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MINISTRY OF FINANCE AND PLANNING**



**FINANCIAL SECTOR DEVELOPMENT
MASTER PLAN 2020/21 – 2029/30**



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List of Abbreviations and Acronyms

AGCs	Attorney General's Chambers
AML	Anti-Money Laundering
ATI	Association of Tanzania Insurers
ATM	Automated Teller Machine
AU	African Union
BFIA	Banking and Financial Institutions Act
BOT	Bank of Tanzania
CFT	Combating of Financing Terrorism
CHFs	Community Health Funds
CIS	Collective Investment Scheme
CMGs	Community Microfinance Groups
CMSA	Capital Markets and Securities Authority
COBAT	Community Bank Association of Tanzania
CRB	Credit Reference Bureau
DCD	Department of Cooperatives Development
DFIs	Development Financial Institutions
DIB	Deposit Insurance Board
DIS	Deposit Insurance System
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EAMU	East African Monetary Union
ECH	Electronic Clearing House
EFT	Electronic Fund Transfer
FCC	Fair Competition Commission
EPOCA	Electronic and Postal Communication Act
FGFSR	First Generation Financial Sector Reforms
FIU	Financial Intelligence Unit
FSAP	Financial Sector Assessment Programme
FSDT	Financial Sector Deepening Trust
GDP	Gross Domestic Product
IADI	International Association of Deposit Insurers
ICT	Information Communication Technology
IPO	Initial Public Offering
IT	Information Technology
KSP	Knowledge Sharing Programme
KYC	Know Your Customer
LTDF	Long Term Development Finance
M & E	Monitoring and Evaluation
MITI	Ministry of Industry, Trade and Investment
MFSP	Mobile Financial Service Providers
MoEST	Ministry of Education, Science and Technology
MoA	Ministry of Agriculture
MoHCDGEC	Ministry of Health, Community Development, Gender, Elderly and Children
MoFP	Ministry of Finance and Planning
MoFAEAC	Ministry of Foreign Affairs and East Africa Cooperation
MoHA	Ministry of Home Affairs

MoLF	Ministry of Livestock and Fisheries
MoLHHSD	Ministry of Lands, Housing and Human Settlements Development
MoM	Ministry of Minerals
MNOs	Mobile Network Operators
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
NEEC	National Economic Empowerment Council
NHC	National Housing Corporation
NHIF	National Health Insurance Fund
NFSC	National Financial Steering Committee
FSDMP	Financial Sector Development Master Plan
NIDA	National Identification Authority
NMP	National Microfinance Policy
NPLs	Non-Performing Loans
NSSF	National Social Security
PBFP	Property and Business Formalization Program
PMO	Prime Minister's Office
PO-RALG	President's Office Regional Administration and Local Government
POS	Point of Sales
PSSSF	Public Service Social Security Fund
RGoZ	Revolutionary Government of Zanzibar
SACCOS	Savings and Credit Cooperative Organizations
SADC	Southern African Development Community
SHIB	Social Health Insurance Benefit
SGFSR	Second Generation Financial Sector Reforms
SIDO	Small Industries Development Organization
SIFIs	Systemically Important Financial Institutions
TACH	Tanzania Automated Clearing House
TADB	Tanzania Agricultural Development Bank
TAMFI	Tanzania Association of Microfinance Institutions
TCDC	Tanzania Cooperative Development Commission
TFC	Tanzania Federation of Cooperatives
TIB	Tanzania Investment Bank
TIRA	Tanzania Insurance Regulatory Authority
TIBA	Tanzania Insurance Brokers Association
TIMAP	Tanzania Informal Microfinance Association of Practitioners
TISS	Tanzania Interbank Settlement Systems
TMA	Tanzania Meteorological Agency
TMRC	Tanzania Mortgage Refinance Company
TSEBA	Tanzania Stock Exchange and Brokers Association
TWGs	Technical Working Groups
TZS	Tanzanian Shillings
URT	United Republic of Tanzania
VICOBA	Village Community Bank
WCF	Workers Compensation Fund
WHC	Watumishi Housing Company
ZFCC	Zanzibar Fair Competition Commission
WLB	Warehouse Licensing Board
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty
ZSSF	Zanzibar Social Security Fund
ZSTC	Zanzibar State Trade Corporation

Glossary of Terms and Key Concepts

“Agent banking” means the business of providing banking services to the customers of the banking institution on behalf of the banking institution as prescribed by the Bank of Tanzania;

“Apex body” means an umbrella association or network of financial service providers that deal with advocacy and lobbying on behalf of their members;

“Business Development Services Providers” means institutions that facilitate business skills development for financial sector clients or financial service providers through a range of methodologies such as mentorship, coaching, accompaniment, training and consultancy;

“Capital Markets” means a markets for long term funds from which companies can raise long term capital by selling shares and the Government by selling securities to members of the public;

“Collective Investment Scheme” means a type of investment scheme that involves the collection of money from different investors for a defined period of time at a given interest rate and reinvesting that money to various investments. It facilitates the pooling of resources from a cross section of investors with similar objectives and constructs a diversified portfolio of investment on behalf of contributors.

“Community Microfinance Group” means a group formed and managed by members for the provision of microfinance services by mobilizing savings from individuals and providing short-term loans to members or non-members at varying interest rates depending on their structure;

“Corporate Bond” means a debt security issued by a company and sold to the public so as to raise its capital for investment on the promise that the company will be paying interest to the bondholders on a periodic basis (usually every six months) where the principal amount will be repaid to bond holders at the maturity of the bond;

“Credit Reference Bureau” means an entity which specializes in the collection and sale of credit performance information for individuals and companies;

“Derivatives” means a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). The most common underlying assets for derivatives are stocks, bonds, commodities, currencies, interest rates, and market indexes;

“Financial Consumer Protection” means laws, rules and regulations designed to safeguard customers when they are dealing with financial service providers and to inspire confidence, transparency, fair treatment and effective recourse to the general public;

“Financial Education” means knowledge and understanding on financial matters that enable individuals to make better financial choices and work towards their financial goals to improve their economic wellbeing;

“Financial Inclusion” means the process of ensuring access and regular use of appropriate financial products and services needed by the population through payment system infrastructures at an affordable cost in a fair and transparent manner by mainstream institutional players;

“Financial Instrument” means bank loans, bond, leasing and other forms of debt finance;

“Financial stability” means a state in which the financial system is capable of resisting economic shocks and enabling smooth operation of its basic functions;

“Long term financing” means a bank loan, bond, leasing and other forms of debt finance with maturity exceeding one year;

“Financial Leasing Company” means a non-deposit taking entity, which is licensed by the Bank of Tanzania to carry out financial leasing operation;

“Financial System Integrity” means the financial system which is transparent, inclusive and functions with integrity to ensure economic development and to promote good governance;

“Government Bond” means a debt security issued by the Central Government so as to finance its development expenditures. Government bonds are auctioned at regular intervals by the Bank of Tanzania through a competitive tender system in the Primary market and subsequently sold and purchased on a continuous basis in the Stock Exchange;

“Housing Microfinance” means provision of unsecured microcredit, but may include other related financial services such as access to savings, remittances, and micro-insurance to meet the demand of low-income households to repair or improve their existing homes or build their own homes;

“Infrastructure bond” means a bond issued by the government or its agency to finance infrastructure related projects in the country, such as the construction of roads, schools, railways, airports, bridges and ports;

“Market Capitalization” means the total market value of a company's outstanding shares. It is commonly referred to as “market cap”;

“Microfinance” means the provision of financial services including micro saving, microloan, micro-insurance, micro leasing, micro housing micro pensions, money transfers, financial education and business development to the low-income population (individual, household or enterprise) who are systematically excluded from the financial system;

“Minister” means the Minister responsible for Finance;

“Money Laundering” means engagement of a person or persons, direct or indirectly for the purpose of concealing or disguising the true source of money known to be of illicit origin and in which such engagement intends to avoid the legal consequence of such action;

“Municipal Bond” means a debt security issued by a city, municipality or council to finance its capital expenditures, including construction of roads, schools and hospitals;

“Payment System” means a facility consisting of payment instruments, banking and transfer of money procedures, interbank funds transfer systems or payment system provider's systems that ensure the circulation of money;

“Share” means a unit of ownership in a company that represents an equal proportion of a company's capital; and

“Stock Market” means a market in which shares of public listed companies and fixed income securities are traded.

Financial sector development is part of the Government strategy to stimulate economic growth and reduce poverty. In recognition of the importance of the financial sector, the Government has undertaken a number of reforms since the 1990s with the goal of developing a sound market-oriented financial system to support economic growth and poverty reduction. These reforms include the First- and Second-Generation Financial Sector Reforms, which aimed at establishing a conducive environment for the development of a vibrant financial sector that can contribute to the nation's aspirations of building a sustainable economy. Specifically, the reforms focused on improving financial policy, legal and regulatory frameworks and strengthening the financial sector (banking, capital markets, social security, insurance and microfinance). In addition, the reforms intended to institute policies and laws that support financial sector development and facilitate the provision of long-term development finance.

The reforms have generated the following results: establishing a legal and regulatory environment by passing the Banking and Financial Institutions Act of 1991, the Capital Markets and Securities Act of 1994, Cooperative Societies Act of 2003, Foreign Exchange Act of 1992, Zanzibar Social Security Act of 1998; formulation of Microfinance Policy 2000 and Social Security Policy of 2003; liberalization of interest rates; introduction of capital markets and commodity exchange; establishing regulatory authorities such as the Tanzania Insurance Regulatory Authority (TIRA) and Capital Markets and Securities Authority (CMSA); increasing the number of financial service providers including banks, insurance companies, microfinance institutions and companies listed on the stock exchange; and, the introduction of digital financial services.

Furthermore, the reforms have resulted in the growth of the financial sector, in which total financial sector assets increased to 37.8 percent of Gross Domestic Product (GDP) in 2017. The banking, social security, insurance sub sectors and open-ended collective schemes accounted for 26.3 percent; 10.4 percent; 0.8 percent; and 0.2 percent of GDP, respectively in 2017. On the other hand, financial inclusion increased from 57 percent in 2013 to 65 percent in 2017.

Despite the achievements made by the financial sector reforms, the sector is still facing challenges and limitations including inadequate access to financial services in urban and rural populations, an inadequate legal regime and supervisory framework for financial consumer protection, limited supply of long term development finance, financial system vulnerability, risks associated with money laundering activities and financial sector regional and international cooperation. Likewise, the rapid advancement in technology and innovations have had a significant impact on the development of the financial system in the country.

To address the aforementioned challenges, the Ministry has developed the Financial Sector Development Master Plan (FSDMP) which will be implemented for a period of 10 years from 2020/21 to 2029/30. The FSDMP acts as a mechanism to develop a more resilient, competitive and dynamic financial system that supports and contributes positively to the growth of the economy and poverty reduction.

This document presents the strategy to attain the main objective of the Financial Sector Development Master Plan, which is to create a stable, sound, efficient and inclusive financial sector that will contribute significantly in resource mobilization for economic growth of the nation. The focus of the Master Plan will be on the following strategic objectives: Financial Inclusion; Financial Consumer Protection; Financial Stability; Long Term Development Finance; Financial Sector Regional and International Cooperation; Financial Integrity (Anti-Money Laundering); and, Policy, Legal and Regulatory Frameworks.

This FSDMP therefore embraces new thinking and innovative ways of institutional coordination to support the realisation of the Tanzania Development Vision 2025 and its goal for Tanzania to attain the status of a middle-income country with a semi-industrialized economy.

Implementation of the FSDMP, however, requires the participation of all stakeholders from both public and private sectors. The Ministry of Finance and Planning is committed to promoting collective efforts from financial sector stakeholders in order to ensure effective implementation of this Master Plan.



Dr. Philip I. Mpango (MP)

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Chapter One

Introduction

1.0 Introduction

The financial sector plays a key role in mobilizing savings and allocating credit across the whole economy. It enables enterprises and households to cope with economic uncertainties by hedging, pooling, sharing and pricing risks. Recognizing the importance of the financial sector, the Government has undertaken a number of sector specific initiatives since the 1990s. The initiatives include the review of organizational structure, procedural and operational arrangements and policy issues related to the financial sector. The outcome of these initiatives informed the First- and Second-Generation Financial Sector Reforms.

The First-Generation Financial Sector Reforms (FGFSR: 1991-2003) focused on establishing a legal and regulatory environment aimed at facilitating private sector participation in the financial sector; in particular, the banking and capital markets sub sector. Specifically, reforms included passing the Banking and Financial Institutions Act of 1991, the Capital Markets and Securities Act of 1994, Cooperative Societies Act of 2003, Foreign Exchange Act of 1992 and the Zanzibar Social Security Act of 1998; formulation of Microfinance Policy in 2000 and Social Security Policy of 2003; liberalization of interest rates, introduction of capital markets and increased number of local and foreign banks and financial institutions.

Despite the achievements made in the First-Generation Financial Sector Reforms, access to financial services in urban and rural population remained unsatisfactory, the cost of financial services remained high and financial markets remained underdeveloped. This necessitated the introduction of the Second-Generation Financial Sector Reforms (SGFSR) in 2006 which focused on long term finance, access to financial services, financial markets, insurance, pension schemes, regulation and supervision of the financial sector. The SGFSR aimed at complementing successes of the FGFSR and extending reforms to areas that would advance access to financial services by the majority of people, increasing the capacity of financial institutions to mobilize savings, enhancing effectiveness of monetary policy instruments, promoting competition and improving efficiency in the financial system. Furthermore, during the SGFSR, a number of existing policy and legislations were reviewed and new legislations were enacted. These include the Leasing Finance Act of 2008, Mortgage Finance Act of 2008, Social Security Act No. 8 of 2008, Insurance Act of 2009, National Payment System Act of 2015, Commodity Exchange Act of 2015, Microfinance Act of 2018, Zanzibar Cooperative Societies Act of 2018 and the National Microfinance Policy of 2017.

The implementation of the First- and Second- Generation Financial Sector Reforms led to the increase in the number of banks and financial institutions from 10 in the 1990s to 53 in December 2018, insurance companies from 2 to 31, listed companies on the Dar es Salaam Stock Exchange (DSE) from 0 to 28, collective investment schemes from 0 to 9, microfinance institutions from 0 to 450 and Savings and Credit Cooperative Societies (SACCOS) to 4,770 in Mainland Tanzania and 231 in Tanzania Zanzibar, non-bank payment system providers (15 payment system providers, 6 electronic money issuers and 483,283 agents). The social security sector in Mainland Tanzania experienced consolidation, whereby 5 pension funds were merged into two (2).

Furthermore, the reforms have resulted in growth of the financial sector, whereby total financial sector assets increased to 37.8 percent of GDP in 2017. The banking, social security, insurance sub sectors and open-ended collective schemes accounted for 26.3 percent, 10.4 percent 0.8, and 0.2 percent of GDP respectively. On the other hand, financial inclusion increased from 57 percent in 2013 to 65 percent in 2017.

1.1 Rationale for the Master Plan

Despite the achievements made in the previous reforms, the financial sector still faces the following challenges:

- (i) **Inadequate access and usage of financial services:** due to low penetration of financial service providers, limited public awareness of financial products, high transaction costs, limited availability of national identity documentation, informality of business and assets and limited collateral accepted by service providers.
- (ii) **Inadequate legal regime and supervisory framework for financial consumer protection** which impacts on levels of consumer confidence and usage of financial products and services;
- (iii) **Financial system vulnerability:** which include risks associated with money laundering activities and the growth of financial system complexities;
- (iv) **Limited long-term resources** for financing long term projects in infrastructure, agriculture (crops, livestock and fisheries), small and medium enterprises (SMEs) and real estate;
- (v) **Technology and innovation advancements** have had significant impact in the development of the financial system which requires adequate technical and institutional resources for the financial sector to meet new demands; and
- (vi) **Inadequate policy and legal framework** to foster innovation, which hinders the development of appropriate products and models that offer effective solutions for consumers (FinTech).

This Master Plan is therefore formulated to address the aforementioned challenges in all the key components of the financial sector in order to create a stable, safe, efficient, competitive and sound financial system. The areas addressed include banking, capital markets, microfinance, insurance and social security. As such, it provides a comprehensive framework to guide the direction of the sector as well as ensuring stability, soundness, efficiency and increasing access and usage of financial services. In addition, the Master Plan will be a reference point of policies and programs aimed at the development of the sector. Furthermore, this Master Plan will act as a tool to support the implementation of the Long-Term National Development Frameworks, namely: Tanzania Development Vision 2025; Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP III); Tanzania Long Term Perspective Plan 2011/12-2025/26 and the National Five-Year Development Plan 2016/17-2020/21.

1.2 Methodology

The preparation of this Master Plan was based on a participatory approach whereby representatives from ministries, all financial sector regulatory authorities, financial service providers, development partners and other stakeholders from the public and private sector were involved. Development of this Master Plan involved a review of the First- and Second-Generation Financial Sector Reform reports, Financial Sector Assessment Program (FSAP) of 2018, Comprehensive Policy Framework & Legal Infrastructure for Long Term Development Finance in Tanzania of 2011 and the FinScope Survey of 2017. Furthermore, the Master Plan has also taken into account the existing national policies and strategies such as National Microfinance Policy of 2017 and its Implementation Strategy 2017/18-2027/28, Financial Education Framework 2016-2020 and National Financial Inclusion Framework 2018-2022.

1.3 Layout of the Master Plan

The Master Plan is organized into four chapters. Chapter One introduces the Master Plan, while Chapter Two presents the Situational Analysis of the Financial Sector in Tanzania and future outlook of the sector by 2029/30. Chapter Three presents the mission, vision, objectives, strategies and targets of the Plan and Chapter Four presents the institutional arrangement for implementation of the plan as well as Monitoring and Evaluation.

1.4 The Scope

The Financial Sector Development Master Plan applies to Mainland Tanzania, as well as Tanzania Zanzibar, and covers all financial sub sectors including banking, capital markets, insurance, social security and microfinance



Chapter Two

Situational Analysis of the Financial Sector in Tanzania

2.0 Introduction

This chapter provides a situational analysis of the financial sector in Tanzania and shows an overview of the key macroeconomic indicators as well as overall performance. In addition, it provides a brief overview of the sub sectors which form the financial sector and an analysis of the performance of each sub sector for the past five years, as well as the challenges they are facing.

2.1 Overview of Macroeconomic Performance

Mainland Tanzania had an estimated population of 52.6 million as of December 2018, with an annual average growth rate of 2.8 percent. Tanzania Zanzibar, on the other hand, had an estimated population of 1.6 million as of December 2018 with an annual growth rate of 2.8 percent and a youth population representing 36.2 percent.

The economy registered an average growth of 6.7 percent between 2012 and 2018, to which financial services contributed about 3.7 percent of GDP in 2018. Despite the positive macroeconomic performance, Tanzania has not managed to reduce poverty at expected rates. Based on the Household Budget Survey (HBS), the poverty rate marginally declined to 26.4 percent in 2018, down from 28.2 percent in 2012, and extreme poverty declined to 8.0 percent from 9.7 percent.

2.1.1 Inflation

Annual average headline inflation decreased to 3.8 percent in December 2019 from 16.0 percent in 2012, due to increased food supply in the domestic and neighbouring markets and a general slowdown in global commodity prices, particularly in oil.

2.1.2 Exchange rate

The value of the Tanzania shilling against the US dollar has remained broadly stable for the past five years, consistent with the liquidity condition in the economy and the improvement in the current account balance. On average, the shilling depreciated against the US dollar by 1.1 percent in 2019, compared with 1.5 percent in the preceding year. In absolute terms, the shilling traded at an average rate of TZS 2,299.8 per US dollar in 2019, compared with TZS 2,275.4 per US dollar in 2018.

2.1.3 Interest Rates

The Bank of Tanzania continued to implement and sustain a monetary policy which aimed at increasing credit to the private sector in order to stimulate economic activities.

The implementation of this accommodative monetary policy focused on enhancing the stability of the overnight interbank cash market rate by closely monitoring the level of clearing balances of banks within a specific range, consistent with seasonal demand. In August 2017, the Bank reduced the discount rate from 12.0 percent to 9.0 percent and further reduced the discount rate to 7.0 percent in August 2018. The Bank continued to inject liquidity into the economy through different financial instruments in order to meet market requirements. These measures improved liquidity conditions in the money markets, resulting in the reduction of the overnight interbank cash market rate to an average rate of 4.6 percent in December 2019 from 3.26 percent in December 2017.

Interest rates on Treasury bills reduced to an average rate of 5.8 percent in December 2019 from 14.4 percent in December 2013. The overall time deposit rate declined to 6.8 percent in December 2019 from 8.8 percent registered in December 2013. The overall Treasury bills rate decreased to 5.8 percent in December 2019 from 15.6 percent recorded in December 2013. The saving deposit rate declined to 2.3 percent in December 2019 from 3.1 percent in December 2013, whereas the overall lending rate increased to 16.76 percent in December 2019 from 16.1 December 2013.

2.1 Overview of the Financial Sector

Financial sector development plays a significant role in stimulating economic growth and poverty reduction. The sector has a number of functions including the production of market information about possible investments and capital allocation; monitoring investments and exercising corporate governance after providing finance; facilitating trading, diversification and management of risk; mobilizing and pooling savings; and, easing the exchange of goods and services.

