



ACCELERATING FINANCIAL SECTOR DEVELOPMENT IN TANZANIA

PROCEEDINGS OF THE 19TH CONFERENCE OF FINANCIAL
INSTITUTIONS HELD AT BANK OF TANZANIA
CONFERENCE CENTRE, DAR ES SALAAM

21ST AND 22ND NOVEMBER 2019





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Foreword



The financial sector fraternity maintains the tradition of meeting every two years by holding the Conference of Financial Institutions (COFI). On 21st and 22nd November 2019, the 19th COFI was held at the Bank of Tanzania Conference Centre in Dar es Salaam. The theme of the 19th COFI was “Accelerating Financial Sector Development in Tanzania”.

The Minister of Finance and Planning Honourable Dr. Philip Isdor Mpango (MP) represented His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania in opening the Conference. In his speech, the Honourable Minister emphasized that the Government’s top agenda is industrialization and that the indispensable lever to achieve this goal is a vibrant financial sector.

COFI noted the significant achievements recorded in the financial sector, in particular the growing contribution to the growth of the private sector through increased lending. Nonetheless, it was agreed that the sector still faces challenges, which include, limited access to long-term finance, the majority of the adult population remain unbanked, high interest rates and low confidence of the people in the use of banks. The emerging consensus is that the financial sector needs to be more innovative in the use of technology to provide quality services and expanding its reach throughout the country, foster competition, boost customer confidence and diversify products. The financial sector should therefore operate beyond its traditional norms.

It is imperative that the financial sector operates as an integral part of the country’s economic development strategy. The support of the Government is quintessential to transform the financial sector into an effective midwife to the growth of the private sector through putting in place supportive infrastructure, appropriate policies, and legal and regulatory environment.

It is my hope and expectation that this book will provide effective guidance towards addressing challenges facing the financial sector.

Prof. Florens D.A.M. Luoga
Governor
BANK OF TANZANIA



Acknowledgement

The 19th Conference of Financial Institutions was jointly organized by the Bank of Tanzania and Tanzania Bankers Association. The Governor of the Bank of Tanzania, Prof. Florens D.A.M Luoga, the Deputy Governor, Dr. Yamungu Kayandabila and the Chairman of Tanzania Bankers Association, Mr Abdulmajid M. Nsekela provided leadership and inspiration to the technical and administrative committees.

This book summarises the proceedings of the Conference. It is important to acknowledge the individuals who devote effort, expertise and time to prepare the book under the tireless oversight of Dr. Joseph Masawe and Ms. Neema Moshy. The Technical Committee comprised of Dr. Suleiman Missango, Ms. Tusekelege Juone, Dr. Nicas Yabu, Dr. Wilfred Mbowe, Dr. Nicholas Kessy, Dr. Charles Masenya, Dr. Maduhu Kazi, Dr. Camillus Kombe, Dr. Mosses Mwizarubi, Mr. Mgonya Benedicto, Ms. Sia Shayo, Mr. Leonard Temba, Mr. Dickson Lema, Ms. Villela Waane, Mr. Evarist Mgangaluma, Mrs. Nangi Massawe, Mr. Jesse Ngoti, Mr. Bonaventura Mlamka, Dr. Majige Budeba, Mr. Deogratius Kimolo, Mr. Dominic Mwita and Mr. Mollel Sanga.

Special gratitude to the presenters and discussants who expertly interrogated issues and stimulated interactive deliberations which made it possible to elicit outcomes and recommendations.

We also recognize contribution of the Administrative Committee under the leadership of Mr. Kened Nyoni, Director of Human Resources and Administration of Bank of Tanzania for its invaluable support.



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PART I: OPENING CEREMONY



1.1 Opening Remarks by Prof. Florens D.A.M. Luoga, Governor Bank of Tanzania

Mheshimiwa Dkt. Philip Isdor Mpango, Waziri wa Fedha na Mipango (Mb);
Waheshimiwa Mawaziri na Makatibu Wakuu mliopo hapa;
Waheshimiwa Mabalazi kutoka Nchi Mbalimbali;
Wawakilishi Wakazi wa Mashirika ya Maendeleo;
Mwenyekiti wa Umoja wa Mabenki Nchini;
Wakuu wa Taasisi za Fedha;
Watoa Mada na Wajadili Mada wa Mkutano huu;
Wanahabari;
Wageni Waalikwa, Mabibi na Mabwana.

Awali ya yote, nianze kwa kumshukuru Mwenyezi Mungu, kwa kutujalia uzima na afya njema. Kwa heshima kubwa napenda kumshukuru Mheshimiwa Waziri wa Fedha na Mipango, Dkt. Philip Isdor Mpango, ambaye pamoja na majukumu yake mengi ameweza kuwa nasi leo akimwakilisha Mgeni Rasmi Mheshimiwa Dkt. John Pombe Joseph Magufuli, Rais wa Jamhuri ya Muungano wa Tanzania, ili kufungua rasmi Mkutano wa 19 wa Taasisi za Fedha nchini. Aidha, napenda niwashukuru viongozi mbalimbali waliopo hapa, watoa mada zitakazowasilishwa kwenye mkutano huu, na wageni wote waalikwa kwa kutenga muda wenu adhimu na kushiriki kwenye mkutano huu.

Mheshimiwa Waziri wa Fedha na Mipango,

Mkutano huu umeandaliwa na Benki Kuu ya Tanzania ikishirikiana na Umoja wa Mabenki Tanzania yaani “Tanzania Bankers Association”. Mikutano kama hii imekuwa ikifanyika mara kwa mara na kwa mara ya mwisho ulifanyika mwaka 2016 jijini Arusha. Kwa kawaida mikutano hii huwakananisha wakuu wa Taasisi za Fedha nchini pamoja na wadau mbalimbali wa sekta ya fedha wakiwemo wanazuoni, watafiti, wafanyabiashara, viongozi wa serikali, wanasiasa na wadau wengine wa sekta ya fedha kutoka nje ya nchi. Aidha, mkutano huu umehudhuriwa na wawakilishi kutoka baadhi ya Benki Kuu za nchi wanachama wa Jumuiya ya Afrika Mashariki na Jumuiya ya Maendeleo ya Nchi za Kusini mwa Afrika.

Mheshimiwa Waziri wa Fedha na Mipango,

Mada kuu ya Mkutano huu wa 19 wa Taasisi za Fedha ni “Kuharakisha Maendeleo ya Sekta ya Fedha Nchini”, ambayo inalenga kuongeza mchango wa sekta ya fedha katika maendeleo ya uchumi wetu. Mada hii inawiana na lengo la Serikali ya Awamu ya Tano la kuifanya Tanzania kuwa nchi ya viwanda na kipato cha kati ifikapo mwaka 2025. Hivyo, mkutano huu utajadili kwa kina mbinu mbalimbali ambazo sekta ya fedha inaweza kutumia katika kuchochea kasi ya ukuaji wa uchumi.

**Mheshimiwa Waziri wa Fedha na Mipango,**

Sekta ya fedha nchini imepitia mabadiliko mbalimbali ya kiseru, kisheria na kimuundo ambayo pamoja na mambo mengine, yaliruhusu uwepo wa soko huria katika sekta hii. Vilevile, Serikali imekuwa ikifanya mapitio ya sekta ya fedha na kutoa miongozo mbalimbali kwa ajili ya ustawi wa sekta hii.

Mheshimiwa Waziri wa Fedha na Mipango,

Kutokana na juhudi mbalimbali za kuboresha sekta ya fedha, tumeshuhudia mafanikio makubwa. Sekta hii imekua kwa wastani wa asilimia 3.1 na ikichangia katika ukuaji wa uchumi kwa wastani wa asilimia 2.6 kwa kipindi cha miaka mitano iliyoishia 2018. Taasisi za fedha zimeendelea kuongezeka na kusambaa sehemu mbalimbali nchini ambapo hadi Oktoba 2019 kulikuwa na benki za biashara na Taasisi za Fedha 61 zenye matawi 838 nchini. Aidha, Benki Kuu ya Tanzania imekuwa ikisisitiza upatikanaji wa huduma karibu na wananchi, na hadi Oktoba 2019 kulikuwa na jumla ya mawakala 22,481 wa benki za biashara wanaotoa huduma moja kwa moja kwa wananchi na kuwa kiungo muhimu kati ya wananchi na Taasisi za Fedha. Vilevile, utoaji wa huduma za fedha kwa wananchi na watoa huduma umeongezeka ikiwa ni pamoja na kuwepo kwa njia mbadala za utoaji huduma za fedha kieletroniki na kupitia simu za mkononi. Hivyo, kwa sasa wananchi wanapata huduma za fedha karibu zaidi ikilinganishwa na miaka 5 iliyopita.

Aidha, kumekuwa na ongezeko la wananchi wanaotumia huduma rasmi za kifedha. Matokeo ya utafiti wa “FinScope” ya mwaka 2017 yanaonesha kuwa idadi ya watu wazima wanaotumia huduma rasmi za kifedha ilifikia asilimia 65 mwaka 2017 ikilinganishwa na asilimia 45 ya mwaka 2009. Vilevile, idadi ya watazania walio umbali usiozidi kilometa 5 kutoka katika kituo cha huduma za kifedha imezidi kuongezeka na kufikia asilimia 86 kwa mwaka 2017.

