept;
- (e) inspect and examine books of accounts, records, returns and any other documents of microfinance service providers;
- (f) open or cause to be opened any strong room, safe or other container in which it is suspected, on reasonable grounds, that there are any securities, books of accounts, records or documents of a microfinance service provider;

- (g) require any officer, employee or agent of a microfinance service provider to explain or furnish information or documents concerning the microfinance service provider's management or activities; and
- (h) exercise such powers as may be necessary for the better performance of its functions under this Act.

Delegation  
of powers  
and functions  
of the Bank.

**17.-(1)** The Bank may, for the better carrying out of its regulatory and supervisory functions and powers under this Act and subject to such conditions and procedures as the Bank may specifically prescribe, by notice published in the Gazette, delegate any of its functions or powers in the case of functions and powers relating to microfinance service providers:

- (a) in Tier Three, to the Department of Cooperatives Development as established under the Zanzibar Cooperative Societies Act, No. 15 of 2018; and
- (b) in Tier Four, to the Local Government Authorities as established under the Zanzibar Local Government Authority Act, No. 7 of 2014.

(2) The Delegated Authority under subsection (1) of this section, shall exercise such functions and powers in accordance with the conditions, procedures and any other directives issued by the Bank from time to time.

(3) Any power or function delegated under this section, when exercised or performed by a Delegated Authority, shall be deemed to have been exercised or performed by the Bank.

(4) Notwithstanding the provisions under subsection (1) of this section, unless otherwise approved by the Minister, the Bank shall not delegate its functions and powers relating to regulation and supervision of microfinance service providers in Tier Two.

**PART FOUR**  
**LICENSING OF MICROFINANCE SERVICE**  
**PROVIDERS FOR TIER TWO AND THREE**

**18.-(1)** A person who intends to undertake microfinance business under Tier Two shall apply to the Bank for a license in a manner as prescribed in the regulations. Application for licence.

(2) A person who intends to undertake microfinance business under Tier Three shall apply to the Bank or Delegated Authority for a license in a manner as prescribed in the regulations.

(3) A foreign microfinance service provider, who intends to undertake microfinance business in Zanzibar, shall apply for a license to the Bank in a manner as prescribed in the regulations.

(4) Where a foreign microfinance service provider undertakes microfinance business in Zanzibar, such microfinance service provider shall comply with applicable laws.

(5) Upon receipt of an application under this Act, the Bank or Delegated Authority may, within the period prescribed in the regulations, consider the application if it has complied with the prescribed requirements.

**19.-(1)** The Bank or Delegated Authority shall, within three months after receiving application, consider the application and shall, if satisfied that the applicant meets the requirements, issue a license to the applicant. Issuance of license.

(2) The Bank or Delegated Authority shall issue a license subject to terms and conditions as prescribed under regulations.

(3) The Bank or Delegated Authority shall, before issuing a license, take into account all the matters it considers relevant to the application including:

- (a) whether the microfinance business will be operated responsibly by persons who are fit and proper;
- (b) the nature of the financial resources of the applicant as a source of continuing financial support to the microfinance service provider; and
- (c) the effectiveness of the business plan submitted by the applicant for the future conduct and development of the business of the institution.

Refusal to issue license.

**20.**-(1) The Bank or Delegated Authority may refuse to issue a license if:

- (a) the applicant has failed to meet prescribed terms and conditions for licensing; or
- (b) the applicant has provided misleading information or false information relating to the application.

(2) Where the Bank or Delegated Authority has refused to issue a license shall, within ten working days from the date of its decision, notify the applicant in writing stating the reasons for such refusal.

Validity of license.

**21.** A license issued under this Act shall have effect from the date of issuance of license and shall be valid for the whole time unless revoked by the Bank or Delegated Authority.

Re-application.

**22.**-(1) An applicant whose application has been refused may re-apply, if the deficiencies that formed the basis for refusal of the initial application or subsequent review has been corrected.