The financial sector is categorized under the following sub sectors; banking, capital markets, insurance, microfinance and social security. As at December 2018, the banking sub sector accounted for 69.7 percent of the total assets, social security accounted for 27.5 percent, insurance accounted for 2.2 percent and collective investment schemes accounted for 0.6 percent. On the other hand, market capitalization of companies listed on the Dar es Salaam Stock Exchange (DSE) amounted to TZS 19.1 trillion.

Table 1: The Financial Sector Landscape in Tanzania

	Number of institutions	Assets (in billions of TZS)	Percent of total assets	Percent of LGDP ³
Banks	53			
Commercial banks	39	29,023.80	66.2%	25.00%
Community banks	5	148.70	0.34%	0.13%
Development finance institutions	2	1,037.22	2.37%	0.89%
Mortgage	2	184	0.42%	0.16%
Microfinance banks	5	173.28	0.40%	0.15%
Insurers ¹	31	947.6	2.16%	0.82%
Pension funds ²	2	12,042.12	27.47%	10.37%
Open-ended collective schemes	5	281.67	0.64%	0.24%
Total financial system		43,838	100%	37.76%

Source: Bank of Tanzania.

- ¹ Data as of December 2018.
- ² Data as of Dec 2018. Pension funds include 2 mandatory social security funds.
- ³ GDP refers to Nominal GDP in June 2018, TShs. 116,101.91 billion.

Source: Tanzania Financial Stability Report

2.2.1 Banking Sub Sector

The banking sub sector dominates the financial system in the country and plays a significant role in the economy. The sub sector is governed by the Banking and Financial Institutions Act, Cap.342, National Payment System Act of 2015, Financial Leasing Act of 2008, Foreign Exchange Act of 1992 and the Bank of Tanzania Act of 2006. These Acts provide powers to the Bank of Tanzania to supervise and regulate banking business, payment systems and foreign exchange business.

Financial service providers in the banking sub sector comprise commercial banks, community banks, deposit taking microfinance banks, credit reference bureaux, bureau de change, financial leasing companies, mortgage finance companies and development finance institutions.

Table 2: Number of Banking and Financial Institutions for years 2013 to 2018

Categories of banking institution	2013	2014	2015	2016	2017	2018	2019
Commercial banks	34	34	36	38	37	39	38
Development finance institutions	-	-	2	2	2	2	2
Microfinance banks	2	3	3	4	5	5	5
Community banks	12	12	12	12	11	6	6
Financial institutions	4	4	3	3	2	0	0
Mortgage institutions						2	2
Financial leasing companies						3	3
Credit reference bureau	-	2	2	2	2	2	2
Forex bureau de change	234	254	280	295	109	107	5

Source: Bank of Tanzania

At the end of 2018, five community banks were closed due to insufficient capital against the minimum required by law. These banks comprised Meru Community Bank Limited, Kagera Farmers' Cooperative Bank Limited, Njombe Community Bank Limited, Efatha Bank Limited and Covenant Bank for Women's Tanzania Limited. Two financial institutions, namely Twiga Bancorp and Tanzania Women's Bank Plc, were merged to form TPB Bank Plc and one commercial bank, Bank M Tanzania Plc, was acquired by Azania Bank Limited. A number of bureaux de change failed to meet new minimum operational requirements including revised minimum capital requirements which forced some of them to merge, while the licenses of others were revoked.

As at the end of 2019 total assets for the banking sub sector was at TZS 33,083.5 billion mainly financed by capital at TZS 3,839 billion, deposits being at TZS 22,227 and loans, advances and overdrafts being at TZS 16,196 billion. For the past five years the banking sector remained sound and stable with capital and liquidity levels being above minimum regulatory requirements.

Table 3 below indicates performance of the sector.

Table 3: Trend of Total assets, deposits and loans

Item	2013	2014	2015	2016	2017	2018	2019
Total deposits (billions of TZS)	15,370.36	17,524.15	20,561.1	20,153.47	21,282.51	22,227.01	21,388.3
Total deposits (% growth)	13.46	14.01	17.33	-1.98	5.57	4.44	-3.8
Total Assets (billions of TZS)	19,523	22,473	27,218	27,917	29,805	30,383	33,083.5
Total Assets (% growth)	14.95	15.11	21.11	2.57	6.76	1.94	8.9
Loans, advances and overdrafts (billions of TZS)	9914	11,886	14,866	15,432	15,160	16,196	19,216
Loans, advances and overdrafts (% growth)	17.12	19.89	25.07	3.81	-1.76	6.83	18.7

Source: Bank of Tanzania

2.2.1.1 Credit to Private Sector

Trends indicated positive credit growth for all major economic activities between 2013 and 2015. However, from 2016, lending to some key sectors started to record a mixed trend despite measures taken by the Bank of Tanzania to improve the supply side of lending to the private sector.

These measures included reducing the discount lending rate from 16 percent to 12 percent in March 2017, followed by another reduction to 9 percent in August 2017; introducing Statutory Minimum Reserve (SMR) averaging that allowed banks to withdrawal up to 20 percent of their excess SMR; removing the general provision of one percent requirements; and, reducing risk weighting for qualifying instruments such as government exposures and first class international banks. The Bank of Tanzania also considered the inclusion of Government Debt Securities with maturities of more than one year in estimating liquidity.

Table 4: Banks' Credit to Selected Activities in Billions of TZS

	2013	2014	2015	2016	2017	2018	2019
Trade	2,162.2	2,652.1	3,077.7	3,349.3	3,306.9	3,223.4	3,3375.1
Personal	1,745.0	2,104.5	2,731.7	2,981.7	3,258.7	5,127.3	5,483.9
Other services	754.2	824.5	1,208.3	1,610.0	2,125.2	902.0	658
Manufacturing	1,160.6	1,386.2	1,695.8	1,627.8	1,777.6	2,053.1	2,070.8
Agriculture	965.1	1,057.3	1,174.2	1,107.6	1,134.8	1,164.3	1,811.4
Transport and communication	727.5	925.7	1,231.8	1,180.9	975.6	902.1	1,052.4
Building and construction	514.4	660.1	741.4	740.7	837.2	618.7	1,110
Hotels and restaurants	371.0	436.1	514.6	526.4	595.0	559.7	533.9
Electricity	403.0	440.9	439.8	429.9	335.2	315.5	182.6
Other economic activities	1,589.6	1,924.8	2,677.4	3,054.4	2,549.5	2,651.1	3,417.2
Total credit	10,392.66	12,412.30	15,492.73	16,608.89	16,895.59	17,517.20	19,695.4
Total credit to GDP (%)	13.88	14.40	15.83	14.81	13.38	14.51	14.0
NPL Ratio	7.07	6.83	7.89	10.27	11.91	10.51	9.8

Source: Bank of Tanzania

2.2.1.2 Credit Reference System

The credit reference system was established in 2010 under the Bank of Tanzania Act 2006 for the purpose of collecting and providing credit data of clients of all banks, financial institutions and other microfinance service providers. In 2012, this was progressed further by the publication of the Bank of Tanzania (Credit Reference Bureau) Regulations. The credit reference system is made up of the credit reference data bank maintained by the Bank of Tanzania and private credit reference bureaux. As at 31st December 2019, there were two private credit reference bureaux operating in Tanzania, namely Creditinfo Tanzania Limited and Dun & Bradstreet Credit Bureau Tanzania Limited. During this period, 55 banking institutions out of 56 were submitting data to the credit reference databank, which accounted for 98.21 percent of the financial institutions required to submit data to the CRB. The Bank of Tanzania continued to make efforts to ensure all regulated institutions are submitting credit information to the credit reference data bank.

As at December 2019, the number of borrowers and loans submitted by banking institutions to the databank reached 5.22 million and 3.9 million, respectively.

2.2.1.3 Agent Banking

Agent banking allows the provision of banking services by third parties to customers on behalf of a licensed banking institution. This innovation plays an important role in fostering banking sub sector outreach by addressing the distance barrier to access to banking services combined with cost reduction. As at December 2019 there were 28,358 agents compared to 591 agents in December 2013. The growth in the number of agents is also reflected by the increase in the volume and value of transactions between corresponding periods as indicated in Table 5 below:

Table 5: Trend of Agent Banking Business

Description	2013	2014	2015	2016	2017	2018	2019
Number of agents	591	1,652	3,298	5,676	10,689	18,827	28,358
Number of cash deposit transactions	48,059	447,733	1,758,098	4,869,842	9,911,695	5,4232,545	7,522,863
Volume of cash deposits (TZS billion)	28.37	277.82	874.2	1,883.29	4,638.55	3,402.7	5,464.9
Number of cash withdrawals transactions	20,614	149,034	675,651	1,657,092	4,075,195	3,259,334	5,377,4363
Volume of cash withdrawals (TZS billion)	4.14	42.08	185.24	427.14	1,106.37	1,051.1	1,833.1

Source: Bank of Tanzania

2.2.1.4 Challenges and Constraints Facing the Banking Sub Sector in Tanzania

Despite the achievements, the banking subsector is facing the following challenges:

- Limited outreach:** Outreach of banking institutions to rural areas is still limited as the majority of banking institutions are urban and peri-urban based. There is a significant concentration of banking outlets in major cities. The urban centric nature of these institutions results from low and irregular income of the rural population.
- Low level of financial literacy:** The average level of financial literacy is relatively low, which has resulted into low uptake of banking products and services;
- High interest rate spread:** The banking sub sector is characterized by high lending rates and low deposit rates which limits incentives to save and borrow from banks and financial institutions. The saving deposit rate declined to 2.6 percent in December 2018 from 3.1 percent in December 2013, whereas the overall lending rate increased to 17.0 percent in December 2018 from 16.1 December 2013. This has contributed to low level of savings.
- Predominance of cash-based economy:** Most of the transactions in the economy are cash-based due to a number of factors including informality of businesses, an underdeveloped financial system and low level of per capita income;
- Presence of unregistered business activities:** Unregistered business activities and lack of business records contributed to financial exclusion;
- Inadequate legal and regulatory framework for secured transactions:** Legal frameworks for secured transaction and collateral registry are not in place;
- Insufficient skilled manpower:** Skilled manpower is not adequate to meet the growing requirement of the banking industry; and
- Lack of integrated identification system:** There are many identification systems that are fragmented and stand-alone. This situation poses challenges in undertaking proper Know Your Customer (KYC) and Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) measures in the banking industry, thereby limiting client on-boarding and outreach.

2.2.2 Capital Markets Sub Sector

Capital markets are markets for long-term funds that facilitate mobilization of financial resources in terms of equity or debt securities. Capital markets are important as they provide appropriate mechanisms for companies and Governments to raise long term capital for financing development projects. In recognition of the role of capital markets in fueling economic growth, the Government enacted the Capital Markets and Securities (CMS) Act of 1994. Following enactment of this Act, the Capital Markets and Securities Authority (CMSA) was established in 1995 for the purpose of promoting and facilitating the development of orderly, fair and efficient capital markets and securities business in Tanzania. The said Act gave powers to the CMSA to authorize the establishment of a stock exchange. In this regard, the Dar es Salaam Stock Exchange (DSE) was established in 1996 for the purpose of promoting economic empowerment and wider participation of Tanzanians in the capital markets.

CMSA is also mandated by the Commodity Exchanges Act, 2015 to develop, supervise and regulate commodity exchange in Tanzania. Through the said Act, Tanzania Mercantile Exchange (TMX) was incorporated under the Companies Act, 2002 on 25th August 2014 and licensed by the CMSA in 2016 to perform the business of a commodity exchange in Tanzania. TMX is committed to providing a world-class commodity exchange platform for market participants to trade in a wide spectrum of spot and future commodity contracts driven by best global practices, technology, professionalism and transparency.

In 2014, the Government amended the Capital Markets and Securities (Foreign Investors) Regulations, 2003 to allow foreign participation in the equity market. The amendments provided opportunities for foreign investors to participate in the capital markets. Furthermore, the Government amended section 26 of the Electronic and Postal Communication Act (EPOCA) as amended by the Finance Act, 2017. The Act requires telecommunication companies with network facilities or network services licenses to offer at least 25 percent of their shares to the public and subsequently list on the DSE. Similarly, in 2016 the Government amended the Mining (Minimum Shareholding and Public Offering) Regulations, 2016. The amended regulation requires all holders of Special Mining Licenses to offer at least 30 percent of their shares to the public and subsequently list on the DSE.

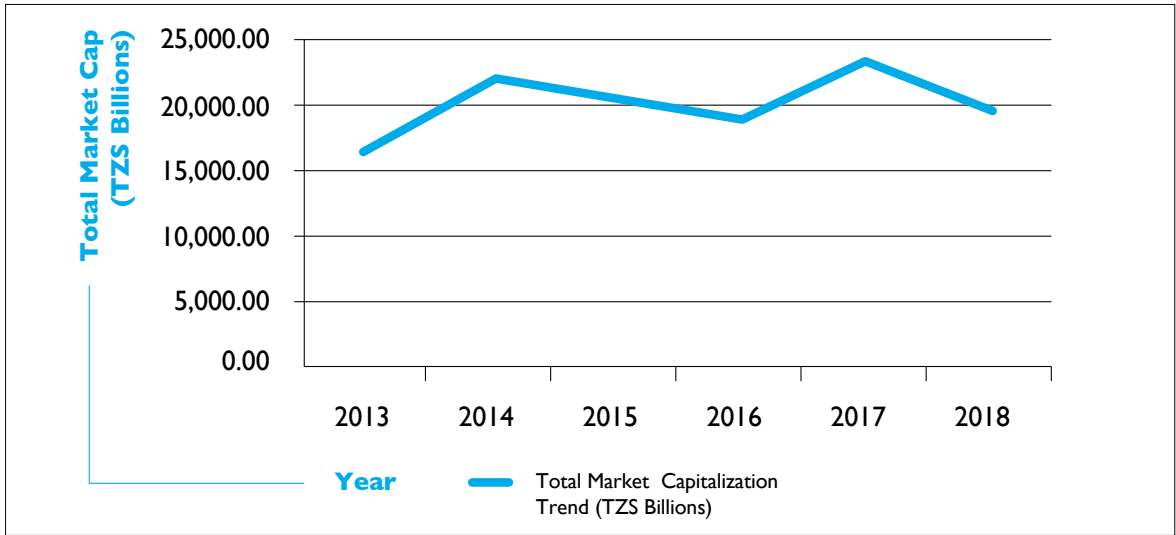
2.2.2.1 Performance of Capital Markets Sub Sector

(i) Market Capitalization

Total Market Capitalization of 28 companies listed on the DSE increased to TZS 19,676.92 billion as at 31st December 2018, compared to Total Market Capitalization of TZS 16,464.3 billion recorded as at 31st December 2013, a 20 percent increase. The increase in market capitalization was due to an increase in share prices of some listed companies and the listing of new companies on the DSE.

Figure 1 illustrates the total market capitalization trend from December 2013 to December 2018

Figure 1: Total Market Capitalization



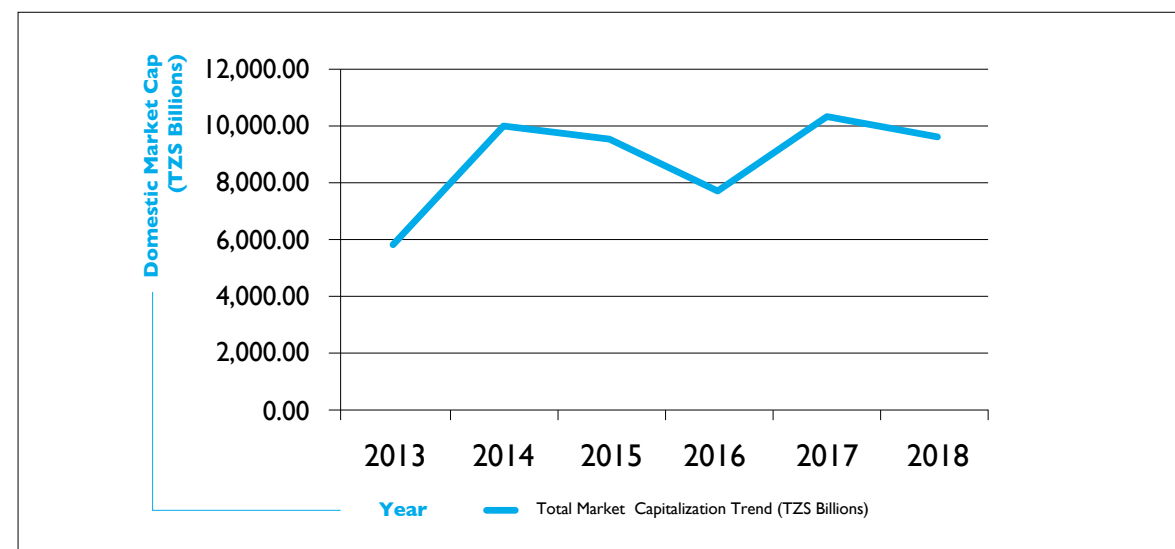
Source: Capital Markets and Securities Authority

(ii) Domestic Market Capitalization

Domestic Market Capitalization increased to TZS 9,696.14 billion as at 31st December 2018, compared to Domestic Market Capitalization of TZS 5,979.79 billion recorded as at 31st December 2013, a 62.1 percent increase. The improvement is attributed to an increase in the number of domestic listed companies at the DSE from 12 companies as at 31st December 2013 to 21 companies as at 31st December 2018 and an increase in share prices of some domestic listed companies. Figure 2 illustrates the domestic market capitalization trend from 2013 to 2018.



Figure 2: Domestic Market Capitalization

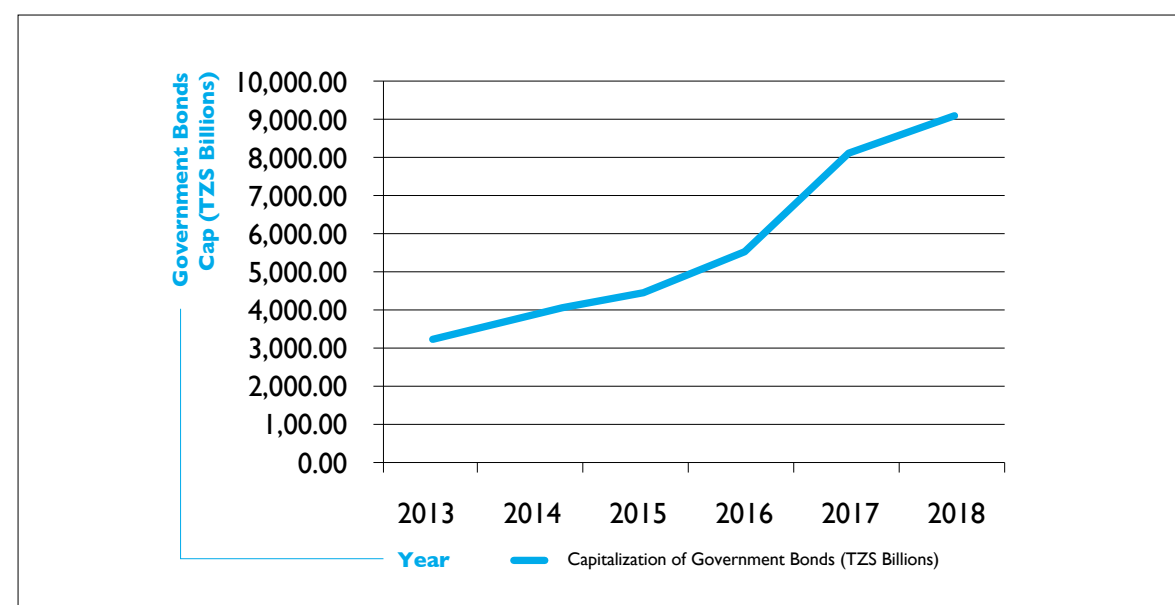


Source: Capital Markets and Securities Authority

(iii) Government Bonds Market

The Government Bonds Market has six maturities of 2, 5, 7, 10, 15 and 20 years that are issued in the primary market by the Bank of Tanzania on behalf of the Government. The auction is held twice every month and bonds are listed at the Dar es Salaam Stock Exchange (DSE). Capitalization of Government bonds listed at the DSE increased to TZS 9,049.29 billion as at 31st December 2018, compared to TZS 3,226.94 billion as at 31st December 2013, equivalent to an increase of 180.4 percent. The improvement was attributed to the increase in the number and value of listed Government bonds. Figure 3 illustrates the capitalization of Government bonds listed at the DSE from 2013 to 2018.

