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TANZANIA FINANCIAL STABILITY REPORT

December 2024



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LIST OF ACRONYMS

AML/CFT/CPF-		Anti-Money Laundering/Countering Terrorist Financing and Countering Proliferation Financing
BOT	-	Bank of Tanzania
CMG	-	Community Microfinance Groups
CMSA	-	Capital Market and Securities Authority
CRS	-	Credit Reference System
DIB	-	Deposit Insurance Board
DIF	-	Deposit Insurance Fund
DSE	-	Dar es Salaam Stock Exchange
D-SIBs	-	Domestic Systemic Important Banks
EAC	-	East African Community
EFT	-	Electronic Fund Transfer
FATF	-	Financial Action Task Force
FDI	-	Foreign Direct Investment
FSDMP	-	Financial Sector Development Master Plan
FSDT	-	Financial Sector Deepening Trust
FSP	-	Financial Service Providers
FSSI	-	Financial System Stability Index
GIS	-	Geographical Information System
HHI	-	Herfindahl Hirschman Index
IADI	-	International Association for Deposit Insurers
IFEM	-	Interbank Foreign Exchange Market
IFRS	-	International Financial Reporting Standards
IMF	-	International Monetary Fund
JHL	-	Jubilee Holdings Limited
LBL	-	Leo Beneath London
LGAs	-	Local Government Authorities (LGAs)
MNO	-	Mobile Network Operators
MSPs	-	Microfinance Service Providers
MTN	-	Medium Term Note
NAV	-	Net Asset Value
NPLs	-	Non-Performing Loans
PF	-	Proliferation Financing
PLC	-	Public Limited Company

PMO-LYED	-	Prime Minister's Office, Labour, Youth, Employment, and Persons with Disabilities.
PO-FP	-	President's Office Finance and Planning
PO-RALG	-	President's Office, Regional Administration and Local Government
POS	-	Point of Sales
QOS	-	Quality of Service
RBS	-	Risk Based Supervision
SACCOS	-	Savings and Credit Cooperative Societies
SWIFT	-	Society for Worldwide Interbank Financial Telecommunications
TACH	-	Tanzania Automated Clearing House
TANQR	-	Tanzania Quick Response Code
TCDC	-	Tanzania Cooperative Development Community
TF	-	Terrorism Financing
TFS	-	Targeted Financial Sanctions
TFSF	-	Tanzania Financial Stability Forum
TIPS	-	Tanzania Instant Payments System
TIRA	-	Tanzania Insurance Regulatory Authority
TISS	-	Tanzania Interbank Settlement System
TMA	-	Tanzania Meteorological Agency
TRWA	-	Total Risk-Weighted Assets
TZS	-	Tanzania Shilling
USD	-	United States Dollar
UTT - AMIS	-	UTT Asset Management and Investment Services
UTT	-	Unit Trust of Tanzania
VPN	-	Virtual Private Network
ZSSF	-	Zanzibar Social Security Fund

FOREWORD

The Financial Stability Report assesses the financial condition and potential systemic risks to financial stability. It increases awareness and understanding of financial system developments and vulnerabilities among policymakers, financial market participants and the public. The Bank of Tanzania, in collaboration with other Financial Sector Regulators, prepares this annual report, which highlights key elements that contribute to maintaining and safeguarding the financial sector's stability.

In 2024, Tanzania's domestic financial system continued to exhibit resilience to external and internal shocks. The resilience was largely supported by strong profitability, adequate capital buffers, sufficient liquidity, and improved asset quality, as indicated by low levels of Non-Performing Loans (NPLs). Firms maintained sound financial conditions, with continued access to and repayment of credit, particularly in sectors driving economic growth, indicating low credit risk.

The financial sector's positive performance was further driven by increased mobile money transactions, wider adoption of digital financial services, supportive legal and regulatory frameworks, and a general uptake in economic activities. The capital market recorded notable growth, reflecting rising interest in sustainable and socially responsible investments aligned with global climate risk mitigation efforts. The approval of new funds managed by UTT AMIS, Sanlam Investments East Africa Limited, iTrust Finance Limited, Orbit Securities and Global Alpha Capital expanded household saving options with consistent investor returns.

The insurance sector posted robust growth, marked by increased assets, net worth, investments, and gross premiums written, which enhances the sector's financial stability. Similarly, the social security sector in both Tanzania Mainland and Zanzibar continued to strengthen, with funding positions exceeding regulatory thresholds, essential for long-term sustainability to meet future obligations. Payment and settlement systems remained stable and efficient, characterized by a high rate of completed transactions and minimal downtime, which reinforced public confidence in digital financial services.

Overall, Tanzania's financial landscape continues to evolve positively, with enhanced regulatory coordination platforms, including the Tanzania Financial Stability Forum (TFSF) and financial sector regulators' bilateral arrangements, playing a key role in ensuring a stable and resilient financial environment. Ongoing initiatives remain focused on strengthening

financial intermediaries and market infrastructure. The Bank, in collaboration with other Financial Sector Regulators, intends to enhance efficiency in consumer empowerment and market conduct initiatives by leveraging technology to foster consumer confidence and trust in the financial sector which will enhance the contribution of the financial system in serving the needs of the economy.

Emmanuel M. Tutuba
Governor
BANK OF TANZANIA

EXECUTIVE SUMMARY

The global economy and the financial system remained resilient in 2024 despite heightened uncertainty. The observed resilience was due to the commencement of monetary policy easing and the continued efforts to keep financial conditions accommodative. While the near-term risks have been contained, vulnerabilities such as stretched asset valuations, climate risks, mounting fiscal pressures, prolonged geopolitical conflicts and risks from emerging technologies pose threats to financial stability. Emerging market economies face challenges in preserving financial stability from global spillovers and growing uncertainty regarding trade policies and logistics disruptions, thus heightening pressures on developing economies which heavily depend on exports.

The domestic economy remained stable amidst an uncertain global backdrop. The Tanzania economy continued to exhibit steady growth, underpinned by solid macroeconomic fundamentals and strong domestic growth drivers. The economy of Mainland Tanzania is estimated to grow by 5.5 percent in 2024 and is projected to grow by 6.0 percent in 2025. Zanzibar's economy is estimated to grow by 7.1 percent in 2024 and is projected to grow by 7.3 percent in 2025. The domestic financial system was resilient, supported by healthy balance sheets of banks and nonbanks, enriched by strong capital buffers, robust earnings and improving asset quality. The economy benefited from improved business conditions and increased private and public investment. However, the economy remains vulnerable to external and internal risks, including global financial uncertainty, climate change, and supply chain disruptions stemming from ongoing geopolitical and trade tensions.

Household financial conditions improved, supported by stable incomes, credit growth and improved investment appetite. In 2024, household financial conditions strengthened, reinforced by rising incomes, increased investment in financial assets, and improved access to credit. Households expanded their holdings in treasury bonds, equities, and collective investment schemes, fuelled by attractive interest rates, the reopening of government securities, and the introduction of innovative products such as green and sustainable bonds. The financial growth translated into borrowing and repayment capacity, as reflected in increased disbursements and declining non-performing loans. Lenders responded with eased credit terms, including lower interest rates and extended repayment periods, boosting access to personal loans. Borrowing was mainly directed toward asset acquisition and

income-generating activities, enhancing household cash flows and creditworthiness. Consequently, financial stability risks from households remained low. However, households remained exposed to potential risks from income shocks, with the potential to affect debt servicing capacity despite improved financial buffers.

Non-financial corporate sector resilience strengthened but remains vulnerable to climate change and technological risks. In 2024, the non-financial corporate (NFC) sector showed strong growth, with increased profitability, improved creditworthiness, and greater access to financing. This was supported by a favourable business environment, public and private investments, and heightened domestic and foreign demand. NFCs demonstrated resilience despite external challenges such as global supply chain disruptions and inflationary pressures. However, NFCs face heightened risks from climate change, particularly extreme weather events, which threaten revenue generation, an increase in loan defaults, and weakened collateral, with potential risk to financial stability.

The banking sub-sector remained stable, with sufficient capital and liquidity buffers. In 2024, the soundness of banks was bolstered by strong profitability, low non-performing assets and adequate capital and liquidity buffers. Total assets increased by 14.6 percent to TZS 62,165.1 billion in 2024, mainly driven by increased deposits and borrowing. Return on assets (RoA) and return on equity (RoE) increased, while the NPL ratio dropped to 3.3 percent from 4.3 percent in December 2023, indicating a decrease in credit risk. Further, the macro stress tests, based on adverse and severe hypothetical scenarios, demonstrated that banks have adequate capital buffers relative to the regulatory minimum requirement under all scenarios, attesting to the resilience of the banking sub-sector. The liquidity stress testing indicated that banks would be able to meet liquidity obligations under stress scenarios.

Capital markets and securities sub-sector improved owing to regulatory support and rising retail investor participation. During 2024, capital markets recorded strong growth, with total investments increasing by 24.9 percent to TZS 46,713.6 billion. This was driven by supportive regulations, improved investor confidence, economic expansion, and the introduction of new products such as thematic and ethical investments, as well as growing interest in Collective Investment Schemes. The improved confidence in the securities and increased public awareness led to a significant shift, where individuals dominated with 29.2 percent. This move is attributable to an increase in appetite for government securities relative to other investment avenues.

The insurance sub-sector recorded solid growth in 2024, playing a key role in reinforcing the stability of the financial system. Total assets grew by 8.7 percent to TZS 2,339.9 billion, while net worth rose significantly by 21.5 percent to TZS 847.3 billion, reflecting improved financial strength across the industry. Investment assets increased by 12.7 percent to TZS 1,440.1 billion, driven by a strategic allocation toward government securities, which grew by 15 percent. The shift toward safer, high-yield investments corresponds to prudent risk management practices. The sub-sector maintained strong solvency and liquidity positions, with both general and life insurers exceeding regulatory capital requirements. This ensured the industry's ability to meet policyholder obligations, strengthened market confidence, and enhanced resilience to potential shocks.

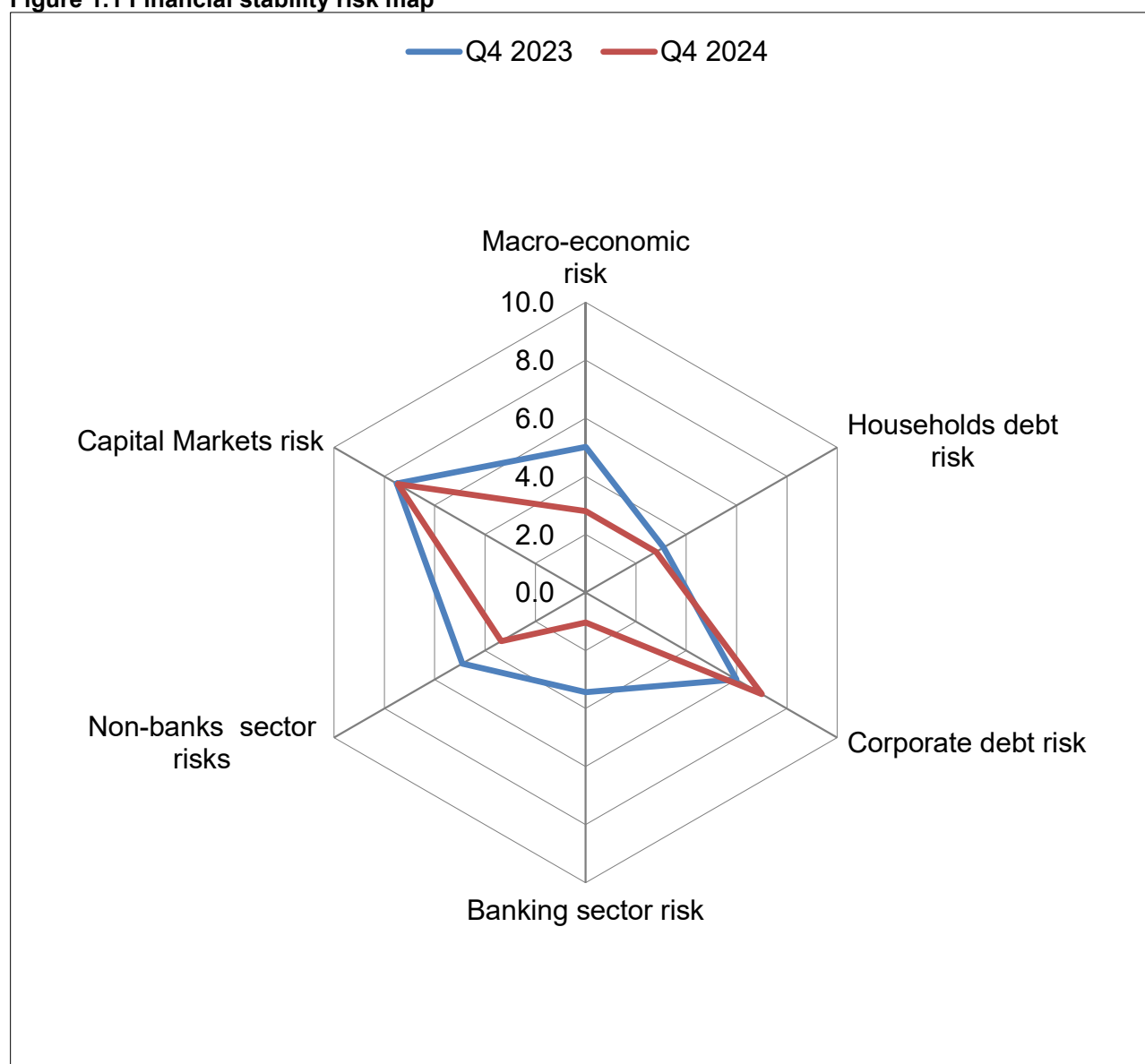
The Social Security sub-sector in Tanzania Mainland remained stable, supported by a strong funding position, robust liquidity, and sustained asset growth. Total assets increased by 13.4 percent, driven by member contributions and investment income, which also fuelled an 11 percent rise in the investment portfolio. This enabled the sub-sector to meet maturing obligations and reinforced its resilience. While operational costs and employer compliance remain medium-term challenges, the sub-sector outlook remains positive, anchored by favourable demographics, prudent investment strategies, and strong regulatory oversight.

Regulatory initiatives were heightened, targeting emerging risks to safeguard financial system stability. In 2024, financial regulators advanced several initiatives aimed at strengthening the stability and resilience of the financial system. These efforts focused on identifying and addressing potential vulnerabilities through enhanced regulatory collaboration and improved adaptability to emerging risks. Key areas of focus include the impact of climate change, rapid technological advancements, cybersecurity threats, and third-party dependencies. The aim is to address vulnerabilities within bank and non-bank financial intermediaries and cross-border payment systems.

In summary, the domestic financial system faced risks due to global uncertainty, but Tanzania's economy remained stable, supported by strong fundamentals and robust growth. Households saw improved incomes and better access to credit, enhancing their financial health. The non-financial corporate sector performed well, benefiting from a favourable business environment, though it remained susceptible to climate and technological disruptions. The banking sub-sector remained stable with healthy reserves, and capital

markets grew, supported by regulatory efforts and increased investor confidence. The insurance and social security sub-sectors contributed to stability through effective management and solid growth. However, risks from global spillovers, trade policy uncertainties, and supply chain disruptions continued to threaten the domestic financial system. Regulatory actions were focused on strengthening resilience against climate, technological, and cybersecurity risks to safeguard the financial system. The potential risks to the domestic macro-financial environment are illustrated in the financial stability risk map (Figure 1.1) and the financial system stability index, as shown in Box 1.