Mheshimiwa Waziri wa Fedha na Mipango,

Kuhusu utekelezaji wa Sera ya Fedha, kumekuwa na mafanikio makubwa ambapo mfumuko wa bei umekuwa wa kiwango cha chini kuliko kipindi kingine chochote tangu taifa letu lilipopata uhuru mwaka 1961. Wastani wa mfumuko wa bei katika kipindi cha miaka 4 ya uongozi wa Serikali ya Awamu ya Tano, ulikuwa asilimia 4.7 ukilinganisha na wastani wa asilimia 8.9 kwa kipindi cha miaka 4 kabla ya hapo. Aidha, mfumuko huo wa bei umeendelea kushuka hadi kufikia asilimia 3.6 mwezi Oktoba 2019.

Mheshimiwa Waziri wa Fedha na Mipango,

Katika utoaji wa mikopo kwa sekta binafsi, kumekuwa na mafanikio na hivyo kuchangia ukuaji wa uchumi. Ukuaji wa mikopo kwa sekta hiyo ulifikia asilimia 9.3 mwezi Septemba 2019 baada ya hatua mbalimbali kuchukuliwa kufuatia ukuaji mdogo wa wastani wa asilimia 3.4 mwaka 2018 na wastani wa asilimia 2.2 mwaka 2017, kulikotokana na sababu mbalimbali ikiwemo ongezeko la mikopo chechefu. Riba za mikopo zimeshuka na kufikia wastani wa asilimia 17 kutoka zaidi ya



asilimia 18 kwa kipindi cha nyuma. Pamoja na jitihada zilizofanywa na Benki Kuu ya Tanzania kuhakikisha kuwa benki na Taasisi za Fedha nchini zinatoa mikopo nafuu kwa wananchi wengi zaidi, bado kumekuwa na changamoto ya utambulisho na utambuzi wa wateja (unique identification and know-your customer). Hali hii imesababisha benki nyingi kuweka riba za juu kwenye mikopo na hivyo kuwafikia wateja wachache. Tunatambua jitihada zinazoendelea kufanywa na Serikali katika kutoa vitambulisho vya taifa na tunaamini kwamba kuongezeka kwa upatikanaji wa vitambulisho hivyo kwa wataanzania wengi zaidi hasa walioko vijijini, kunaweza kuchangia kuongeza upatikanaji wa mikopo nafuu zaidi kwa wananchi na wazalishaji wengine.

Akiba ya fedha za kigeni imeendelea kuongezeka na kufikia dola za Marekani bilioni 5.4 mwezi Oktoba 2019, kiasi ambacho kinatosheleza kuagiza bidhaa na huduma kutoka nje kwa zaidi ya miezi 6. Aidha, shilingi ya Tanzania dhidi ya sarafu mbalimbali duniani imeendelea kuwa tulivu.

Mheshimiwa Waziri wa Fedha na Mipango,

Sekta ya fedha imeendelea kuwa tulivu. Ripoti zinaonyesha kuwa benki zina mitaji na ukwasi wa kutosha unaowiana na viwango vilivyowekwa kisheria. Uwiano wa mtaji wa msingi wa sekta ya kibenki ukilinganishwa na jumla ya rasilimali zilizopo ulikuwa asilimia 16.6 mwezi Septemba 2019, ambao ni juu ya kiwango cha chini kinachokubalika kisheria cha asilimia 10. Uwiano wa ukwasi yaani “liquidity ratio” ulikuwa asilimia 31, ikilinganishwa na kima cha chini cha kisheria cha asilimia 20. Hali hii imechangia ongezeko la utoaji wa huduma za fedha nchini. Aidha, Benki Kuu ya Tanzania imeendelea kusimamia sheria na taratibu katika kuimarisha utulivu wa sekta ya fedha.

Mheshimiwa Waziri wa Fedha na Mipango,

Pamoja na mafanikio yaliyopatikana, zipo changamoto kadhaa zinazoikabili sekta ya fedha. Kwanza, uwepo wa benki chache kushindwa kufikia matakwa ya kisheria ya uendeshaji, hivyo kuilazimu Benki Kuu ya Tanzania kuchukua hatua mbalimbali ikiwa ni pamoja na kuzishauri benki hizo kuungana, kuongeza mtaji, na pale inapobidi kuzifunga. Changamoto nyingine ni ukuaji mdogo wa mikopo ya benki kwa sekta binafsi, ambapo Benki Kuu ya Tanzania ilichukua hatua mbalimbali na kuwezesha kukabiliana na hali hiyo na kuanza kuleta matokeo chanya kuanzia mwaka 2018. Kutokana na kuongezeka kwa mikopo chechefu, Benki Kuu ya Tanzania imechukua hatua zifuatazo;

- i. Kutunga kanuni za utendaji za huduma za kibenki “code of conduct” zinazotoa mwongozo wa utoaji mikopo pamoja na maadili yanayopaswa kufuatwa na Taasisi za Fedha na watoa huduma za fedha wengine pamoja na wafanyakazi wao.
- ii. Kuelekeza benki na Taasisi za Fedha nchini kuanza kutumia Mfumo wa Kutunza Kumbukumbu za Wakopaji yaani “Credit Reference System” ili kupata taarifa za mkopaji kabla ya kutoa mkopo.
- iii. Kuanzisha Kanzidata ya Masijala ya Dhamana yaani “Collateral Registry” umefikia hatua nzuri na utakapokamilika, taarifa za dhamana zote ambazo zimetumika kwenye



mikopo zitahifadhiwa na kupatikana kwa wakopeshaji. Hii itaondoa uwekezekano wa matumizi ya dhamana moja kwa mkopo zaidi ya mmoja bila taarifa.

- iv. Kuanzisha bima ya kilimo kwa ajili ya kulinda mikopo ya sekta hiyo na hivyo kuwa chachu ya kuongeza upatikanaji wa mikopo kwa wakulima.

Mheshimiwa Waziri wa Fedha na Mipango,

Ili kuhakikisha malipo ya miamala ya fedha yanafanyika kwa urahisi, haraka, uwazi na kwa ufanisi, mnamo mwezi Februari 2019, Benki Kuu ya Tanzania ilianza kuandaa mfumo mpya wa malipo ya papo kwa papo nchini, yaani “Tanzania Instant Payment System”. Mfumo huu ambao unatarajiwa kukamilika mwezi Juni 2020, utasaidia kuziunganisha benki na taasisi zingine zinazotoa huduma za fedha katika kufanya malipo mbalimbali ya fedha kwa haraka zaidi na gharama nafuu. Aidha, mfumo huu utasaidia kupunguza matumizi ya fedha taslimu katika kufanya malipo kwa kuwa watoa huduma za fedha watakuwa tayari wameunganishwa kwenye mfumo mmoja. Vilevile, mwananchi ataweza kutumia simu yake ya mkononi kupata huduma za kibenki bila tatizo hata kama hakuna tawi la benki lililo karibu.

Mheshimiwa Waziri wa Fedha na Mipango,

Kama nilivyoieleza awali, katika siku mbili za mkutano huu tutajadili mambo mbalimbali yanayohusu maendeleo ya sekta ya fedha nchini, hususan namna sekta ya fedha inavyoweza kuchangia kukuza uchumi wa viwanda na shughuli nyingine kwa maendeleo ya uchumi. Mkutano huu pia utatoa fursa ya kujifunza na kubadilishana uzoefu katika matumizi ya teknolojia na jinsi inavyoweza kuendeleza sekta ya fedha. Tunashukuru tumepata watoa mada wenye weledi kutoka ndani na nje ya nchi ambao wapo tayari kutupatia uzoefu wao.

Mheshimiwa Mgeni Rasmi,

Ni matumaini yangu kwamba mkutano huu, kama ilivyokuwa kwa mikutano iliyopita, utakuwa ni wa mafanikio makubwa. Ni matarajio yangu kuwa tutatoka na mapendekezo muhimu ambayo yatasaidia kuendeleza sekta ya fedha nchini ili iwe chachu ya ukuaji endelevu wa uchumi wa nchi yetu.

Baada ya kusema hayo, napenda kutumia fursa hii kukushukuru tena kwa kukubali ombi letu la kuwa Mgeni Rasmi katika mkutano huu. Kukubali kwako kunadhihirisha wazi uzito unaoweka katika maendeleo ya sekta ya fedha.

Mheshimiwa Mgeni Rasmi,

Sasa naomba nikukaribishe ili uzungumze nasi na kufungua rasmi Mkutano huu wa 19 wa Taasisi za Fedha nchini wa Mwaka 2019.

Mheshimiwa Waziri, Karibu sana.



1.2 Inaugural speech by the Guest of Honour Dr. Philip I. Mpango, Minister for Finance and Planning

Prof. Florens Luoga, Gavana wa Benki Kuu ya Tanzania;
Wajumbe wa Bodi ya Benki Kuu ya Tanzania;
Manaibu Gavana wa Benki Kuu ya Tanzania;
Wakuu wa Taasisi za Fedha;
Mabalazi kutoka Nchi Mbalimbali;
Wakuu wa Taasisi na Makampuni Mbalimbali;
Wanahabari.