Figure 3: Capitalization of Government Bonds listed at the DSE

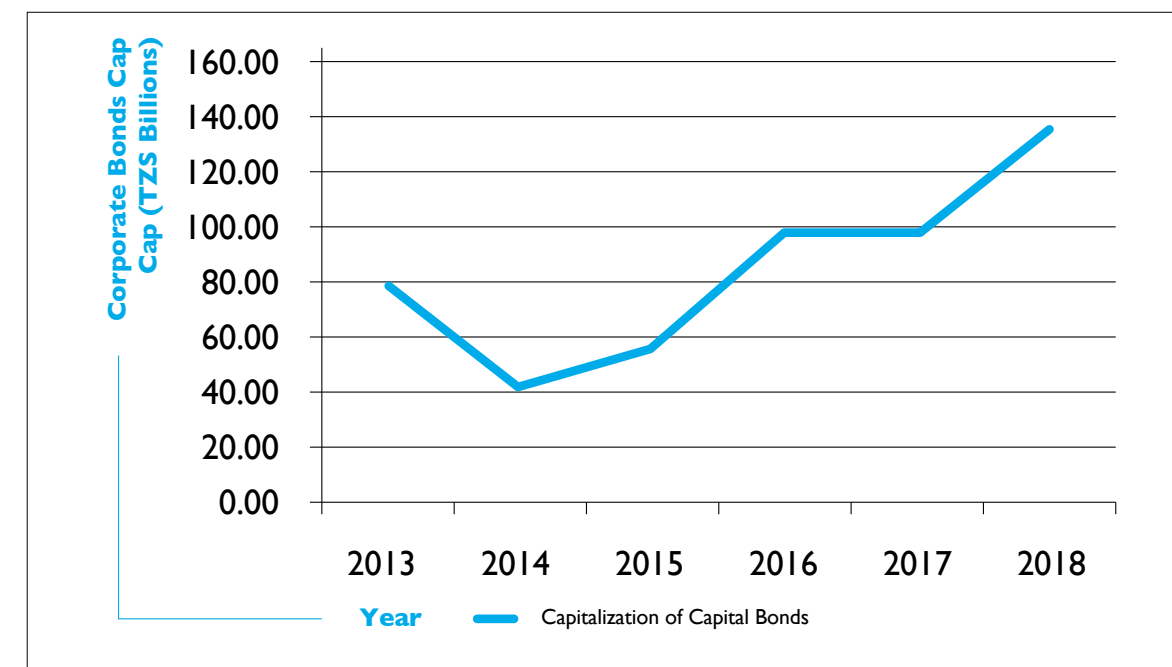


Source: Capital Markets and Securities Authority

(iv) Corporate Bonds Market

A total of 16 corporate bonds were issued and listed at the DSE for the period between 2003 to 2018 amongst which 6 were outstanding and 10 had matured in various previous periods. The capitalization of corporate bonds listed at the DSE increased to TZS 134.88 billion as at 31st December 2018, compared to TZS 79.67 billion recorded as at 31st December 2013, equivalent to a 69.3 percent increase. Figure 4 illustrates the capitalization of corporate bonds listed at the DSE from 2013 to 2018.

Figure 4: Capitalization of Corporate Bonds



Source: Capital Markets and Securities Authority

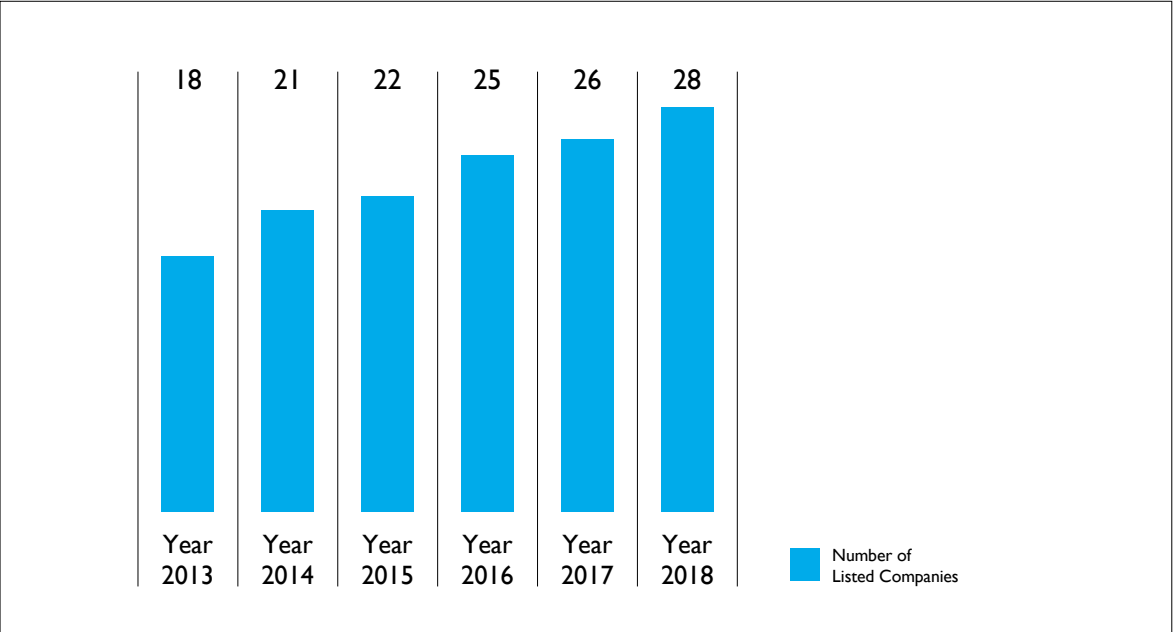
(v) Collective Investment Schemes (CISs)

CISs are professionally managed investment vehicles that allow individual investors to diversify risk by purchasing shares of a basket of investment products including money market funds, corporate bonds and equities. The UTT AMIS PLC was incorporated in 2013 to take over management of collective investment schemes from the Unit Trust of Tanzania (UTT) following the shareholders' decision to restructure the Trust. UTT AMIS was re-assigned with the management of collective investment schemes and other activities of the predecessor organization from 1st October 2013. Currently, UTT AMIS is managing open ended collective investment schemes namely, Umoja Unit Trust Scheme, popularly known as the Umoja Fund, Wekeza Maisha/Invest Life Unit Trust Scheme, Watoto Fund, Jikimu Fund, Liquid Fund and Bond Fund. UTT AMIS also provides wealth management services to middle and high net worth individual clients and institutions. CISs also include closed collective investment schemes namely, National Investment Company Limited (NICOL) and TCCIA Investment Company Ltd (TICL). As at 31st December 2018, 9 collective investment schemes were in operation with a total capitalization of TZS 331.1 billion compared to 5 collective investment schemes which were in operation with a total capitalization of TZS 161.3 billion as at 31st December 2013.

(vi) Number of Listed Companies

The number of companies listed at the DSE increased to 28 companies as at 31st December 2018, compared to 18 companies as at 31st December 2013, which is equivalent to a 55.6 percent increase. Out of 28 listed companies, 21 are locally listed, while 7 are cross-listed from foreign markets. Figure 5 illustrates the number of listed companies from 2013 to 2018.

Figure 5: Number of Listed Companies at the DSE

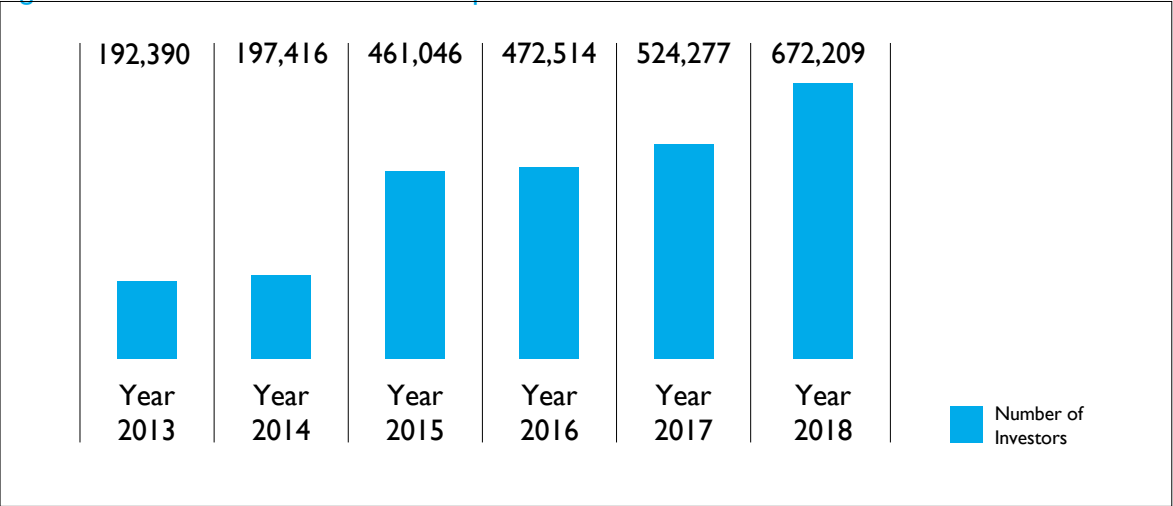


Source: Capital Markets and Securities Authority

(vii) Number of investors

The number of investors in the capital markets increased to 672,209 as at 31st December 2018 compared to 192,390 investors as at 31st December 2013, equivalent to a 249.4 percent increase. Figure 6 illustrates the number of listed companies from 2013 to 2018.

Figure 6: Number of Investors in the Capital Markets

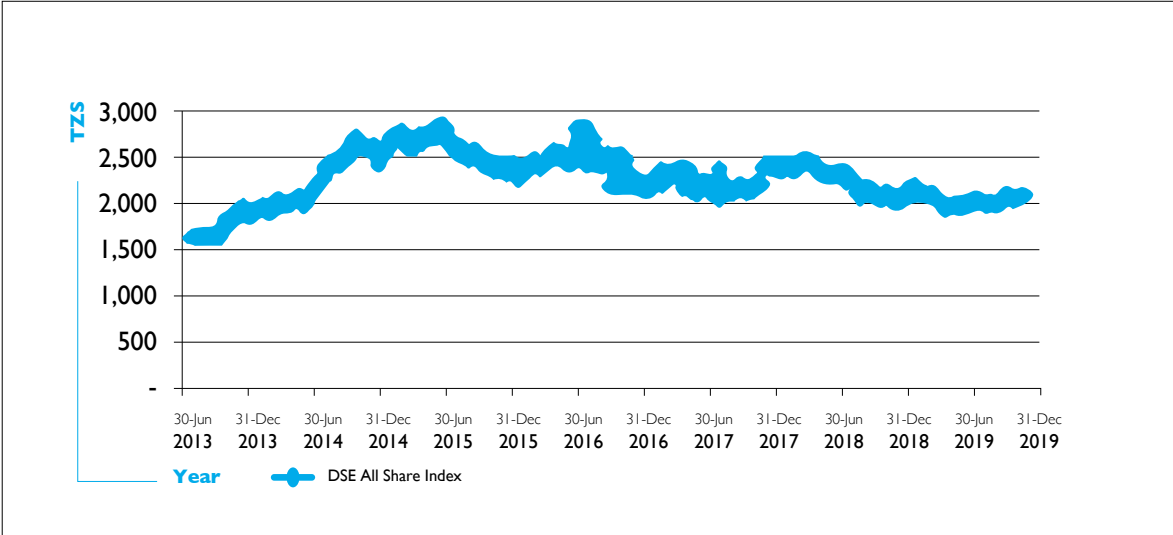


Source: Capital Markets and Securities Authority

(viii) Share index in the Stock Exchange

The Dar es Salaam Stock Exchange Index all share index (DSEI) from 2013 to 2019 has been ranging between a minimum of TZS 1,481 on 3rd January 2013 and a maximum of TZS 2,850 on 19th June 2015. The trend between June 2013 to December 2015 has been fluctuating with the highest point being in June 2015, while stability has been reflected post Dec 2015. From December 2015 to December 2019, the DSEI reflected stability due to indices remaining above TZS 1,908.48 as a minimum and climbing to TZS 2,059.21 as at 31st December 2019. The graph above indicates that the market has achieved more stability in the period between 31st December 2015 to 31st December 2019 as compared to periods before, shown in Figure 7 below.

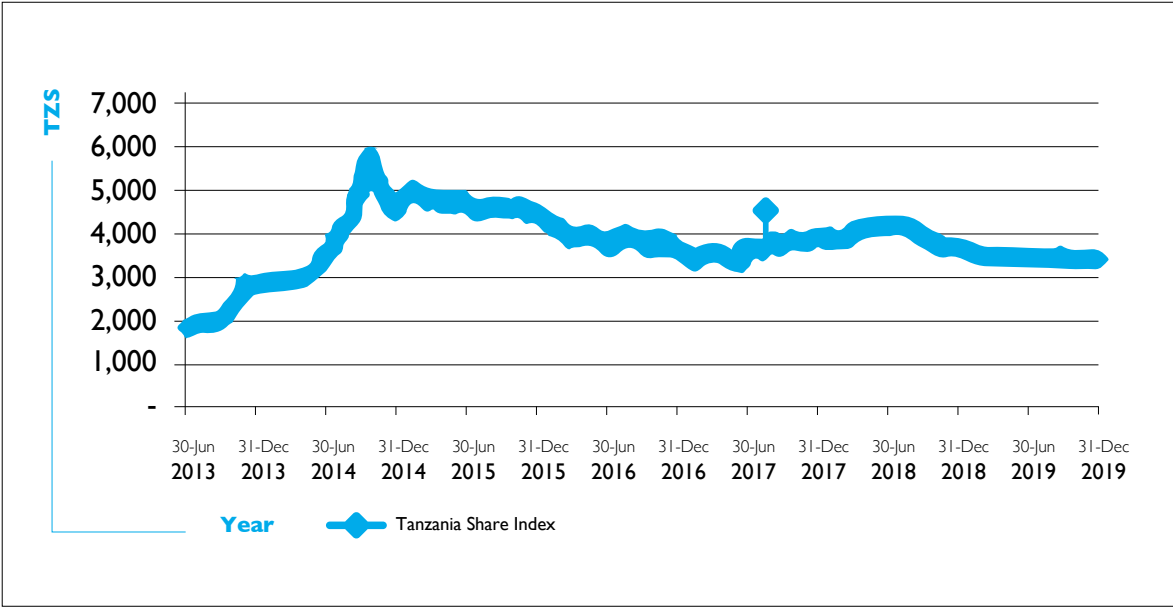
Figure 7: Dar es Salaam Stock Exchange all Share Index



Source: Capital Markets and Securities Authority

Similarly, the Tanzania Share Index from 2013 to 2019 has been ranging between a minimum of TZS 1,413 on 3rd January 2013 and a maximum of TZS 5,831 on 22nd October 2015. The trend between June 2013 to December 2015 has been fluctuating with the highest point being in October 2014 while stability has been reflected post Dec 2015. From December 2015 to December 2019 DSEI reflects stability due indices remaining above TZS 3320.34 as a minimum and climbing to TZS 3,431.10 as at 31st December 2019. The graph above indicates that the market has achieved more stability in the period between 31st December 2015 to 31st December 2019 as compared to periods before (Figure 8 below).

Figure 8: Tanzania Share Index



Source: Capital Markets and Securities Authority

2.2.2.2. Challenges and Constraints facing the Capital Market Sub sector in Tanzania

Despite the achievements and reforms made, the capital markets sub sector is facing the following challenges: -

- (i) **Low level of financial education and public awareness of capital markets products and services.** This has slowed down implementation of various capital markets development initiatives;
- (ii) **Low saving culture amongst Tanzanians leading to low levels of participation in the capital markets and ultimately, a low investor base.** This has been attributed to the inadequacy of appropriate savings opportunities and products in the capital market sub sector and limited utilization of capital markets in financing long term development projects by various economic sectors in the country, leading to heavy reliance on the Government and donor funding. This has been attributed to a limited number of capital markets products and services such as infrastructure bonds, municipal bonds, derivatives and insurance linked securities;
- (iii) **Fear of transparency:** Fear of losing control and fear of being diluted by the majority shareholders of private companies.

2.2.3 The Microfinance Sub Sector

Microfinance refers to the provision of financial services to low income individuals who are traditionally not served by conventional financial institutions. Three features distinguish microfinance from other formal financial products. These are lower value loans advanced and or savings collected, the absence of asset-based collateral and the simplicity of operations.

Microfinance is globally acknowledged and accredited for its role in fighting poverty as evidenced by many countries that use it. The primary objective of microfinance is to provide individuals and households on low incomes with access to affordable financial products and services. As such, microfinance presents itself as a viable solution against poverty for people on low incomes, especially those in rural areas and women in particular, who are often excluded from mainstream financial services.

In recognition of the potential of the microfinance sub sector in poverty reduction and economic growth, the Government formulated and adopted the first National Microfinance Policy in 2000 (NMP, 2000). The Policy was reviewed in 2017 by formulating the National Microfinance Policy 2017 (NMP 2017) and its implementation Strategy for the period of ten years from 2019/20 to 2029/30 to address the challenges in the microfinance sub sector. These challenges included new developments, growing public concern on the business conduct of microfinance institutions and their impact on poverty reduction. The main objective of NMP 2017 is to promote financial inclusion by creating an enabling environment for an efficient and effective microfinance sub sector in the country that can serve the needs of individuals, households and enterprises on low incomes and thereby contribute to economic growth, employment creation and poverty reduction.

In addition, the Government enacted the Microfinance Act of 2018. The Bank of Tanzania has been mandated to license, regulate and supervise the microfinance business in the country. The Act provides for the categorization of microfinance service providers into four tiers as follows: Tier 1, comprising deposit taking microfinance service institutions; Tier 2, comprising non-deposit taking microfinance service providers such as individual money lenders; Tier 3, comprising SACCOS; and, Tier 4, comprising community microfinance groups. Table 6 indicates the number of microfinance service providers in Tanzania.

Table 6: Microfinance Service Providers

S/N	Categories of microfinance institutions	Number of institutions as at Dec, 2018	
		Mainland	Zanzibar
1.	Deposit taking microfinance service institutions		5
2.	Non-deposit taking microfinance service providers	450	7
3.	Savings and Credit Cooperatives Societies (SACCOS)	4,770	231
4.	Government funds and programs	46	-
5.	Community microfinance groups	30,019	200

Source: Ministry of Finance and Planning

2.2.3.1 Savings and Credit Cooperative Societies (SACCOS)

A Savings and Credit Cooperative Society (SACCOS) is a member owned and voluntary organization, dedicated to the promotion of saving among its members and to the creation of sources of credit for them at affordable rates of interest. SACCOS have been recognised as playing an important role of providing financial intermediation in rural areas more than in urban areas. The number of members of these institutions has significantly grown from 733,876 members in 2015 to 3,998,193 members in December, 2018.

2.2.3.2 Government Funds and Programs

The Government has established several funds and programs to address the need for credit access for people on low incomes. Currently there are approximately 46 funds and programs. Some of the Government funds and programs include: the National Economic Empowerment and Job Creation Programme; SELF Microfinance Fund (SELF MF); Housing Microfinance Fund, Housing Financing Project (HFP); Youth and Women Development Fund; Mwananchi Empowerment Fund; National Entrepreneurship Development Fund (NEDF); Export Credit Guarantee Scheme (ECGS); Private Agricultural Sector Support Trust (PASS); SME Credit Guarantee Scheme; SME Development Fund; UTT collective investment schemes; Tanzania Social Action Fund (TASAF); Agricultural Inputs Trust Fund (AGITF); MKURABITA; and, the Financial Sector Deepening Trust (FSDT).

2.2.3.3 Community Microfinance Groups

Community microfinance groups are groups collectively formed and managed by members to undertake microfinance business including the mobilization of savings and provision of loans to their members. Community microfinance groups include: Rotating, Savings and Credit Associations (ROSCAs); Accumulated Savings and Credit Associations (ASCAs); Village Savings and Loans Associations (VSLAs); Village Community Banks (VICOBA); Savings and Credit Associations (SACAs); and, merry-go-round community ventures. Community microfinance groups provide microfinance services such as credit, savings and micro-insurance services. As at the end of December, 2018, there were approximately 30,240 community microfinance groups with an estimated capital of TZS 58.9 billion.

2.2.3.3 Challenges facing the microfinance sub sector:

- (i) **Management Information Systems:** Most of the microfinance institutions (MFIs) have inadequate capacity to collect statistical and other relevant information regarding their operations as well as insufficient capacity to develop Management Information Systems (MIS);
- (ii) **Lack of central credit information register:** The lack of a unified central point for sharing and verifying client credit information has exposed the microfinance clients to multiple loans;
- (iii) **High interest rates:** Microfinance institutions in the country charge high interest rates based on the cost of capital, personnel, administration and loan loss. It is estimated that administrative costs amount to up to two thirds of interest paid by clients. There is no universal system applicable across all MFIs on the calculation of interest rates. The interest rates applied are differentiated by product, product attributes and features including loan type, cycle, amount and duration. Most of these institutions are not transparent in their pricing systems and therefore the interest rates charged are usually stated in nominal rates than in effective rates, which lead customers to make uninformed borrowing decisions. Some of MFIs charge significantly high effective interest rates ranging from 3 to 20 percent per month.
- (iv) **Inadequate working capital for microfinance services providers:** Most of the MFIs have inadequate working capital resulting from the poor saving culture of members and the inability to secure affordable and reliable financing sources; and
- (v) **Weak institutional capacity of microfinance service providers:** MFIs face a set of inter-related challenges, such as: limitations in the scale of their operations in terms of outreach and number of clients served; poor portfolio quality; limitations in their professional capacity; weak governance structure; poor accounting and record keeping; inefficient operations; and, lack of financial discipline.

2.2.4 The Insurance Sub-Sector

The insurance sub sector in Tanzania plays an important role in the sustainable economic development of the country by providing the underwriting capacity for risks and contributing towards the mobilization of savings. Insurance is regulated by the Insurance Act No.10 of 2009, which mandates the Tanzania Insurance Regulatory Authority (TIRA) to supervise the sub sector.