Figure 1.1 Financial stability risk map¹



Source: Bank of Tanzania

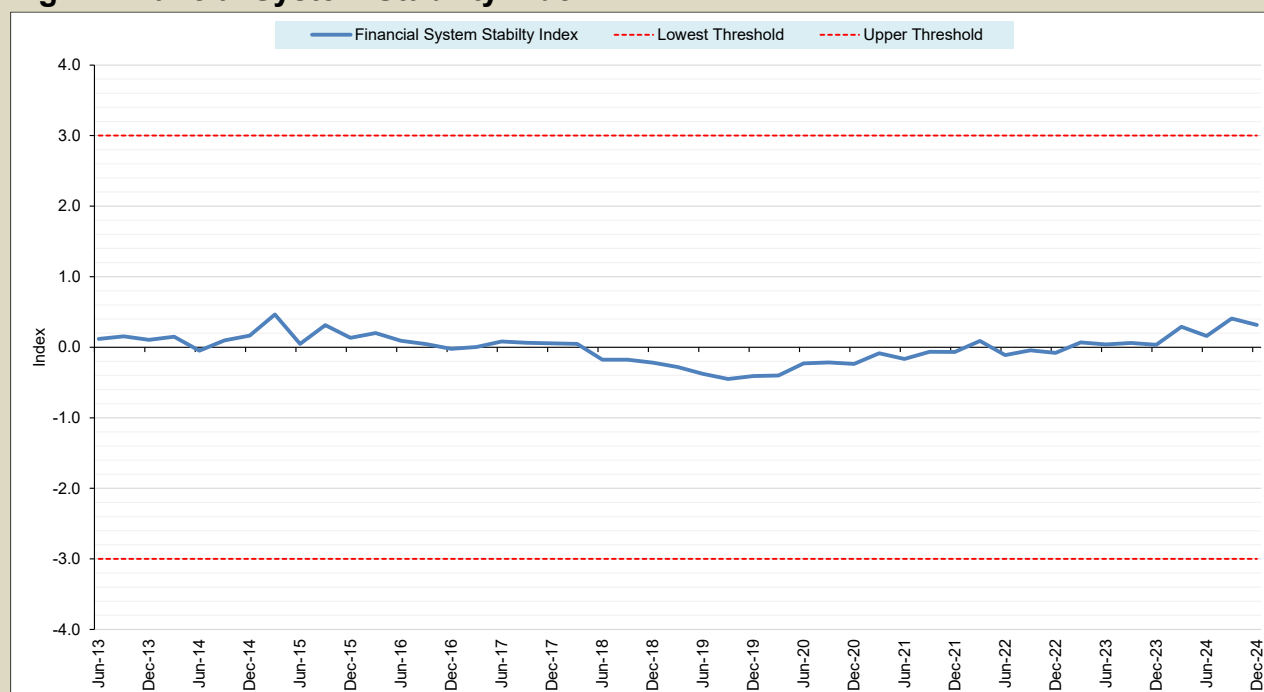
¹ Financial risk map (cobweb) is a graphical representation of magnitude and direction of financial stability risks. The furthest point from 0 indicates high risk and vice versa. It shows the direction of risks from one period to another.

Box 1: Financial System Stability Index

The Financial System Stability Index (FSSI) is an early warning indicator that measures financial system stability. The FSSI uses financial market data and banking sub-sector prudential indicators measuring capital, asset quality, earnings, and liquidity. The indicators are transformed into a composite index using a standardised common scale, assuming the data are normally distributed. The index evolves within three standard deviations (+3 and -3) from the mean.

The index improved to 0.3 in December 2024 compared with 0.0 in the corresponding period of 2023 and remained within the desired scales, implying that the system is resilient to short-term vulnerabilities (**Figure 1**).

Fig 1: Financial System Stability Index

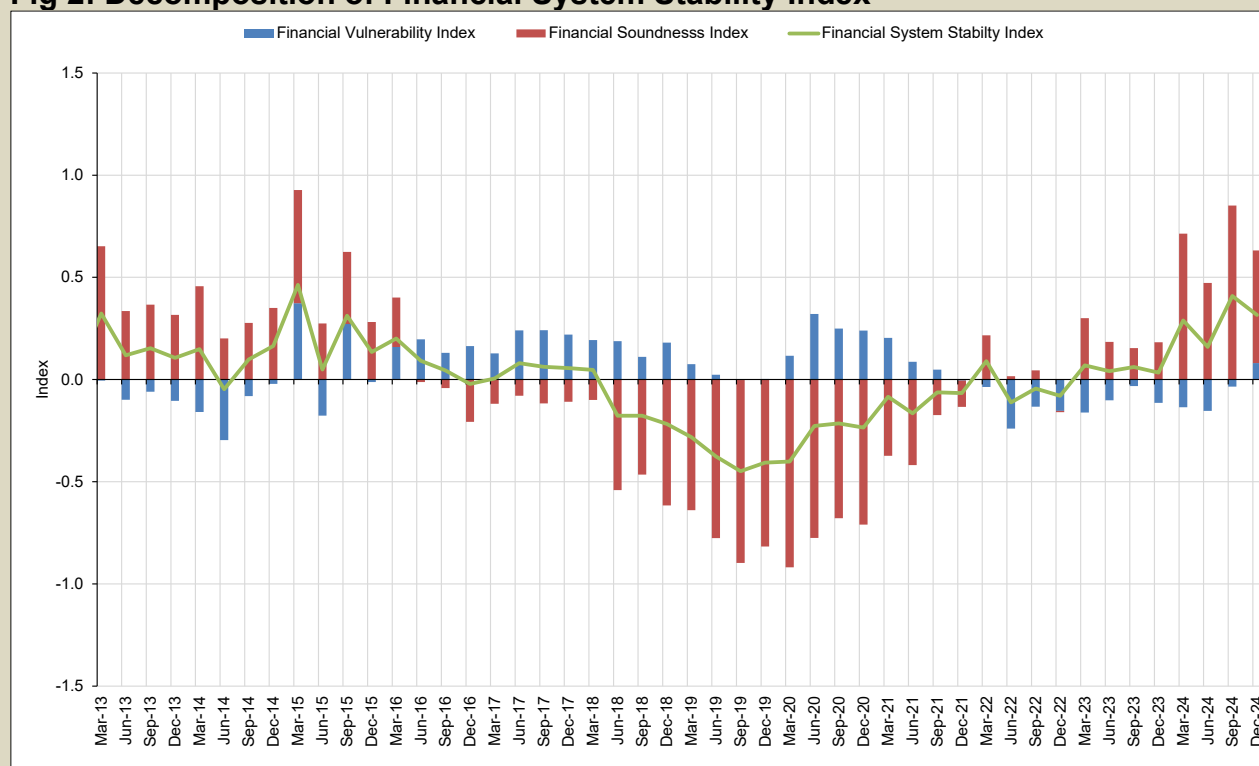


Source: Bank of Tanzania

The positive developments stability index across the financial sector was attributed to a notable increase in the financial soundness across the banking sub-sector, which increased significantly from 0.2 in December 2023 to 0.6 in December 2024 (**Figure 2**). This improvement was primarily driven by strengthened capital adequacy across banks and a marginal reduction in non-performing loans (NPLs), indicating enhanced credit quality and risk management practices.

Additionally, the stability of the financial sector has been bolstered by improvements in the broader macroeconomic environment. Key contributing factors include stability in inflation and exchange rates and a decline in global oil prices, which collectively fostered positive sentiment among corporates and households, thereby improving their financial conditions.

Fig 2: Decomposition of Financial System Stability Index



Source: Bank of Tanzania

1. MACROECONOMIC AND FINANCIAL ENVIRONMENT

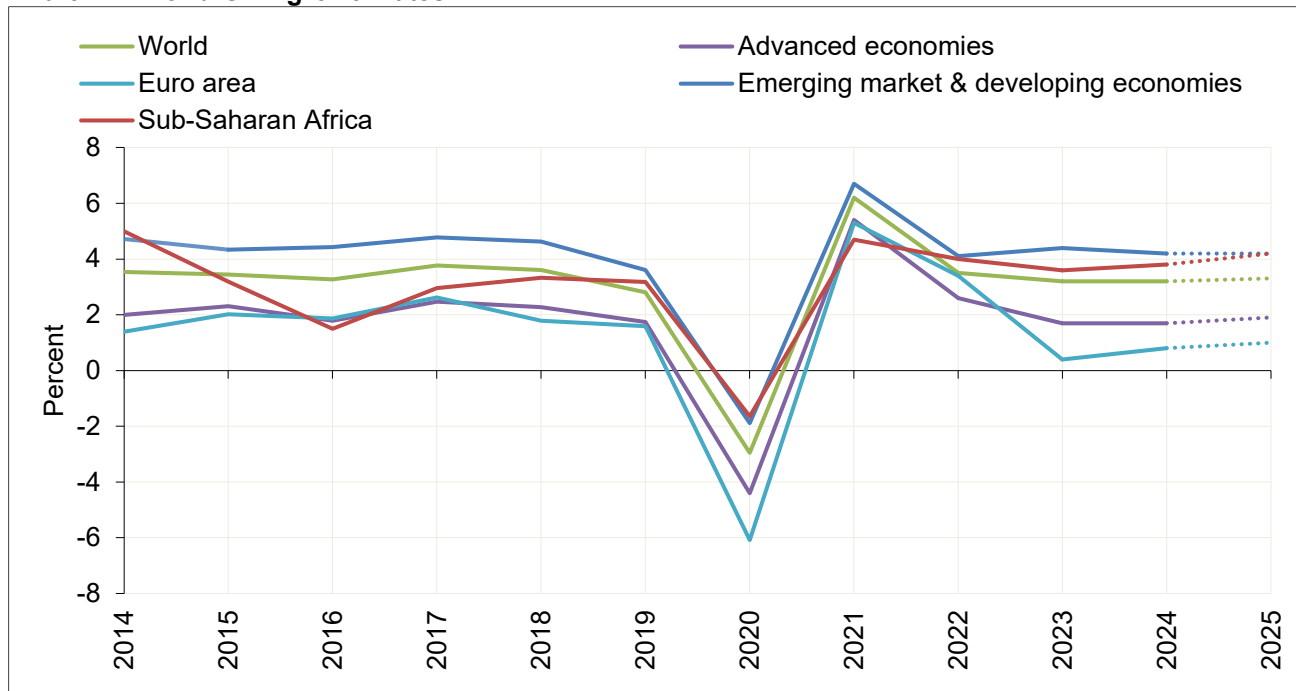
1.1. Global macroeconomic and financial developments

Global financial conditions eased due to the commencement of monetary policy easing, improved credit conditions and increased economic activities. Global inflation continued to experience a downward trend, driven by declining energy and food prices, improved supply chains and monetary policy adjustments in advanced economies. Consequently, interest rates trended downward, influencing investor sentiment and capital inflows to emerging and developing markets. The reduction in inflationary pressures has enabled central banks in advanced countries to lower interest rates, which continue to stimulate consumption, encourage investment, and support a gradual recovery in global trade. The easing of interest rates, combined with economic resilience, is likely to result in more favourable credit conditions, as borrowing costs continue to decrease. This may ease public and private debt burdens, improve creditworthiness and enhance debt servicing capacity.

Global trade growth is projected to rise to an average of 3.2 percent in 2025 compared to 2.7 percent in 2024, mainly reflecting stronger investment spending, consumption, and the gradual recovery of the global economy. The expected changes in the global financial and political landscape following the US election are likely to influence international trade and logistics. However, disruption of global trade and supply chains likely to arise from US protectionism policies may affect economies reliant on exports, such as China, which may reduce demand for Africa's exports.

Although the global economy has shown resilience to multiple shocks, with growth projected to reach 2.8 percent in 2025 and 2026 ([Chart 1.1](#)), the outlook remains uncertain due to ongoing conflicts, geopolitical and trade tensions, climate risks and mounting fiscal pressure. Vulnerable countries are facing challenges, including rising debt servicing burdens, limited fiscal space, political instability and rising global trade tensions. Emerging markets and developing countries which are heavily dependent on commodity exports are increasingly exposed to global market fluctuations.

Chart 1.1: World GDP growth rates



Source: IMF, World Economic Outlook, January 2025

Note: Dotted lines denote projections.

Financial condition in advanced economies improved, bolstered by falling inflation, which is expected to support industrial activity and consumer spending. The decline in inflation in Advanced Economies has been driven primarily by lower energy costs and decreasing food prices. In addition, the continued monetary policy easing and resulting low financial cost are expected to boost investment and economic growth. Risks to expected economic recovery include further escalation of geopolitical conflicts, which could cause commodity price spikes and supply chain disruptions, fuelling inflation and diminishing economic activity. Heightened trade tensions pose additional risks, given the protectionist measures which may further negatively affect the global supply chain, food and energy prices, and exchange rates, thus resulting in unwarranted upward pressure on inflation and financial stability.

Emerging Market and Developing Economies are expected to recover gradually, supported by investment, consumption and improving financial conditions, but still exposed to global uncertainties. Growth in Emerging Markets and Developing Economies remained resilient in 2024, supported by robust domestic consumption, investments and improvements in net exports ([Table 1.1](#)). Firming investment and consumption supported by ongoing monetary easing, improved financial conditions, recovering real incomes and gradual expansion in trade and industrial activity. Households have benefited from easing the

cost of living, increasing disposable income and debt servicing ability. Financial condition remained sound, supported by the easing monetary policy stance in the US. This has led to an increase in net capital inflows through direct investment and portfolio and strengthening regional currencies against the US dollar.

However, the region remains vulnerable to the possible escalation of geopolitical tensions, deceleration in external demand due to trade protectionism, debt burden and servicing challenges. In addition, the region is highly vulnerable to the impact of climate hazards, extreme weather events, which pose a significant risk.

Table 1.1: GDP growth for selected countries

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Estimates 2024	Projections 2025
United States	2.7	3.6	1.9	2.6	3.1	2.6	-3.4	5.9	1.9	2.9	2.8	2.7
Germany	2.2	1.7	2.2	2.5	1.5	0.5	-4.6	2.6	1.8	-0.3	-0.2	0.3
Japan	4.0	0.8	0.0	1.4	0.5	1.2	-4.5	2.1	1.0	1.5	-0.2	1.1
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	-9.4	7.6	4.3	0.3	0.9	1.6
China	7.2	7.3	6.7	6.8	6.6	6.1	2.3	8.4	3.0	5.2	4.8	4.6
India	7.4	8.0	8.2	7.2	6.8	6.1	-7.3	8.7	7.2	8.2	6.5	6.5
Brazil	0.5	-3.6	-3.3	1.1	1.1	0.9	-4.5	5.0	3.0	3.2	3.7	2.2
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	-6.4	4.9	1.9	0.7	0.8	1.5
Euro Area	1.7	1.8	2.5	2.7	1.8	1.3	-6.4	5.3	3.4	0.4	0.8	1.0

Source: World Economic Outlook, January 2025

Growth in Sub-Saharan Africa is projected to pick up as monetary policy easing is anticipated to promote exchange rate stability against major currencies. Growth in Sub-Saharan Africa (SSA) is projected to strengthen to 4.2 percent in 2025, driven by improvements in the industrial and commodity exports, tourism, continued exploration and development of new mines and efforts to promote regional trade integration. The financial condition in the region is also expected to improve owing to accommodative monetary policies, recovery in global growth and trade, which will play pivotal roles in shaping the exchange rate landscape and borrowing costs.