Wageni Waalikwa, Mabibi na Mabwana, awali ya yote, napenda kumshukuru Mwenyezi Mungu kwa kutuwezesha kujumuika pamoja katika Mkutano huu. **Pili**, ninaleta kwenu salamu kutoka kwa Mhe. Dkt. John Pombe Joseph Magufuli, Rais wa Jamhuri ya Muungano wa Tanzania, ambaye hakuweza kuja kujumuika nanyi leo kutokana na majukumu mengine aliyonayo ya kitaifa. Amesema anawakaribisha sana wageni waliotoka nje ya Tanzania na anawaomba baada ya mkutano huu watenge muda kutembelea vivutio vya kipekee Tanzania Bara na Zanzibar na kuonja ukarimu wa Watanzania. Aidha, anawatakiwa washiriki wote mkutano wenye mafanikio makubwa. Nami namshukuru Mheshimiwa Rais kwa heshima hii kubwa aliyonikasimu kuwafungulia kongamano hili. **Tatu**, nitumie fursa hii kuwapongeza kwa dhati Benki Kuu ya Tanzania na Umoja wa Mabenki Tanzania kwa maandalizi mazuri ya Mkutano huu mahsus wa Sekta ya Fedha wenye mada kuu **“Kuharakisha Maendeleo ya Sekta ya Fedha Tanzania”**. Hongereni sana.

Mabibi na Mabwana, kama wote mnavyofahamu mojawapo ya vipaumbele vya juu vya Serikali ya Awamu ya Tano ni kuendeleza uchumi wa viwanda. Hata hivyo, ni wazi kuwa maendeleo ya viwanda, biashara na kuongezeka kwa fursa za ajira nchini yanategemea sana uimara na ukuaji wa sekta ya fedha. Huduma za kifedha ndiyo njia ya kupitishia mitaji (ya ndani na ya kimataifa) kupitia mikopo, mauzo ya hisa na uwekezaji wa moja kwa moja kuendeleza au kujenga viwanda, hususan kwa kuwekeza katika mitambo na mashine, utafiti na maendeleo, upanuzi wa biashara na uwekezaji katika miundombinu wezeshi kwa maendeleo ya viwanda. Aidha, sekta imara ya fedha ni sifa muhimu ya mazingira rafiki na tabirifu kwa uwekezaji wa ndani na nje. Vile vile, huduma za fedha zinawezesha na kurahisisha biashara ya bidhaa na huduma kimataifa hasa pale ambapo zinahitajika huduma mahsus za fedha kama “letters of credit” au bima ya mauzo nje yaani “export insurance” na ubadilishanaji wa fedha za kigeni.

Mabibi na Mabwana, kwa kutambua umuhimu wa sekta ya fedha katika ukuaji wa uchumi, Serikali imekuwa ikifanya jitihada kukuza sekta hii na kuhakikisha kuwa taasisi za fedha nchini zinasimamiwa vizuri. Baadhi ya jitihada zilizofanyika ni pamoja na mabadiliko ya sera na sheria. Mtakumbuka kwamba, tangu mwanzoni mwa miaka ya 1990, Serikali imefanya mabadiliko



makubwa kwenye sekta hii ya fedha kwa kuruhusu watu binafsi wa ndani na nje ya nchi kuwekeza katika sekta ya fedha. Aidha, Serikali iliachana na utaratibu wa awali wa kupanga na kusimamia riba na kiwango cha mikopo kwa sekta binafsi. Vilevile, Serikali imekuwa ikitoa wataalam na fedha kwa ajili ya kuanzisha taasisi muhimu, kwa mfano, kuanzishwa kwa Benki ya Maendeleo ya TIB na TADB, Huduma za Bima, Mifuko ya Hifadhi za Jamii na Mamlaka ya Masoko ya Mitaji.

Mabibi na Mabwana, natambua kwamba ninahutubia magwiji na watendaji wa sekta ya fedha nchini na kimataifa, ambao mna ufahamu mzuri zaidi kuhusu sekta ya fedha. Naomba nisisitize kuwa maendeleo ya sekta ya fedha ambayo ni wezeshi kwa maendeleo ya uchumi wa viwanda yana sifa zisizopungua sita (6):

1. Kupanuka kwa huduma za fedha kuwafikia wananchi wengi, hasa vijijini;
2. Kuwa na wigo mpana wa bidhaa na huduma za aina mbalimbali (new kinds of financial products and services) zinazopatikana kwa gharama ambazo wananchi wengi wanaweza kuzimudu;
3. Ushiriki wa vyanzo binafsi vya fedha na mitaji kama vile uwekezaji wa moja kwa moja kutoka nje (FDIs), Sovereign Wealth Funds, na kadhalika;
4. Matumizi ya teknolojia na ujuzi bora zaidi kama vile teknolojia ya habari na mawasiliano (ICT) na uchambuzi makini zaidi wa mikopo, dhamana na hatari (credit, guarantee and risk analysis) na mifumo imara ya malipo;
5. Usimamizi makini na mahiri wa masoko ya fedha ambao utawezesha fedha na mitaji kutiririka kwenda kwenye sekta za kiuchumi zenye nafasi kubwa zaidi za kutengeneza faida na fursa za ajira; na
6. Uwepo wa mikakati ya kufaa kukabiliana na changamoto katika maeneo yote yaliyotajwa.

Haya ndiyo mambo ya msingi ya kuzingatia mnapotafakari hatua iliyofikiwa hadi sasa na namna ya kuharakisha maendeleo ya sekta ya fedha hapa Tanzania.

Mabibi na Mabwana, kutokana na maboresho ambayo yametokeleza, sekta ya fedha imekua na kuimarika, licha ya changamoto mbalimbali ambazo zimekuwa zikijitokeza. Napenda niwapongeze kwa dhati wadau wote wa sekta ya fedha kwa mafanikio makubwa yaliyofikiwa hadi sasa. Kwa sababu Gavana wa Benki Kuu ya Tanzania ameyaaanisha vizuri, nitaomba nijielekeze kuwaomba washiriki wa kongamano hili watusaidie mawazo na mikakati ya kupiga hatua zaidi katika maeneo yafuatayo:

Kwanza, naomba mtumie fursa hii kujadili kwa kina namna bora itakayowezesha taasisi za fedha nchini kuwafikia wananchi wengi wa vijijini kwa gharama nafuu. Takriban asilimia 66 ya Watanzania wanaishi vijijini kwa kutegemea kilimo ambacho ndicho chanzo kikuu cha kukidhi mahitaji ya chakula nchini na malighafi kwa ajili ya viwanda. Hali halisi ni kuwa wengi wao bado hawajafikiwa na huduma za fedha (ikiwemo mikopo).



Pili, riba za mikopo bado ziko juu kiasi kwamba watu wengi wanashindwa kukopa na baadhi ya waliokopa kushindwa kurejesha. Hivyo, licha ya juhudi za kuboresha sekta hii ambazo Gavana amezisema, ningependa mkutano huu utoe mapendekezo ya mikakati ya kushusha riba ili kuwezesha upatikanaji wa mikopo kwa gharama nafuu na hivyo kuchochea maendeleo ya uchumi. Aidha, itafaa kongamano hili libainishe mikakati mipya ya kupunguza na kudhibiti kiasi cha mikopo chechefu katika mabanki.

Tatu, mikopo kwa sekta ya kilimo bado siyo ya kuridhisha, kwani sekta hii imekuwa ikipokea chini ya asilimia 10 ya mikopo yote itolewayo na mabanki. Sekta hii imeendelea kukua kwa wastani wa asilimia 5.3 kwa kipindi cha miaka 4 iliyopita ikilinganishwa na matarajio ya Serikali ya ukuaji wa asilimia 13.1 ifikapo 2025. Sekta ya kilimo ni muhimu siyo tu katika kutoa malighafi kwa ajili ya viwanda, lakini pia kama nilivyokwisha sema ndiyo chanzo kikuu cha chakula na fursa za ajira kwa Watanzania walio wengi, lakini pia ndiyo sekta yenye uwezo wa kupunguza umaskini na kuchangia upatikanaji wa fedha za kigeni kwa kiasi kikubwa. Hivyo, ni matarajio yangu kuwa mjadala wenu utaangalia namna bora ya kuzifanya taasisi za fedha kuongeza mikopo ya riba nafuu kwa ajili ya kilimo cha mazao, ufugaji, uvuvi na biashara husika (Agribusiness).

Nne, niungane na Gavana kutambua juhudi kubwa zinazofanywa na Serikali na wadau mbalimbali kuboresha sekta ya fedha, ikiwemo kujenga Kanzidata ya taarifa za wateja na utoaji wa vitambulisho vya Taifa. Natoa rai kwa mamlaka husika kuharakisha utoaji wa vitambulisho vya Taifa kwa upande mmoja, na benki kwa upande wao kuhakikisha zinaboresha utoaji wa huduma za kifedha.

Tano, kama mnavyofahamu, Serikali inaendelea na ujenzi wa miradi ya kimkakati ikiwemo; ujenzi wa reli ya kisasa (Standard Gauge Railway) ambayo itarahisisha usafirishaji na uchukuzi, ujenzi wa mradi wa kuzalisha umeme kwa njia ya maji kwenye mto Rufiji wa megawati 2,115 na maboresho ya sekta ya anga. Miradi hii inahitaji fedha nyingi kutoka vyanzo mbalimbali vya ndani na nje. Hivyo, ni matarajio yangu kwamba mkutano huu utajadili na kutoa mapendekezo ya namna taasisi za fedha zinavyoweza kuchangia katika upatikanaji wa fedha za kugharamia miradi hii ya kimkakati na ile ya sekta binafsi.