2.2.4.1 Performance of the Insurance Sub-Sector

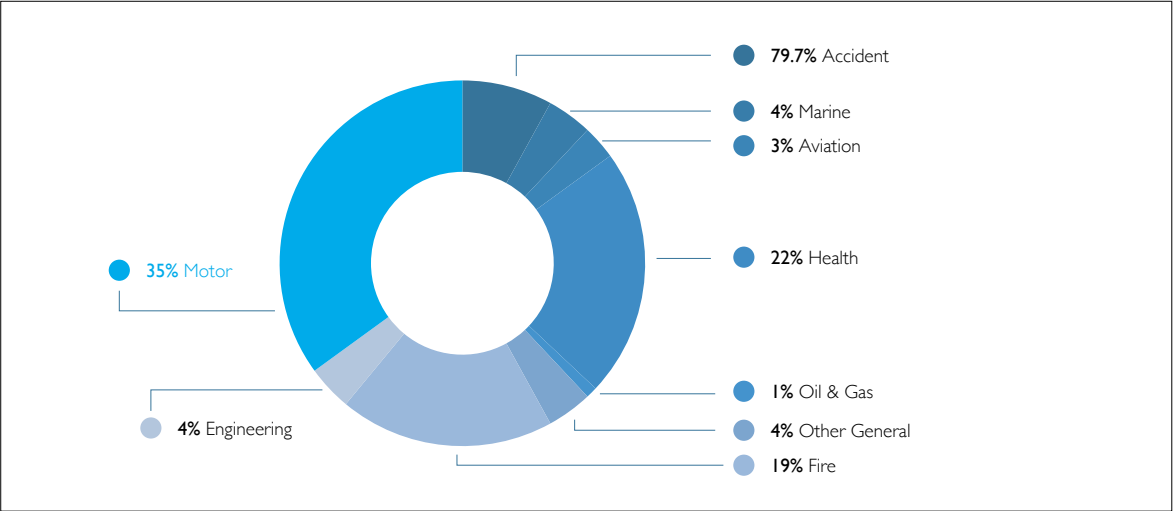
The insurance industry recorded an increase in the number of licensed insurers and reinsurers, from 29 in 2013 to 31 in 2018. The number of agents increased from 301 in 2013 to 635 in 2018 and brokers increased from 90 in 2013 to 109 in 2018. The percentage of users has increased from 13 percent in 2013 to 15 percent in 2017, which is relatively low compared to South Africa and Namibia, where the access level is 60 percent. The industry's contribution to national GDP has largely remained at approximately 1.0 percent during the period under review. This contribution is still low in comparison to emerging markets' average contribution of 3 percent.

In terms of categories, the general insurance product mix shows a share of motor insurance business at 35 percent, health 22 percent, fire 19 percent, accident 8 percent, engineering and marine 4 percent each. Other general insurance classes shared the remaining 8 percent each of total general insurance business underwritten as shown below in Figure 9.



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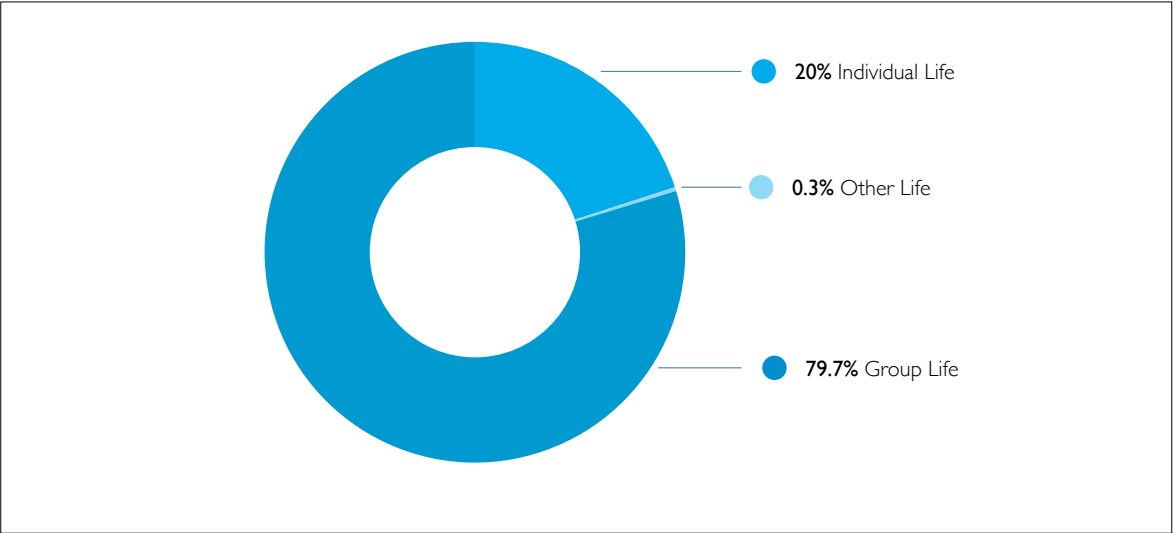
Figure 9: Product Mix for General Insurance Business for year 2018



Source:Tanzania Insurance Regulatory Authority

In 2018, life assurance, on the other hand, was dominated by the group life class at 79 percent, followed by individual life at 21 percent as shown in Figure 10 below.

Figure 10: Life Insurance Product Mix 2018



Source:Tanzania Insurance Regulatory Authority

Total assets of insurers increased at an average annual rate of 12.7 percent to TZS 936.0 billion in 2018 from TZS 519.0 billion in 2013. On the other hand, liabilities of insurance companies increased at an annual growth rate of 13.9 percent to TZS 655.2 billion in 2018 from TZS 343.7 billion in 2013.

In terms of premiums, the insurance industry has grown at an annual average rate of 8.0 percent in Gross Premium Written (GPW) during the last five years to TZS 691.9 billion in 2018 from TZS 474.1 billion in 2013. Table 7 below illustrates the trend for the past five years.

The number of insurance policies issued by insurance companies increased by 142.8 percent to 2,745,584 policies in year 2018, compared to 1,130,600 policies in year 2013.



Table 7: Insurance Market Growth Trend for the past five years 2013 – 2018 TZS (Million)

Description	2013	2014	2015	2016	2017	2018
Total assets	518,984	619,979	729,326	824,290	862,618	936,027
Total liabilities	343,718	401,665	484,059	559,128	586,480	655,185
Gross Premium Written – general insurance business	417,675	493,981	550,168	585,798	556,298	587,631
Gross Premium Written – life assurance business	56,410	60,420	68,691	74,249	80,843	104,272
Total Gross Premium Written	474,085	554,401	618,859	660,047	637,141	691,903

Source: Tanzania Insurance Regulatory Authority

2.2.4.2 Constraints and Challenges in the Insurance Sub Sector in Tanzania

The sector faces several constraints and challenges including the following:

- Low participation of Tanzanians in the insurance sector (local content):** In 2018, only 5 out of the 31 registered insurance companies were wholly Tanzanian-owned leading to the need to enhance Tanzanian participation in the insurance business;
- Shortage of insurance professionals in the industry in key disciplines including actuarial science:** This has resulted in insufficient skilled manpower to meet the growing requirement of the insurance industry;
- Low level of public education and awareness of insurance products and services:** This leads to low participation in insurance by members of the public;
- Low capacity of the insurance industry to underwrite technological, environmental and climate change risks:** There is low technical and financial capacity of the local insurance industry to underwrite risks emanating from technological, environmental and climate change;
- Low access and usage of insurance services:** This is due to inadequate innovative insurance products and services to cater for the needs of the low income segment of the population; and
- Significant increase of socio-economic activities which requires effective insurance industry.** There is a gap in terms of technical and financial capacity of the local insurance industry to participate effectively in insurance of risks emanating from new emerging economic sectors and technology.

2.2.5 The Social Security Sub-Sector

The social security sub sector in Mainland Tanzania and Tanzania Zanzibar is governed by the Social Security Act, 2008 and the Zanzibar Social Security Act of 1998, respectively. In 2012, the Government established the Social Security Regulatory Authority (SSRA) to regulate the social security sub sector in Mainland Tanzania. The Zanzibar Social Security Fund (ZSSF) was established through the Zanzibar Social Security Act of 1998 to provide social security protection in Zanzibar. Prior to 1998, civil servants were covered under the Pension Act No. 2 of 1990 under a non-contributory scheme which excluded the private sector and the rest of the population.

The National Social Security Policy 2003 has structured the provision of Social Security services in Mainland Tanzania into three tiers:

- Tier 1: Social Assistance Programs, which constitute provision of services such as primary health, education, water, food security and other social services on a means tested basis. These services are non-contributory, usually financed by the Government, development partners and Non-Governmental Organizations (NGOs);
- Tier 2: Mandatory Schemes comprised of compulsory and contributory schemes financed by both employers and employees during the working life of a member; and
- Tier 3: Supplementary Schemes, which include occupational pension plans and personal savings schemes.

The Government has undertaken various reforms in the social security sub sector. The reforms harmonized legislations of the mandatory social security schemes and pension formulae. In addition, the Government enacted the Public Service Social Security Fund Act No. 2 of 2018, which lead to merging four social security funds, namely the PPF Pensions Fund, Public Service Pensions Fund, LAPF Pensions Fund and GEPF Retirement Benefits Fund to form one social security scheme for public sector employees, the Public Service Social Security Fund (PSSSF). Furthermore, the Act provided for the National Social Security Fund to cater for employees of the private sector and informal sector.

In 1999, the Government passed the National Health Insurance Fund Act which established the National Health Insurance Fund (NHIF) to provide health insurance for public servants. Private employees and other individuals are allowed to join the Fund voluntarily. The Community Health Fund Act, 2001 established Community Health Funds (CHF) to cater for informal workers. Furthermore, the Government established the Workers Compensation Fund (WCF) through the Workers Compensation Act, 2008 to cover occupational hazards for both public and private sector employees.

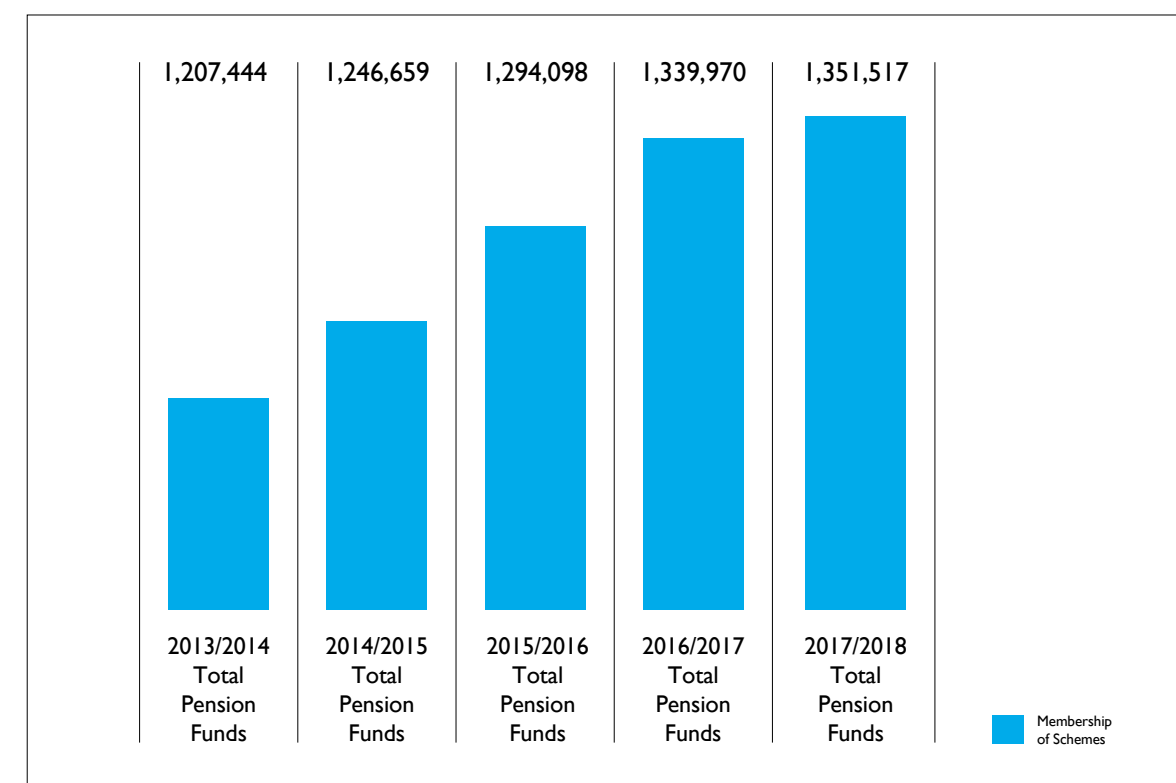
In September 2019, the Government amended the Social Security (Regulatory Authority) Act, 2008 to reform the Social Security Regulatory Authority. Its functions were transferred to the Prime Minister's Office, while the NHIF and CHF were moved under the responsibilities of the ministers responsible for health and local government, respectively.

2.2.5.1 Performance of the Social Security Sub Sector in Mainland Tanzania

(i) Membership

The total active membership in pension schemes as per 2017/18 increased to 1,351,517 from 1,339,970 in 2016/17, equivalent to a 0.9 percent increase. Figure 11 shows the trend of membership in pension schemes. On the other hand, the NHIF active membership reached 858,095 in 2017/18 from 753,892 in 2016/17, equivalent to a growth rate of 6.8 percent. The total number of beneficiaries of NHIF were 3,918,999 in 2017/18. The number of pensioners increased to 150,775 in 2017/18 from 136,234 in 2016/17, equivalent to an increase of 10.67 percent.

Figure 11: Membership of Schemes



Source: Social Security Regulatory Authority, 2018

The number of employers registered by the Workers Compensation Fund (WCF) increased to 17,845 in December 2018 from 12,282 in December 2017, equivalent to an increase of 45.3 percent.

As at December 2018, the number of households covered under CHF were 2,251,055 compared to 2,030,666 in 2017, equivalent to an increase of 10.9 percent. The total number of CHF beneficiaries were 13,506,330 in 2017/18. The total contribution from members of the social security schemes decreased slightly to TZS 2.67 trillion in 2017/18 from TZS 2.72 trillion in 2016/17, a decrease of 1.8 percent.

(ii) Assets and Investments

The total assets of social security schemes increased to TZS 12.8 trillion in 2017/18 from TZS 11.7 trillion 2016/17, equivalent to an increase of 9.9 percent. Government securities represented the biggest share of the investment allocation at 34.1 percent, followed by real estate investments and loans, which accounted for 19.8 percent and 14.3 percent of total assets, respectively. Table 8 depicts investment allocation of social security schemes as at June 2018.

Table 8: Assets of Social Security Funds

Particular	Maximum limit as percentage (%) of total assets	Percent	
		Jun-17	Jun-18
Bank deposits	35	11.5	9.4
Government debt	20-70	26	32.3
Commercial paper, promissory notes and corporate bonds	20	0.2	0.3
Loans to Government	10	19.1	14.3
Ordinary and preference shares	20	6.8	7.1
Investment in licensed collective investment Scheme	30	1.5	1.6
Real estate	30	19.8	18.8
Loans to corporate and cooperative societies	10	4	3.3
Infrastructure investment	25	2.9	2.9
Other assets		8.8	10
Total assets		11,760.00	12,845.80
(TZS billion)			

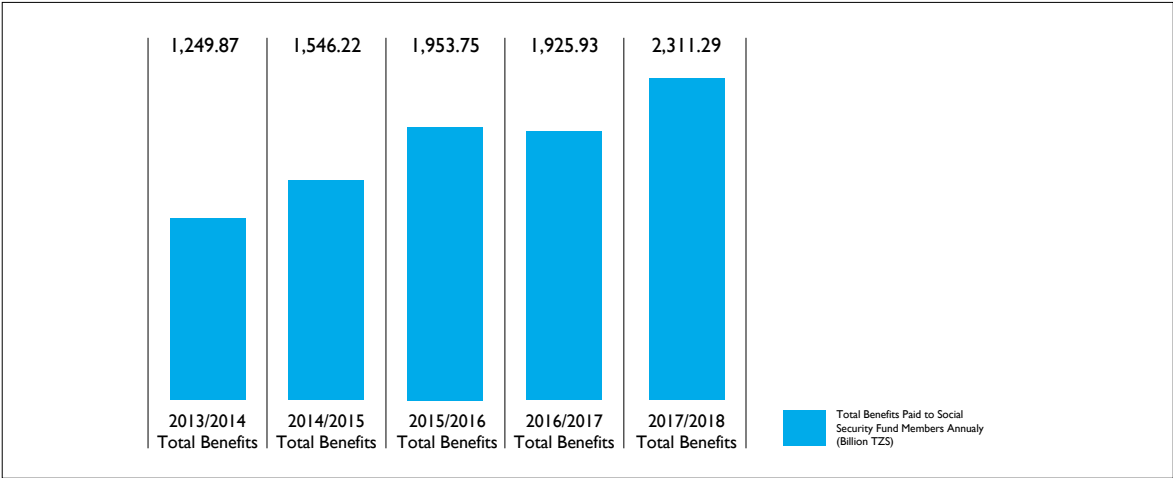
Source: Social Security Regulatory Authority, 2018

(iii) Benefit Payments

Benefit payments for all schemes increased to TZS. 2.3 trillion in 2017/18 from 1.9 trillion in year 2016/17, an increase of 19.9 percent. The increase was due to an increase in benefit claims for members.



Figure 12: Benefit Payments to Members of Social Security Funds



Source: Social Security Regulatory Authority, 2018

2.2.5.2 Performance of the Social Security Sub Sector in Tanzania Zanzibar

The total active membership increased to 79,272 in 2017/18 from 75,303 in 2015/16, equivalent to a 13 percent increase. The total contribution of the social security schemes from members has slightly increased to TZS 34.85 billion in 2016/17 from TZS 31.48 billion in year 2015/16, equivalent to an increase of 10.7 percent. Total assets increased by 30.6 percent from TZS 253.58 billion in financial year 2016/17 to TZS 331.08 billion for the financial year 2017/18. The total investment portfolio has increased to TZS 326.14 billion in 2017/18 from TZS 246.29 billion in 2016/17. Investment income has increased to TZS 52.42 billion in 2017/18 from TZS 25.58 billion in 2016/17. Benefit payments increased to TZS. 19.74 billion in 2017/18 from 16.63 billion in year 2016/17, equivalent to a 18.7 percent increase.

2.2.5.3 Challenges and constraints facing the Social Security Sub Sector

The sector faces several constraints and challenges including the following:

- (i) **Inadequate legal framework for social protection systems:** Social Safety Nets Programs, such as the Productive Social Safety Nets (PSSN) which covers vulnerable households, have no legal regime to support long-term planning and sustainability;
- (ii) **Fragmentation of social protection policies and programs:** Social protection programs are implemented by different institutions without a coordination mechanism involved in both contributory and non-contributory social protection systems;
- (iii) **Low coverage of social protection services:** The existing social insurance schemes currently cover only 6 percent of the labor force in Mainland Tanzania and 10 percent of the working age population in Tanzania Zanzibar;
- (iv) **Inadequacy of scope and benefits offered by social security schemes:** The scope of benefits and amount of benefits offered are not adequate to meet the basic needs of beneficiaries; and
- (v) **Inadequate framework for portability of benefits:** The portability of social security benefit rights between schemes in Mainland Tanzania and Zanzibar and between schemes in other countries including Member States of the East African Community has not been addressed.

2.3 Long Term Development Finance

The availability and effective channeling of long-term development finance is a critical driver for economic growth. In Tanzania, the main sources of long-term development finance are capital markets, pension funds, banks and insurance. To enhance long term finance, the Government has undertaken several initiatives including the enactment of the Capital Markets and Securities Act of 1994, under which the CMSA was established in 1995 to promote long term finance in Tanzania. The Act provides for the establishment of the DSE for the purpose of promoting economic empowerment and wider participation of Tanzanians in capital markets.

In 2008, the Mortgage Financing Act was passed to provide for mortgage financing. Furthermore, the Government established Development Financial Institutions (DFIs) namely:

(i) TIB Development Bank (TIB)

TIB Development Bank was established as a DFI in 2015 as a state-owned institution. The bank focuses on infrastructure, industrialization, mining, oil and gas and services sectors.

(ii) Tanzania Agricultural Development Bank (TADB)

TADB was established in 2012 as a state-owned institution and operationalized in 2015. TADB aims to be an apex bank to provide short, medium and long-term financial services to promote agriculture development and provide technical assistance and credit guarantee to banks to offer credit to small scale farmers. The bank is also responsible for capacity-building strategies and programs to strengthen agriculture value chains and to support the implementation of policies for agricultural lending.

(iii) Tanzania Mortgage Refinance Company (TMRC)

TMRC was established in 2011 as a non-deposit taking wholesale DFI with the sole purpose of supporting banks to conduct mortgage lending. Its purpose is to facilitate medium and long-term liquidity to mortgage lenders by refinancing and pre-financing banks' mortgage portfolios. TMRC was initially funded with a USD 73.8 million loan from the Government to provide medium- and long-term liquidity to mortgage lenders. TMRC started mobilizing funds from the public through capital markets. In 2018, TMRC received an approval from the Capital Markets and Securities Authority (CMSA) for its Medium-Term Note (MTN) Program amounting to TZS 120 billion, to be issued in tranches over the subsequent five years. TMRC has already issued two tranches amounting to TZS 21.7 billion.

2.3.1 Challenges and constraints facing long term development finance

- (i) Illiquid of secondary market which reduces participation of investors in long term instruments;
- (ii) Informality of businesses where the enterprise sector remains segmented to a small number of large enterprises dominating the formal markets. 96 percent of the enterprises are MSMEs, the majority of which are informal;
- (iii) Most deposits in the banking system are short term, which limits long-term lending;
- (iv) Limited affordable products to support long term development finance;
- (v) Inadequate contribution of the insurance and social security sub sector in long-term capital investment; and
- (vi) Inadequate capacity of structuring hybrid financing, structured finance arrangements and PPP for financing long term projects.