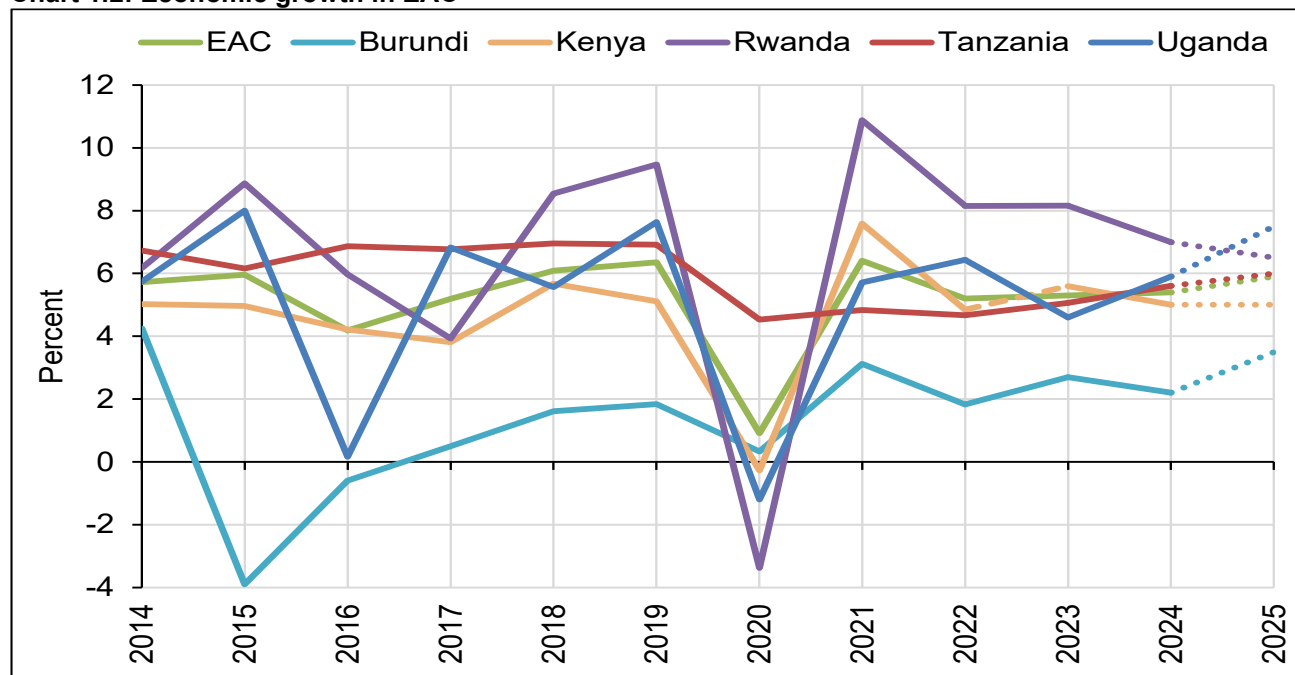
While the region benefits from improved global trade and accommodative monetary policy, it faces risks such as heightened uncertainty on the potential for adverse changes in trade policies due to the ongoing US protectionism stance, which may be weakening import demand from main trading partners. Economies in SSA continue to face tight fiscal spaces and high levels of domestic and external debt. For many African countries, interest payments represent a crippling share of government revenues as revealed by the International Debt

Assessment Report, 2023. High government debt and elevated interest rates have narrowed fiscal space, prompting fiscal consolidation efforts in many countries, while financing needs remain high. The increased regional and global instabilities, such as the escalation of conflicts in the Democratic Republic of Congo, Sudan and the Middle East, could raise energy and food prices in the region. The region has grappled with the intensifying impacts of climate change in 2024, with widespread extreme weather destruction across the SSA.

1.2. Regional macro-economic and financial developments

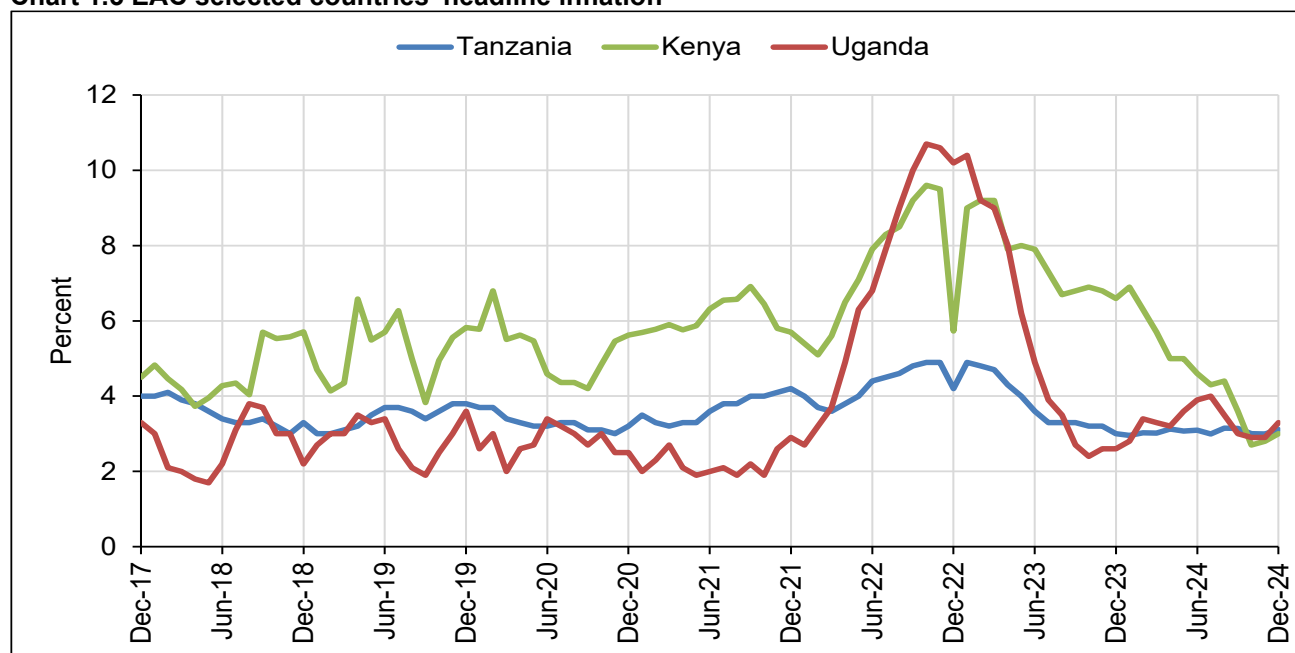
The East African region continues to be the fastest growing economy in Africa, despite global uncertainties and growing climate risks. The region is projected to grow at 5.4 percent in 2024 and 5.9 percent in 2025 ([Chart 1.2](#)). The growth is attributed to improved economic conditions, recovery in global trade, improvement in supply chains and growth in domestic investment, particularly infrastructure and services. Further, the growth reflects the resilience of the regional financial systems to external shocks. The region is expected to maintain the growth trajectory owing to continued financial sector reforms and increased public and private investments.

Notwithstanding the good performance, the region is prone to geopolitical conflicts and political strives in some of the member countries which may affect the growth trajectory and fiscal performance exerting pressure on local currency stability. Additionally, the region has experienced growing climate related risks from extreme weather events such as floods and drought, posing a risk to financial system stability. The growing financial technology and interlinkage with the global financial ecosystems pose risks related to cyberattacks.

Chart 1.2: Economic growth in EAC

Source: World Economic Outlook, January 2025

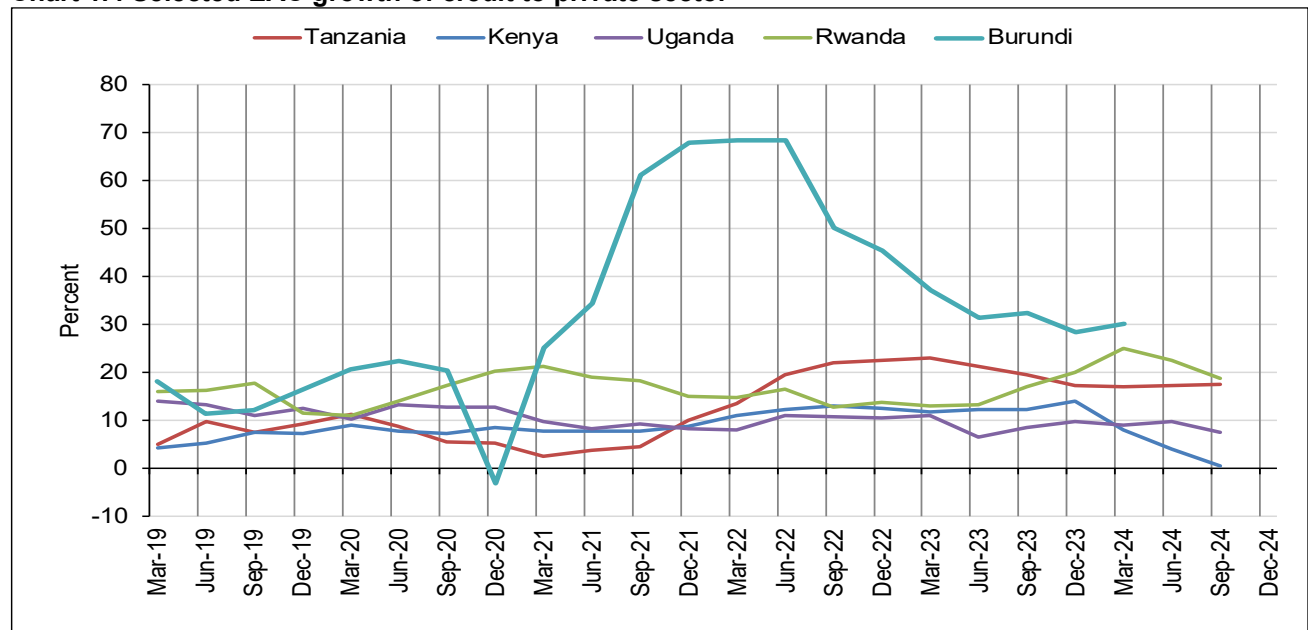
Inflation remains a major concern in some of the EAC countries, especially countries that are exposed to geopolitical tensions. However, some countries have managed to maintain inflation within the convergence criteria ([Chart 1.3](#)). Moving forward, inflation is expected to remain within desired ranges as the EAC Partner States implement monetary, fiscal, and prudential measures. The improvement of global trade and financial conditions is expected to improve the performance of regional currencies and contribute to financial stability.

Chart 1.3 EAC selected countries' headline inflation

Source: EAC Central Banks

During the year ending 2024, credit to the private sector remained strong, despite constraints on inflationary and foreign currency pressures ([Chart 1.4](#)). Central banks within EAC have continued to implement prudential monetary policies to control inflation and reduce credit growth to the private sector. Additionally, banks have continued to adopt more cautious lending strategies due to economic uncertainties, further limiting credit expansion. Despite these challenges, some economies are expected to continue experiencing moderate credit growth, driven by infrastructure financing and increased investment in priority sectors.

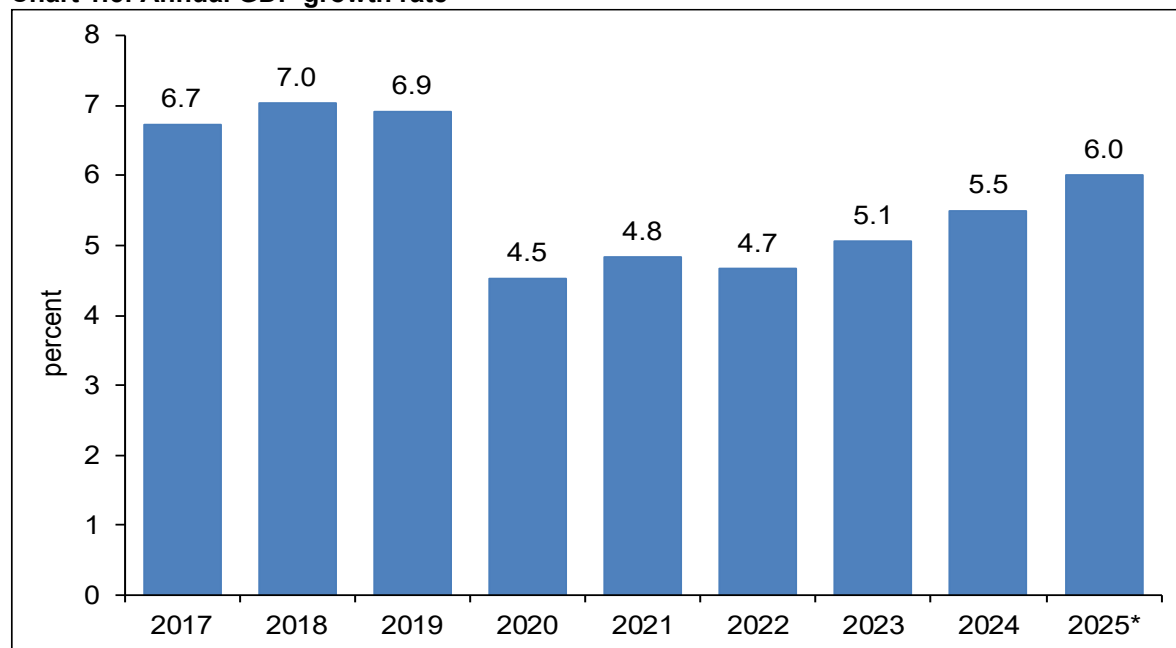
Chart 1.4 Selected EAC growth of credit to private sector



Source: EAC Central Banks

1.3. Domestic macroeconomic and financial environment

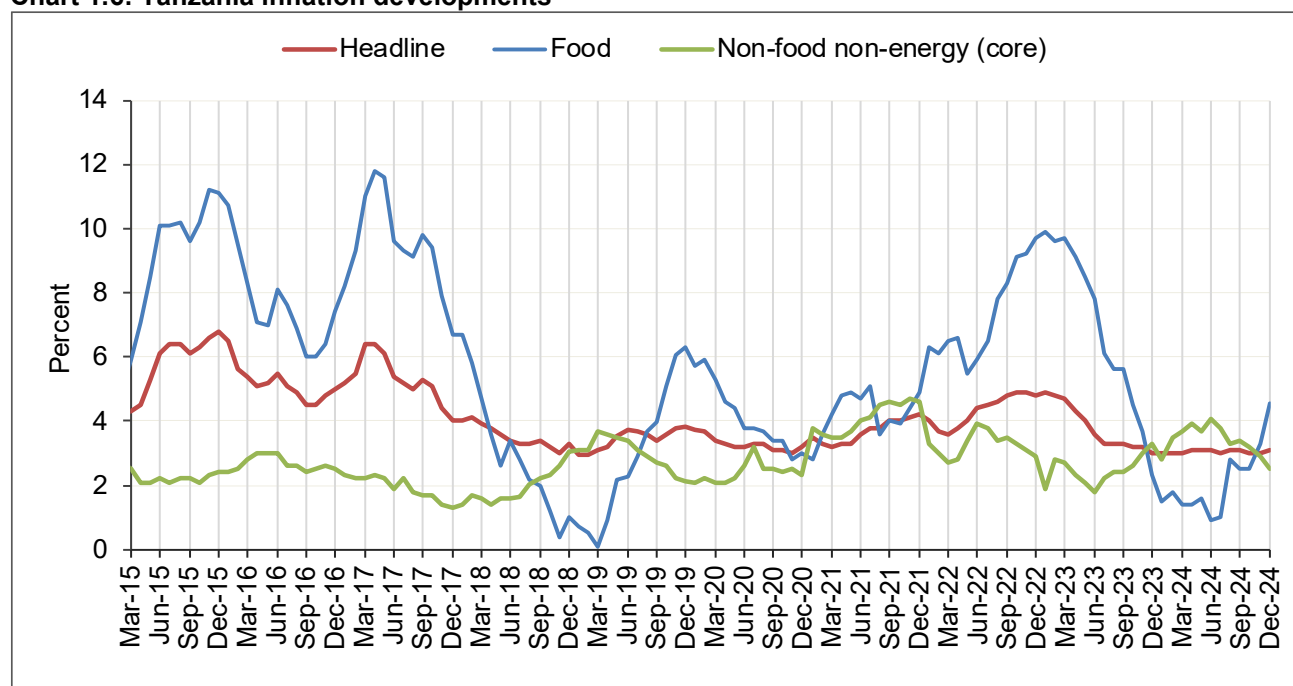
The domestic financial condition remained stable on account of improved macroeconomic environment and financial sector resilience to potential vulnerabilities. The domestic economy remained stable, despite tighter global financial conditions, geopolitical tensions, and climate related risks. This was underpinned by steady GDP growth, strategic public investments, improved resilience in the financial system and ongoing structural reforms. During 2024, the economy is estimated to grow by 5.5 percent and is expected to pick-up to 6.0 percent in 2025 supported by continued implementation of strategic infrastructural projects in energy and transport, ongoing Government initiatives to improve the investment environment, growth in investment in priority sectors and implementation of Financial Sector Development Masterplan ([Chart 1.5](#)).