(2) The re-application under subsection (1) of this section shall not apply to the deficiencies identified under section 20(1)(b) of this Act.

Revocation of license.

**23.**-(1) The Bank or Delegated Authority may, by notice in writing, revoke a license issued under this Act if it is satisfied that, the microfinance service provider:

- (a) has not commenced business within six months from the date of issuance of the license;
- (b) has ceased to carry on microfinance business for which the license was issued;
- (c) has furnished any false or misleading information or document in connection with the application for a license;
- (d) has been found to be insolvent or unable to pay his liabilities;
- (e) has been wound up, liquidated or dissolved;
- (f) has engaged in deception with respect to his financial condition, ownership, management, operations or other facts material to its business;
- (g) has without the consent of the Bank or Delegated Authority, been amalgamated with another company or has sold or otherwise transferred its assets and liabilities to another company;
- (h) is conducting business in a manner that is detrimental to the interests of its depositors or customers;
- (i) has persistently contravened the provisions of this Act;
- (j) has failed to comply with any conditions specified in its license;
- (k) has transferred or assigned his license to another person;  
or
- (l) fails to submit or offer for inspection of its books of account and other relevant documents under this Act.

(2) Procedures for revocation of license shall be as prescribed in the regulations.

Effect of  
revocation  
of license.

**24.**-(1) Where a license of the microfinance service provider is revoked in terms of this Act, the Bank or Delegated Authority shall remove the name of the microfinance service provider from the register and shall, in writing, direct such microfinance service provider to:

- (a) stop his operations with effect from the date of revocation of license;
- (b) manage and resolve, within the time as may be prescribed, all issues relating to assets and liabilities regarding its consumers or members; and
- (c) surrender the revoked license.

(2) Where a microfinance service provider fails to comply with the directives issued under subsection (1) of this section, the Bank or Delegated Authority shall have powers to take any measure, as may be appropriate, to ensure protection of rights of consumers or members.

Closure of  
business.

**25.**-(1) The microfinance service provider shall request for approval from the Bank or Delegated Authority before closing his business.

(2) Subject to the provisions under subsection (1) of this section, a request for closure of business shall be accompanied with the statement of the financial affairs of the business as prescribed by the Bank or Delegated Authority.

## **PART FIVE REGISTRATION OF MICROFINANCE SERVICE PROVIDERS FOR TIER FOUR**

Application  
for regist-  
ration for  
Tier Four.

**26.** An application for registration as a microfinance service provider for Tier Four shall be made to the Bank or Delegated Authority in the manner as prescribed in the regulations.



**27.-(1)** The Bank or Delegated Authority shall, within ten working days after receiving application, grant a certificate of registration or reject the application.

(2) The certificate of registration issued under subsection (1) of this section, shall contain particulars as prescribed in the regulations.

**28.** The Bank or Delegated Authority shall refuse to register the applicant if:

Certificate of registration.

(a) the applicant:

(i) has failed to meet the prescribed requirements for registration or provided false information during registration; or

(ii) has engaged in activities which brought the microfinance business into disrepute as prescribed under this Act; or

(b) any person responsible for the management of the applied institution, has been convicted of an offence relating to theft, fraud, dishonesty or any other financial crime either in Zanzibar or outside Zanzibar during the preceding seven years under any law.

**29.-(1)** A certificate of registration shall be a conclusive evidence of the microfinance service provider to operate or undertake microfinance business in terms of its constitution and the provisions of this Act.

Refusal of registration for Tier Four.

(2) A person who undertakes the microfinance business under Tier Four without being registered in accordance with this Act, commits an offence.

**30.** The registration of microfinance service provider shall remain in force until it is cancelled in accordance with the provisions of this Act.

Effect of registration.

**31.-(1)** The Bank or Delegated Authority may cancel a certificate of registration if it is satisfied that:

Period of registration.

Cancellation  
of certificate  
of  
registration.

- (a) the terms or conditions prescribed in the certificate of registration have been violated;
- (b) the microfinance service provider has ceased to operate; or
- (c) the microfinance service provider operates his business contrary to this Act or other relevant laws.