2.4 Financial Inclusion

Financial inclusion is imperative in the drive towards the achievement of economic growth, poverty reduction and financial sector stability. In recognizing the importance of financial inclusion, the Government has taken several initiatives including the development of the National Microfinance Policy 2000 and First Financial Inclusion Framework 2014-2016 which provided for establishment of the National Council for Financial Inclusion, comprising members from both the public and private sectors.

These policy initiatives did not adequately address the financing of economic sectors such as agriculture, industries, enterprises, gender, youth and disadvantaged groups. Furthermore, many challenges persisted including increased informality, inadequate coordination and continued concentration of the financial service providers in urban areas, as well as low use of other financial product and services like insurance, credit, securities, and social security schemes. In addressing the shortcomings, the National Microfinance Policy 2000 and First Financial Inclusion Framework 2014-2016 were reviewed, which led to the development of the National Microfinance Policy 2017 and Second National Financial Inclusion Framework 2018-2022.

The implementation of the financial inclusion framework has led to an increase in access to formal financial services for the adult population from 15.9 percent in 2009 to 65.0 percent in 2017. The increase is mainly attributed to the introduction of mobile financial services and the extension of banks through branchless services (agency bank). According to the 2017 FinScope Survey, 16.7 percent of the labor force was served by banks compared to 9.0 percent in 2009, while 48.6 percent was served by non-banks (MFIs, insurance, SACCOS, financial NGOs and mobile payments) compared to 7.0 percent in 2009. Likewise, 6.7 percent was served by community microfinance groups such as VICOBA, VSLAs, ROSCAs, money lenders and other community-based savings and credit groups, as well as family and friends, compared to 29.0 percent in 2009.

2.4.1 Challenges and constraints facing financial inclusion

Despite the achievements made, financial inclusion still faces the following challenges:

- (i) **The high cost of financial products and services:** Financial services in the country are expensive due to low levels of competition, infrastructure constraints, information asymmetry, non-performing loans, and enforcement of creditors and debtors' rights;
- (ii) **Limited access of financial services:** Access to formal financial services in the country is still low with 28 percent of the adult population financially excluded in 2017;
- (iii) **Most enterprises, particularly MSMEs, remain underserved by the formal financial sector:** Most MSMEs are informal, hence they cannot access finance from financial service providers. This is attributed to strict KYC requirements and formal registration, collateral, credit history and lack of MSME-tailored products;
- (iv) **Social norms:** Social norms act as determining factors towards financial inclusion. Certain socio-cultural norms prevent sections of the population (particularly women, youth and disadvantaged groups) from accessing formal financial services and products; and
- (v) **Inadequate legal and policy environment to foster innovation:** This hinders the development of appropriate products and models that offer effective solutions for consumers.



2.5 Financial System Integrity

Money laundering and the financing of terrorism techniques are becoming more sophisticated with the increasing development of financial systems and the advancement of technology. They have adverse effects on the macroeconomic environment, deter foreign investment inflow and lead to isolation of the country from global systems, including financial systems, causing further severe damage to the economy.

Mainland Tanzania enacted the Anti-Money Laundering Act in 2006 (as amended) and Tanzania Zanzibar passed the Anti-Money Laundering and Proceeds of Crime Act in 2009, with the objective of fighting against Money Laundering and Combating of Financial Terrorism (AML/CFT) in the country. This resulted in the establishment of the Financial Intelligence Unit (FIU) and the National Multi-Disciplinary Committee, which advises the Government on legislative, regulatory, policy, and other issues pertaining to AML/CFT.

Since enactment of the legal and institutional frameworks, there have been the following achievements: tainted properties can easily be identified, traced, seized, and confiscated; properties worth TZS 20 billion have been frozen and properties worth TZS 30 billion have been confiscated; 35 cases are being prosecuted; enhanced capacities of stakeholders in the AML/CFT regime; and, regulations for declarations of cross-border movement of currency with a threshold of USD 10,000 or equivalent, were put in place.

2.5.1 Challenges and constraints in fighting against money laundering and combating financing of terrorism

- (i) Lack of awareness of AML/CFT issues among stakeholders and the public in general;
- (ii) Cash based economy which adds loopholes of money trail loss; and
- (iii) Crimes becoming more sophisticated with the increasing financial innovations and advancement of technology.

2.6 Financial Consumer Protection

Financial consumer protection is essential in increasing access to financial services in Tanzania and thus ensuring consumer confidence and financial benefits to consumers and the economy. Consumer confidence in financial products and services promotes long term financial growth, stability, efficiency and innovation. A stronger and more coherent financial consumer protection environment is a vital measure in the overall financial inclusion agenda.

The existing institutional framework for financial consumer protection involves a multiplicity of regulators with limited capacity in financial consumer protection. There is a significant need for strengthened financial consumer protection in Tanzania as the current framework is characterized by fragmented institutional arrangements, inadequate legislation, as well as limited requirements and guidelines.

Financial education and awareness are among the key principles of financial consumer protection. In recognizing its importance, a variety of financial education initiatives are ongoing, including the development of a National Financial Education Framework 2016-2020 and the Bank of Tanzania (Financial Consumer Protection Regulation), 2019. In implementation of the Framework, the financial sub sectors engaged in a number of initiatives to address the low levels of financial literacy of its consumers through participation in trade fairs, TV programs and social media.

2.6.1 Challenges in achieving financial consumer protection

Financial consumer protection is facing the following challenges:

- (i) Inadequate legal regimes and supervisory framework for financial consumer protection;
- (ii) Inadequate fair competition in the financial sector; and
- (iii) Low levels of financial education and literacy.

2.7 Financial sector stability

Financial stability is paramount for economic growth as most transactions in the real economy are made through the financial system. Without financial stability, asset prices may deviate significantly from their intrinsic values and the payment settlement schedule may diverge from the norm. Hence, financial stability is essential for maintaining confidence in the economy.

Possible consequences of excessive instability include financial crisis, bank runs, hyperinflation stock market crashes and failure of insurance funds.

In recognition of the role of financial sector stability, the Government has put in place some of the key elements of a framework for monitoring systemic risks and macroprudential policy responses. A national coordination body, the Tanzania Financial Stability Forum (TFSF), was established in 2013 through a Memorandum of Understanding (MOU) executed by the Bank of Tanzania (BoT), Social Security Regulatory Authority (as then was), Capital Markets and Securities Authority, Tanzania Insurance Regulatory Authority, Deposit Insurance Board, the Ministry responsible for Finance and Planning (Mainland Tanzania and Zanzibar) and the Ministry responsible Social Security matters.

2.7.1 Challenges in attaining financial stability

Financial sector stability faces the following challenges:

- (i) Inadequate supervisory framework in the financial sector;
- (ii) Interconnectedness between financial sector players (banks, pension funds, insurance, capital markets and mobile network operators (MNOs) which may potentially lead to systemic risk; and
- (iii) Inadequate legal and regulatory framework for crisis management

2.8 Deposit Insurance System

The Deposit Insurance System (DIS) is a mechanism intended to protect depositors' monies against loss in the event of failure of a licensed bank or financial institution and thus provides public confidence in the financial system. Owing to the importance of the banking sub sector to the economy, the failure of a bank or financial institution may trigger a systemic crisis in the financial system. For a Deposit Insurance System to be effective, it is important for the deposit insurance institution (deposit insurer) to have readily available funding mechanisms to ensure prompt reimbursement of depositors' claims. Funding of the deposit insurance system is the responsibility of member banks through premium contributions.

The Government established the Deposit Insurance System in 1991 as part of the financial sector reforms. To that effect, the then Banking and Financial Institutions Act, 1991 Section 23 provided for establishing the Deposit Insurance Fund to be managed by the Deposit Insurance Board, which became operational in 1994 under the auspices of the Bank of Tanzania. The Deposit Insurance System in Tanzania comprises the Deposit Insurance Board and the Deposit Insurance Fund. Currently, the operations of the Deposit Insurance System are governed by the Banking and Financial Institutions Act, 2006. The Banking and Financial Institution Act, 2006 requires the Deposit Insurance Board (DIB) to make compensation of insured deposits to depositors of a bank or financial institution whose banking license has been revoked by the Bank of Tanzania due to failure or noncompliance.

2.8.1 Performance of the Deposit Insurance Board

The DIB is responsible for the management and control of the deposit insurance fund which started its operations in 1994 as a pay box with an extended mandate. Since the establishment of the Deposit Insurance System in the country, there have been achievements in terms of the size of banking sector deposits, growth of the Deposit Insurance Fund and reimbursements to depositors.

The size of banking sub sector's deposits has grown from TZS 1,207.3 billion as at 31st December 2000 to TZS 21,465.97 billion as at 30th June, 2018 and the size of the fund has increased to TZS 434 billion (un audited) as at 30th June, 2018 from TZS 1.5 billion injected by the Government as seed capital in 1994.

Between 1995 and 2018, 11 banking institutions were closed in Tanzania due to failure or non-compliance, whereas between 2017 and 2018, 7 banks were closed i.e. FBME Bank Ltd, Mbinga Community Bank Plc, Covenant Bank for Women (T) Ltd, Efatha Bank Ltd, Meru Community Bank Ltd, Kagera Farmers' Cooperative Bank Ltd and Njombe Community Bank Ltd and their depositors are being reimbursed their insured deposits by the DIB. By 31st December 2018, a total of 21,053, equivalent to 33.71 percent of total number of eligible depositors, had been paid. Depositors of seven banks were reimbursed their insured deposits by the DIB. The total amount paid was TZS 7,326,615,692.39 equivalent to 70 percent of the amount payable to total eligible depositors. For the other banks, deposits were transferred to other banks which took over assets and liabilities of the failing banks.

2.8.2 Challenges Facing Deposit Insurance

The deposit insurance system in the country faces the following challenges:

- (i) **Inadequate legal and regulatory framework:** The legal and regulatory framework of the DIS is not adequate to enable the deposit insurance institution to effectively contribute to financial stability.
- (ii) **Low level of awareness of the Deposit Insurance System:** A large section of the public remains uninformed of the existence of the DIS, its coverage limit and consequential implications should a bank or a financial institution fail;
- (iii) **Emerging innovations in the financial sector:** Digital financial products and savings among microfinance service providers are not covered under the deposit insurance system; and
- (iv) **Limited coverage of deposit insurance:** In 2019, deposit insurance covered only up to TZS 1,500,000 per depositor per bank and therefore, deposit balances above TZS 1,500,000 are at risk

2.9 Financial Sector Regional and International Cooperation

The 2007/08 Global Financial Crisis underscored the need for cross-border financial sector oversight and crisis management coordination at country, regional and global levels. Following the 2007/08 crisis, diverse models of coordination were put in place as a response to the increase in financial system integration in the region and globally.

In recognition of the need for cross-border oversight in the financial sector, Tanzania became a member of regional and international bodies related to financial sector matters. To this end, Tanzania signed and ratified a number of protocols and conventions, with a view to harmonize policies, laws and systems relating to financial sector.

In strengthening coordination and oversight, the country's financial sector regulatory authorities became members of major regional and global associations of financial regulators and supervisors such as the Committee for Insurance, Securities, and Non-Bank Supervisory Authorities (CISNA); Capital Markets Insurance and Pensions Committee (CMIPC); African Insurance Organization (AIO); Association of Insurance Supervisory Authorities of Developing Countries (AISADC); Association of Insurers and Reinsurers of Developing Countries (AIRDC); Association of African Insurance Supervisory Authorities (AAISA); East Africa Insurance Supervisors Association (EAISA); Organization of Eastern and Southern Africa Insurers (OESAI); International Micro Insurance Network; Monetary Affairs Committee (MAC); Association of African Central Banks (AACB); Committee of Central Bank Governors (CCBG); Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); East African Securities Regulatory Authorities (EASRA); East African Stock Exchange Association; Alliance for Financial Inclusion (AFI); Bank for International Settlement (BIS); International Organization of Securities Commissions (IOSC); International Association of Insurance Supervisors (IAIS), International Association of Deposit Insurers (IADI); and, the International Organization of Pension Supervisors (IOPS).

In strengthening integration and coordination, the Government owned shares and subscribed to regional and international financial institutions, such as the East African Development Bank (EADB), African Development Bank (AfDB), Trade and Development Bank (Former PTA Bank) and the African Reinsurance Corporation (Africa Re).

2.9.1 Challenges in Regional and International Cooperation

Regional and international cooperation in the financial sector face the following challenges:

- (i) Low participation in the regional and international fora; and
- (ii) Overlapping policies in addressing macroeconomic imbalances, financial crises and economic vulnerability.

2.10 Financial Sector Technology

The period beginning 1990s witnessed rapid advancements and development in Information From the 1990s onwards, Tanzania witnessed rapid advancements and development in Information Communication Technology (ICT), which has had an impact on the financial sector. The penetration of ICT in the financial sector, and particularly in the banking industry, promoted efficiency and effectiveness in the provision of financial services.

Recognizing the impact of ICT on various cross cutting sectors of the economy, the Government developed a National Information Communication Technology Policy, 2003 to address and provide a policy framework for ICT-related issues in the country. The Policy recognized the need for modernization of the National Payment Systems (NPS) and its regulatory framework in the country. Furthermore, it recognized the need to review the existing legal framework to conform to the development of ICT impacting other sectors.

Thus, the Government of Tanzania issued the Electronic Payment Schemes Guidelines (2007) which permitted a framework for the Bank to “Test and Learn” by issuing “Letter of No Objections” for non-banks to form partnerships with commercial banks and provide innovative financial services. The enactment of a new NPS Act 2015, Payment Systems Licensing and Approval Regulations 2015 and Electronic Money Regulations 2015 created a critical pathway for non-banks (fintech companies) to be licensed and regulated for provision of various innovative financial services using new technologies. The Cybercrimes Act, 2015 was passed to make provisions for criminalizing offences related to computer systems and Information Communication Technologies, to provide for investigation, collection and use of electronic evidence and for matters related therewith. Furthermore, the Electronic Transactions Act, 2015 was enacted to provide for legal recognition of electronic transactions, e-Government services, the use of information and communication technologies in the collection of evidence, and admissibility of electronic evidence. The act also provides for the facilitation of the use of secure electronic signatures and other related matters.

The Government has implemented the National Information Communication Technology Policy and modernization of the National Payment Systems and its regulatory framework in the country, which promote the application of information technologies in economic activities, in order to enhance the country's competitiveness. At the same time, advances in Information Technology (IT), electronic devices, and consumers' increasing acceptance of technology have pushed the public, private, and the financial sectors to adopt IT as a tool to increase operational efficiency, develop new business models and offer new service channels. A number of Government agencies (e.g. the Accountant General Department and the Tanzania Revenue Authority) now offer electronic payment services to both businesses and individual consumers. In the private sector, companies have developed infrastructures for the exchange of business-to-business and business-to-banks information. Commercial banks and non-bank payment service providers have also developed new services, such as internet banking, mobile banking and online payment websites supporting bill payment and e-commerce.

Furthermore, the Government of the United Republic of Tanzania, through the Ministry of Finance and Planning (MOFP), implemented a Government e-Payment Gateway (GePG) in order to improve the revenue collection management through Treasury Single Accounts (TSAs). The system intends to standardize revenue collection practices within the Government and its institutions, as well as increase visibility of the transactions at all stages of the collection process

2.10.1 National Payment Systems

The National Payment Systems play a pivotal role in a country's economy. These are the infrastructure used by banks and non-banks to facilitate fund transfers between enterprises, Government, private sector and individuals. Thus, it is important that the National Payment Systems are implemented and operated safely and efficiently, failure of which, they become susceptible to transmitting systemic shocks in the financial sector and thereby affecting the economy with significant negative socio-economic implications.

In recognition of the role of the National Payment System, the Government enacted the National Payment System Act 2015. Payment systems are categorized in two major streams known as large value and low value payment systems. Large value payment systems include the Tanzania Interbank Settlement Systems (TISS). Low value systems (or retail payment systems) include Electronic Clearing Houses (ECH), Electronic Funds Transfer System (EFT), ATM networks, card payments systems, internet banking, mobile banking, mobile payments, remittance services and the Tanzania Automated Clearing System (TACH).

2.10.2 Payment Systems Performance

(i) Tanzania Interbank Settlement Systems (TISS)

TISS is a real time gross settlement system that facilitates real-time interbank transfers of funds and the collection of Government revenue. TISS became operational in 2004 and has exponentially increased in total values from TZS 99.9 trillion in 2013 to TZS 178.5 trillion in December 2018.

(ii) Cheque Clearing

Electronic cheque clearing systems facilitate commercial banks to exchange cheques and create a settlement obligation through netting, requiring the net debtor to settle their obligation. Since 2015, a cheque truncation system has been introduced that reduced the clearing cycle from 3 days to 1 day. The volume of cheque usage has decreased from TZS 7.0 trillion in 2013 to TZS 3.2 trillion in 2018 as a result of the introduction of Electronic Fund Transfers (EFTs).

(iii) Electronic Funds Transfers

Electronic Funds Transfers processes bulk payments and recurring payments such as payment of salaries and bill payments. The EFT system reached its peak value in 2018 at TZS 7.0 trillion compared to TZS 1.5 trillion in 2013.

(iv) Card Switch

There are three main card switches operating in Tanzania which are VISA, Umoja and MasterCard. Usage of card services increased from TZS 181.6 billion in 2013 to 280 billion in 2018.

(v) Other Payment Channels

The banking sub sector has witnessed an increased use of internet and mobile banking services. Other delivery channels were Automated Tellers Machines (ATMs), Point of Sale (POS), electronic cards and mobile branches. Notable services provided by these delivery channels were money transfer and payment services. Usage of electronic payment services, particularly mobile payment services, has recorded significant growth and contributed towards improving financial inclusion in Tanzania. The performance is recorded as shown in table below.

Table 9: Value and Volume of Mobile (SMS) Banking, Internet Banking, Mobile Payment,ATMs and POS

Category	2013	2014	2015	2016	2017	2018
Internet banking						
Volume	1,889,105	2,280,451	2,588,924	2,654,858	3,439,865	4,114,453
Value (TZS billions)	22,724.9	27,415.2	33,665.7	45,469.0	50,764.5	54,678.6
Mobile (SMS) banking						
Volume	38,559,274	46,640,239	50,642,727	53,458,713	51,947,772	45,680,623
Value (TZS billions)	587.1	1,161.8	1,800.3	2,176.9	2,759.6	2,997.6
Mobile payment systems (mobile financial services)						
No. of registered customers/accounts	31,830,289	41,380,791	53,843,917	71,245,336	75,559,441	82,661,992
No. of active customers/accounts	11,016,657	13,856,667	19,006,176	17,025,685	19,383,246	23,302,040
Volume	1,005,133,297	1,234,147,232	1,388,090,111	1,578,200,387	2,061,054,802	2,684,701,221
Value (TZS billions)	28,852.3	40,809.8	47,219.1	57,641.9	68,897.4	81,379.0
Trust account balances (TZS billions)	293.5	451.0	583.8	665.7	720.0	780.4
Number of agents	153,369	238,461	270,974	371,132	427,445	483,283
Automated Teller Machines (ATMs)						
Number of machines	1,481	1,597	1,771	1,964	2,158	2,144
Volume of transactions	71,418,912	69,197,549	62,213,097	66,872,908	66,089,912	73,216,579
Value of transactions (TZS billions)	7,637.1	8,892.8	9,230.8	9,428.2	9,724.5	9,768.3
Point of Sales (POS)						
No. of machines	2,552	2,158	5,143	8,075	14,300	24,386
Volume of transactions	733,864	875,254	1,794,384	3,848,313	5,902,627	6,993,768
Value of transactions (TZS billions)	346.7	530.0	1,289.3	1,815.4	1,864.6	1,180.1

Source: Bank of Tanzania

2.10.3 Challenges of Financial Sector Technology

- (i) **Inadequate infrastructure for digital financial services:** While the Government sector and financial service providers have developed new services which offer users more channels to access those services conveniently, such electronic services, they are still restricted by the infrastructure and ecosystem which are unfavorable to adopting innovations, preventing users from relying solely on electronic means for their financial transactions. Regulatory burden, often redundant and cumbersome, is a major concern. Furthermore, most payment services are based on a single operator model, or “on-us transaction”, which often lacks the ability to connect multiple service providers effectively under one platform
- (ii) **Inadequate of effective digital financial consumer protection:** Consumers of financial sector providers do not have an adequate legal framework that ensures that they have effective mechanisms for protection, due to advancements of technology and innovation in the financial sector.
- (iii) **Predominance of cash-based economy:** Most of the transactions in the economy are cash based due to a number of factors including low levels of financial literacy, informality of businesses, an underdeveloped financial system and low levels of per capita income, especially for rural populations.
- (iv) **Low level of illiteracy on financial technology:** Users' lack of knowledge, understanding, and trust in electronic financial services, coupled with relatively high transaction fees (especially for payments and transfers across financial services providers), preclude widespread utilization of electronic-based transaction services.

2.11 Financial Sector Outlook in 2030

Financial sector development plays a key role in economic development and poverty reduction by mobilizing and allocating financial resources to finance economic activities. The sector will continue to contribute to achieving the Tanzania Development Vision 2025, aiming for Tanzania to attain middle-income country status with a semi-industrialized economy. This transformation will require public and private sector equity to finance ongoing development initiatives.

The financing of development plans has mostly relied on traditional sources of funds (Government budget, grants, donations, and concessional borrowing) which are inadequate and not sustainable. In addition, the assessment of financial sector institutions reveals there are remaining gaps in the provision of financial services, particularly for individuals, households and enterprises. Furthermore, the increasing role of non-bank players in providing electronic financial services and regional economic and financial integration have created both new business opportunities and challenges from increased competition among financial institutions. This factor will likely affect the future financial sector landscape.