Chart 1.5: Annual GDP growth rate

Source: National Bureau of Statistics and Bank of Tanzania

* Projection

Inflationary pressures remained subdued, owing to monetary policy actions, adequate food supply, prudent fiscal policy, and moderation of global energy prices. Inflation eased to an average of 3.1 percent in 2024 from 3.8 percent in 2023 ([Chart 1.6](#)). However, the outlook for inflation and economic growth remains within the desired paths, but global trade policies and geopolitical conflicts might affect domestic inflation and output.

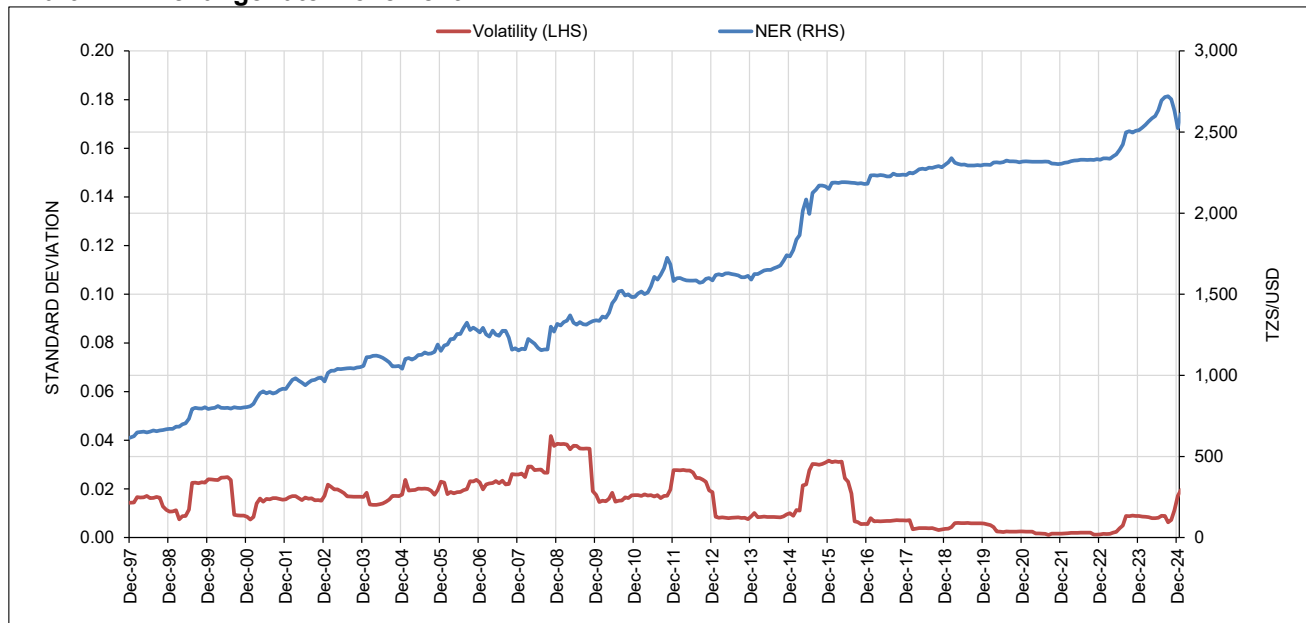
Chart 1.6: Tanzania inflation developments

Source: National Bureau of Statistics and Bank of Tanzania

The financial stability risks remained moderate owing to stable economic conditions and a pick-up of financial sector resilience driven by stable macroeconomic and sound financial sector conditions. This has been partly contributed to by the growth of key sectors such as agriculture, domestic and foreign investments, and infrastructure development. The performance also contributed to improved firms' and households' financial condition and creditworthiness as reflected by the downward trend in non-performing loans and increased access to credit.

However, the domestic financial system is vulnerable to ongoing regional and Middle East geopolitical tensions; trade war due to US protectionism policy, which may lead to supply disruptions; reduced export demand; and foreign currency inflows. The ongoing extreme weather events may affect production chains, leading to pressures on food prices and rising cost of living for households. The Bank has enhanced its supervisory role in the banking sector to prevent or mitigate any effects that could arise from climate-related risks.

During December 2024, foreign currency liquidity improved, attributed to increased earnings from the key export sectors easing pressure on the exchange rate. The influx of foreign currency at the end of the year eased pressure on the exchange rate, which had faced sustained depreciation in prior months. Mining, agriculture and tourism sectors led the gains, with strong global demand and favourable commodity prices boosting export receipts. The decline in energy and food prices, as well as interest rate cuts by advanced economies, contributed to an improvement in foreign currency liquidity and exchange rate stability. The nominal and real effective exchange rates were aligned to foreign exchange liquidity conditions, with stability observed over time, as shown in ([Chart 1.7](#)).

Chart 1.7: Exchange rate movement

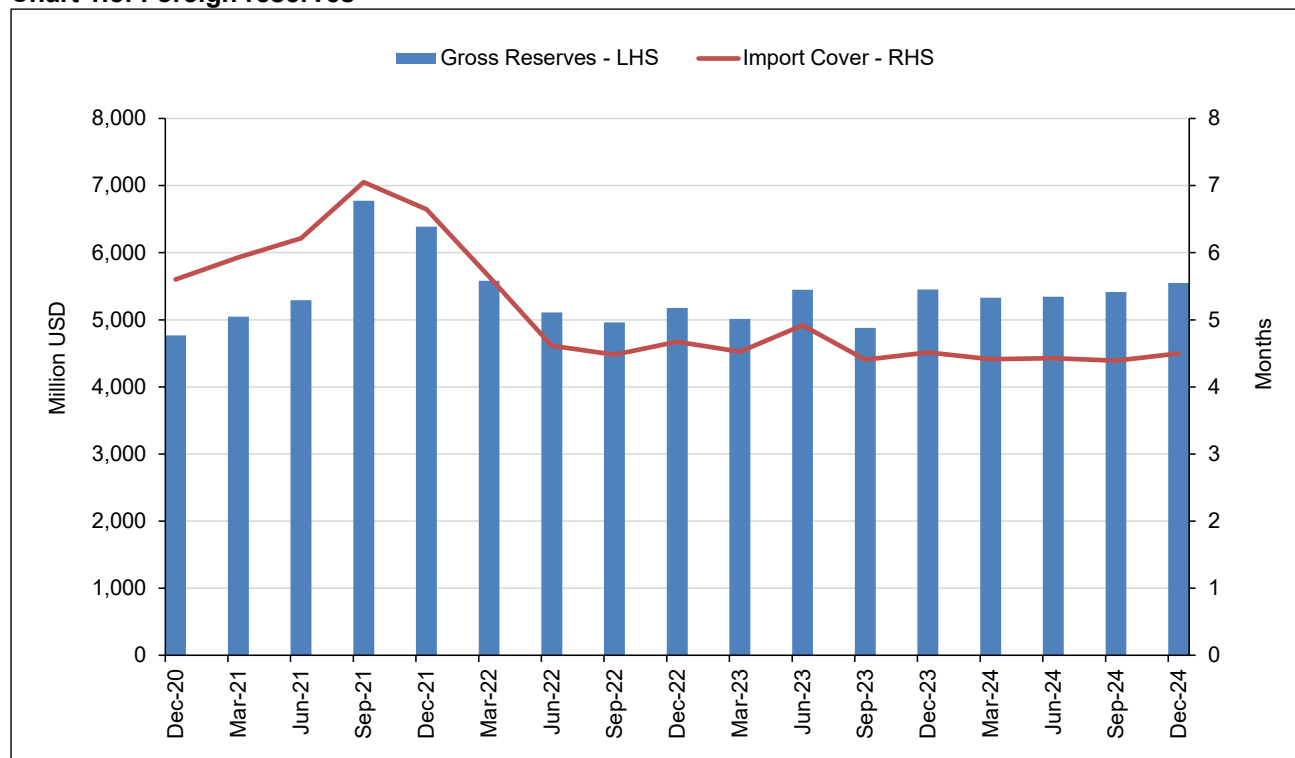
Source: Bank of Tanzania

1.4. Foreign exchange reserves

Foreign exchange reserves increased during the review period, providing a sufficient buffer against external shocks. The reserves increased to USD 5,546.9 million by December 2024, up from USD 5,450.1 million in December 2023, covering 4.5 months of imports ([Chart 1.8](#)). This growth was driven by higher Foreign Direct Investment (FDI) inflows, a strong export performance (especially in gold, traditional crops, and tourism), and a favourable business environment. Despite a positive outlook, risks like global market volatility and exchange rate pressures remain. Sustained export growth, FDI diversification, and prudent foreign exchange management are crucial for resilience.

The Bank began purchasing gold in October 2024 as part of its strategy to accumulate foreign exchange reserves by purchasing gold from the local market. This scheme increased the country's foreign exchange reserves by USD 167.72 million by December 2024. The decision will enhance financial stability by strengthening foreign reserves, mitigating exchange rate volatility, and reducing exposure to foreign currency risk. Additionally, this will diversify reserve assets, providing a hedge against inflation and global economic uncertainties and supporting the local gold market, improving liquidity and fostering economic confidence.

Chart 1.8: Foreign reserves

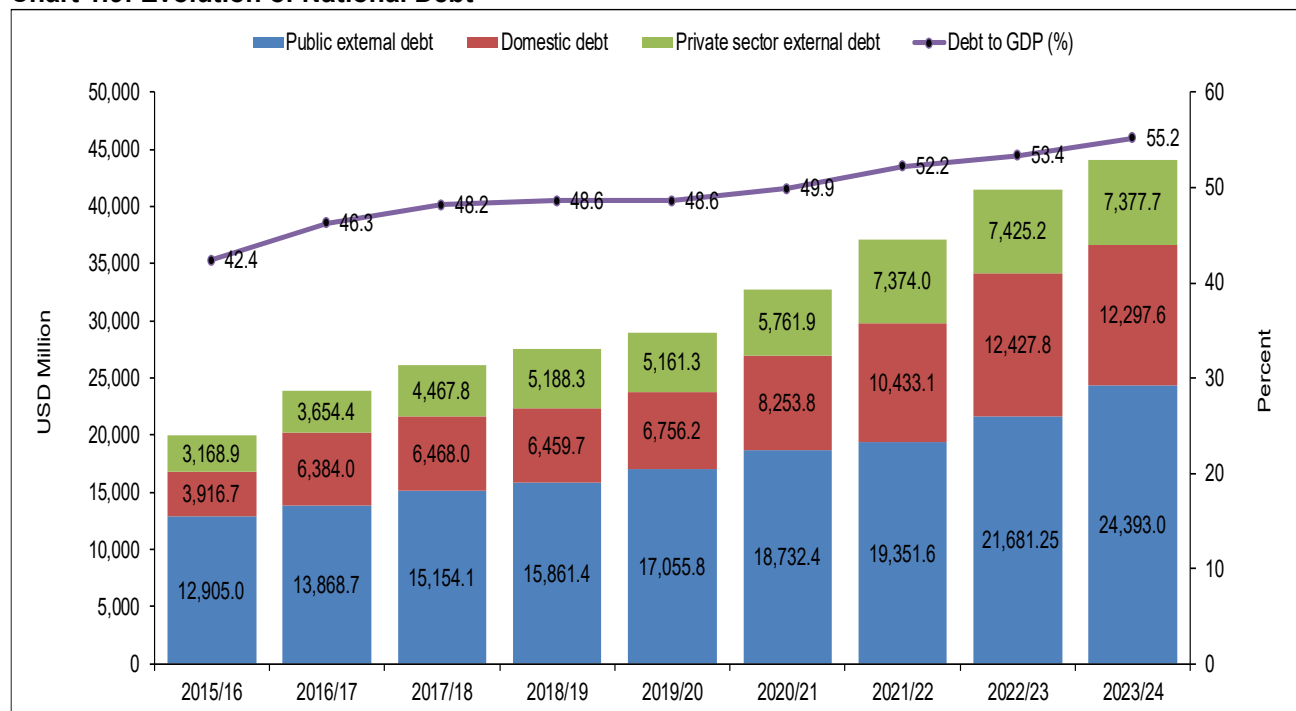


Source: Bank of Tanzania

1.5. Sovereign debt analysis

Debt Sustainability Analysis conducted in December 2024 indicated that debt remains sustainable in the medium to long term, with all baseline liquidity and solvency indicators below thresholds. However, the risk of debt distress remains moderate due to the breach of thresholds for the external debt service to export and debt service to revenue under the shock scenario. As of December 2024, the national debt rose by 8.2 percent to USD 47,709.2 million, compared to June 2024 ([Chart 1.9](#)). In general, while current indicators are positive, continued prudent fiscal management and proactive risk mitigation strategies are essential.

During the major review conducted in December 2024, Fitch and Moody's maintained Tanzania's long-term issuer ratings at B+ with a stable outlook. [Box 2](#) below provides a summary of the rating results.

Chart 1.9: Evolution of National Debt

Source: Ministry of Finance and Bank of Tanzania

Box 2: Credit rating and Tanzania economic resilience

In December 2024, Fitch and Moody's maintained Tanzania's long-term issuer rating at B+ with a stable outlook, indicating consistent confidence in the nation's economic trajectory. Tanzania's rating is underpinned by robust real GDP growth, low inflation, and a moderate debt level, with the IMF program providing additional support. While these strengths are commendable, there is room for improvement in governance indicators, tax revenue collection, and the macroeconomic policy framework compared to other 'B' rated countries, which increases vulnerability to foreign exchange liquidity pressures.

The sustained rating reflects consistent government policy and ongoing initiatives to enhance economic stability and growth.