(2) Where a certificate of registration has been cancelled, the Bank or Delegated Authority shall:

- (a) notify the relevant microfinance service provider in writing, stating the reasons for cancellation;
- (b) order such microfinance service provider to stop his operations; and
- (c) remove the name of such microfinance service provider from the register.

(3) The provisions of this Act relating to procedures for revocation of license shall apply the same to cancellation of certificate of registration under this Act.

## **PART SIX MANAGEMENT AND SUPERVISION OF MICROFINANCE SERVICE PROVIDERS**

Manage-  
ment  
and take-  
over.

**32.**-(1) The Bank or Delegated Authority may take over the management of the microfinance service provider where it considers that, a microfinance service provider:

- (a) is not in a sound financial condition;
- (b) does not operate in accordance with acceptable administrative procedures and accounting practices;

- (c) does not adhere to proper risk-management policies;
- (d) fails to comply with the minimum capital requirements prescribed under this Act;
- (e) is undertaking microfinance business in a manner which is contrary to this Act;
- (f) refuses to be inspected by the Bank or Delegated Authority as required by this Act;
- (g) his license has been revoked; and
- (h) his continuation in microfinance business is detrimental to the interests of microfinance business.

(2) A party to a contract with a microfinance service provider shall not be relieved of his obligations on the ground that the microfinance service provider is under the management of the Bank or Delegated Authority.

(3) Costs of management of a microfinance service provider during the period of take over shall not be borne by the Bank or Delegated Authority.

(4) The procedures for management and take-over of a microfinance service provider under this section shall be as stipulated in the regulations.

**33.** A microfinance service provider shall pay dividends to his shareholders or make any other form of distribution or payment of interest or profit to his consumers or members in the manner as prescribed in the constitution or other relevant documents of the microfinance service provider.

**34.** A microfinance service provider shall keep proper books of accounts and other records of the financial transactions in relation to operations of his business in accordance with the regulations or guidelines.

Payment of dividends.

Books of account and other records.

**35.** The financial year of a microfinance service provider shall be the period of twelve months ending on the 31<sup>st</sup> December in each year in accordance with the regulations or guidelines.

Financial year.

**36.**-(1) A microfinance service provider shall, in each financial year, prepare accounts in accordance with international financial reporting standards, or in a format as prescribed by the Bank or Delegated Authority.

(2) The accounts and other financial records of a microfinance service provider shall be denominated in Tanzanian Shillings.

Preparation of accounts.

**37.**-(1) The accounts of microfinance service provider except under Tier Four, shall be audited at least once in a year by an auditor in a manner provided for in the regulations.

Audit of accounts.

(2) Notwithstanding the provisions of subsection (1) of this section, the accounts and financial records of the microfinance service providers under Tier Four shall be audited or monitored as prescribed in the regulations.

(3) Where the Bank or Delegated Authority is satisfied that the audited accounts of a microfinance service provider do not comply with the requirements of this Act or relevant regulations or contain information that may be misleading or not published in the specified form, Bank or Delegated Authority may require the service provider to:

- (a) amend the audited accounts to comply with the Act;
- (b) correct the misleading information;
- (c) re-publish the amended audited accounts; and
- (d) submit to the Bank or Delegated Authority further documents or information relating to any document or information.

(4) Where a microfinance service provider, without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

**38.** A microfinance service provider under Tier Two and Tier Three shall have a person responsible for assessment of effectiveness of internal control systems in a manner provided for in the regulations made under this Act. Internal Auditor.

**39.-(1)** A microfinance service provider shall disclose its financial statements to the Bank, Delegated Authority or his stakeholders in a manner as provided for in the regulations. Disclosure of financial statement.

(2) Without prejudice to subsection (1) of this section, a microfinance service provider shall display, throughout the year and in a conspicuous place in his place of business, audited annual financial statements in such form and manner as the Bank or Delegated Authority may prescribe.