Therefore, the Financial Sector Development Master Plan (FSDMP) 2019/20–2029/30 is a strategic move by the Government to chart the future direction of the financial sector, catering for diverse financing needs as the country develops towards a middle-income economy. The Master Plan contains strategies which focus on enhancing existing financing resources, as well as developing new options of financing through capital markets development, social security and insurance.

The aim is for the implementation of this Master Plan over ten years to realize the following key results: increased contribution of the financial sector in the economy to 10 percent by 2030 from 3.7 percent in 2018; total assets by the financial sector as a share of GDP will increase to 60 percent in 2030 from 37 percent in 2018; banking sector assets will rise to 40 percent of GDP by 2030 from 26 percent of GDP in 2018; total assets as a share of GDP from the capital markets, insurance and pension sub sectors will increase to 20 percent in 2030 from 11.45 percent in 2018; and, the ratio of capital market capitalization to GDP of the listed companies in the stock market will increase to 50 percent in 2030 from 17 percent in 2018. Regional economic integration offers additional opportunities for Tanzanian financial institutions and markets. This will position Tanzanian financial institutions and markets to take advantage of regional and international opportunities. A summary of the envisaged financial sector outlook and financial sector development indicators is provided in the table below:

Table 10. Financial Sector Development Indicators

Sub Sector	Indicator	Baseline (2018)	Target (2030)
Banking	% of adult population using bank services	17%	50%
	Private credit to GDP (%)	13%	30%
	Bank deposits/GDP (%)	17%	25%
	Bank assets/GDP (%)	26%	40%
Insurance	% of adult population using insurance services	15%	50%
	Insurance assets to GDP (%)	0.9%	5%
	Gross life premiums/GDP (%)	0.1%	3%
	Gross non-life premiums/GDP (%)	0.4%	2%
Pensions	Percentage of labour force covered by pensions	6%	30%
	Pension fund assets/GDP (%)	10%	20%
Capital Markets	% of adult population invested in the capital markets	0.04%	5%
	Number of listed companies	28	56
	Market capitalization/GDP (%)	17%	34%
	Stock market turnover ratio (%)		10%

Chapter Three

Strategic Interventions of the Master Plan

3.1 Introduction

This chapter elaborates the strategic issues to be addressed by the Financial Sector Development Master Plan (FSDMP) in improving the financial sector in Tanzania, based on the analysis made in Chapter Two. This chapter paints a wider picture of where the financial sector wants to be in the next 10 years and highlights the general and specific objectives, together with the rationale for each specific objective.

Furthermore, each specific objective is supplemented with key strategic interventions and an implementation matrix for the FSDMP in Annex I, to be undertaken to ensure the ultimate goal of improving the financial sector is achieved. The action plan for the implementation of this Master Plan covers nine strategic objectives, outlined in the implementation matrix Annex I of the Master Plan, which will be valid for the period of three years and shall be reissued

3.2 Vision

To have a stable, sound, efficient and inclusive financial sector that contributes to the development of Tanzania's economy.

3.3 Mission

To create an enabling environment for the development of the financial sector that supports the efficient mobilization and allocation of financial resources for economic growth and poverty reduction.

3.4 Objectives

3.4.1 General Objective

The general objective of the Financial Sector Master Plan is to have a stable, sound, efficient and inclusive financial sector that will contribute significantly to resource mobilization for the economic growth of the nation.

3.4.2 Specific Objectives

- (i) Enhance financial inclusion;
- (ii) Ensure financial consumer protection;
- (iii) Safeguarding stability of the financial system;
- (iv) Promote long term development finance in the economy;
- (v) Strengthen financial system integrity;
- (vi) Strengthen regional and international financial cooperation;
- (vii) Promote research and development to support financial sector development;
- (viii) Ensure sustainable capacity building in the financial sector; and
- (ix) Enhance policy, legal and regulatory frameworks for financial sector development.

3.5 Strategies for the Financial Sector Development Master Plan

3.5.1 Strategic Objective 1: Enhance Financial Inclusion

Financial inclusion is an imperative in the drive towards the achievement of economic growth, poverty reduction and financial sector stability. It is also vital for the effectiveness of monetary policy transmission, delivery of affordable, convenient and secure financial services to low income households, micro and small enterprises operators and small holding farmers. Improving financial inclusion will enable society to reduce poverty and income inequality, empowering people with the skills and knowledge to make the right financial decisions.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Promote development of affordable demand driven financial products and services;
- (ii) Enhance development of affordable distribution channels;
- (iii) Encourage all eligible citizens to have national identification;
- (iv) Strengthen the financial infrastructure for the provision of financial services;
- (v) Enhance financing of Micro, Small and Medium Enterprises (MSMEs);
- (vi) Strengthen access of financial services and products to agriculture sector;
- (vii) Mainstream disadvantaged groups, women and youth in accessing and usage of financial services and products;
- (viii) Promote the use of commodity exchange;
- (ix) Promote linkage between community microfinance groups and formal financial service providers;
- (x) Enhance collaboration between public and private sector to deepen and broaden financial inclusion; and
- (xi) Promote saving mobilization.

b) Outcome Indicators

- (i) Number of new financial products and services;
- (ii) Percentage of population with access and usage of financial products and services;
- (iii) Number of distribution channels developed;
- (iv) Number of citizens with national identification;
- (v) Number of financial service providers interfaced with National Identification Authority (NIDA) database;
- (vi) Timely clearing and settlement of transactions in the financial sector; and
- (vii) Volume of savings.

3.5.2 Strategic Objective 2: Ensure Financial Consumer Protection

Consumer protection enables financial services customers to make the best choices based on their interests and prevents them from being mistreated or misled by businesses, as well as increasing consumer welfare by ensuring financial service providers can be held accountable. Consumer protection includes principles intended to ensure the transparency of financial products and services, fair treatment, safeguarding the interests and rights of consumers, fair complaints handling and dispute resolution mechanisms.

a) Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Enhance legal regime and supervision framework for financial consumer protection;
- (ii) Strengthen complaint handling and resolution mechanisms;
- (iii) Enhance disclosure and transparency in the financial sector;
- (iv) Promote competition in the financial sector;
- (v) Enhance financial education and public awareness; and
- (vi) Enhance security on electronic money transfers.

b) Outcome Indicators

- (i) Payment of benefits and claims as per set standards;
- (ii) Number of complaints handled and resolved in a timely fashion;
- (iii) Percentage of compliance to financial consumer protection principles; and
- (iv) Percentage of population which is aware of financial products and services.

3.5.3 Strategic Objective 3: Safeguarding the Stability of the Financial System

An effective regulatory and supervisory framework is essential for the maintenance of a stable, sound, efficient and inclusive financial system. In this regard, robust financial institutions, infrastructure and prudential regulation are important for the system to be able to withstand sudden adverse economic and financial shocks from within and outside the system, without significantly disrupting the intermediary function and the economy.

International good practice requires collaboration among financial sector regulatory authorities, backed up by formal arrangements. Such arrangements should spell out clear roles and demarcations of each player and the mode of collaboration. This is intended to ensure that there is no duplication and conflict of activities in pursuing the financial stability objective.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Strengthen oversight and promote risk management systems in financial sector;
- (ii) Strengthen crisis management mechanisms in the financial sector;
- (iii) Enhance coordination among regulators in relation to the financial sector;
- (iv) Promote local content in the financial sector;
- (v) Enhance financial capacity of the financial service providers;
- (vi) Strengthen legal and regulatory framework for an effective deposit insurance system; and
- (vii) Ensure optimal utilization of Credit Reference System in the financial sector.

b). Outcome Indicators

- (i) Number of cybercrimes in the financial sector;
- (ii) Crisis management frameworks in place; and
- (iii) Numbers of financial service providers covered by the Credit Reference System

3.5.4 Strategic Objective 4: Strengthen Long Term Development Finance

Long term development finance is required to finance investment in the assets that expand the productive capacity of a modern economy. These assets include: infrastructure; agriculture; industries and equipment; residential and commercial buildings; education; research; and, development. Efficient financial systems need to match savings with long-term investment opportunities.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Broaden financial instruments to enable the public sector and private sector to raise long-term capital;
- (ii) Promote banks and financial institutions to provide long term credit to productive sectors;
- (iii) Promote cross-border capital flows to support the efficient allocation of capital to long-term investment;
- (iv) Create financial instruments for the Tanzania Diaspora to finance long term projects;
- (v) Enhance capacity of development finance institutions;
- (vi) Strengthen affordable housing finance schemes and
- (vii) Promote insurance companies and social security schemes to mobilize long term savings.

b). Outcome Indicators

- (i) Number of long-term financial instruments issued;
- (ii) Number of long-term projects financed by Development Financial Institutions (DFIs);
- (iii) Volume of funds mobilized by DFIs; and
- (iv) Value of cross-border capital flows.

3.5.5 Strategic Objective 5: Strengthen Financial System Integrity

Financial crimes, particularly money laundering and financing of terrorism, are becoming more sophisticated with the increasing development of financial systems and the advancement of technology. Widespread money laundering can adversely affect the macroeconomic environment, impair financial stability and deter foreign investment, eventually leading to the isolation of the country's financial system from the global payments system, causing severe damage to the economy.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Enhance AML/CFT legal, regulatory and institutional framework;
- (ii) Adopt risk-based AML/CFT framework for the financial sector;
- (iii) Enhance public awareness of AML/CFT; and
- (iv) Enhance cross-border cooperation on AML/CFT supervision.

b). Outcome Indicators

- (i) Number of AML/ CFT suspicious transactions reported;
- (ii) Percentage of the population which is aware and complies with AML/CFT matters; and
- (iii) Mechanisms for cross-border cooperation on AML/CFT in place.

3.5.6 Strategic Objective 6: Strengthen Regional and International Financial Cooperation

Growing financial system integration in the region makes regional cross-border coordination in financial sector oversight and crisis management an imperative. There are a number of cross-border protocols with issues related to the financial sector which have been signed and ratified by the Government. The protocols, among others, require partner states to harmonize their policies and laws related to financial system. Given the multiple agencies involved and the different objectives pursued by these international bodies, there is a need to strengthen coordination of Tanzania's efforts in cooperation arrangements in order to harness the potential benefits and manage the policy trade-offs.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Harmonize policy, legal and regulatory frameworks on financial matters in line with regional and international cooperation;
- (ii) Promote investment opportunities available in regional and international financial sectors; and
- (iii) Enhance participation of Tanzanians in regional and international financial institutions and other decision-making bodies.

b). Outcome Indicators

- (i) Number of policy and legal regimes adopted;
- (ii) Number of protocols ratified;
- (iii) Regional and international crisis management frameworks in place;
- (iv) Number of MOUs signed;
- (v) Value of investments made in the region and international levels; and
- (vi) Number of engagements in regional and international financial institutions and other decision-making bodies.

3.5.7 Strategic Objective 7: Promote Research and Development (R&D) in the Financial Sector

Research and innovation are essential components towards growth, outreach and sustainability of the financial sector. R&D provides the necessary ingredients for deepening and broadening the sector; as credible information is crucial in order to keep abreast of new technologies and developments.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Enhance capacity for academic institutions, regulators, research institutes or firms and policy makers to conduct research for development of the financial sector;
- (ii) Encourage development and innovation in the financial sector;
- (iii) Enhance dissemination and sharing of research findings to the public; and
- (iv) Promote utilization of local research institutes or firms

b). Outcome Indicators

- (i) Number of research studies conducted and published;
- (ii) Number of innovations and products developed; and
- (iii) Number of research studies in the financial sector disseminated.

3.5.8 Strategic Objective 8: Ensure Sustainable Capacity Building in the Financial Sector

Capacity building is vital in establishing a solid foundation for a more transparent, well-governed, well-regulated and competitive financial sector. The existing institutional and human resource capacity in the financial sector is not adequate to handle activities related to economic development, innovations, financial technology (fintech) and digital financial services.

a). Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Enhance capacity of training institutions in courses related to the financial sector;
- (ii) Enhance capacity to develop and use ICT systems in the financial sector;
- (iii) Enhance capacity of human resource in the financial sector; and
- (iv) Promote knowledge sharing among financial sector's stakeholders.

b). Outcome Indicators

- (i) Financial sector professional training centers in place;
- (ii) Number of professionals in the financial sector;
- (iii) Number of students with knowledge on financial matters;
- (iv) Knowledge sharing platforms among the financial sector stakeholders in place; and
- (v) Number of press releases, publications and journals issued on financial sector matters.

3.5.9 Strategic Objective 9: Enhance Policy, Legal and Regulatory Framework for Financial Sector Development

The success of any policy or strategy lies in the supportive operating environment which is guided by both regulatory and institutional frameworks. In order for the Financial Sector Development Master Plan (FSDMP) to be effective, it has to be supported by a favorable policy, regulatory and institutional framework. In addition, a robust legal regime and supervisory framework are important means for a sound, inclusive and market-based financial system. Legal provisions need to be consistent to enhance the overall financial system, in accordance with the FSDMP.

The policy framework for the financial sector is articulated in the Tanzania Development Vision 2025, Zanzibar Development Vision 2020, Five Years Development Plan II (FYDP II) and Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP III). Furthermore, key areas of the Master Plan are reflected in the National Microfinance Policy, 2017; Agriculture Sector Policy, 2013; Small and Medium Enterprise Development Policy, 2002; Zanzibar Small and Medium Enterprise Development Policy, 2006; Cooperative Development Policy, 2002; Rural Development Policy, 2003; National Social Security Policy, 2003; and, National Economic Empowerment Policy 2004.

The legal regime and supervisory framework of the financial sector in the country is provided under the following legislations: Microfinance Act 2018; Banking and Financial Institutions Act, Cap. 342; Mortgage Finance Act, 2008; National Payment System Act, 2015; Financial Leasing Act, 2008; Foreign Exchange Act, 1992; Bank of Tanzania Act, 2006; Companies Act, Cap. 212; Trustee Incorporation Act, Cap. 318; Insurance Act; and, the Cooperative Societies Act No 4 of 1996.

The above-mentioned legal regime provides for the establishment of the following supervisory authorities: the ministry responsible for finance; ministry responsible for local government; Bank of Tanzania; Capital Markets and Securities Authorities (CMSA); Tanzania Insurance Regulatory Authority (TIRA); Tanzania Cooperative Development Commission (TCDC); Tanzania Communications Regulatory Authority (TCRA); and, the Fair Competition Commission (FCC). In achieving the objectives of the Master Plan, a review or reform of the aforementioned legislations is essential. Nonetheless, the FSDMP shall focus on identifying strategic issues in the financial sector that require remedy through legal reform in order to achieve effective operation and risk management.

a) Strategies

To achieve this objective, the Master Plan will focus on the following strategies:

- (i) Strengthen policy and strategy for financial sector; and,
- (ii) Strengthen legal and regulatory framework for the financial sector.

b). Outcome Indicators

- (i) Number of policies, strategies and guidelines in the financial sector developed;
- (ii) Percentage of financial sector contribution to GDP;
- (iii) Number of financial sector legislations reviewed and enacted; and
- (iv) Percentage of compliance to financial sector legal and regulatory frameworks.



Chapter Four

Institutional Framework, Monitoring and Evaluation

4.0 Introduction

This chapter depicts the clear institutional arrangement and responsibilities of all stakeholders to safeguard smooth implementation of the objectives of the Financial Sector Development Master Plan (FSDMP) including technical and oversight committees and their mandates. For accountability purposes, it provides the monitoring and evaluation principles, as well as reporting arrangements, so as to ensure clear measurement of results. This chapter also provides brief financing strategies that will ensure all interventions stipulated in the Master Plan are well implemented and the ultimate goal is achieved.

The institutional framework brings together all relevant stakeholders to carry out analysis, communication and linking feedback to relevant Government policy decision-making bodies and implementing agencies.

The roles and responsibilities of key stakeholders are clearly delineated in order to avoid overlaps, conflict of interest, conflicting roles and uncertainty in the monitoring and evaluation of the Master Plan.

4.1 Institutional Arrangements

The Financial Sector Development Master Plan shall be implemented by designated government institutions in collaboration with other stakeholders. Institutions responsible for the implementation of this Master Plan shall submit progress reports periodically to the ministry responsible for finance. The FSDMP will be reviewed in the course of new challenges and developments encountered in the financial sector in order to further assess and improve on its implementation. The roles and responsibilities of the Government through its various ministries and agencies are defined below.

4.1.1 The Ministry responsible for Finance (Mainland and Zanzibar)

The ministry responsible for finance has the overall responsibility of coordinating the implementation of the FSDSP. Specifically, the ministry will carry out the following tasks:

- (i) Strengthen legal and regulatory framework for the financial sector;
- (ii) Review and develop financial sector development policies;
- (iii) Inform and be accountable to Parliament/House of Representatives for financial sector matters;
- (iv) Economic and fiscal implications of developments that pose a threat to the stability of the financial system;
- (v) Monitor and evaluate the progress of the implementation of FSDMP
- (vi) Establish Financial Sector Steering Committee; and Financial Sector Technical Committee;
- (vii) Co-ordinate and promote financial sector matters in the country; and
- (viii) Coordinate development partner intervention efforts in line with the Financial Sector Development Master Plan; and
- (ix) Respond to any relevant issues that involve Government interventions;

4.1.2 The Bank of Tanzania (BOT)

The Bank of Tanzania's powers and responsibilities relevant to financial stability, as derived from the Bank of Tanzania Act, Cap. 197, Banking and Financial Institution Act, Cap. 342, Microfinance Act, No. 10, of 2018 and Foreign Exchange Act, Cap. 271, include:

- (i) Licensing, regulating and supervising banking institutions;
- (ii) Licensing, regulating and supervising payment, clearing and settlement systems;
- (iii) Licensing, regulating and supervising microfinance services providers;
- (iv) Ensuring the integrity of the financial system. Under this mandate, the BOT is responsible for the following:
 - a) Maintaining macro-prudential surveillance of the entire financial system;
 - b) Issuing early warning and, where it deems necessary, recommendations either of general or specific nature, which should be addressed by members, in pursuit of financial stability;
 - c) Publishing periodic financial stability reports; and
 - d) For financial stability analysis, the BOT shall request information from other members of the forum on periodic basis.

4.1.3 Capital Markets and Securities Authority (CMSA)

The CMSA's powers and responsibilities as derived from Section 10 (1) of the Capital Markets and Securities Act, Cap 79 of 1994 include:

- (i) Promoting and developing efficient and sustainable capital markets and securities business in Tanzania, while ensuring fair and equitable dealings;
- (ii) Formulating principles for the guidance of the industry, protection of investors' interests and integrity of the securities market against any abuses;
- (iii) Creating the necessary environment for the orderly growth and development of the capital market;
- (iv) Maintaining surveillance over capital and securities markets, to ensure orderly, fair and equitable dealings in markets;
- (v) Registering, licensing, authorizing and regulating stock exchanges, investment advisors, securities dealers and their agents/representatives, securities depositories, clearing houses, collective investment schemes and custodian of securities; and
- (vi) Monitoring the solvency of license holders and taking measures to protect the interests of investors where the solvency of any such license holder is in doubt.

4.1.4 Tanzania Insurance Regulatory Authority (TIRA)

TIRA's power and responsibilities relevant to financial stability as derived from section 6 of the Insurance Act, Cap 394 include:

- (i) Promoting and maintaining an efficient, fair, safe and stable insurance market for the benefit and protection of policy holders;
- (ii) Coordinating and implementing policies on insurance matters;
- (iii) Regulating and coordinating activities of insurers, brokers and agents;
- (iv) Specifying the code of conduct for members of the insurance industry;
- (v) Effecting supervision and monitoring of insurers, brokers, and agents;
- (vi) Formulating standards in the conduct of the business of insurance which shall be observed by insurers, brokers and agents;
- (vii) Ensuring proper observance of the code of ethics and practice by insurers brokers and agents;
- (viii) Specifying requisite qualifications for members of the insurance industry; and
- (ix) Protecting the interest of policyholders.

4.1.5 Ministry Responsible for Social Security

The ministry responsible for social security shall have the following responsibilities:

- (i) Regulating and supervising social security funds managers, custodians, schemes and administrations;
- (ii) Protecting and safeguarding the interest of members of social security schemes;
- (iii) Facilitating the extension of social security coverage to non-covered areas including the informal sector;
- (iv) Regularly monitoring and reviewing the performance of the social security sector;
- (v) Adopting and disseminating broad guidelines applicable to all managers, custodians and social security schemes;
- (vi) Initiating studies, recommending, coordinating and implementing reforms in the social security sector; and,
- (vii) Conducting programs for public awareness, sensitization and tracing on social securities.

4.1.6 Zanzibar Social Security Fund (ZSSF)

Under section 5 of ZSSF Act No. 2 of 2005 ZSSF shall have the following functions:

- (i) Receiving all contributions and other moneys which are required to be paid into the Fund, keeping and maintaining register of all members and employer contributing to the fund and any other register that the Board may advise;
- (ii) Establishing and maintaining records for each member in respect of all payments made by way of contribution;
- (iii) Investing money collected in any viable venture as the Board may consider appropriate;
- (iv) Paying benefits to members or their dependents and administering the contribution in accordance with the provision of this Act;
- (v) Managing and obtaining the services of any person or institution, private or public, to perform any specific act or function;
- (vi) Engaging in activities to promote proper, efficient and effective social security administration, either individually or together with other organizations in Tanzania or elsewhere;
- (vii) Acting or entering into all transaction as deemed necessary by the Board for the proper and efficient administration of the Fund; and,
- (viii) Conducting programs for public awareness, sensitization and tracing on social securities.