Summary of Fitch and Moody rating results for Tanzania

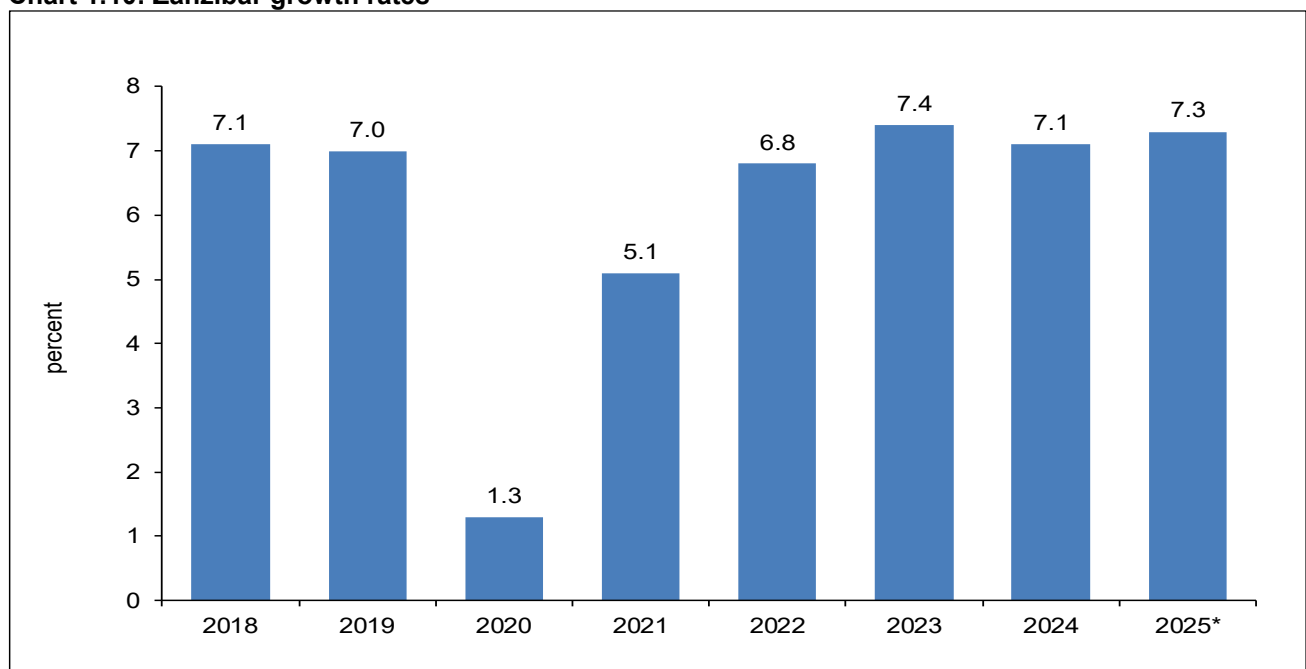
Rating Action Summary	Key Points
Release Date	December 13, 2024
Maintaining the existing rating	Fitch and Moody's maintained Tanzania's long-term issuer ratings at B+ with a stable outlook, showing consistency in government policy and ongoing improvements to ensure long-term economic stability and growth.
Reasons for maintaining the existing rating	Tanzania's rating is supported by its relatively strong real GDP growth, low inflation, and a moderate level of government debt, coupled with macroeconomic and fiscal performance supported by an IMF programme. However, constrained by weak governance, revenue underperformance, and a weak macroeconomic policy framework, this may result in vulnerabilities to foreign-exchange (FX) liquidity pressures.
Environment, social and governance (ESG) considerations	Tanzania has a medium WBGI ranking at the 37 th percentile, reflecting recent improvements in governance, although corruption and institutional capacity weaknesses remain.

1.6. Economic development in Zanzibar

Zanzibar's economy remained stable with economic transformation to attain economic modernization and diversification. The real economic growth rate in 2024 is estimated at 7.1 percent compared with 7.4 percent in 2023 ([Chart 1.10](#)). This growth rate was mainly driven by hotel and accommodation services, wholesale and retail trade, manufacturing, construction and real estate investment, including implementing large real estate projects. Growth was also supported by increased potential in the blue economy and sustainable production of marine resources. In the tourism sector, international tourist arrivals increased by 14 percent, rising from 648,349 in 2023 to 736,755 in 2024. This performance was due to enhanced efforts to promote tourism attractions and infrastructure improvement.

Despite global geopolitical tensions and climate change, Zanzibar's economy is expected to remain resilient in 2025, with a projected growth rate of 7.3 percent. The large volume of infrastructure development in communication, health, and education, plus increasing potential in the blue economy, are expected to trigger economic activities in real sectors such as fishing, mining and quarrying, construction, manufacturing, accommodation, and food services. The Zanzibar government continues to promote a conducive business environment to attract more private sector investment and introduce different policy measures to ensure fiscal discipline and revenue mobilization.

Chart 1.10: Zanzibar growth rates

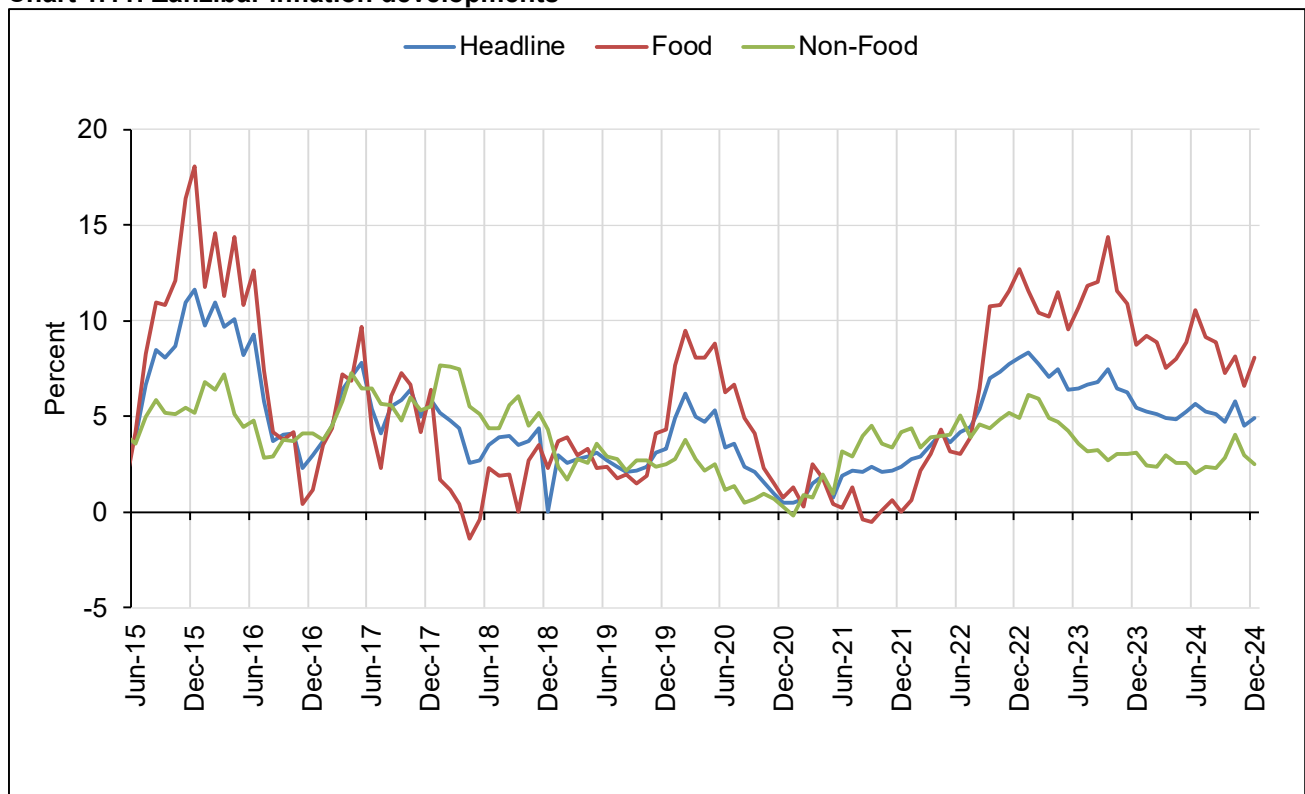


Source: Office of Chief Government Statistician (OCGS)

*Projection

Zanzibar's inflation rate decreased as food prices remained stable. By December 2024, the inflation rate eased to 4.9 percent compared with 5.5 percent in December 2023 (**Chart 1.11**). This outcome was attributed to stable food prices in domestic markets, contributed by closely monitoring imported food items' prices. The trend is expected to remain around 5.0 percent in 2025. The Zanzibar government is monitoring inflation and implementing policy measures such as a national food reserve, tax incentives on essential foods, and subsidies on key non-food items like oil and gas to help reduce the cost of living and ensure market stability.

Chart 1.11: Zanzibar inflation developments



Source: Office of Chief Government Statistician (OCGS)

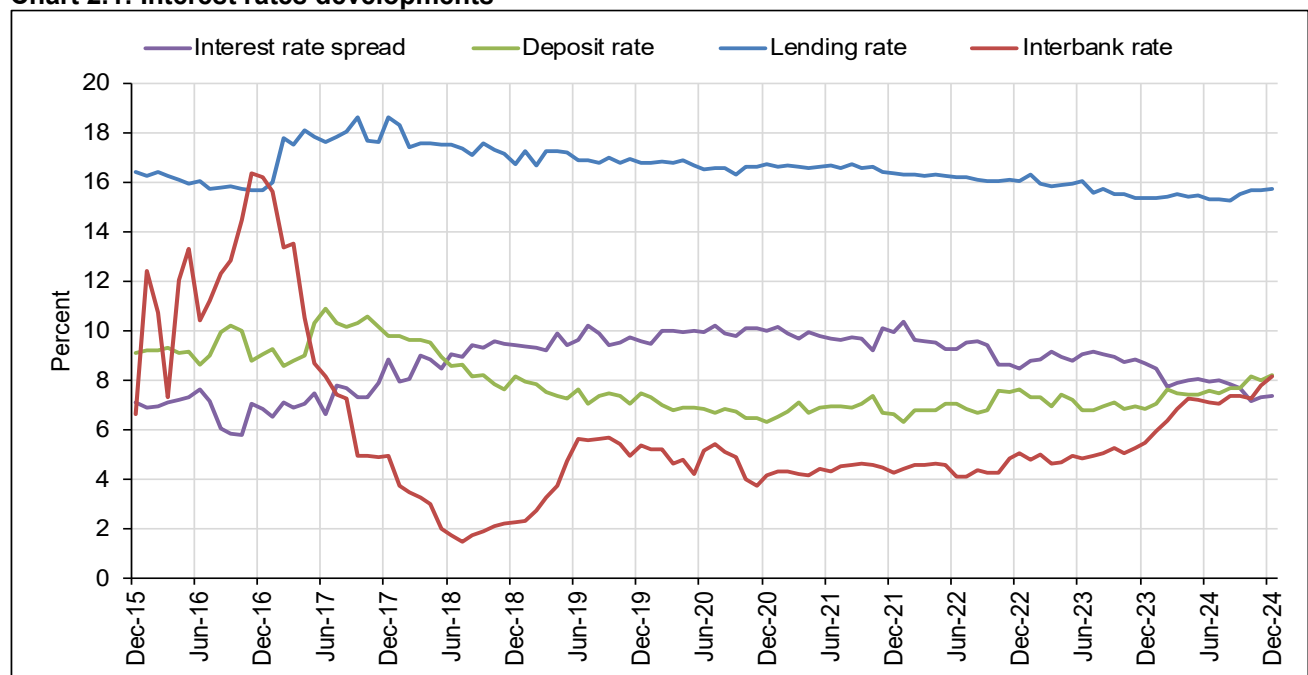
2. FINANCIAL SYSTEM DEVELOPMENTS

2.1. Credit and interest rate developments

Credit to the private sector remained strong in 2024, reinforced by improved credit infrastructure and conducive business environments. In December 2024, credit growth to the private sector was 12.4 percent, mainly driven by continued credit expansion to different economic sub-sectors, including agriculture and manufacturing. Growth in private sector credit has also been influenced by the government's efforts in implementing the Financial Sector Development Master Plan, which enhances inclusion and access to credit for small and medium enterprises as a move towards industrialization. The Bank will enforce rigorous credit risk management practices, ensuring lenders conduct thorough credit assessments, maintain continuous monitoring and perform regular stress.

Lending and deposit rates continued to demonstrate stability, with the interest rate spread narrowing. During 2024, the interest rate spread declined to 7.4 percent from 7.9 percent in December 2023. The decline was primarily driven by an increase in deposit rates to 8.33 percent from 7.45 percent in the similar period ([Chart 2.1](#)). The lending rates remained stable with a slight downward moderation, reflecting an improving credit market environment. These developments are likely to improve banks' liquidity positions and credit provision to support consumption and investment.

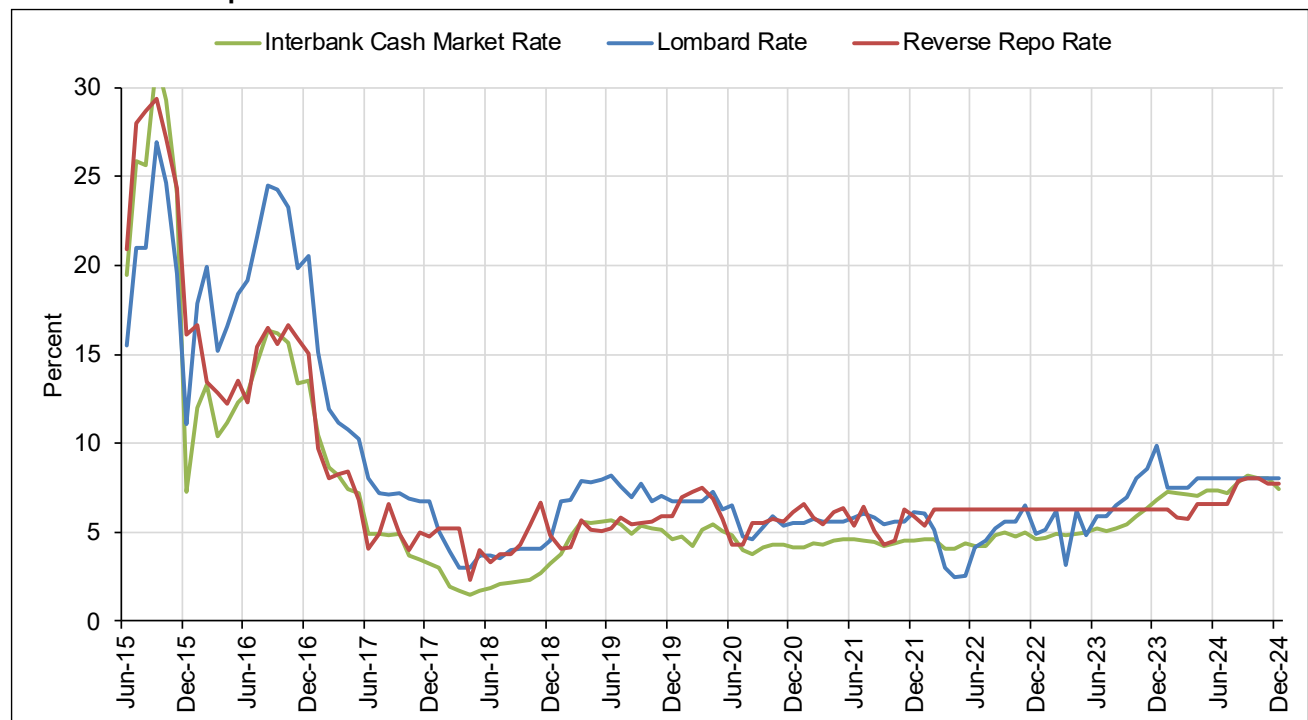
Chart 2.1: Interest rates developments



Source: Bank of Tanzania

In December 2024, the average interest rates in the interbank cash market increased to 7.41 percent from 6.81 percent in December 2023 but remained within the corridor of ± 200 basis points of the central bank rate (CBR) rate of 6 percent (**Chart 2.2**). The achievement was contributed by efforts taken by the Bank to ensure there is adequate liquidity in the banking system through liquidity injections using reverse repurchase agreements and the gold purchase program.