Sita, ni kuhusu umuhimu wa sekta ya fedha katika ulipaji wa kodi. Wakati Serikali ya Awamu ya Tano inaingia madarakani, wastani wa makusanyo ya kodi kwa mwezi yalikuwa shilingi bilioni 850, lakini sasa ni wastani wa shilingi trilioni 1.3. Kwa miezi ya hivi karibuni tumekuwa tukikusanya wastani wa zaidi ya shilingi trilioni 1.5 kuanzia Julai hadi Oktoba 2019. Pamoja na kwamba sekta ya fedha imekuwa miongoni mwa walipa kodi waaminifu, napenda nitoe wito kwa taasisi hizi kuendelea kushirikiana na Serikali katika kuboresha mifumo ya malipo ya ukusanyaji wa kodi. Na kwa msisitizo, ni muhimu hili liendane na matumizi ya kielektroniki katika kufanya miamala.



Saba, ningependa kuwakumbusha kuwa tuna Mpango wa Taifa wa Kuboresha Mazingira ya Biashara (Blueprint) na Mpangokazi wa utekelezaji wake umeshakamilika. Nitoe wito kwa wadau wote ikiwa ni pamoja na Sekta ya Fedha kushiriki kutekeleza Mpangokazi huo ili kuboresha mazingira ya biashara na uwekezaji. Nawakumbusha kuwa Sekta ya Fedha ina mchango mkubwa sana katika kufanikisha Mpangokazi huo.

Nane, natambua kuwa sekta isiyo rasmi nchini bado ni kubwa na haipati fursa ya kutosha kunufaika na huduma rasmi za kifedha. Serikali inaendelea kuchukua hatua mbalimbali kurasimisha rasilimali na biashara, ikiwa ni pamoja na utoaji wa vitambulisho kwa wafanyabiashara wadogo wadogo wakiwemo wamachinga. Lengo ni kuwawezesha wajasiriliamali hao kuingia kwenye mfumo rasmi ili waweze kushiriki kikamilifu katika ukuaji wa uchumi. Natoa changamoto kwenu Taasisi za Fedha kuhakikisha kuwa mnatoa huduma ambazo zitawawezesha walio katika sekta isiyo rasmi kujumuishwa katika mfumo rasmi wa fedha. Aidha, wadau wote wa sekta ya fedha chini ya uongozi wa Benki Kuu ya Tanzania na Wizara ya Fedha na Mipango mshirikiane kuweka mazingira mazuri ya Taasisi za Fedha kuwafikia wale walio katika sekta isiyo rasmi.

Mabibi na Mabwana, Mwisho, naamini kwamba matokeo ya majadiliano ya Mkutano huu yatakuwa ni muendelezo wa maboresho katika sekta ya fedha yatakayoleta tija kwa Taifa. Napenda kuwahakikishia kuwa Serikali itaendelea kushirikiana na wadau mbalimbali katika kuhakikisha kuwa sekta hii inachangia maendeleo ya nchi na tunasubiri kwa hamu kubwa ushauri utakaotokana na kongamano hili.

Baada ya kusema haya, kwa niaba ya Mheshimiwa Dkt. John Pombe Joseph Magufuli, Rais wa Jamhuri ya Muungano wa Tanzania ninayo heshima kutamka kwamba “**Mkutano wa 19 wa Taasisi za Fedha wa Mwaka 2019**” umefunguliwa rasmi.

Nawatakia mkutano wenye mafanikio.

Asanteni sana kwa kunisikiliza.



1.3 Vote of Thanks by Mr Abdulmajid M. Nsekela, Chairperson Tanzania Bankers Association

Mheshimiwa Dr. Philip Isdori Mpango (MB), Waziri wa Fedha na Mipango
Mhe. Gavana na Manaibu Gavana wa Benki Kuu ya Tanzania,
Waheshimiwa Makatibu Wakuu
Waheshimiwa wakuu wa vyombo vya fedha
Mabalozi wa nchi mbali mbali
Wageni waalikwa,
Mabibi na Mabwana

Nimesimama hapa kwa niaba ya wote mliohudhuria mkutano huu wa leo, ili niweze kumshukuru kwa dhati Mgeni Rasmi, Mheshimiwa Dkt. Philip Mpango kwa kutufungulia mkutano wetu leo hii. Kwanza kabisa napenda kuishukuru sana Serikali ya Awamu ya Tano chini ya uongozi wa mpendwa wetu, Dkt. John Pombe Joseph Magufuli, Rais wa Jamhuri ya Muungano wa Tanzania kwa juhudi inazofanya kukuza uchumi wa taifa letu la Tanzania. Pili nimshukuru sana Mheshimiwa Waziri kwa maneno ya busara, ushauri na melekezo ambayo ametupa katika hotuba yake.

Mheshimiwa Mgeni Rasmi,

Tunakushukuru kwa kutukumbusha tena kuwa, ingawa sekta yetu ya fedha imepata mafanikio makubwa toka Serikali ilipofanya marekesho ya kisera kunako miaka ya 1990, lakini bado wananchi wengi hasa wale wa kipato cha chini hawajafikiwa na huduma rasmi za kifedha. Umetutaka tutumie mkutano huu kujadili na kuja na mapendekezo yatakayotupeleka hatua ya juu zaidi, ili tuhakikishe ya kuwa angalau asilimia 90 ya Watanzania wanatumia huduma rasmi za kifedha.

Mheshimiwa Mgeni Rasmi,

Umetukumbusha pia kwamba, Serikali ya Awamu ya Tano inatilia mkazo kujenga uchumi wa viwanda. Aidha, umetuasa tutambue kwamba bila mchango madhubuti wa sekta ya fedha, jitihada zetu za kujenga uchumi wa viwanda zitakuwa si rahisi kuzaa matunda. Vile vile, umeitaka sekta ya fedha itumie mkutano huu kujadili namna bora ya kuifanya sekta hii kuwa kinara wa kuleta maendeleo ya uchumi wa viwanda.

Hali kadhalika umeweka wazi kuwa bila maendeleo katika sekta zingine muhimu kama vile kilimo, mifugo, uvuvi, usafirishaji na nishati, matarajio yetu ya kufikia uchumi wa viwanda hayatafikiwa. Umetukumbusha kuwa ufanisi katika sekta hizi bado uko chini na umetutaka tujadili pia jinsi gani Taasisi za Fedha nchini zitakavyochangia katika ukuaji wake.

Mheshimiwa Mgeni Rasmi,

Umeongelea pia suala la riba za mikopo kubaki juu na hivyo kutomnufaisha mkopaji mdogo.



Umetuasa sisi kama sekta ya fedha, tuangalie njia bora ya kushusha viwango vya riba ili kuongeza mikopo katika shughuli mbalimbali za kiuchumi, hususan zile za wajasiriamali wadogo na wa kati.

Mheshimiwa Mgeni Rasmi,

Tunaisifu na kuipongeza sana Serikali kwa hatua ilizochukua ili kuboresha maeneo mbalimbali yanayohusu sekta ya fedha. Tunaipongeza Serikali kupitia Mamlaka ya Vitambulisho vya Taifa kwa hatua ilizochukua katika utoaji wa vitambulisho vya taifa, ambavyo vitazisaidia benki kuwatambua wateja wake kwa haraka na urahisi. Pia tunaishukuru Serikali kupitia Benki Kuu ya Tanzania kwa kuweka mfumo imara wa kutunza kumbukumbu za wakopaji na kwa maandalizi mazuri ya kuanzisha kanzidata ya dhamana.

Mheshimiwa Mgeni Rasmi,

Hatua hizi za Serikali pamoja na nyingine za kuimarisha miundombimu, hususan upanuzi wa bandari, kuboresha mazingira ya kufanya biashara na utoaji wa vitambulisho kwa wafanyabiashara wadogo zinaonyesha nia ya dhati ya Serikali ya kuinua uchumi na kuboresha maisha ya Mtanzania.

Naomba nikuahidi Mheshimiwa Mgeni Rasmi kuwa, yote uliyoyasema katika hotuba yako, ikiwa ni pamoja na changamoto ulizotuagiza tutatue, tutayajadili kwa dhati katika mkutano huu, ili uwe mchango wetu kwa hatua nzuri na za dhati zinazochukuliwa na Serikali ya Awamu ya Tano katika kufikia malengo yake.

Nichukue nafasi hii kwa niaba ya wenzangu, kukushukuru tena kwa namna ya pekee, wewe Mheshimiwa Mgeni Rasmi kwa heshima uliyotupa ya kutufungulia rasmi mkutano wetu.

Mungu akujalie baraka zake katika utendaji wa majukumu yako mazito ya kujenga taifa letu.

Mungu Ibariki Tanzania, Mungu Mbariki Rais Wetu Dkt. John Pombe Joseph Magufuli.