(3) Notwithstanding the provisions of subsection (1) of this section, the Bank or Delegated Authority may prescribe the manner in which the microfinance service providers in Tier Four shall disclose their financial information.

(4) Where a microfinance service provider, without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

**40.-(1)** A microfinance service provider shall share credit information in a manner provided for in the regulations. Sharing of credit information.

(2) A microfinance service provider may access and use credit information through the Credit Reference Bureau in a manner provided for in the regulations.

(3) Without prejudice to the provisions of this section, sharing of credit information shall be conducted in accordance with the Bank of Tanzania Act, No. 4 of 2006 and the Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009.

(4) For the purpose of this section, credit information shall include any information including personal information and credit history of a borrower such as paying habit, outstanding debts, tax obligations and any other business details.

(5) Where a microfinance service provider, without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegate Authority shall take such measures as may be appropriate to ensure compliance.

Responsibilities of the responsible officer of microfinance business.

**41.**-(1) Each responsible officer of a microfinance service provider owes a fiduciary duty, duty of care and skills to the microfinance and, in particular, owes a duty to:

- (a) act bonafide for the benefit of his members and shareholders;
- (b) avoid conflict of interest;
- (c) possess and maintain knowledge and skills; and
- (d) exercise such care in the carrying out of his functions in relation to the institution.

(2) Without prejudice to the provisions of subsection (1) of this section, the responsible officer of all microfinance service providers shall, in the performance of his functions, observe any guidelines and comply with any requirements that are prescribed.

Supervision of the microfinance service providers.

**42.** The Bank or Delegated Authority in supervising microfinance service provider shall:

- (a) periodically monitor, examine and evaluate the performance of microfinance service provider;
- (b) analyze statutory returns;
- (c) analyze audited accounts of the microfinance service provider; and
- (d) inspect and analyze the records.

**43.-(1)** The Bank or Delegated Authority may place under receivership the microfinance service provider where:

Receivership of the microfinance service provider.

- (a) there is a possibility that the microfinance service provider is not be able to meet the demands of his depositors or pay its obligation in the normal course of business; or
- (b) the microfinance service provider has incurred or is likely to incur losses that will diminish all or a substantial amount of its capital.

(2) An institution or a person appointed by the Bank or Delegated Authority shall be the receiver of the microfinance service provider.

**44.** Notwithstanding any other law to the contrary, proceeding for the winding up or liquidation of microfinance service provider shall not be commenced except:

Liquidation of microfinance service provider.

- (a) by the Bank or Delegated Authority; or
- (b) by microfinance service provider with the approval of the Bank or Delegated Authority.

**45.-(1)** The Bank or Delegated Authority shall have the duty of inspecting any microfinance service provider.

Duty to inspect the microfinance service provider.

(2) During the inspection, the microfinance service provider concerned and every officer or employee shall produce and make available to the person making the inspection, all the books of accounts, records and other documents, correspondences, statements and other information relating to the business as may be required in writing.

(3) A person who fails to produce any books, accounts, records, documents, correspondence, statements or other information required under subsection (2) of this section, commits an offence.

(4) The Bank or Delegated Authority shall produce an inspection report which comprises whether or not there is:

- (a) any breach or contravention of this Act and any regulations made thereunder;
- (b) any mismanagement of the microfinance service provider;
- (c) any irregularity in the manner of conduct of the inspected microfinance service provider; and
- (d) any other matter relating to the microfinance service provider not consistent with sound business practice.