Chart 2.2: Development of interest rate in wholesale market



Source: Bank of Tanzania

2.2. Household financial condition

Financial stability risks from households continued to ease on account of increased income and investments in financial assets. During 2024, households continued to invest in financial assets, including treasury bonds, corporate bonds, equity and collective investment schemes (**Table 2.1**). The increase in household assets is linked to the introduction of innovative products such as green and sustainable bonds, performing equity investments and reopened treasury bonds offering higher coupon rates. Collective investment schemes continue to serve as valuable saving platforms for citizens, helping them meet critical needs like education, pensions, healthcare, and insurance.

Table 2.1: Household financial assets

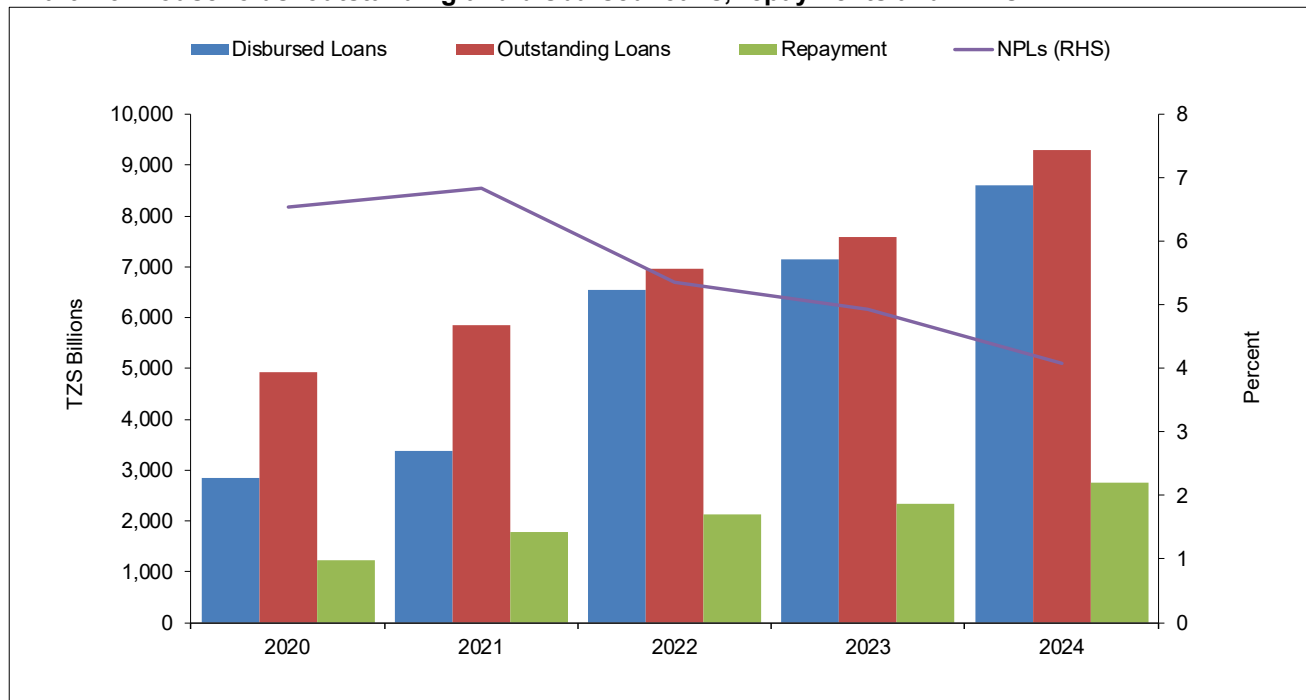
	Stock (Billion TZS)					Annual growth (percent)			
	Jun 2020	Jun 2021	Jun 2022	Jun 2023	Jun 2024	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Treasury Bills	543.6	4,230.6	1,268.4	194.7	136.4	678.2	(70.0)	(84.6)	(29.9)
Treasury Bonds	184.0	364.3	387.2	365.9	652.6	98.0	6.3	(5.5)	78.4
Deposits	22,521.8	23,350.3	27,101.4	31,055.5	36,189.8	3.7	16.1	14.6	16.5
Shares (Equity)	873.3	874.3	1,056.2	1,125.6	1,437.1	0.1	20.8	6.6	27.7
Collective investment Schemes	231.1	314.4	1,052.6	1,582.3	1,777.6	36.0	234.8	50.3	12.3
Corporate Bonds			81.8	50.7	306.6			(38.0)	504.4

Source: Bank of Tanzania and CMSA

The ongoing improvement in the business environment and sustained economic growth have further contributed to rising household incomes, which in turn have fuelled spending on goods and services. The increase in spending stimulated economic activities that furthered economic expansion through private and government investments, and increased consumers' net worth.

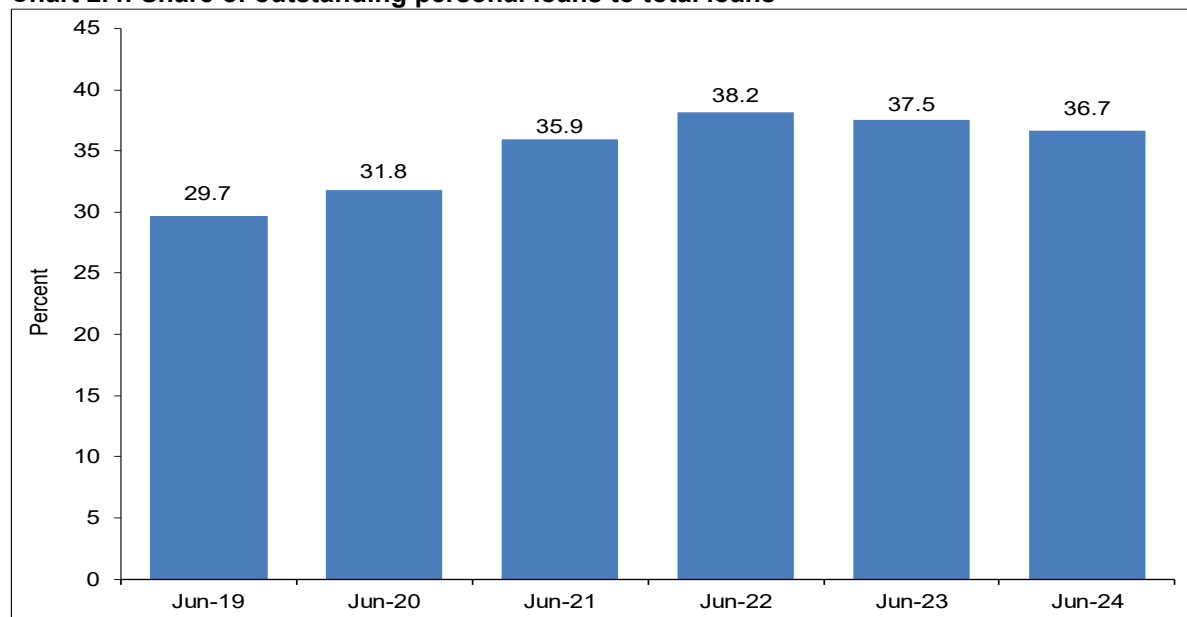
Household borrowing and repayment grew, reflecting increased creditworthiness.

During 2024, disbursed and outstanding personal loans increased on account of an improvement in household resources to meet individuals' financial commitments. Likewise, loan repayments increased as borrowers' ability to repay debts improved due to an increase in household income, assets and cash flows. The level of non-performing loans revealed a decreasing trend, confirming an improvement in household creditworthiness and asset quality in the banking sub-sector ([Chart 2.3](#)). Loan disbursements to households continued to exhibit an upward trend on account of the availability of financial assets, an increase in income, competition and the pick-up of economic activities as business conditions improved, as well as eased terms and conditions of loans by lending institutions. Lenders are exhibiting an increasing appetite for extending credit to households, partly driven by a low probability of default.

Chart 2.3: Households' outstanding and disbursed loans, repayments and NPLs

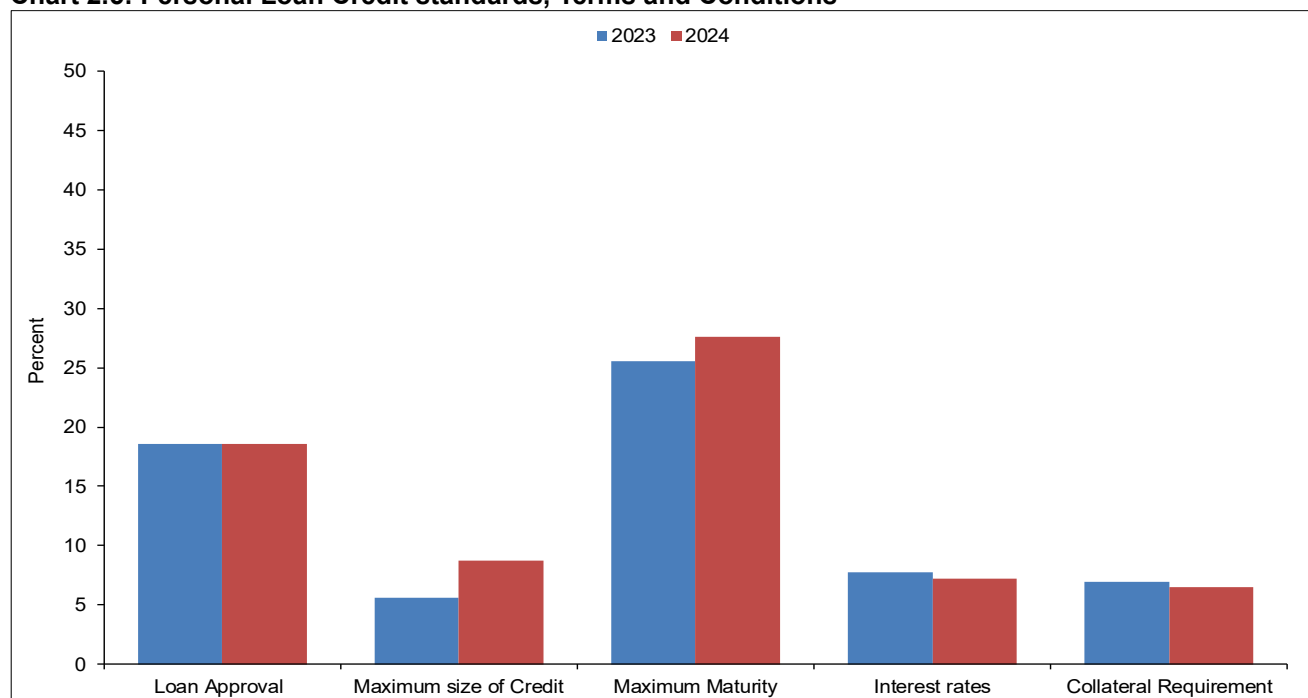
Source: Bank of Tanzania household financial condition survey, 2024

The share of outstanding personal loans relative to total loans has maintained a dominant position on account of a decrease in risk weight, which has made lending to households more attractive for financial institutions. Uptake of economic activities contributed to rising household income and enhanced household borrowing and repayment capacity. The preference for banks' lending to households stems from the perceived stability and reliability of household borrowers compared to businesses. However, the share slightly decreased to 37.5 percent in June 2023 from 36.7 percent in June 2024 ([Chart 2.4](#)), reflecting household commitments to repay the accumulated debts and increased appetite for banks to lend to other economic activities following the pick-up of economic activities, improvement in business conditions and increase in public and private investments.

Chart 2.4: Share of outstanding personal loans to total loans

Source: Bank of Tanzania

The banks' credit terms and conditions were broadly eased in a bid to stimulate household borrowing. During 2024, BoT survey on household financial conditions revealed that banks reduced interest rates on loans and increased loan repayment period, as well as the maximum size of loans, which reflects the Bank's decision to reduce risk weight for personal loans by 50 percent. As a result, banks experienced an increase in loan applications, which increased credit lending to the private sector ([Chart 2.5](#)).

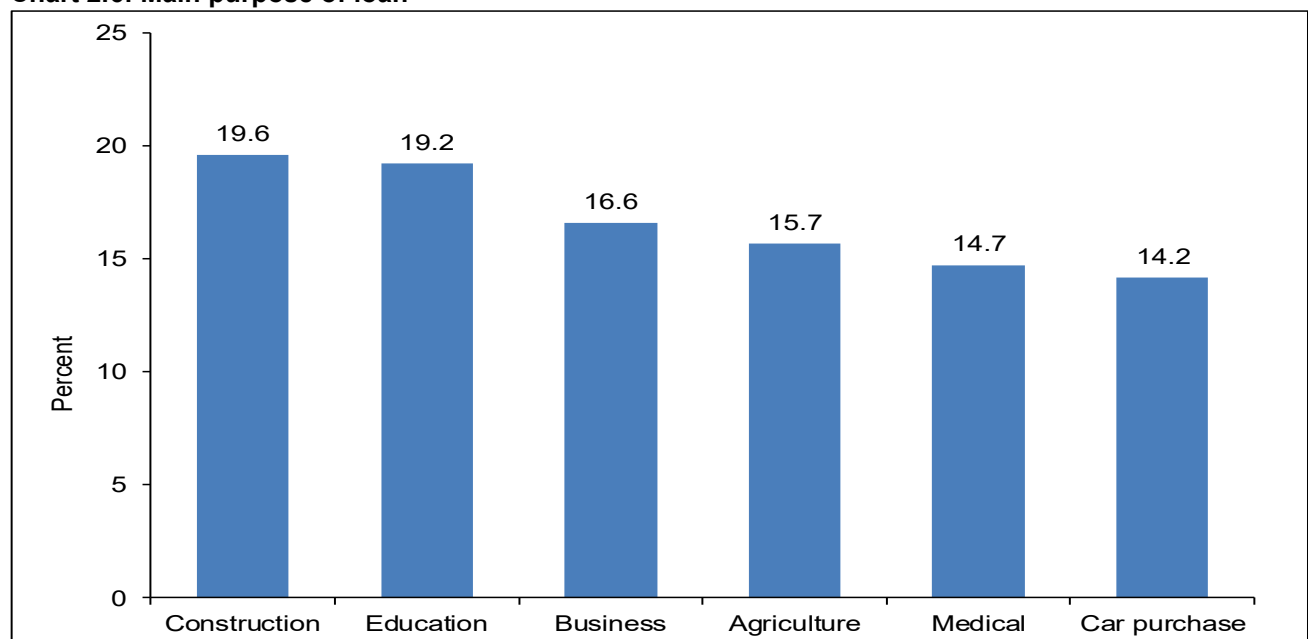
Chart 2.5: Personal Loan Credit standards, Terms and Conditions

Source: BoT Survey on Households' financial condition 2024

Banks indicated that they expect to continue easing terms of loans, which include interest rates, maximum maturity and size of credit, so as to stimulate more credit to households. On the other hand, banks expect to intensify credit recovery efforts to improve credit quality and reduce non-performing loans. Interest rates and loan maturity period are the most sensitive indicators of household debt servicing burden; therefore, lowering the rates and increasing duration could provide relief and sustainable debt payment capability.

Household borrowings were mainly spent on the acquisition of assets and business financing. A significant portion of household borrowing is directed toward housing construction, plot purchase, business, education and agriculture ([Chart 2.6](#)). This development reflects tendencies of the households to use unsecured loans to improve household income and assets, thus enhancing their creditworthiness. Further, the acquired assets can be pledged as collateral and increase access to loans. The usage of personal loans for other purposes, particularly for income-generating activities, enhances cash flow and diversifies sources of loan repayment by reducing overdependence on salary income as the only source of loan repayment. Investment in financial assets also provides dividends, interest rates and coupons, which can be used as alternative income for loan repayments. These also improved household stock of financial assets and cash flows, reducing the probability of default in the event of a shock to salary-related earnings and benefits.