PART II: SUMMARY OF PRESENTATIONS AND DISCUSSIONS



2.1 Leveraging Technology to Unleash Financial Sector Growth for Industrialization by Eugenie Krijnsen

The paper underscores the increased necessity of intelligent use of technological transformation in today's financial landscape given its disruptive power, and increasingly demanding clients who are more tech savvy. Clients in today's world are more demanding and want individualised, personalised experiences and real time solutions at low cost. This is a cross-sector phenomenon, which requires companies including the banking sector, to embrace new technologies necessary for them to remain relevant and be able to build competitive innovative strategies. The adoption of new technologies by digitizing core business processes, reviewing organizational structures and internal talent help banks to build trust to its customers, shareholders, supervisors and become more convenient in offering cost effective financial services. These are key ingredients that make financial sector relevant and reliable in making useful and valued contribution to society rather than promoting a certain brand that relied mostly on customer inertia in switching to a different bank. In future, clients will be choosing the provider of financial services based on factors that relate far more closely to trusting in a community, rather than a "brand" per se. One thing to appreciate is that the use of social media and internet penetration in Africa is growing, offering opportunities for banks to offer better products and services, as well as helping customers with best financial advice.

The paper highlights the crucial role that technology plays in strengthening trust in banks, but it can also severely undermine the trust of stakeholders if not handled strategically in developing products and services that are more convenient, suit the demands of stakeholders and help to maintain competitiveness. Nonetheless, speed of change, stability, cost effectiveness and simplicity, which stakeholders experience in communicating with banks via the chosen products and services, strengthen the convenience of banks' existence. In this world of rapid technological transformation characterized by the younger generation, banks need to make use of technology in order to be able to supply products and services at a competitive price and meet clients' expectations who are in use of digital technologies. The use of technology in financial service delivery will also meet supervisors' demands given the avalanche of rules and regulations in place following global financial crises.

The paper emphasizes on leveraging technology to promote transparency, lower prices, increase innovation and competition, and a more diversified financial sector. Further, potential risks that are inherent with increased use of technology in providing financial services are extensively articulated. These include inability to ensure and safeguard client's privacy, job losses to certain job segments, concentration of market power at one or more bigtechs, weakening of fraud detection systems in say cryptocurrency transactions due to anonymity, and reputational risk to banks if the technology does not work well or due to unscrupulous actions of partners (fintech/



bigtech) especially on client's data usage.

The author recommends that innovation in the banking sector is a must. Banks will have to take advantage of the opportunities that technology offers to boost convenience and lower the costs of financial services. Banks will also need to take care in using technology to build trust and not to diminish it. Also, banks need to work together with new partners, such as fintech start-ups, scale-ups or bigtech behemoths, media and telecommunication companies. Further, banks have an obligation to look beyond short term financial results, and consider the full range of risks that technology brings with it and address them proactively. When these are done, banks will be able to leverage technology to unleash banking services.

During discussion, it was articulated that leveraging technology in the banking sector was not only beneficial to banks but also to customers. In this regard, new entrants in the industry should be viewed as an opportunity in enhancing the efficiency at which financial services are offered, i.e at a lesser cost rather than a threat. For instance, the entrance of mobile money operators (MNOs) in the market was initially perceived as threat to banks rather than an opportunity in providing efficient financial services in Tanzania.

It was also highlighted that the huge amount of data available to mobile service providers and financial institutions can be used to close the gap between supply and demand of financial services delivery. This can be achieved by taking advantage of technologies such as Machine Learning and Artificial Intelligence to analyze clients' data and provide services that meet customers' needs.

Going forward, the following were recommended by participants:

- i. Investment on digital technology should go beyond borders; emphasis was given on regional interoperability.
- ii. Need to enhance transparency and access to information in the banking sector.
- iii. Keep policy and decision makers informed on the emerging cutting edge innovations in the financial services.
- iv. Regulators and supervisors need to come up with less stringent but cautious regimes for new entrants in the financial industry (fintech, bigtech), with changes in banking laws that are flexible, with regtech solutions that are supportive to ensure appropriate and effective regulation of the industry without compromising financial stability.



2.2 Linking Financial Sector and Industrialization: A New Wave of Opportunities in Tanzania by Moremi Marwa

The paper acknowledges the importance of government intervention in driving industrialization agenda through smart policy interventions and investments in the economy. It is so because domestic producers require a period of active government support and partial insulation to cover them as they build up their productive capabilities and reach economies of scale. Also, key to industrialization are the “basics” that make up the investment climate, that is infrastructure, skills, finances, stable fiscal and monetary policies, business friendly policy regimes, and steady investment in human capital and institutions. For industrial programmes to work, the paper argues that there must be:

- i. High level of strategic collaboration and coordination between and among governments, institutions and private enterprises;
- ii. Targeted public investments in infrastructure; primarily energy, transportation, communication, and water;
- iii. Significant amounts of project financing, and financial institutions with the necessary capabilities;
- iv. Investment facilitation, legal and regulatory framework; and
- v. Building of local content units to capture and retain skills and financial competences necessary for sustainable industrialization.

Existence of potential demand and abundant supply of resources that can help drive industrial agenda in the country namely:

- i. Sizable domestic market of 55 million people being part of the market of 170 million people in East African Community (EAC) and 370 million people in Southern Africa Development Community (SADC);
- ii. Available global markets;
- iii. Young, low-cost labour emanating from demographic dividend;
- iv. Natural resources that can be deployed for garments, textiles, leather, and extractive industries; and
- v. Strategic maritime location that can make Tanzania an export gateway.

In utilizing the competitive and comparative advantages, the paper recommends a number of potential areas of investment such as garments, textiles and footwear; iron and steel, metal products, light machinery and equipment; electronics assembly; food processing, agri-processing and fisheries; solar and other renewable energy; Lithium-Ion batteries and electric car; and mineral processing. For this to happen financial sector through capital formation for private investment is paramount, largely enabled by increased financial deepening, savings and access to capital for



investment. The paper notes that this has not worked well in Tanzania because:

- i. Commercial banks dominate the financial system and go for easy, less risky wins instead of more difficult, longer-term, higher-risk investment options that might be related to industrialisation;
- ii. Capital markets are underdeveloped, coupled with little consideration given to it as an engine of industrialization. For example, domestic market capitalization to GDP ratio as of September 2019 was only about 7 percent, while liquidity ratio was about 10 percent. There are only 21 domestic listed equities and three outstanding bonds issued by private enterprises;
- iii. Relatively low rate of domestic savings as percentage of GDP (about 25 percent) in Tanzania compared to countries like Vietnam (33 percent); and
- iv. Relatively low FDIs and remittances: As of 2018 Tanzania managed to attract only 2.5 percent of net FDIs and 1 percent of remittances to Africa.

Cross-country empirical evidences from some countries such as China, France, German, Norway, Singapore, Taiwan, United States of America, United Arab Emirates and Vietnam suggest that, financial sector led industrialisation can only happen through government intervention in financial markets. According to the paper, the referred interventions can be direct or indirect investments and financing hand in hand with developing policies that can ease access to capital for industries. Recent industrialized countries like China and Vietnam have met industrialization objectives by either strong participation of government owned banks or guided financial sector policies.

In view of this, the paper recommends the following:

- i. Key reforms and transformation in the banking sector that entails a good mix of commercial, investment and development banks and capital markets to lead the industrialisation;
- ii. All financial and macroeconomic policies must be geared toward country industrialisation goal while balancing with an overly emphasized consumer oriented financing by commercial banks;
- iii. The government and private sector should champion introduction of financial instruments to mobilize funds (e.g. common stocks and infrastructure bonds) linked to practical industrialisation projects;
- iv. A need to leverage Tanzania's pension funds to benefit industrialisation by reviewing governance frameworks and principles such as separation of administration from investment mandate, introduction of independent funds manager, financing enterprises and industrial projects by private placements, private equity, venture capital etc.; and



- v. To complement domestic savings, more efforts to attract foreign sources (like FDIs, remittances/diaspora funds/bonds) for financing, coupled with tightly controlled allocation in support of industrial policy goals are necessary.

Participants highlighted some challenges facing industrialisation drive in Tanzania. These include regulatory frameworks of commercial banks and the ensuing liquidity mismatch in the face of increasing industrial financing portfolio; huge unplanned settlements (80 percent to 90 percent) that result into weak collateral by potential borrowers thus contributing to higher lending rates. It was also noted that Tanzania (unlike Ethiopia) was not taking advantage of industries relocating from China and Japan in search of lower labor costs. To spur the industrialisation agenda, it is imperative to:

- i. Mobilize financing through available structures like Savings and Credit Co-operative Society (SACCOS) and Village Community Banking (VICOBA) and link them to banking sectors;
- ii. Sensitize people to participate in capital markets without necessarily being entrepreneurs;
- iii. Implement government flagship projects that will crowd in private investments;
- iv. Reconsider the use of cooperatives as an avenue for low cost financing;
- v. Deploy pension funds for industrial financing without necessarily the pension funds managing the industries;
- vi. Consider developing an offshore banking to tap foreign funds at low costs;
- vii. Consider unpacking the financing of the flagship projects into various financing instruments; and
- viii. Government considering to play developmental role by creating a fund geared at supporting industrialization in the country.



2.3 Assessing Role of Banking Sector in Financial Inclusion Process in Tanzania by Prof. Benno J. Ndulu

This paper sheds light on how financial innovation has impacted financial inclusion and thereby improve the growth of the economy. Financial innovation impacts financial intermediation through three pillars namely;

- i. Improved access: in terms of onboarding of all Tanzanians (universality) to formal financial services especially the banks
- ii. Efficiency: in terms of paying attention to cost of service delivery, effectiveness and convenience
- iii. Financial depth: in terms of provision of range of products to meet needs and bringing on board a number of other users that typically would not have been brought into the sphere.