(5) Where the Bank or Delegated Authority, after considering the report of inspection under subsection (4) of this section, is of the view that the affairs of any microfinance service provider are being conducted to the detriment of its consumers or contrary to this Act, it may after giving such opportunity to the microfinance service provider to make representation in connection with the report, take such action as it deems fit, including:

- (a) restrict, suspend or prohibit the payment of dividends by the microfinance service provider;
- (b) direct the microfinance service provider to take disciplinary action against any officer involved in such misconduct;



- (c) suspension or termination from office the defaulting director, officer or employee.
- (d) direct the microfinance service provider to reconstitute its management;
- (e) order the microfinance service provider to submit to the Bank or Delegated Authority, within prescribed period:
  - (i) a capital restoration plan; or
  - (ii) a plan to resolve all deficiencies to the satisfaction of the Bank or Delegated Authority;
- (f) prohibit or suspend the microfinance service provider from awarding any bonuses, salary increments or other benefits of senior management or officers of the microfinance business;
- (g) impose restrictions on growth of assets or liabilities of a microfinance service provider as it deems fit; and
- (h) order a microfinance service provider to do or take such other actions as may deem necessary.

**46.-(1)** A microfinance service provider shall submit to the Bank or Delegated Authority periodic reports of its microfinance business operations at such times and in such manner as may be prescribed in the regulations.

Submission of periodic reports.

(2) Where a microfinance service provider fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

**47.-(1)** A microfinance service provider shall comply with the Anti-Money Laundering and Proceeds of Crimes Act, No. 10 of 2009, by establishing procedures for internal control for the purpose of identifying and reporting suspicious transactions.

Compliance with Anti-Money Laundering and Proceeds of Crimes Act, No.10 of 2009.

(2) The Bank or Delegated Authority shall ensure each microfinance service provider operates in compliance with subsection (1) of this section.

Access to  
information.

**48.**-(1) The Bank or Delegated Authority shall have access to information relating to activities of any microfinance service provider and may request, in writing, that information be furnished within the time prescribed in the request.

(2) Where a microfinance service provider, without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

Confiden-  
tiality.

**49.**-(1) Where the Bank, Delegated Authority or a microfinance service provider has access to information obtained under this Act, such information shall be treated as confidential and shall not be disclosed to any other person.

(2) Notwithstanding the provisions of subsection (1) of this section, the Bank or Delegated Authority may disclose any information:

- (a) to an authorized agency or person where such information is needed for supervisory or oversight purposes and that its confidentiality will be maintained; or
- (b) in compliance with the law, an order of the court or with the express consent of the consumer concerned.

## **PART SEVEN MICROFINANCE CONSUMER PROTECTION**

Consumer  
protection  
principles.

**50.**-(1) A microfinance service provider shall comply with the principles of consumer protection as provided for in the applicable laws and in the regulations made under this Act.

(2) Subject to the provisions of subsection (1) of this section, the principles of consumer protection prescribed in the regulations shall include:

- (a) terms and conditions of credit or related service that are transparent, fair, legible and protect the rights and interests of microfinance consumers or members;
- (b) complaints handling and dispute resolution mechanism;
- (c) full disclosure of relevant information on the products and services provided;
- (d) requirement for the vetting of the standard credit contracts or agreements;
- (e) active participation on financial education and awareness programs to the consumers;
- (f) transparency on interest rates, profit, fees or penalties;
- (g) protection of customer assets against fraud and misuse; and
- (h) any other principle for the purpose of ensuring fair treatment of consumers.

(3) Notwithstanding the provisions of subsection (2) of this section, any term or condition stipulated in a contract or any relevant document purporting to grant to a microfinance service provider authority to unilaterally introduce or modify interest or profit rate or any other loan condition shall be void.

(4) Where a microfinance service provider without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

(5) For the purposes of this section. “principles of consumer protection” includes principles intended to ensure transparency of the products and services of the microfinance service provider, equitable, fair treatment and safeguard of the interests and rights of consumers and fair complaints handling and dispute resolution mechanism, avoidance of over-indebtedness and ensure that credit extended to borrowers.

Require-  
ments  
for loan  
agreements.

**51.**-(1) Every microfinance service provider shall enter into an agreement with its customers.

(2) Every agreement entered into by a microfinance service provider in the course of his microfinance business shall:

- (a) be in writing, setting out clearly all its material terms and conditions;
- (b) permit the borrower to make partial or total pre-payments of any amounts owed by him under the contract;
- (c) specify terms and conditions for pre-payments of amounts owed by the borrower under the contract; and
- (d) contain such terms and conditions as may be prescribed.