Chart 2.6: Main purpose of loan



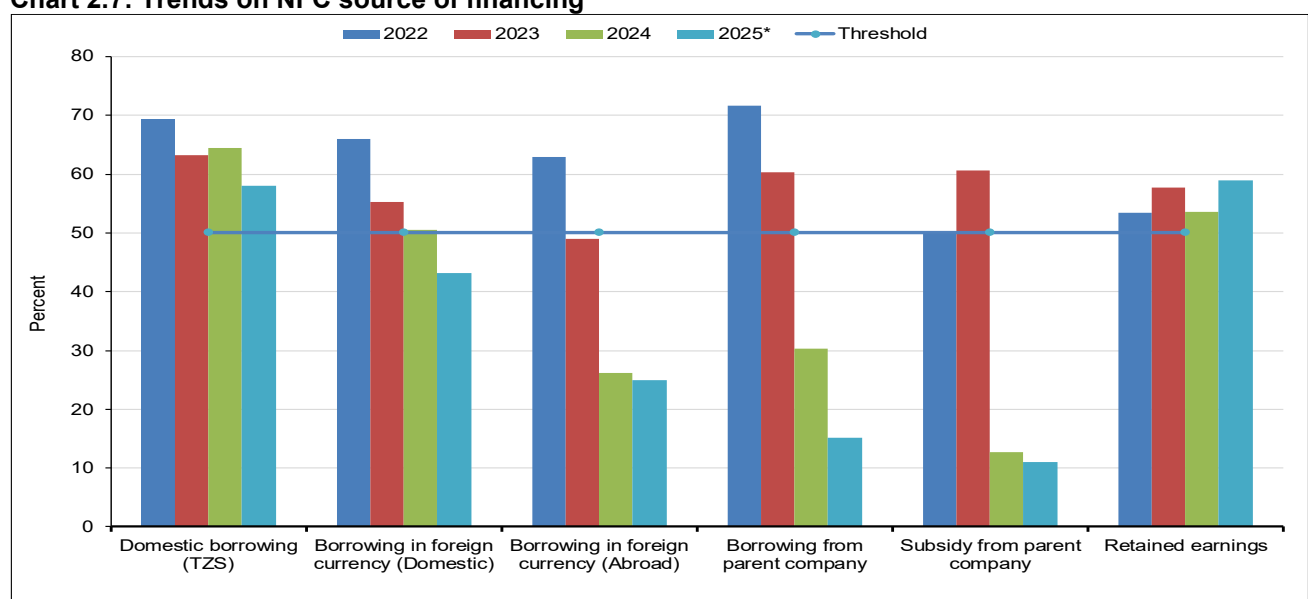
Source: BoT Survey on Households' financial condition 2024

In this regard, financial stability risk from the household sector remains low, reinforced by the rise in income, financial assets and savings along with increased debt servicing capacity. The decline trend in NPL further evidenced a fall in credit risks from households, reflecting a lesser risk of debt servicing stress. Further, the improvement in household income due to recovery in business activities and salary increments is expected to contribute to a decrease in the level of non-performing loans, sustaining the stability of the financial sector.

2.3. Non-financial corporate sector financial condition

Firms' sources of financing revealed a slight growth in domestic borrowing, indicating an increased appetite for investment. According to the Non-Financial Corporations (NFC) survey, retained earnings continued to increase in 2024 due to an improved business environment, public and private investments, and increased domestic and foreign demand. These factors boosted NFC's profitability, allowing it to retain more funds for other operations and equity. The results depicted that indices for source of financing were above 50 percent thresholds, mainly attributed to increased appetite for business financing through expansion and new investments (**Chart 2.7**) The survey indicates a slight decrease in domestic borrowing in foreign currency, suggesting potential tightening of foreign currency denominated credit due to scarcity of US dollar. The respondents indicated that the slight decline in foreign currency borrowing is partly due to the Government and the Bank's directive requiring all domestic payments to be made in Tanzanian Shillings, thus less pressure exerted in that market.

Chart 2.7: Trends on NFC source of financing

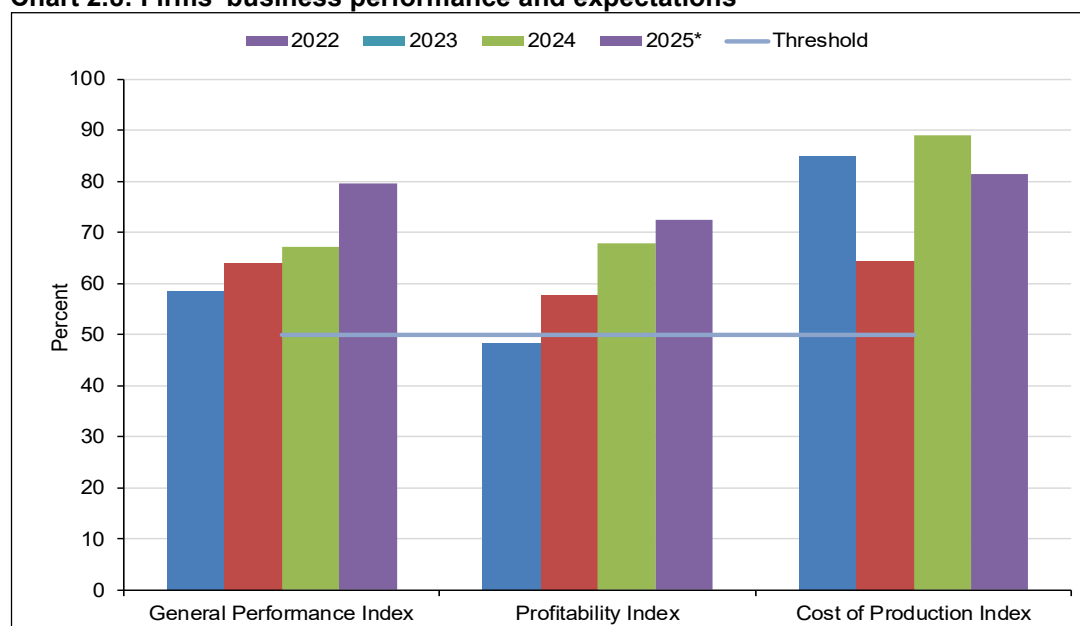


Source: Bank of Tanzania Non-Financial Corporate Sector Survey, 2024

Corporates anticipate improvement in financing sources backed by positive business growth expectations and economic stability in the coming years. The improvement in business conditions, profitability in the banking sub-sector, availability of liquidity to fund businesses and investment in infrastructure is expected to increase firms' retained profits and creditworthiness.

The Non-financial Corporates' financial condition improved, reflected by growth in general performance and profitability. Despite external challenges, such as inflationary pressures, global supply chain disruptions from war in Ukraine and the Middle East, and climate-related shocks, NFCs have demonstrated resilience as their performance and profitability have grown. The Bank undertook a survey of nonfinancial corporations' financial conditions, which revealed that general performance and profitability improved as their indices increased to 67.2 percent and 67.9 percent in 2024 compared to 64.1 percent and 57.8 percent in 2023, respectively. Going forward, firms expect improvement in general performance and profitability, as depicted by the index above 75 percent for 2025 (Chart 2.8). The positive outlook is on account of positive economic growth and improved business conditions, which instil confidence in the business community. An improving macroeconomic environment, supported by stable inflation rates, an increase in consumption and steady growth in GDP, has provided a conducive backdrop for NFCs to thrive. Improvement in profitability will improve the creditworthiness of firms and enable NFCs to leverage on favourable lending conditions, boosting their ability to borrow, invest and grow.

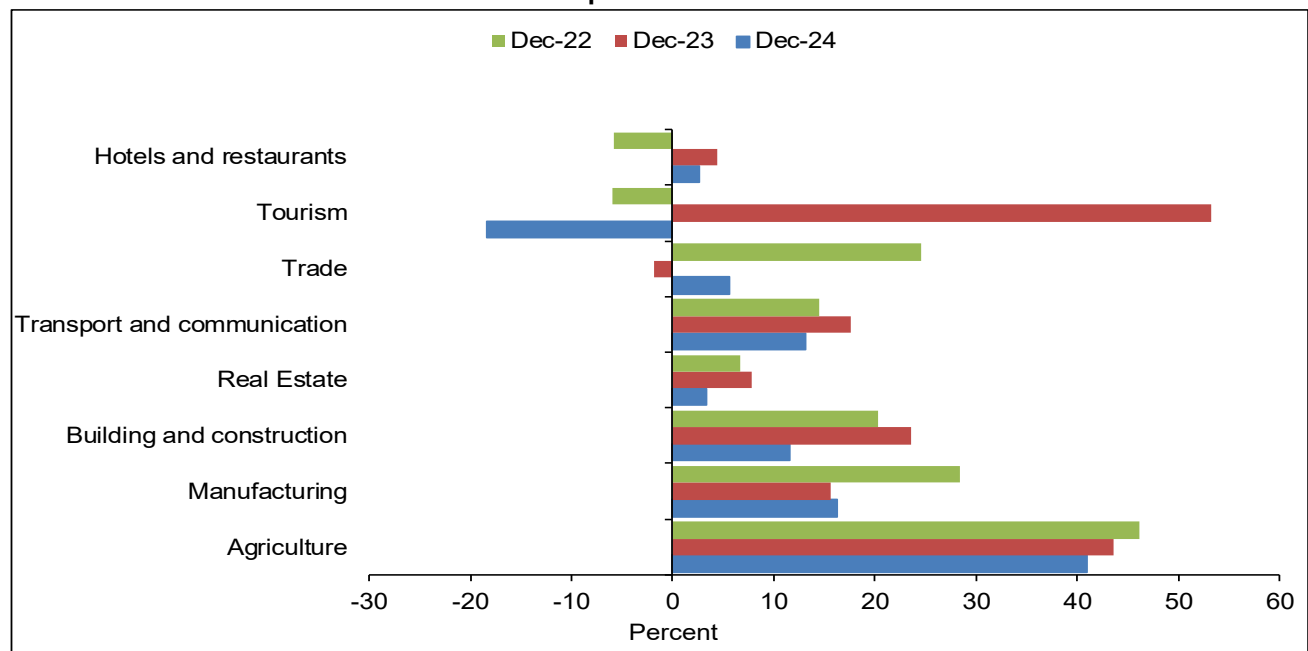
Chart 2.8: Firms' business performance and expectations



Source: Bank of Tanzania Non-Financial Corporate Sector Survey, 2024

The non-financial corporates' creditworthiness improved as credit growth and repayment increased across key sectors. During 2024, the annual average growth of credit provided to the private sector reached 16.2 percent. The fastest growing activities in terms of GDP contribution have driven significant growth in lending to the private sector. They include agriculture at 41.0 percent share of credit growth, manufacturing (16.3 percent), transport and communication (13.2 percent), and construction (11.6 percent) as shown in [Chart 2.9](#). This trend suggests improving access to finance by businesses, which stimulates investment and growth, thus reflecting the effective functioning of the financial system with enhanced borrowers' debt servicing capacity.

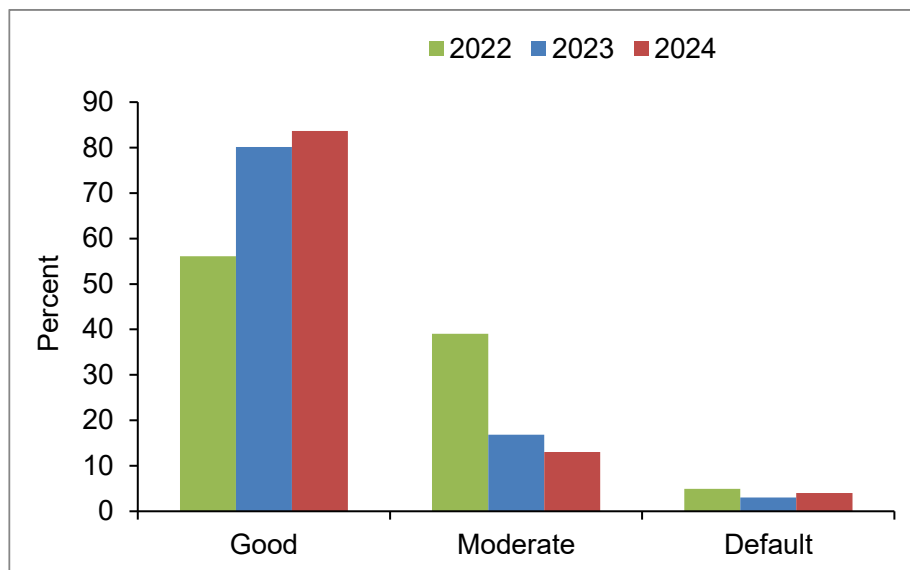
Chart 2.9: Credit Growth to Non-Financial Corporates



Source: Bank of Tanzania

The NFCs reported improvement in the status of their loans, whereas 83.7 percent of the borrowers were in good condition compared to 80.1 percent in 2023. The improvement was also reflected in the decline in loans with moderate and bad condition status, implying a significant improvement in companies' ability to service their debts ([Chart 2.10](#)). This development was due to improvement in the business environment, increased investment, government payment of arrears, recovery in global trade, and rising consumer demand leading to higher profit margins for traders, producers, and exporters. The positive developments are reflected in the banking sub-sector, where non-performing loans (NPLs) decreased to 3.3 percent in December 2024 alongside enhancements in banking sub-sector profitability.

Chart 2.10: Loan Status



Source: Bank of Tanzania

The growth in NFCs' performance and profitability strengthens the corporate sector and boosts the financial system's resilience. It improves firms' creditworthiness, reduces risks for financial institutions, and supports financial stability by minimizing exposure to defaults. Furthermore, profitable NFCs are more likely to reinvest in the economy, driving overall growth. In this regard, financial stability risk from the NFCs sector remains low, reinforced by the increase in profitability, creditworthiness, and positive performance, along with increased debt servicing capacity.

However, NFCs are still facing the heightened risks associated with technological acceleration and climate change. The climate risks have become more complex and urgent with a greater potential of causing financial instability for corporates and the financial sector, as explained under **Box 3**. These findings align with the Global Risk Report 2025, which ranked extreme weather events as the second most severe risk over the short term (two years) and the most severe over the long term (ten years).

Box 3: Climate-related risks facing the Corporate Sector

Climate change poses an increasing systemic risk to Tanzania's financial and economic sectors, with extreme weather events and environmental degradation directly affecting economic productivity, financial performance, and credit quality. Globally, extreme weather events are ranked as the number one long-term risk¹, and in Tanzania, these risks are intensifying due to the country's reliance on climate-sensitive industries such as agriculture, energy, tourism, and infrastructure development.

During 2024, the Bank of Tanzania surveyed non-financial corporations to assess the building-up of systemic risk in the financial sector emanating from the non-financial corporate sector. The survey findings indicated that corporates, the largest borrowers from banks and other financial institutions, are vulnerable to climate shocks, including prolonged droughts, floods, and rising temperatures. This, in turn, threatens corporate revenues, increasing loan defaults and non-performing assets, which in turn has led to an increase in credit risks to banks. Further, corporations reported that the extreme weather events have reduced the value of physical assets held by businesses, weakening collateral used for bank lending, making it harder for finance assess.

The firms operating in the agriculture sector have reported disruptions in the operational patterns, which resulted in financial losses. This has been reflected by coffee industry firms, which have reported that the uncertainty in the rainfall seasons caused by weather delays or regular rains have impacted the normal harvest patterns, which has in turn disrupted the auctions timings. Furthermore, firms report increased costs from climate impacts on infrastructure, such as roads being damaged by heavy rains, making transportation more difficult and isolating certain areas.