These are achieved through five avenues (i) improving mobilization and pooling of resources (ii) increasing allocative efficiency of savings in terms of channeling funds to those that can use it best (iii) expanding and diversifying opportunities (iv) better risk management and risk sharing, and (v) easing exchange of goods through effective payment systems.

The paper elaborates further that financial technology (fintech) has made significant impact in the financial sector through (i) reduction in the face to face cost via digital platforms (ii) reduction in counterparty risk, which has been pivotal to bridging the trust gap that arose from separation of transacting parties by distance (iii) reduction in the profitable thresholds of financial firms using agent-based services networks in contrast to the old brick and mortar models that required larger business scales to absorb the larger fixed costs (iv) bridging information asymmetry gaps using big data and blockchain technology to produce credit scores that allow lenders to offer for example unsecured credit.

The paper reports the impact of financial innovation that has been calculated globally by McKenzie Global Institute (MGI) estimates and World Bank. Overall, MGI calculates that widespread use of digital finance could boost annual Gross Domestic Product (GDP) of all emerging economies by USD 3.7 trillion by 2025, a 6 percent increase (approximately a percentage point increase per year) versus a business-as-usual scenario. Nearly two-thirds of the increase would come from increased productivity of financial and non-financial businesses and governments as a result of digital payments, and one-third would be from the additional investment that tends to induce. The small remainder would come from time savings by individuals enabling more hours of work. This additional GDP could lead to the creation of up to 95 million jobs across all sectors. The study by World Bank (2019) indicates that a 10 percent increase in broadband penetration adds 1.4 percent to GDP (an increase of almost TZS 8.4 trillion in 4 years).



The extraordinary success that Tanzania has attained with respect to including the unbanked based on the FinScope survey is also emphasized. Over a span of four years (2009-2013), financial exclusion was cut down by half with non-bank (mobile money financial services) being the main driver of the change in inclusion.

Tanzania has done reasonably well when compared with other countries in the region with respect to the subject matter despite relatively large geographical area. Using 5 km service distance as a measure of proximity, the proportion of adult population with access to formal financial service point within 5 km went up from 29 percent in 2012 to 86 percent in 2017. Meanwhile, about 78 percent of rural population could access formal financial service points within 5 kms. The gender gap is also closing very fast whereby female access to formal financial services increased from 14 percent in 2009 to 61 percent in 2017, while male access to financial services increased from 46 percent in 2009 to 70 percent in 2017. The ratio of female to male coverage of formal financial services has also increased from 30.4 percent to 87 percent, which is a substantial reduction in the gap. However, proportion of those who do not use financial services has increased between 2016 and 2017 from 26.8 percent to 28 percent, perhaps reflecting switching of counterfeit cell phones done by Tanzania Communications Regulatory Authority (TCRA).

The paper indicates that the game changer has been the fintech that has brought about product innovation. This includes platforms such as agent banking service with CRDB and NMB being the leaders in rolling out. To reduce operational costs, which face banks, the paper calls for learning of shared interoperable platform of agent banking system as for the case of Uganda. Other platforms include micro insurance, Digital Micro-Credit for smallholders using credit scoring system such as Mpawa provided by MPESA/CBA bank and Timiza by Airtel/Maendeleo bank; inward and outward Mobile Cross-Border payments such as EAPS, Tigo and MPESA. Aggregators such as Selcom and Max Malipo also facilitate interoperability between financial institutions and service providers and clients.

The paper also emphasizes the role of the legal and regulatory framework that has created an enabling environment that supported innovation in the provision of financial services. The change has also been brought by embracing innovation and technology through the use of digital financial services and innovative service delivery models. The success has also been a result of collaboration through the National Financial Inclusion Strategy.

Finally, the paper uncovers the challenges that financial inclusion is facing including (i) reaching the last 26 percent that are financially excluded (universality) (ii) closing the gap between access and usage (although more than 90 percent of Tanzania's adult population have access to digital payment system only 6 out of 10 use digital payment system) (iii) deepening the quality of uptake – beyond peer-to-peer (P2P) payment system and grow formal credit usage from the current low levels of 16.7 percent (iv) increasing affordability of financial services through interoperability.



The paper concludes by giving suggestions on six key areas of intervention to foster universality (leave no one behind) in the access and uptake by onboarding the 28 percent who are financially excluded. These include:

- i. Bridging the gap between access and usage through appropriate digital technology;
- ii. Consolidating and expanding interoperability to wider scope of players and services;
- iii. Regulation for innovation and inclusion in terms of regulatory sandbox and proportionality;
- iv. Expanding on ID for ease client onboarding and effective tiered KYC and proportionality;
- v. Enhancing affordability including changing the business model and lowering the cost of internet in order to enable people to do online financial transactions. This can be attained by achieving 1 for 2 world standard i.e. 1GB at no more than 2 percent of monthly income; and
- vi. Government payments coming on stream—consolidating and building scale on retail payments.

In discussing the paper, participants acknowledged the tremendous achievements attained over the last 8 years with respect to financial inclusion strategy especially in the area of access. Nevertheless, the following key issues were raised.

- i. It is important to create products that meet the demands of the clientele in order to create appetite for the excluded to engage in the utilisation of financial services and close the demand-supply gap. This will involve among others making customers interact with service providers;
- ii. Increasing convenience and affordability of the financial services (especially those that are offered by banks) in order to increase uptake;
- iii. Onboarding the financial literacy from both the digital platform and normal financial literacy in order to increase the usage;
- iv. A need for inter-agency collaboration from both the financial service providers, the regulator and the customers in terms of understanding the dynamics and risks involved in the area;
- v. Financial service providers need to invest much in IT capacity in terms of robust platforms capable of doing smart interfaces as well as investment in big data. The regulator also needs to harness the technology in ensuring compliance and regulatory requirements;



- vi. Incorporating the idea of financial inclusion in the current regulatory and supervisory framework and make different regulatory frameworks talk to each other;
- vii. There is need to do another FinScope survey soon to get updated financial inclusion data; and
- viii. There is need to onboard Mobile Network Operators in the Tanzania Bankers Association discussions and increasing the frequency of meetings to enable interoperability of minds.

2.4 Untapped Growth Potentials in Financial Sector by Sanjay Rughani

This paper echoes the role of financial sector in unleashing growth and prosperity in Tanzania. It highlights the existence of prolific opportunities that include, unbanked mass of population comprising various groups; and availability of digital and other financial technologies that are critical for developing systems, platforms and products. Other opportunities are in relation to conducive policies and regulatory framework with incentive structures for new business models, and latent businesses for financing including mega public projects of strategic standing.

The paper affirms that in order to unlock this potential, financial institutions need to embrace new business models reminiscent to technological advancement in order to enhance productivity, enlarge market reach and reduce operational costs. Shifting to this new business paradigm will drive the momentum for providing financial services by increasingly use of Fintech products such as crowdfunding, P2P lending, digital payment and wealth management. The new business models are characterized by numerous benefits including a wide range of products that may be used to provide financial services to various groups including women, smallholder farmers, youths and other financially marginalized groups. Due to efficient features, the new models offer low cost financial services including lower interest rates, lower charges and simplified conditions for lending. Implementation of new models require that all stakeholders join forces to put in place a conducive environment—in terms of policies, legal and regulatory framework, necessary instruments and products, platforms and infrastructure as well as financial literacy.

The main conclusion of the paper is that financial institutions need to keep ahead of technological trends to cope with mounting pressure on innovation frontiers, market competition and behavioral trends including client's needs and market changes. This entails propensity for new innovations on systems and products in order to provide low cost financial services in all market segments including financing of mega public projects of strategic prominence. In order to exploit this wide ranging opportunities, it requires, that financial institutions adopt a strategy for developing new models with wide range of products including long-term financing models, reminiscent to investment banking, venture capital, mergers and acquisition, and advisory services among others.

In the course of discussion, a number of salient issues were raised. Whilst noting that some milestones have been recorded in the financial sector including enhanced competition and products developments, the participants remained skeptical if the financial sector was ready to adequately exploit the immense opportunities existing in various sectors. This skepticism was expressed in terms of a wide gap between financial institutions' preparedness to adopt innovations and current speed of technological advancement. This gap also applies to regulatory framework which is not keeping pace with the speed of innovation.



Nevertheless, a wide shared view is that the financial sector stands high to benefit from the opportunities existing in various sectors of the economy. The vital strategy towards tapping this potential would be through leveraging technology, while taking on board the country's development agenda. The key elements spotlighted in this strategy include:

- i. Tapping the country's transformation agenda: The financial sector needs to get crowded in that agenda as it is a critical driver for investment through lending and other financial services. Thrust for financial innovation and product solutions relevant to long-term financing could be one of the vital strategies in order to cope with country's industrialization drive;
- ii. Tapping the agricultural potential: Financial sector should take advantage of the rural poverty and develop innovative solutions for expanding financial services to rural communities;
- iii. Tapping more on women: It is important for empowering women, livelihoods and broader welfare effect. Cognizant that social norms constrain women's capacity to access and meaningfully use financial services, financial institutions through product designs can reach-out to women cohorts. Greater women's financial inclusion requires a more gender inclusive financial system that addresses the specific demand and supply side barriers affecting women. An inclusive regulatory environment may also be relevant.
- iv. Explore the potential of youth: Providing young people with financial services tend to promote entrepreneurship, asset building and sustainable livelihoods. To be effective, financial products targeting youth cohorts need to be complemented with training in entrepreneurship, financial literacy and mentorship opportunities.