(3) Any term or condition of an agreement which purports to allow the microfinance service provider unilaterally to alter the rate of interest or profit payable by the borrower, the repayment period or any other obligation of the borrower shall be void.

(4) Where a microfinance service provider makes a loan or advances credit under an agreement which does not comply with the provisions of subsection (2) of this section, no interest, profit, other charge or fee what so ever in connection with the loan shall be payable on another loan.

(5) For the purpose of this section, the word “agreement” means loan agreement or financial lease agreement.

**52.**-(1) A debt arising out of microfinance business activities under this Act shall be collected or recovered in a manner as may be prescribed in the regulations.

(2) Subject to the provisions of subsection (1) of this section, the regulations issued under this section shall ensure that:

- (a) a debt collection measure is initiated by issuance of a sufficient written notice to the debtor;
- (b) the attachment of a debtor's property or collateral security for purposes of sale to discharge a debt is applied as a last resort; and
- (c) a reasonable period is prescribed as a notice to debtor prior to sale or disposal of a debtor's attached property.

(3) Where a microfinance service provider without reasonable cause, fails to comply with the provisions of this section, the Bank or Delegated Authority shall take such measures as may be appropriate to ensure compliance.

## **PART EIGHT MISCELLANEOUS PROVISIONS**

**53.** A person who contravenes any provision of this Act where no specific penalty is provided, commits an offence and upon conviction shall:

General  
penalty.

- (a) in the case of Tier Two, be liable to a fine of not less than Five Million Tanzanian Shillings and not exceeding Twenty Million Tanzanian Shillings or imprisonment for a term of not less than three months but not exceeding five years or both such fine and imprisonment;
- (b) in the case of Tier Three, be liable to a fine of not less than Two Million Tanzanian Shillings and not exceeding Ten Million Tanzanian Shillings or imprisonment for a term of not less than three months but not exceeding three years or both such fine and imprisonment; and

- (c) in the case of Tier Four, be liable to a fine of not less than Five Hundred Thousand Tanzanian Shillings and not exceeding One Million Tanzanian Shillings or imprisonment for a term of not less than three months but not exceeding one year or both such fine and imprisonment.

Liability  
for acts of  
bodies of  
persons.

**54.** Where an offence is committed under this Act by an association of persons, whether corporate or unincorporated and such association is found to have committed an offence with the knowledge or connivance of, or is attributable to any act or default on the part of any person or persons in apparent control of the association of persons, such person or persons shall be deemed to have committed the offence.

Compou-  
nding of  
offences.

**55.**-(1) The Bank or Delegated Authority may, compound an offence committed by a person under this Act or its regulations by requiring him to pay a fine of not less than half of the fine prescribed for such offence, provided that, the person:

- (a) admits that he committed an offence and shall take due care not to repeat; and
- (b) pays all his default payment under this Act.

(2) The procedures relating to compounding offence shall be prescribed in the regulations.

(3) The compounding of offence under subsection (1) of this section, shall not be regarded as conviction for the alleged offence and provided that the default payment is paid in full, no prosecution for the alleged offence shall be instituted or maintained.

Islamic  
Microfinance.

**56.**-(1) There shall be a microfinance business operating under Islamic Principles.

(2) Subject to the provisions of subsection (1) of this section, the microfinance service providers in their operation shall comply with this Act.

(3) All products and services provided by the Islamic microfinance service providers shall follow Islamic financing principles including:

- (a) cost-plus profit;
- (b) interest-free loans;
- (c) forward sales;
- (d) partnership;
- (e) leasing; and
- (f) any other Shariah compliant products and services.

**57.**-(1) There shall be a Forum to be known as Zanzibar Microfinance Business Consultative Forum. Consultative Forum.

(2) The composition, functions and other matters relating to the Forum under subsection (1) of this section, shall be as prescribed in the regulations.