4.1.7 Deposit Insurance Board (DIB)

The DIB's powers and responsibilities as derived from section 37 and 41 of the Banking and Financial Institutions Act, Cap 342 are to:

- (i) Provide protection to depositors in member institutions through a deposit insurance system; and,
- (ii) Conduct liquidation of failed banking institutions.

4.1.8 Ministry Responsible for Regional Administration and Local Government Authorities

- (i) Guide and monitor the integration of the financial sector matters in regional and local government authorities plans and by-laws; and,
- (ii) Develop the database for community financial groups in regional and local government authorities.

4.1.9 Institutions Responsible for Registering and Licensing of SACCOS

- (i) Register and licensing SACCOS;
- (ii) Regulate, supervise and oversee the operations of SACCOS;
- (iii) Develop and manage database for registered and licensed SACCOS;
- (iv) Monitor and evaluate the performance of SACCOS;
- (v) Issue circulars and guidelines for SACCOS business;
- (vi) Facilitate promotion and development of SACCOS; and,
- (vii) Prepare periodic reports and submit them to the Minister.

4.1.10 National Economic Empowerment Council (NEEC)

- (i) Coordinate economic empowerment initiatives;
- (ii) Monitor and evaluate initiatives for economic empowerment;
- (iii) Develop and manage database of initiatives for economic empowerment;
- (iv) Ensure sustainability of initiatives for economic empowerment; and
- (v) Prepare periodic reports on initiatives for economic empowerment.

4.1.11 The Financial Service Provider Apex Bodies

- (i) Develop code of conduct for network and financial service provider associations in line with international best practices;
- (ii) Register networks and financial service provider associations;
- (iii) Develop capacity building program for network and financial service provider associations; and
- (iv) Advocate on behalf of the network and financial service provider associations.

4.1.12 Financial Service Providers

The financial service providers shall:

- (i) Develop appropriate innovative products and services for the low income segment of the population;
- (ii) Provide financial education and public awareness on available product and services; and,
- (iii) Prepare periodic financial sector reports as shall be required by their respective regulators.

4.1.13 Development Partners

The development partners shall provide technical assistance and financial support for the implementation of the Financial Sector Development Master Plan.

4.1.14 Academic Institutions

The academic institutions shall:

- (i) Prepare and conduct tailor-made programs related to financial service operations;
- (ii) Run short, medium and long-term financial service matters training programs in line with national education curriculum; and,
- (iii) Conduct research and studies for financial sector.

4.1.15 Media

The media shall:

- (i) Carry out coverage on the implementation of financial sector matters; and,
- (ii) Create public awareness of available and emerging financial services.

4.1.16 Business Development Services Providers

The business development service providers will:

- (i) Provide financial support for development of the financial sector;
- (ii) Provide business skills development services to financial services clients and financial service providers; and,
- (iii) Prepare periodic financial sector reports as may be required by regulatory authorities.

4.2 Implementation Arrangements

The ministry responsible for finance has the overall responsibility of coordinating the implementation of the FSDMP. To ensure an effective national coordinating mechanism of the FSDMP, the ministry responsible for finance shall establish the Financial Sector Steering Committee (NFSC), Financial Sector Technical Committee, Technical Working Groups (TWG) and Secretariat. The Secretariat shall be the department responsible for financial sector development. The Steering Committee shall work with the existing Financial Sector Committees which include the Tanzania Financial Stability Forum; National Multi-Disciplinary Committee of Anti-Money Laundering and the National Financial Inclusion Council.

4.2.1 Financial Sector Steering Committee

The committee shall comprise of: Permanent Secretaries from the ministry responsible for Regional Administration and Local Government; Prime Minister's Office; ministries responsible for finance (Mainland and Zanzibar), communication, education, foreign affairs, mining, industry and trade, agriculture and cooperative societies (Mainland and Zanzibar); Governor of the Bank of Tanzania; and, the Attorney General of the United Republic of Tanzania. The Chairperson of the committee shall be the Permanent Secretary for the ministry responsible for finance (Mainland) and the Secretary shall be the Commissioner for Financial Sector Development (Mainland). The committee shall meet at least once a year.

The committee shall be responsible for:

- (i) Providing strategic oversight, guidance and direction to implement the Master Plan;
- (ii) Providing advice to the Government of the United Republic of Tanzania and Revolutionary Government of Zanzibar on the financial sector development matters; and,
- (iii) Approving financial sector report for publication.

4.2.2 Financial Sector Development Technical Committee (FSDTC)

The committee shall comprise senior officers from ministries responsible for Regional Administration and Local Government, social security and Finance and Planning (Mainland and Zanzibar); Ministry of Industry Trade and Investment; ministry responsible for agriculture; Bank of Tanzania (BOT); Office of the Attorney General; Tanzania Cooperative Development Commission (TCDC); Tanzania Insurance Regulatory Authority (TIRA); and, Capital Markets and Securities Authority (CMSA). The Chairperson and Secretariat of the committee shall be the Commissioner for Financial Sector Development. The FSDTC shall meet quarterly.

The responsibility of the committee shall be to:

- (i) Facilitate the implementation of the FSDMP;
- (ii) Facilitate public education and awareness of microfinance;
- (iii) Review action plan for implementation of the FSDMP;
- (iv) Measure performance as per developed indicators;
- (v) Identify opportunities for development of the financial sector; and,
- (vi) Prepare quarterly reports to submit to the Financial Sector Steering Committee.



The FSDTC shall form a link between institutions and committees as members share experiences on initiatives and challenges facing their institutions during implementation of the FSDMP. The committee shall report to the National Financial Sector Steering Committee and shall meet at least quarterly in a year and when the need arises

4.2.3 Financial Sector Stability Forum

The forum shall comprise the following members: President's Office-Regional Administration and Local Government Authorities (director responsible for Community Microfinance Group); ministries responsible for social security and Finance and Planning (Mainland Tanzania and Zanzibar) (Commissioner responsible for Financial Sector); Bank of Tanzania (BOT); Tanzania Cooperative Development Commission (TCDC); Fair Competition Commission (FCC); Tanzania Insurance Regulatory Authority (TIRA); Tanzania Communications Regulatory Authority (TCRA) and the Capital Markets and Securities Authority (CMSA). The Chairperson of the forum shall be elected among the members of the forum. The forum shall meet at least twice a year.

The forum shall be responsible for:

- (i) Conducting periodic assessment of financial stability;
- (ii) Coordinating the implementation of both macro and micro-prudential policies to address potential vulnerability;
- (iii) Promoting coordination of information exchange and sharing among members of the forum;
- (iv) Providing advice to the Government of the United Republic of Tanzania and Revolutionary Government of Zanzibar on the adequacy of regulatory and supervisory policies in safeguarding financial stability;
- (v) Prepare, implement and review contingency plans for systematic crisis management and resolution;
- (vi) Enhance Tanzania's participation in regional and international bodies that have relevance to financial stability; and,
- (vii) Promote financial sector development initiatives including financial inclusion, literacy and consumer protection in Tanzania.

4.2.4 The National Multi-Disciplinary Committee on Anti- Money Laundering

The National Multi-Disciplinary Committee on Anti-Money Laundering comprises: one representative from the Bank of Tanzania; two representatives from ministry responsible for finance (one from Mainland Tanzania and one from Tanzania Zanzibar); two representatives from the Attorney-General's Chambers (one from Mainland Tanzania and one from Zanzibar); two representative of the Directorate of Criminal Investigation, one of whom shall come from its office in Tanzania Zanzibar; one representative of the ministry responsible for foreign affairs; Commissioner of the Financial Intelligence Unit; one representative from Capital Markets and Securities Authority; and, one representative from Tanzania Intelligence and Security Service. The National Committee may co-opt any person who appears to have special knowledge or experience in investigation of matters relating to anti-money laundering. Members of the National Committee shall be appointed by the Minister. The Chairperson of the committee shall be a representative from the Bank of Tanzania.

The Committee shall be responsible for:

- (i) Formulating, assessing and improving effectiveness of the policies and measures to combat money laundering;
- (ii) Advising the Government on legislative, regulatory and policy reforms in respect of anti-money laundering and combating predicate offences; and
- (iii) Advising the Government in relation to such other matters relating to anti-money laundering and predicate offences.

4.2.5 National Financial Inclusion Council

The National Financial Inclusion Council comprises: President's Office-Regional Administration and Local Government; ministers responsible for finance (Mainland Tanzania and Zanzibar), industry and trade, education and home affairs; Financial Intelligence Unit; Bank of Tanzania (BOT); Tanzania Insurance Regulatory Authority (TIRA); Deposit Insurance Board; Tanzania Cooperative Development Commission (TCDC); Fair Competition Commission (FCC); Tanzania Communications Regulatory Authority (TCRA); Capital Market and Securities Authority (CMSA); Insurance Institute of Tanzania (IIT); Tanzania Mobile Network Operators Association; Tanzania Association of Microfinance Institutions; Tanzania Bankers Association; Tanzania Consumers Advocacy Society; and, the Women Affairs Committee for Financial Inclusion. The Chairperson and Secretariat of the council shall be a representative from the Bank of Tanzania. The National Financial Inclusion Council will meet twice a year and when there is any urgent matter that requires policy guidance or decision.

The National Financial Inclusion Council shall be responsible for:

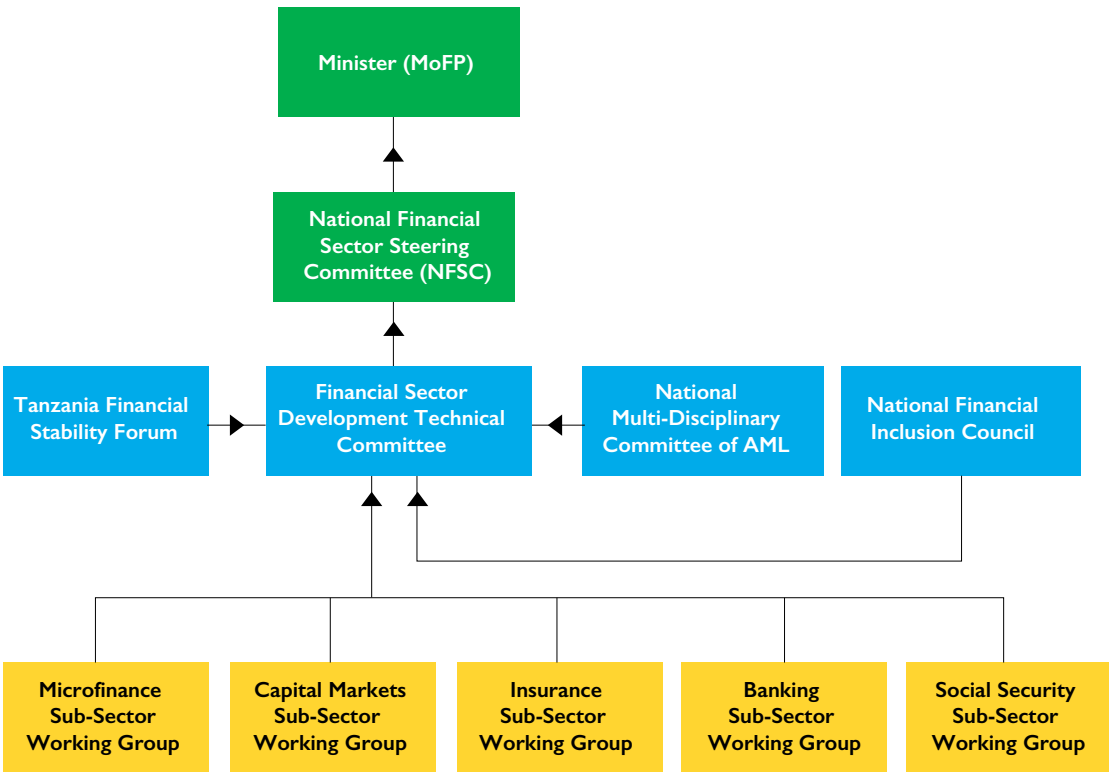
- (i) Setting the strategic direction for financial inclusion;
- (ii) Reviewing and approving the action plan to achieve financial inclusion goals;
- (iii) Overseeing financial inclusion implementation progress and monitoring outcomes;
- (iv) Reviewing and making decisions on proposals from the National Steering Committee;
- (v) Adding to the voice and influence of financial inclusion in broader development policies, strategies or programmes of national interest; and,
- (vi) Providing direction on any other issues related to the implementation of financial inclusion initiatives as needed, with a view to advising the government on the best way forward.

4.2.6 Technical Working Groups (TWGs)

There shall be five working groups co-chaired by representatives from the public and private sectors. The working groups shall focus on the following five finance sub sectors: microfinance, banking, insurance, capital markets and social security. Participation in the working groups shall be on a relevant institutional representation basis. Respective associations may be involved as co-chairs, and senior management level representation is expected.

While the working groups will serve as an avenue for consultation and review, some initiatives may require one organization acting unilaterally to implement regulations or directives, while others will be cross-functional with one working group being identified as the lead. With the approval of the Financial Sector Steering Committee, the ministry responsible for finance may create and/or disband existing or add new ad hoc working groups and determine the composition of them from the private and public sectors as needs dictate. The working groups shall report quarterly to the Ministry of Finance and Planning (MoFP)/ Secretariat on their progress. Figure 13 shows the governance structure for the FSDMP.

Figure 13: Organization Structure for the Implementation of the FSDMP



4.3 Monitoring and Evaluation Framework

4.3.1 Background

Effective monitoring and evaluation are vital for sound governance and achievement of evidence-based policy making, budget decisions, management, and accountability. Thus, the Monitoring and Evaluation (M&E) framework will be instituted as a review mechanism to monitor the progress and assess the level of attainment of targets as compared to the stated policy objectives. The M&E strategy is part of the implementation of the Financial Sector Development Master Plan (FSDMP) and is aligned to other national M&E strategies.

Successful implementation of an M&E framework depends on a well-coordinated functioning of all components of the framework, namely data collection, level of analysis and reporting mechanisms to relevant stakeholders. It will be important to ensure that efforts to execute the FSDMP at all levels remain focused to achieve the desired deliverables and to ensure that such deliverables have provided the desired impact.

The overall responsibility for monitoring and evaluation at the national level lies within the ministries responsible for finance (Mainland and Zanzibar) working in close collaboration with financial sector regulatory authorities, key sectoral ministries and other stakeholders. The MoFP, as a coordinating body, will collect, compile and analyse data on the implementation of FSDMP.

4.3.2 The Objective of M&E Framework

The overall objective of the M&E Framework is to guide the implementation of the Master Plan with the view to maximize efficiency and effectiveness of the intervention mechanisms. Specifically, the M&E Framework intends to:

- (i) Establish benchmark indicators and set targets for Master Plan implementation;
- (ii) Guide actors' participation in implementation and monitoring of activities; and,
- (iii) Control use of resources during implementation.

4.3.3 Guiding Principles

FSDMP M&E Framework will be under the following guiding principles:

- (i) Align the framework with other M&E systems including those of the Government;
- (ii) Adopt and use results-based management;
- (iii) Start as simple as possible;
- (iv) Start from the current situation; and,
- (v) Develop capacity building on current M&E activities.

4.3.4 Scope of M&E Framework

The M&E Framework covers the following scope:

- (i) Measurement of input, process, outputs, outcomes and impacts of the Master Plan implementation;
- (ii) Database and reporting used for the FSDMP Monitoring and Evaluation framework; and,
- (iii) Monitoring of planning and implementation thereof, including the financial and physical progress.

4.3.5 Performance Indicators

The ministry responsible for finance will use a set of indicators to monitor and evaluate implementation of the Master Plan based on the performance indicators.

Data for monitoring and evaluation will be collected from surveys, periodic performance reports, checklists and other reliable sources. Likewise, the establishment of a central data bank will facilitate access of data required for M&E.

4.3.6 Monitoring and Evaluation Reports

a) Types of M&E Reports

Table 11:Types of M&E reports

Types of reports	Contents	Frequency
Progress report	Consolidated report covering all the activities undertaken by implementing institutions	Annually
Implementation report	Report covering all the activities undertaken by implementing institutions	Quarterly
Master plan review	Review of FSDMP	After three years

b). Reporting Flows

The reports on achievement of targets and milestones will flow from responsible institutions to the ministry responsible for finance (Mainland and Zanzibar) for consolidation into performance reports on a quarterly and annual basis to be submitted to stakeholders for information and necessary action.

c). Feedback Mechanism

Feedback mechanisms provide a two-way flow of information between report producers and users. The feedback process shall be incorporated into the lateral linkages among stakeholders to improve the quality of reports and report submission to MoFP (Mainland and Zanzibar) websites, media and the National Financial Sector Steering Committee (NFSC). There shall be mechanisms for providing feedback on implementation of the plan to stakeholders and the general public.

4.4.7 Use of Monitoring and Evaluation Information

The M&E information will be used by the Ministries, Departments and Agencies (MDAs), civil society organizations, development partners and other stakeholders for:

- (i) Better service delivery;
- (ii) Demonstrating results as part of accountability;
- (iii) Decision making;
- (iv) Planning; and
- (v) Resource allocation.

4.4 Action Plan

The action plan of the FSDMP will cover all the 9 strategic objectives outlined in the Master Plan, to which all key implementing sectors and actors will be bound. It will be developed in a participatory and inclusive manner; thus providing the basis for a common results framework, necessary to achieve the fundamental goal of delivering financial services and products to the population in the country.

4.5 Financing Strategy

The implementation of the Master Plan shall be financed through:

- (i) Budgets of Regional Secretariats (RSs), Ministries Departments and Agencies (MDAs) and Local Government Authorities (LGAs);
- (ii) Financial sector regulatory authority budgets;
- (iii) Financial service providers' budgets;
- (iv) Grants, gifts or donations from development partners; and,
- (v) Money from other sources as may be approved by the Minister.





5.0 Implementation Matrix

Annex I: Implementation Matrix for FSDMP

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
I	Enhance financial inclusion	Promote development of affordable demand driven financial products and services	6 capital markets products and services introduced by 2030	Number of capital markets products introduced.	CMSA	MoFP, PO-RALG, BOT, TMX, MoM, MoA, MoEST, DSE Tanzania stockbroker associations
			5% of the adult population have access and use capital market products and services by 2030	% of population invested in the capital markets. % of population with access to capital market products and services		
			4 social security products for the informal sector introduced by 2030..	Number of products for the informal sector developed	PMO	MoFP, MoHCDGEC, BOT, PSSSF NSSF, NHIF, WCF
			20% of adult population access and use retirement savings schemes	% of adults with retirement savings accounts		
			10% of beneficiaries of retirement plans use annuity products by 2030	% of beneficiaries using annuities	TIRA	MoFP, MoHCDGEC, BOT, PMO, ATI, TIBA
			4 demand driven microfinance products and services introduced by 2030	Number of products and services introduced in the market % of population using microfinance products and services	BOT	MoFP, TCDC, DCD and PO-RALG, TAMFI Microfinance service providers
			10 new demand driven insurance products developed by 2030	Number of products scaled up	TIRA	MoFP, MoA, MoEST, MoLF, BOT, ATI Insurance services providers, brokers, agencies
			50% of adult population access and use insurance products by 2030	% of population using insurance products and services		
		Enhance development of affordable financial service distribution channels	10 new demand driven products and services in the banking sub sector introduced by 2030	Number of demand driven products and services in the banking introduced	BOT	MoFP, TBA Banking service providers and industry associations
			50% of population access and use banking services and products by 2030	% of population using banking products and services		
			90% of the population have health insurance by 2030	% of population with access to health services increased	MoHCDGEC	PO-RALG, PMO, MoFP, TIRA, BOT, NHIF, TCDC, TIMAP
		Enhance development of affordable financial service distribution channels	2 electronic platforms for trading of securities developed and implemented by 2022	Number of electronic platforms developed	CMSA	MoFP, BOT, DSE Financial service providers
			4 affordable microfinance distribution channels developed by 2030	Number of new microfinance distribution channels	BOT	PO-RALG, MoFP, TCDC, DCD, TAMFI, MNOs, Microfinance service providers,
			8 affordable insurance distribution channels developed by 2030	Number of new insurance distribution channels used	TIRA	MoFP, Insurance service providers, MNOs, ATI