Another shared view emerging from the discussion is about synergies between regulations and innovations. As financial regulation is essential for protecting the financial system and consumers, it is vital that regulatory framework keeps pace with innovation advancements in order to familiarize with risks inherent in new business models. Whilst it is imperative that financial institutions remain on technological frontiers in order to retain competitive edge, it is equally necessary for them to comply with regulations. Majority of participants contended that the ideal regulatory approach is to find appropriate balance between preserving safety and soundness of the financial system and allowing financial institutions and markets to perform their intended functions¹. That approach entails ensuring that the necessary market infrastructures and market performing rules are in place and then establishing a proper structure for reviewing financial innovations.

Lastly, unequivocal consensus drawn from the discussion is that leveraging financial innovation should go in tandem with financial literacy to consumers, investors and other end-users regarding

¹ Balance regulatory approach is defined as one that gives proper weight to each of the three common core policy objectives featured in most regulatory frameworks: mitigating systemic risks, ensuring proper market conduct, and ensuring adequate protection of retail borrowers, investors and other end-users of financial services.



the new business models and products. Initiatives that enhance financial literacy in the midst of new business models including digitalization of financial products and services, which is critical in light of the unique characteristics, advantages and risks of digital financial services and channels.



2.5 Determinants of Lending Behaviour in New Norms: Experience and Way Forward by Mwanahiba Mzee

The paper begins by highlighting the determinants of the lending behavior of banks, categorized in twofolds, viz. internal and external.

Internal factors:

- i. Bank size, experience and coverage: Big banks, tend to have large capital, which determines its lending capacity, while a bank with wider network has a potential of reaching wide population than small banks with narrow coverage;
- ii. Cost of capital: This is an essential element in pricing loans. Normally, pricing of loans tends to be determined among others, by the rate of return on the risk free assets (treasury securities) plus market risk proxied by non-performing loans;
- iii. Investment portfolio of a bank: This determines how much to invest on a particular portfolio or sector and is implemented in accordance with the investment guidelines of regulator and bank's investment policy and strategy;
- iv. Liquidity and deposits: It is not that all the money in the banks can be lent, there has to be some buffer (a certain percentage of their money) to cater for emergencies, customers (depositors) needs as well as to meet a statutory minimum reserve ratio requirement of the Bank of Tanzania;
- v. Human resource knowledge and skills: These determine bank's capacity to lend in a particular sector or tenure. Adequate human capital helps to do analysis on feasibility of projects of different types and thereby advise the senior management of the bank; and
- vi. Macroeconomic indicators: Point to the direction which favours lending more or less depending on the expected economic outcome.

External factors:

- i. Laws, regulations and standards determine the behavior of the bank. Stricter laws tend to reduce lending or distribution of loans across various sectors of the economy. Much as banks need to follow international standards to ensure sound and stable financial sector, still there is a need to rethink and re-evaluate how effective are these laws to our economy;
- ii. Government policies tend to influence the distribution of credit in the economy. Currently, the Government is embarking on industrialization policy and heavily invested in infrastructure projects, and thus even banks are geared towards funding these types of projects;
- iii. Technology advancement helps to automate processes and reduce operating costs,



- thus making more resources available for lending;
- iv. Capital market advancement affects the lending behaviour of banks. Traditionally, banks provide short-term credit mainly for working capital and trade financing because they have short-term sources of funding. Meanwhile, capital markets provide long term funding to investors. If a capital market is well developed will reduce the overreliance of investors on long term funding from banks; and and
 - v. Availability of other sources of financing, including personal savings, families and friends, angel investors and venture capital may increase banks capacity to lend. In Tanzania angel investors and venture capital are not well established, while they are considered to be very useful sources of financing in many economies. Thus, it was urged for banks and financial institutions to consider establishing or put much emphasis on these institutions, as they can be very instrumental in providing loans particularly to the startups, etc.

The paper continued to look into new norms in lending behaviour and how they affect the credit distribution in the economy. In terms of demographics, Tanzania population is currently estimated to be 55 million, out of which 66 percent are economically active and only 6 percent are salaried (both formal and informal sector). Banks battle on lending to salaried population focused on a very small portion of the population leaving a large segment untapped. Banks have been urged to ponder ways of unlocking the untapped population. Another opportunity would be providing documentations in the well understood language. For example, 72 percent of adult Tanzanians can read and write Kiswahili, while only 27 percent can read and write English. Yet most of banks' products particularly on lending are in English language including offer letters, title deeds, mortgage documents as well as their terms and conditions; of which customers are supposed to read, understand and sign at the end.

The paper further explains how generation has evolved over time in relation to their requirements. The interesting generation, which featured in the paper, is the future generation named as generation Z, born after 1995 with heavily engaged in technology (technoholics) and are career multitaskers. This generation Z is characterized with preference on:

- i. Convenient and personalized services including digital/online-banking services. Whereas, most banks do not provide these services as they are regarded expensive though convenient to customers; and
- ii. Entrepreneurship – but do not have business experience and collateral. Banks needs rethink how they will help this generation since current banks' policies are not in favour of financing startup businesses.

The paper continues to point out that in the past 12 months, 44 percent of Tanzania adults borrowed, of which 74 percent borrowed for personal expenditures, 19 percent for investments



and only 7 percent for assets acquisition (Global banking and finance). Thus, low level of capital is due to lower habit of investing and assets acquisition. Also, there is a need to look at lending policies to align with what needs to be achieved. In addition, banks have been providing loans to very small segment of the population. According to FinScope Tanzania 2017, banks lend only 3 percent of the total lending while Savings Groups and SACCOS lend to 20 percent and 69 percent of loans are from friends/relatives. Banks have been urged to re-evaluate on how to expand its lending base to accommodate larger population.

The paper puts forward some challenges, which banks face when lending under the current norms:

- i. The informal lending activities and cash based economy make it difficult to ascertain true capacity of borrowers. Financial covenants become difficult to impose as 89 percent of Tanzania still receive their payments through cash;
- ii. Credit Reference Bureaus is currently providing only negative check. There is a need for the bureau to issue positive check as well;
- iii. Low proportion of population having title deeds, which in most cases used as collateral inhibit the capacity of banks to lend. According to FinScope report of 2017, 42 percent of Tanzanians own landed properties; with only 3 percent having title deeds. This explains partly, why banks' concentration on salaried loans is significant due to inadequate collaterals to be used for other types of loans;
- iv. Regulatory recognition of some type of collateral poses a challenge for banks to accept some other collateral. Also, International Financial Reporting Standards (IFRS) demand a bank to provide capital charge for a loan despite having secured a good collateral for the loan;
- v. Realization of collateral is costly and time consuming in the event a bank decides to sell a collateral. Court cases take longer time and become costly to the bank;
- vi. All legal documents are in English, while majority of Tanzanians can only read and write in Kiswahili; and
- vii. Mismatch of policies to serve generation Y (Millennials) and Z whom are eager to become entrepreneurs and start businesses, but the current banks' policies are not catered for this segment as it is considered to be highly risky.

The paper also provides a way forward on various aspects:

- i. In regulatory landscape: Efficient court process for settling lending matters, non-interference on registered collaterals and enforcement of bankruptcy laws to allow elimination of bad debtors are key for transforming lending activities in the economy;
- ii. Banks need to change modes of communication with customers, which include focusing more on digital communication, use of Kiswahili as a language of



- communication for banks and customers, as well as audio and video communication to cope with needs of the current and coming generation;
- iii. Further, banks still dwell on traditional ways of providing services with people walking into a bank. Therefore, banks were urged to rethink of changing the way they provide services to align with the new norms;
 - iv. Banks need to get more involved with financing environment activities, empowering women and youth, financing education and scholarships, and provision of financial literacy programmes to ensure sustainability;
 - v. Lending to agriculture needs to be re-looked critically by banks in order to come up with products that better suits this important economic sector; and
 - vi. Financial institutions need to come out of their comfort zones and increase lending in other productive economic activities including agriculture, mining and quarrying, technology and education, water and electricity.

The following were recommendations from participants:

- i. The need for banks to explore sources of long term funding so that they can be able to lend to the borrowers with longer term projects. One of the options proposed is utilizing the capital market, in as much as it is facing some challenges. A good example can be taken from NMB Bank Plc, as it has successfully managed to raise funding through the market by issuing a corporate bond;
- ii. The government could deliberately spearhead the process of country rating so as to allow banks to get easy access to international markets for long term funding;
- iii. Government should consider issuing infrastructure bond such as municipal bonds to finance long-term projects instead of resorting to banks for long-term financing;
- iv. In order to serve a wide population particularly the 66 percent of agricultural dependent population, banks must devise and customize their credit products to suit the cycles (seasonality) of economic activities. Lending requirements to person engaged in construction should be different from those engaged in manufacturing, cotton farming, and other activities;
- v. Given that the Government has limited resources, it should refrain from investing in non-strategic areas and let the private sector invest in those areas, in order to effectively utilize the available resources; and
- vi. Banks should explore non-traditional ways of pricing loans, which includes using short term funding to lend long term. This would require new skills, which can also be outsourced if not available in market. In addition, banks should enhance innovation and risk management skills to see how to tap the segment of entrepreneurs who have business ideas but do not have collateral and business experience.