**58.** Any person who is aggrieved by the decision of the Bank or Delegated Authority under this Act may, within twenty one days from the date of such decision, appeal to the Minister in accordance with the procedures as prescribed in the regulations. Appeal.

**59.**-(1) The Bank or Delegated Authority shall publish in the Gazette a list of registered or licensed microfinance service providers. Public notice.

(2) Whenever the registration of a microfinance service provider is cancelled or revoked, the Bank or Delegated Authority shall publish in the Gazette.

**60.** Where a microfinance service provider undertakes microfinance business, such microfinance service provider shall comply with applicable laws on local content including employment and training of Zanzibaris. Local content.

Regulations. **61.**-(1) The Minister may make regulations for the better carrying out of the provisions of this Act.

(2) Without prejudice with the generality of the provisions under subsection (1) of this section, the Minister may make regulations for other microfinance business including microfinance business in Islamic principles.

Repeal and savings.

**62.**-(1) The Moneylenders Decree, Cap. 166 is here by repealed.

(2) Section 31 up to section 42 of the Zanzibar Cooperative Societies Act, No. 15 of 2018 are hereby repealed.

(3) Notwithstanding the provisions under subsections (1) and (2) of this section, anything done or any action taken or purported to have been done or taken under any provisions of the repealed Act shall continue to be valid and be deemed to be done under the provisions of this Act.



## OBJECTS AND REASONS

The purpose of this Bill is to propose the enactment of the law on the management of microfinance business, with the aim of licensing, registering, controlling and managing microfinance businesses conducted under circular and islamic laws. The main purpose of this enactment is to maintain the stability, safety and soundness of that business and other matters connected to in the country.

In addition to that, the proposed law aims at setting out a good procedure for identifying and officially registering the institutions that provide these services by removing the challenges that emerged after various reviews carried out by the Government. In the said review, it was revealed that many institutions that provide the microfinance services are not officially registered and require management and control.

Due to these shortcomings in Zanzibar, the Government has decided to enact an this law on the management of institutions that provide microfinance services.

The Bill is divided into Eight parts:

**Part One** is about preliminary provisions which are the short title and commencement, Application and Interpretation.

**Part Two** is dealing with Micro Service Providers that provide the provisions relating to microfinance business, Tiers of microfinance business, Prohibition of conducting microfinance business, Restrictions on microfinance activities, Transformation of microfinance service providers, Minimum capital, Structure of interest rates, profit or charges, Place of business, Governance and Accountability of Microfinance Services providers.

**Part Three** provides for administrative provisions including the Role of the Minister, the Functions and Powers of the Bank, delegation of powers and functions of the Bank.

**Part Five** is about the Registration of Microfinance Service Providers under Tier Four including Application for registration, Certificate, Refusal of registration under Tier Four, Effect of registration, Period of Registration, Cancellation of registration.

**Part Six** deals with Management and Supervision of Microservice Providers and includes provisions relating to Management and take over, Payment of dividends, Books of accounts, Financial year, Preparation of accounts, Audit of accounts, Internal auditor, Disclosure of financial statement, Sharing of credit information, Responsibilities of the responsible officer, Supervision of microfinance providers, Receivership of microfinance service providers, liquidation, Duty to inspect micro finance service provider, Submission of periodic reports, Compliance with Anti-Money Laundering and Proceeds of Crimes Act, No, 10 of 2009, Access to information and Confidentiality.

**Part Seven** provides for the consumer protection principals, requirement for loan agreements, Debt collection and recovery for Microfinance services providers.

**Part Eight** comprises of Miscellaneous Provisions which include General Penalty, Liability for act of bodies of persons, Compounding of offences, Islamic Microfinance, Consultative Forum, Appeal, Public Notice, Local Content, Regulations and Repeal and Saving.

**ZANZIBAR**  
23 August, 2023.

(DR, SAADA SALUM MKUYA)  
**MINISTER OF STATE, PRESIDENT'S  
OFFICE, FINANCE AND PLANNING,  
ZANZIBAR**