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
I	Enhance financial inclusion (Contd.)		4 affordable distribution channels for banking products and services developed by 2030	Number of new banking products and services distribution channels used	BOT	MoFP, TCRA, Banking service providers, MNOs and TBA
			A shared payment system infrastructure established by 2021	Cost of transfer payments reduced	BOT	MoFP, TCRA, Banking service providers, MNOs and TBA
			Number of capital markets intermediaries increased by 25% by 2030	% increase in the number of capital markets intermediaries	CMSA	MoFP, BOT, TMX, DSE, Brokers and industry associations
		Ensure all eligible citizens have National Identification;	100 % eligible citizens have National Identification by 2022	Number of adult people with National Identification.	NIDA	PO-RALG, MoFP, MoHA
			All financial service providers interface with NIDA database by 2022	Number of financial service providers interfaced with NIDA database % of financial service customers have National ID	NIDA	PMO, MoFP, MoHA, BOT, TIRA, CMSA Financial service providers
		Mainstream disadvantaged groups, women and youth in accessing and usage of financial services and products;	65% of disadvantaged groups, women and youth access and use financial products and services by 2030	% coverage of the disadvantaged groups, women and youth to access and use financial products and services	MoFP	PO-RALG, PMO, MoHCDGEC, CMSA, TIRA, BOT, Financial service providers
		Promote linkage between community microfinance groups and other financial service providers	50% of community microfinance groups linked with financial service providers by 2025	Number of microfinance groups linked with financial service providers. % of members of microfinance group access financial products and services	MoFP	PO-RALG, PMO, MoHCDGEC, BOT, CMSA, NHIF, TIRA NEEC, Community microfinance group promoters, umbrella associations and financial service providers
		Strengthen financial infrastructure for provision of financial services	Capital markets payment, clearing and settlement completed within one day (T+1) by 2030	Timely clearing and settlement of transactions in capital market	CMSA	MoFP, BOT, DSE, TMX, Capital market intermediaries and fund managers
			Integrated ICT systems in microfinance subsector developed and implemented by 2030	Number of ICT systems developed and used	BOT	MoFP, PO-RALG, TCDC, DCD, Microfinance services providers
			Integrated ICT systems in insurance subsector developed and implemented by 2030	Number of Systems developed and integrated	TIRA	MoFP, BOT and insurance services providers
			Interoperability infrastructure for payment and settlement services developed by 2022	Time taken to complete settlement between payment systems; National payment systems are fast, safe and reliable Transaction cost from one system to another reduced	BOT	MoFP, TCRA and financial services providers
		Enhance financing of Micro, Small and Medium Enterprises (MSMEs)	Number of MSMEs listed on the EGM increased from 5 to 15 by 2030	Number of MSMEs listed on the EGM	CMSA	MoFP, MITI, DSE and Brokers

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
I	Enhance financial inclusion (Contd.)	Promote saving mobilization	Number of companies listed on the DSE increased from 28 to 48 by 2030. Number of collective investment schemes increased from 9 to 15 by 2030 60% of adult population have savings account by 2030 20% of adult population have life savings products 20 supplementary schemes established by 2030	Number of companies listed in the DSE	CMSA	MoFP, TMX, DSE, Fund Fund managers and market intermediaries
				Number of collective investment schemes		
				Volume of savings	BOT	PO-RALG, MoFP, TCDC, DCD, TBA, TCRA, MNOs, COBAT, TAMFI, TIMAP, VICOBA-FETA, DCD, Microfinance service promoters
				Return on investment in savings products increased		
				Number of people with life insurance increased	TIRA	PMO, MoFP, ATI, TIBA, Insurance service providers
		Promote the use of commodity exchange	10 commodity contracts traded on the exchange by 2030	Return of investment in life insurance increased		
				Number of supplementary social security schemes established	PMO	MoFP, BOT, CMSA, ZSSF, PSSSF, NSSF, NHIF, WCF
		Strengthen access of financial services and products to agriculture sector	15% of loan portfolio of financial services allocated for agriculture by 2030 50% of agriculture land formalized by 2030 50% of farmers registered by 2030 10% total insurance premium contributed by agriculture insurance by 2030	Return on investment of the social security schemes increased	TMX	PMO, PO-RALG, MoFP, MITI, MoA, WLB, MoM, TCDC, DCD Agriculture boards
				Number of commodity contracts traded on the exchange		
				% loan portfolio for agriculture sector	BOT	MoFP, PMO, PO-RALG, MITI, MoA, WLB, MoM, Agriculture Boards and financial services providers
				Number of farmers with access to credit		
				Number of Agricultural Marketing Cooperatives and other agriculture community-based saving organizations linked with banks		
				Number of farmers registered	MoA	PO-RALG, MoFP, MoLF, PBFP, TCDC, DCD, ZSTC, TFC, TBA, TAMFI
				Number of rights of ownership for agricultural land granted	MLHSD	Tanzania farmers' association and agriculture boards
				Outstanding loan portfolio for registered farmers		
				Agriculture insurance premium to the total insurance premium	TIRA	MoFP, PMO, PO-RALG, MITI, MoA, WLB, MoM, TMA
				Number of insurance providers issuing agriculture insurance		Agriculture boards, financial service providers
				% of farmers using agricultural insurance		

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
2	Ensure financial consumer protection	Enhance legal regime and supervision framework for market conduct	80% of adult population have confidence in engaging with financial service providers by 2030.	% of adults with confidence in engaging with financial service providers Timely payment of the benefits and claims	MoFP	PMO, AGCs, BOT, TIRA, CMSA, FCC
		Strengthen complaints handling mechanisms	Framework for handling complaints in the financial sector strengthened by 2030.	Number of complaints handled and resolved in a timely fashion	BOT, TIRA, CMSA	PMO, AGCs, FCC, ZFCC
		Enhance disclosure and transparency in the financial sector	Guidelines for disclosure and transparency in the financial sector enhanced by 2022	Regulations and guidelines for disclosure and transparency in the financial sector in place Level of disclosure and transparency.	BOT, TIRA, CMSA	MoFP, PMO, AGCs, FCC
		Enhance financial education and awareness.	80% of population are aware of financial matters by 2025 Financial services week conducted annually	Number of financial education and awareness programs conducted % of population aware about financial products and services % of population use financial services products Number of people attended financial education trainings	MoFP	PO-RALG, PMO, MoEST, AGCs, BOT, NEEC, TCDC, DCD, TIRA, CMSA, FCC Financial service providers
		Promote competition in the financial sector	Legal regime and supervisory frameworks for competition in the financial sector enhanced by 2030	Level of competition in the financial sector	FCC	PO-RALG, MoFP MoEST, AGCs, BOT, TIRA, CMSA Financial service providers
			Awards program in financial sector established by 2021	Number of events	Financial sector umbrella associations	MoFP, PO-RALG, PMO, MoEST, AGCs, BOT, TIRA, CMSA, FCC Financial service providers

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
3	Safeguarding the stability of the financial system	Strengthen oversight and promote risk management systems in financial sector	100% compliance with Risk Based Supervision (RBS) framework by 2030	Level of compliance	BOT, TIRA, CMSA, PMO	Financial services providers
			Cyber Security System in the financial sector enhanced by 2030	Number of cybercrimes in the financial sector	MoFP	BOT, TIRA, CMSA, TCRA
			Mechanism for monitoring real estate developed and implemented by 2022	Mechanism for monitoring real estate scheme in place Sustainability of the scheme	MLHSD	PO-RALG, PMO, MoFP, BOT, TIRA, CMSA, TBA, NHC, TMRC, WHC, Financial service providers and real estate developers
		Strengthen crisis management mechanism in the financial sector	Crisis management frameworks for the financial sector developed and implemented by 2022.	Crisis management frameworks in place	MoFP	BOT, TIRA, CMSA
			Periodic financial Steering Committee and National financial Technical Committee meeting facilitated and conduct by 2030	Number of meetings Financial sector report published annually	MoFP	PMO, PO-RALG, MHCDC, TCDC, DCD, AGCs, BOT, SSRA, TIRA, CMSA, FCC, FIU
		Promote local content in the financial sector	50% of financial service providers owned Tanzanian citizens by 2030 Tanzanians hold 90% of managerial positions in financial service providers by 2030	Number of companies owned 100% by Tanzanian citizens Companies whose majority shareholders are local Number of Tanzanian employees in managerial position	MoFP	PMO, MoEST, AGCs, BOT, SSRA, TIRA, CMSA, FCC Financial service providers
		Enhance financial capacity of the financial service providers	100% of insurance companies comply with capital requirement by 2030 Insurance pools and consortium established by 2030	Level of compliance Number of insurance pools and consortium created. Volume of insurance pools and consortium Number of development projects insured	TIRA	PMO, MoFP, AGCs, BOT, TIRA, CMSA, FCC Financial service providers
			100% of capital market intermediaries comply with capital adequacy requirement by 2025	Number of capital market intermediaries complying with capital requirement.	CMSA	MoFP, AGCs, BOT, TIRA, FCC, Financial service providers
		Strengthen legal and regulatory framework for an effective Deposit Insurance System	Maximum deposit account insured increased to 5,000,000 by 2030	Number of depositors of financial services providers; Volume of insured deposits Timely payment of insured deposits	DIB	PO-RALG, AGCs, BOT, MOFP, TCDC, DCD, MNOs, TCRA
			Public awareness on the Deposit Insurance System conducted by 2030;	Number of awareness program conducted Level of public awareness on deposit insurance	DIB	MoFP, AGCs, PO-RALG, MNO, TCRA, BOT
			Coordination framework among Safety Net Players in the delivery of deposit insurance services developed by 2023	Coordination framework in place Number of meetings conducted among Safety Net Players	MOFP	BOT, DIB
		Extend coverage of Credit Reference system to all financial services providers.	All financial services provider utilize Credit Reference System by 2030	Numbers of financial services providers covered in CRS	BOT	MoFP, TBA, TAMFI, CRB, Financial service providers

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
4	Strengthen long term development finance in the economy	Broadening financial instruments to enable public and private sector to raise long-term capital	3 municipal bonds issued and listed on the DSE by 2030	Number of municipal bonds issued	CMSA	PO-RALG, PMO, MoFP, BOT, DSE, ZSSF
			2 infrastructure bonds issued by 2030	Number of infrastructure bonds	CMSA	MoFP, BOT PO-RALG, PMO, TIRA
			Government bond with 30 years maturity established by 2030	Government bond with maturity of 30 years	MoFP	BOT, CMSA, DSE, TSEBA
			6 new corporate bonds issued and listed on the DSE by 2030	Number of corporate bonds issued	CMSA	MoFP, BOT, CMSA, DSE, TSEBA
			Microfinance bond issued to finance MSMEs by 2025	Volume of resources mobilized through microfinance bond Number of MSMEs financed through microfinance bond	CMSA	PO-RALG, PMO, MoFP, MITI, TCDC, DCD, BOT, DSE, NHIF, WCF, PSSSF, NSSF, ZSSF, SIDO, TAMFI Financial service providers
			3 Development Financial Institutions (DFIs) bonds issued by 2030	Number of corporate bonds issued by Development Financial Institutions (DFIs) Number of long-term projects financed by Development Financial Institutions (DFIs)	CMSA	MoFP AGCs, BOT, DSE, TADB, TIB Development, TMRC, TBA
			Capacity building program to DFIs developed and implemented by 2030	Volume of funds mobilized by DFIs Efficiency	BOT	MOFP, PMO, TIRA, DFIs
		Encourage banks and financial institutions to provide long term credit to productive sectors;	10% of loan portfolio in banks and financial institutions allocated to long term projects by 2030	% of portfolio allocated to long term projects Volume of long-term loans	MoFP	PO-RALG, MoFP, BOT, SSRA, TIRA
		Promote cross-border capital flows to support the efficient allocation of capital to long-term investment	Legal and regulatory framework for cross-border flows in long-term development finance enhanced by 2030	Value of cross-border capital flows	MOFP	PMO, MoFAEAC BOT, TIRA, CMSA
		Create financial instruments for Tanzania Diaspora to finance long term projects	4 capital markets products for attracting Tanzanian Diaspora introduced by 2030	Number of capital markets products for attracting Tanzanian Diaspora introduced.	CMSA	MoFAEAC, MoFP, BOT, SSRA, TIRA, CMSA
		Strengthen affordable housing finance schemes	4 Real Estate Investment Trusts (REITs) issued and listed on the DSE by 2030	Number of REITs issued and listed on the DSE.	CMSA	MoLHSD, MoFP, BOT, SSRA, TIRA, TMRC, Housing developers
			Each pension fund allocates at least 2-5% of the total fund to create a liquid equity fund by 2030	Equity fund established Volume of equity fund mobilized	PMO	MoFP, BOT, CMSA, DSE, NHIF, WCF, PSSSF, NSSF, ZSSF

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
5	Strengthen financial system integrity	Enhance AML and CFT legal, and institutional frameworks	AML and CFT legal, and institutional framework enhanced by 2030	Number of AML/ CFT suspicious transactions reported Number of AML/ CFT court cases	FIU	MoFP, BOT, CMSA, SSSRA, TIRA Financial service providers
			Capacity building programs on AML /CFT to reporting persons developed and implemented by 2030.	Number of capacity programs conducted Level of awareness and compliance	FIU	MoFP, BOT, CMSA, TIRA and reporting persons
		Enhance public awareness of AML/CFT	Public awareness programs on AML/CFT conducted by 2030	Number of awareness programs on AML/CFT conducted. Number of people trained on AML/CFT matters Level of awareness on AML/ CFT matters	FIU	MoFP, BOT, CMSA, TIRA and reporting persons
		Adopt risk based KYC framework for the financial sector	KYC guidelines for the financial sector enhanced by 2030	Level of compliance with KYC requirements	FIU	MoFP, BOT, CMSA, TIRA Financial service providers
		Enhance cross-border cooperation on AML/CFT supervision	Mechanisms for information sharing on AML/CFT matters at regional and international level developed and implemented by 2030	Mechanism for cross-border cooperation on AML/CFT in place	FIU	MoFP, BOT, CMSA, TIRA Financial service providers
6	Strengthen regional and international financial cooperation	Harmonize policy and legal regime on financial matters in line with regional and international cooperation	Financial sector policies and legal frameworks aligned with regional and international policies, principles and model laws by 2030.	Number of policy and legal regimes adopted Number of protocols ratified	MoFP	MoFAEAC, AGCs, BOT, CMSA, TIRA Financial sector umbrella associations
			Cross-border supervision and crisis management framework in the financial sector enhanced by 2030	Regional and international crisis management frameworks in place. Number of MOUs signed	MoFP	MoFAEAC, AGCs, BOT, CMSA, TIRA, PMO
		Promote investment opportunities available in regional and international financial sectors	Investment opportunities from regional and international financial sectors to be identified and implemented by 2030	Number of investments at the regional and international levels Value of investment in financial sector	MoFP	MoFAEAC, AGCs, BOT, SSRA, CMSA, TIRA Financial service providers
			Awareness programs on the available investment opportunities in the region and international levels conducted annually by 2030	Number of programs conducted Number of investment opportunities undertaken at regional and international levels	MOFEAC	MOFP, BOT, CMSA, TIRA Tanzania embassies and financial service providers
		Enhance Tanzanians' participation in regional and international financial institutions and other decision-making bodies	100% representation in regional and international fora on financial sector matters by 2030	Level of participation	MoFP	MOFEAC BOT, CMSA, TIRA, PMO Tanzania embassies

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
7	Promote Research and Development in the financial sector	Enhance capacity for academic institutions, regulators, research institutes or firms and policy makers to conduct research for developing the financial sector	Capacity building programs for conducting research in the financial sector implemented by 2030	Number of capacity building programs Number of research studies conducted and published	MoFP	PMO, BOT, CMSA, TIRA, Financial service providers, development partners, NBS, academic institutions and research organizations
			Guidelines for partnerships in conducting research in financial sector developed by 2030	Guidelines for partnerships in conducting research in financial sector in place	MoFP	PMO, BOT, CMSA, TIRA Financial service providers, development partners, NBS, academic institutions and research organizations
		Encourage development and innovation in the financial sector	Guidelines for coordination and management of innovation in the financial sector developed and implemented by 2030	Guidelines for coordination and management of innovation in the financial sector in place	MoFP	BOT, PMO, CMSA, TIRA Financial service providers and development partners
			Incentive mechanisms for innovation and product development in the financial sector developed by 2030	Number of innovations and products developed	MoFP	BOT, PMO, CMSA, TIRA Financial service providers and development partners
		Enhance dissemination and sharing of research findings to the public	90% of research conducted in the financial sector disseminated by 2022	Level of dissemination of research findings Availability of data	MoFP	BOT, SSRA, CMSA, TIRA Financial service provider and development partners
		Promote utilization of the local research institutes or organizations	Guidelines for promoting usage of the local research institutes or firms in conducting research in the financial sector developed by 2030	Guidelines in place Number of research studies conducted by local research institutes or firms	MoFP	BOT, SSRA, CMSA, TIRA Financial service providers, local research institutes and organizations

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
8	Ensure sustainable capacity building in the financial sector	Enhance capacity of training institutions in courses related to financial sector	Financial sector professional training center established by 2023	Financial sector professional training center in place Number of professionals trained	MoFP	MoEST, BOT, TIRA, PMO, CMSA, Development partners, financial service providers, financial sector umbrella associations, training institutions and research organizations
			Financial education training syllabus developed and instituted in the secondary and tertiary curriculum by 2023	Financial education training syllabus for the secondary and tertiary education in place Number of students acquired knowledge on financial matters	MoFP	MoEST, BOT, TIRA, PMO, CMSA Financial service providers, financial sector umbrella associations, training institutions and research organizations
			Financial sector regulatory authorities provide technical support to training institutions and research organization by 2030	Number of technical support programs	MoFP	MoEST, BOT, TIRA, SSRA, CMSA Financial service providers, financial sector umbrella associations, training institutions and research organizations
		Enhance capacity of development and use of ICT in the financial sector	Establishment of Central Depository system for all players in the financial sector by 2022	Timely access to financial data	MoFP	PO-RALG, PMO, BOT, TIRA, CMSA, TCDC, DCD Financial service providers, financial sector associations
		Enhance capacity of human resource in the financial sector	Capacity building program in the financial sector developed and implemented by 2030	Number of capacity building programs conducted Number of service providers, regulators and policy makers and other relevant stakeholders trained on financial sector matters Number of professionals in the financial sector Quality of products and services in the financial sector Level of efficiency in the financial sector	MoFP, BOT, TIRA, PMO, CMSA	Financial services providers, financial sector umbrella associations, training institutions, research organizations and development partners
		Promote knowledge sharing among financial sector stakeholders	Avenue for knowledge sharing among the financial sector stakeholders developed by 2030	Level of knowledge sharing among the financial sector stakeholders in place Level of awareness Number of press releases, publications and journals issued on financial sector matters	MoFP	BOT, TIRA, PMO, CMSA Financial service providers, financial sector umbrella associations, training institutions, research organizations and development partners
			Financial sector stakeholders' annual meeting conducted by 2030	Annual financial sector stakeholder meeting conducted Level of awareness on financial sector matters	MoFP	BOT, TIRA, PMO, CMSA, Financial services providers, financial sector umbrella associations, training institutions, research organizations and Development Partners

Objective Code	Objective Description	Strategy	Targets	Performance Indicators	Lead Institution	Other Relevant Parties
9	Enhance policy, legal and regulatory framework for financial sector development	Strengthen policy and strategy for financial sector	Financial policies and strategies developed and reviewed by 2030.	Number of policies and strategies % of financial sector contribution to GDP % of adult population with access and use of financial services	MoFP	BOT, TIRA, PMO, CMSA and other financial sector stakeholders
		Strengthen legal regime for the financial sector	Financial sector legal and regulatory framework reviewed and enacted by 2030	Number of financial sector legal legislations reviewed and enacted Level of compliance in the financial sector % of adults with confidence in engaging with financial service providers	MOFP	AGCs, BOT, TIRA, SSRA, CMSA and other financial sector stakeholders



Annex II: Composition of Technical Working Groups

(i) Banking Sub Sector

- Bank of Tanzania (BOT) - Chairperson
- Prime Minister’s Office (PMO)
- Ministry of Finance and Planning (MoFP)
- Ministry of Industry and Trade (MIT)
- Tanzania Communications Regulatory Authority (TCRA)
- Tanzania Bankers Association (TBA)
- Tanzania Association of Microfinance Institutions (TAMFI)
- Community Bank Association of Tanzania (COBAT)
- Mobile Network Operators Association
- Tanzania Revenue Authority (TRA)
- Financial Intelligence Unit (FIU)

(ii) Capital Market Sub Sector

- Capital Markets and Securities Authority (CMSA) – Chairperson
- Ministry of Finance and Planning (MoFP)
- Bank of Tanzania (BOT)
- Ministry of Industry and Trade (MIT)
- Ministry of Agriculture (MoA)
- Warehouse Legislation Board (WLB)
- Dar es Salaam Stock Exchange (DSE)
- Tanzania Mercantile Exchange (TMX)
- Tanzania Bankers Association (TBA)
- Stockbrokers Associations

(iii) Insurance Sub Sector

- Tanzania Insurance Regulatory Authority (TIRA) – Chairperson
- Prime Minister’s Office (PMO)
- Ministry of Finance and Planning (MoFP)
- Insurance Association
- Ministry of Agriculture (MoA)
- Tanzania Meteorological Agency (TMA)
- National Health Insurance Fund (NHIF)

(iv) Social Security Sub Sector

- Prime Minister’s Office (PMO) – Chairperson
- Ministry of Finance and Planning (MoFP)
- Ministry of Health, Community Development, Gender, Elderly and Children (MoHCDGEC)
- Public Service Social Security Fund (PSSSF)
- National Social Security Fund (NSSF)
- Bank of Tanzania (BOT)
- National Health Insurance Fund (NHIF)
- Workers Compensation Fund (WCF)

(v) Microfinance Sub Sector

- Ministry of Finance and Planning (MoFP) – Chairperson
- President’s Office-Regional Administration and Local Government (PO-RALG)
- Ministry of Industry, Trade, and Investment (MITI)
- Bank of Tanzania (BOT)
- Tanzania Cooperative Development Commission (TCDC)
- Department of Cooperatives Development National Economic Empowerment Council (NEEC)
- Fair Competition Commission (FCC)
- Tanzania Communications Regulatory Authority (TCRA)
- Tanzania Association of Microfinance Institutions (TAMFI)
- Financial Sector Deepening Trust (FSDT)