2.6 Managing Risks in Financial Sector Business by Sabasaba Moshingi

The paper attempts to assess the issue of risk management in the financial sector business in Tanzania. The matter is of great importance in order to build resilience of the financial institutions in order to be able to support the economy. The paper starts by pointing out that due to serious cost of contagion effects to the economy and the public in the event of bank collapse, the banking business is perhaps one of the highly regulated industry in the world. Thus, it is imperative to manage the risks² very well. In any undertaking, there is always a probability for something to go wrong due to (i) poor risk assessment (ii) untimely identification of the risk (iii) incorrect measurement of risk (iv) weak control measures (v) ineffective monitoring system and (vi) fraud.

The paper underlines the fact that the banking industry faces a number of risks including (i) credit risk - customers defaulting on loans (ii) market risk related to price volatility such as exchange rate volatility (iii) liquidity risk which occur when the bank is unable to meet obligations (iv) operational risk which is related to failure of internal processes (v) reputational risk that may lead to damage the brand due to negative public opinion (vi) IT-related risks that include malfunction in operation of a system and cybersecurity breaches (vii) competition and disruption that emanates from products and innovations based on innovative technologies.

Therefore, effective risk management³ is needed to guarantee the attainment of goals. The paper emphasizes that risk management is imperative in the banking industry in order to (i) mitigate losses (ii) protect organisation brand reputation (iii) increase profitability (iv) attract customers (v) attract funding (vi) lower regulatory involvement (vii) attract the best talent on offer.

The paper briefly identifies three series of banking regulations that aim at minimizing risks in the banking sector namely (i) Basel I that focuses on minimum capital requirements to minimize credit risk (ii) Basel II that direct banks that hold riskier assets to hold more capital than those with less risky assets and (iii) Basel III that advises banks to maintain adequate capital in times of economic strain with implementation until 31st March 2018.

In addition, the paper elaborates four cases of famous bank failures namely, Barings Bank, Chase Bank Kenya, The Royal Bank of Scotland and Lehman Brothers, as well as the 2008/09 Global Financial Crisis as triggers for proper risk management.

² Risk is defined as a condition in which there is a possibility of an adverse deviation from the desired outcome that is expected or hoped for (E. J. Vaughan and T. Vaughan, 2013).

³ Risk management is defined as the process by which risks are identified, assessed, estimated, evaluated, treated and reported (P. M. Collier, 2009).



Finally, the paper provides key areas of intervention in order to enhance risk management at corporate level (i) building a culture of risk management and making organization risk-centric (ii) raising the profile of risk management (iii) making risk management everyone's daily business (iv) having a robust risk management framework (v) automation of the risk management process (vi) tying risk management to Executive Management's performance over a long-time horizon (vii) zero-tolerance for any kind of breach (viii) welcoming audits.

During the discussion, participants stressed the need for banks to have a proper system of continuous risk identification. The risk may arise from processes, products, people and decisions that are made. Thus, putting in place a system that is able to identify risk as early as possible and putting systems in place to mitigate those risks is very critical. Further, capacity building is very important in terms of continuous training of people to make sure that they are aware of exposures they are facing, importance of risk management and implication if anything goes wrong.

Banks were also urged to intensify the use of technology in risk management and automation of the processes. Moreover, the use of credit scoring models and having in place early warning systems to assist in monitoring and identification of areas of weaknesses and default, was recognized as key in risk management.

In relation to policies, regulations and business environment, participants recommended creating a conducive external environment that can allow banks to mitigate risks effectively. This includes preserving macroeconomic stability. With respect to lending to sectors with high degree of exposure to risks, participants recommended strengthening the effectiveness of credit guarantee schemes in order to lure banks to provide lending services to Small and Medium-size Enterprises (SMEs) and other businesses in the priority sectors. The Government through the Bank of Tanzania was also requested to consider reducing the Statutory Minimum Reserve (SMR) rate and see how to lower interest rate on government securities, an alternative investment avenues for banks.



PART III: CLOSING REMARKS



3.1. Remarks by Mr. Abdulmajid M. Nsekela, Chairperson Tanzania Bankers Association

In his remarks, the Chairperson of the Tanzania Bankers Association (TBA) Mr. Abdulmajid Nsekela, thanked all participants for their valuable contributions during the two days of the conference, observing that the two days have been very productive given the usefulness of the ideas that have come out of the deliberations.

He emphasized that, the discussions have shown that there is an urgent need for banks to expand their services to reach all Tanzanians, especially those who live in rural areas, the disabled, youth and women. In this connection, the TBA Chair emphasized that technology will be key and hence, the Tanzania Instant Payments System (TIPS), which is being spearhead by the Bank of Tanzania has to be implemented according to the roadmap, while on the other hand, as stated by the Minister for Finance and Planning, Hon. Dr. Philip I. Mpango, banks must take measures to increase efficiency, which include reducing non-performing loans and lending interest rates.

The Chairman reminded the audience that in his speech, the Guest of Honour appealed to banks to increase their lending to the agricultural sector, given that majority of Tanzanians live in rural areas, where agricultural production is the main economic activity. He called upon all banks and other financial institutions to heed the call by the Guest of Honour, among others, financing government flagship projects.

He congratulated the Government for adopting the National Business Blueprint, which will be a key instrument in facilitating transformation of Tanzanian economy into middle income status. He called for a national agenda, which will bring together all stakeholders, including the banking sector, and Government Ministries, Departments and Agencies (MDAs) to speed up the implementation of the Blueprint. On his side, the TBA Chairperson informed participants that the TBA's foundation for implementation of the Blueprint is in place, which includes industry-wide Code of Conduct that will guide the sector in implementing the Blueprint.

The TBA Chair also suggested the establishment of the National Think Tank of all stakeholders, which will draw out Key Performance Indicators (KPIs) from the conference recommendations, track their implementation and report progress on regular basis. He requested the Governor as the leader of the financial sector, to lead this process.



3.2. Remarks by Prof. Florens D.A.M. Luoga, Governor Bank of Tanzania

Thank you very much Chairperson of Tanzania Bankers Association (TBA) for making my work easy. I would like to say thank you to all of us here because you have made this conference possible as well as achieve its objectives. As well, I would like to extend my gratitude to the presenters and discussants who have very well managed to bring up the real issues through the topics that were chosen. I believe, our committee that was preparing the conference under the leadership of Deputy Governor, Dr. Yamungu Kayandabila and TBA, made a decisive study of what we actually needed to discuss. The theme itself is very timely, as it focused on accelerating financial sector growth. This was an excellent choice of the theme for this time, thank very much! Let me also extend my gratitude to the press that has provided fulltime coverage of the conference and this means that our deliberations, our thinking will be accessed or will reach our extended audience. I believe that, we did not gather here for ourselves as banks, but rather together with other invited stakeholders, including honorable members of parliament and Tanzania Revenue Authority (TRA) to share experiences on the theme of the conference.

As we wind up, we will need to strategize on the issues that have come out of this conference. One issue that has come out very clearly is the indispensability of the financial sector in transforming the economy towards industrialization. There is no way we are going to reach there with an inefficient financial sector. In this regard, financial sector must be effective in order to ensure that the national strategies for economic development and industrialization are achieved. But, in order to reach there, clearly what we have been saying, we need to see change in the way we provide financial services. They must change! But the question is, can we leave it to banks to change themselves? It is clear that through deliberations we see that banks on their own cannot change, they need an enabling environment; they need a change in the legal framework. But what comes out to the fore is the fact that changing the financial institutions needs concerted efforts of every player, we need the Government to be involved, we need government institutions to change, change the perceptions towards the banking sector and find a role within the banking sector, which needs to impact the changes in the financial sector. It means, we have a shared responsibility.

Our challenge today is how to draw in the rest in our crusade to transform the financial sector; how to leap the Government to effectively participate in the changing of the financial sector; how to make other government institutions or public institutions to participate in ensuring an effective change in the financial sector. The TRA as mentioned, our colleagues in the politics, and other institutions for instance the police force, what roles do they have to play? To us, the question is not only what role to play, but also we should be able to chart out the strategy to make everyone take the role one has to play in ensuring that we are going to achieve change in the financial sector. The secretariat must draw up all the challenges, we must identify the strategies so that we can take it up jointly, the central bank, TBA, etc. How are we going to bring on board the rest and



engage with each and ultimately make sure that measures are implemented that will bolster the change of the financial sector in order to make it an effective lever for fostering economic change and development in the country. And my belief is that once that is done through the framework of the BOT-TBA interactions, we will sit down, go through the deliberations, recommendations and engage all the other stakeholders.

The Honorable Minister of Finance and Planning, is waiting to see what is our input. And our responsibility is not to list down a litany of the things to be done. No! Is to go and engage them so that we can think of the same thing, in the same size and agree on the implementation of change measures. So, as we finish today, it means we have created tasks that we must achieve and we must agree on the strategies and timelines as soon as possible and start implementation immediately. So the end today is the beginning of the assignment.

Thank you very much and Karibuni Sana.

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