Firms exporting overseas have reported that there have been an increased costs of operations associated with compliance with Global standards, the firms have reported that most international buyers now require sustainability certification which has resulted to creating compliance challenges to NFCs as they are required to hire experts and invest on sustainability programmes, further the NFC have reported that the carbon pricing policies in European nations making products less competitive due to higher carbon footprints.

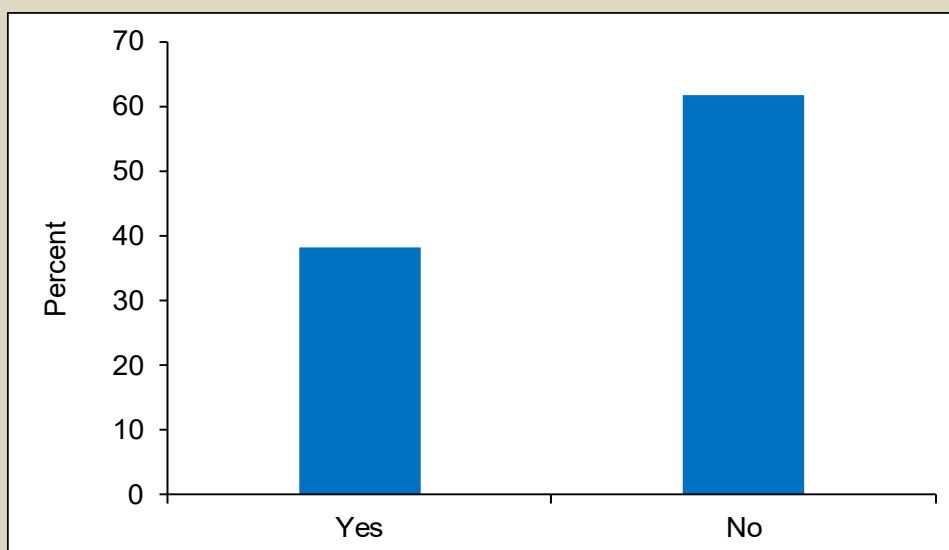
Corporates response to climate Shocks

During the year 2024, the Corporates indicated being proactive to adapt to climate risks by integrating climate impact assessments into their strategic operations. 38 percent of the surveyed corporates indicated having understanding, and they have been trying to integrate the analysis on climate changes in their operational Frameworks (**Figure 1**).

The firms indicated some of the adaption measures include climate risk assessments to evaluate the potential impact of droughts, floods, and extreme weather on their supply chains and production in their operations during the annual forecasts. Other agribusiness firms indicated that they are currently exploring the ways in how they can implement the data monitoring system that can be able to predict droughts and adjust its crop rotation strategy by using the data from the Tanzania Meteorological Agency (TMA), which can help them reduce financial losses. Other firms have been doing a simple analysis by approximating the climate impacts to their operations by providing for unexpected losses into their annual forecasts and planning, which helps them enhance their preparedness towards unexpected disruptions.

Further, corporations have indicated a move towards investment in the sustainability-related programme to cope with global market requirements. Firms have also reported the shift to the eco-friendly energy sources moving away from fuel generators which are highly emitting, however, the other sources have been seen as costly to implement.

Figure 1: Investment in Climate Change Adoption Programmes



Source: NFC survey 2024

3. Policy Recommendations

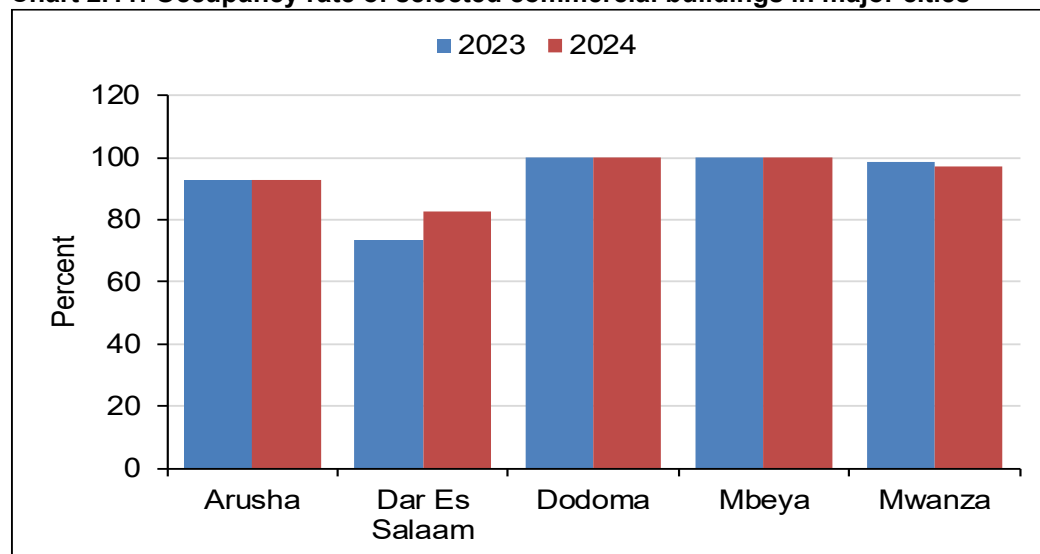
From the discussion with respondents during the survey, it was revealed that the rising risks from climate change requires actions in order to safeguard the stability of the sector resilience, and the sustainability of corporates:

Strengthening Climate Risk Management in the Financial Sector

- (a) The financial sector Regulators to mandate climate risk stress tests for assessing exposure to droughts, floods, and carbon transition risks;
- (b) Encourage banks to finance climate adaptation projects, including carbon credit, renewable energy, water conservation, and climate-smart agriculture, to reduce exposure to high-risk borrowers;
- (c) Expand climate risk insurance for businesses, ensuring corporations can recover from climate-related disruptions without defaulting on loans;
- (d) Align Tanzania's financial sector with regional and global climate finance standards, ensuring banks and corporates adopt ESG (Environmental, Social, and Governance) practices.

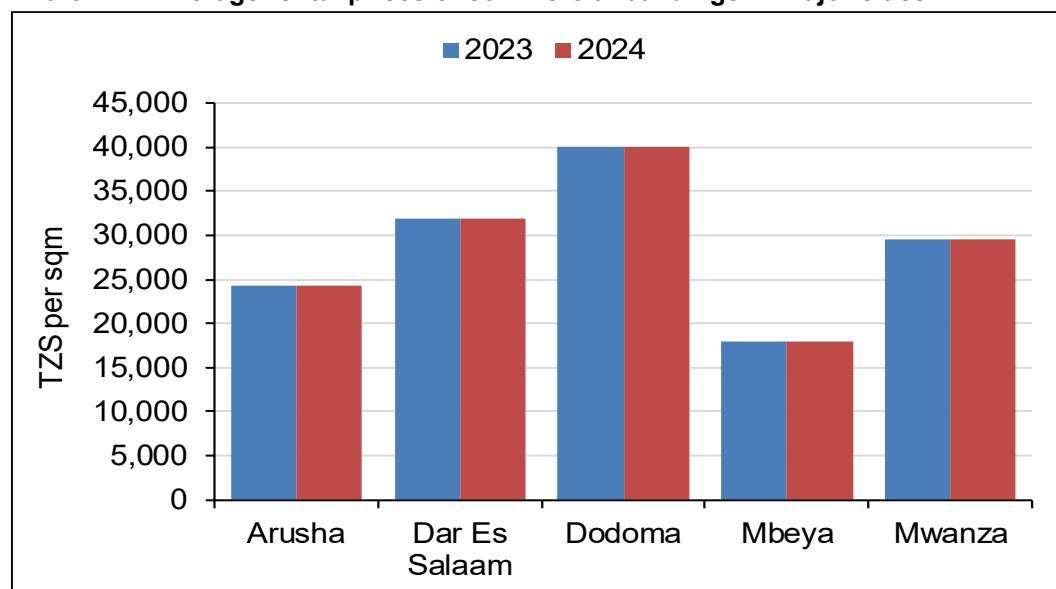
2.4. Real estate sector

Tanzania's real estate market remained stable, as reflected by the stable occupancy rate. The occupancy rates for commercial properties in Dar es Salaam and other major cities remained stable, signaling conducive business environments. A significant number of commercial properties had occupancy rates above 80 percent, with properties located in Dodoma, Mbeya, and Mwanza towns attaining 100 percent occupancy rate, suggesting recovery and growing confidence in the market (**Chart 2.11**).

Chart 2.11: Occupancy rate of selected commercial buildings in major cities

Source: Bank of Tanzania

The average rental prices of the commercial buildings in the major cities of Arusha, Dar es Salaam, Dodoma, Mbeya, and Mwanza indicated stability. Dodoma had the highest rental price during the review period, reflecting the impact of the relocation of government offices to Dodoma, prompting an increase in demand for commercial real estate, particularly offices. As a result, rental prices in Dodoma have seen significant growth, especially in areas close to government buildings and ministries ([Chart 2.12](#)).

Chart 2.12: Average rental prices of commercial buildings in major cities

Source: Bank of Tanzania

This development suggests a positive outlook for Tanzania's real estate market, which is expected to mitigate the risk of loan defaults associated with commercial real estate financing and reduce potential losses given default, owing to the stability in collateral values. The

increased demand for office space is a sign of business resilience, which could support the creditworthiness of businesses and enhance the performance of banks and financial institutions with exposure to the real estate sector.

2.5. Financial sector

The financial sector maintained growth, resilience, and capacity to serve the needs of the economy. The financial sector's total assets to GDP ratio was 44.2 percent in 2024, contributed by growth in total assets for all sub-sectors. Collective investment schemes experienced the highest growth rate at 46.1 percent, followed by insurance and banking. The banking sub-sector's total assets continue to make up a large portion of the financial sector assets at 70.2 percent, followed by social security at 24.1 percent (**Table 2.2**).

Table 2.2: Structure of the financial system

Descriptions					As percentage of	
	2021	2022	2023	2024	Total assets	GDP
Banks	39,544,979.4	46,228,590.0	54,262,973.0	62,165,065.5	70.2	31.0
Insurance	1,270,000.0	1,420,600.0	1,868,515.3	2,339,948.3	2.6	1.2
Social security	14,449,779.0	16,789,420.0	18,834,085.7	21,353,000.0	24.1	10.7
Open-ended collective investment scheme	744,925.9	1,226,291.4	1,841,692.1	2,690,050.0	3.0	1.3
Total financial system assets	56,009,684.3	65,669,874.5	75,288,430.0	88,548,063.8	100.0	44.2

Source: Bank of Tanzania

2.5.1. Banking sub-sector

The banking sub-sector remained stable, with sufficient capital and liquidity buffers. Total assets increased by 14.6 percent to TZS 62,165.1 billion in 2024, mainly driven by increased deposits and borrowing (**Table 2.3**). The continued year-to-year increase in deposits was attributed to continuous public confidence in the banking sub-sector, the recovery of economic activities, and increased financial inclusion through fintech and agent banking. Commercial banks continued to dominate the market in total assets, accounting for 96.9 percent. Furthermore, deposit concentration persisted, with the top six banks classified as systemically important continuing to hold the majority of deposits. This dominance can be partly attributed to their extensive branch networks, as well as their strong adoption of agent banking and digital financial services. This concentration, while reflective of operational scale and efficiency, may pose systemic risks which call for close monitoring by the Bank.

Table 2.3: Composition of banking sub-sector assets

Percent

Type of banking institutions	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Commercial banks	94.3	95.1	96.4	97.1	97.6	96.9
Community banks	0.5	0.6	0.7	0.4	0.1	0.5
Microfinance banks	0.5	0.3	0.4	0.4	0.4	0.4
Development financial institutions	4.8	3.9	2.5	2.0	1.9	2.2
Total assets (TZS Billion)	33,067.3	34,888.4	39,590.1	46,228.6	54,263.0	62,165.1

Source: Bank of Tanzania

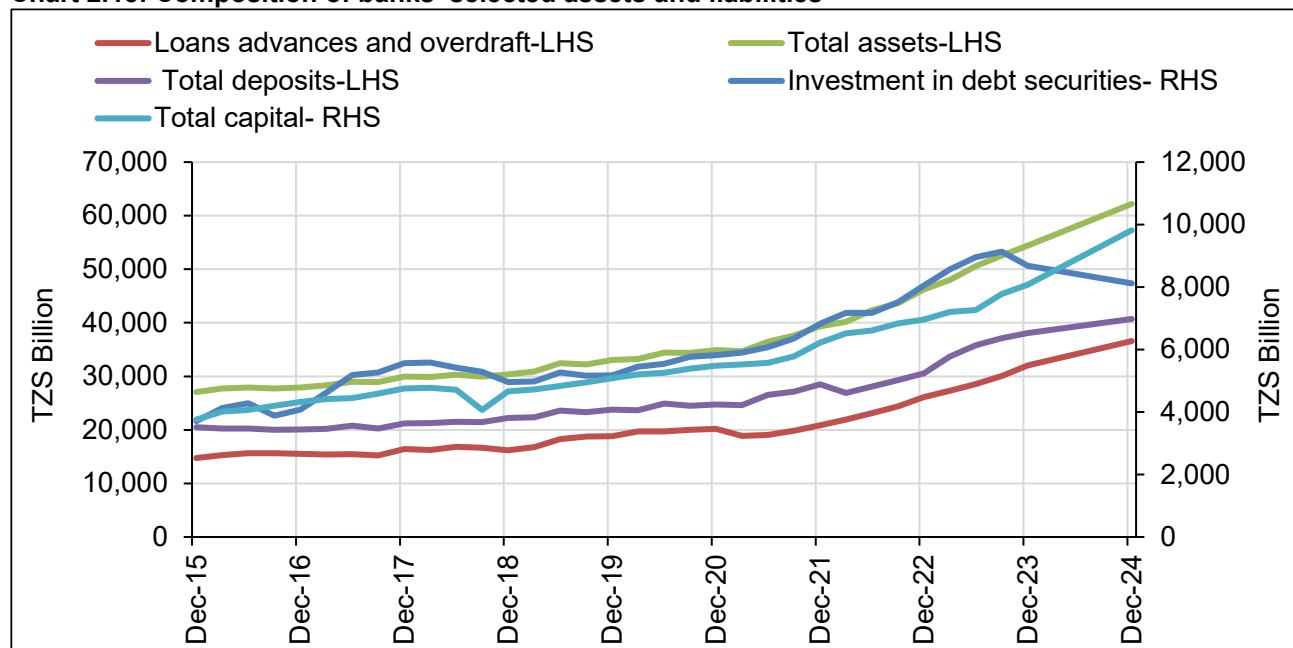
Total funding improved by 13.5 percent to TZS 52,348.2 billion in 2024 compared to the corresponding period (**Table 2.4**). The ratio of core deposits to total funding slightly declined to 59.4 from 60.0 from 58.8 percent in the previous period, above the threshold of 50 percent, implying strong resilience from internal and external shocks.

Table 2.4: Core deposits and total funding

Particulars	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Total core deposits (TZS billion)	15,920.2	17,531.3	20,593.2	23,105.0	27,658.5	31,097.5
Total funding (TZS billion)	27,989.0	29,409.2	33,128.3	39,270.5	46,130.6	52,348.2
Gross Loans (TZS billion)	18,847.2	20,179.7	22,112.2	27,310.3	33,156.1	38,144.3
Core deposits to Total funding (%)	56.9	59.6	62.2	58.8	60.0	59.4
Core deposits to Gross Loans (%)	84.5	86.9	93.1	84.6	83.4	81.5

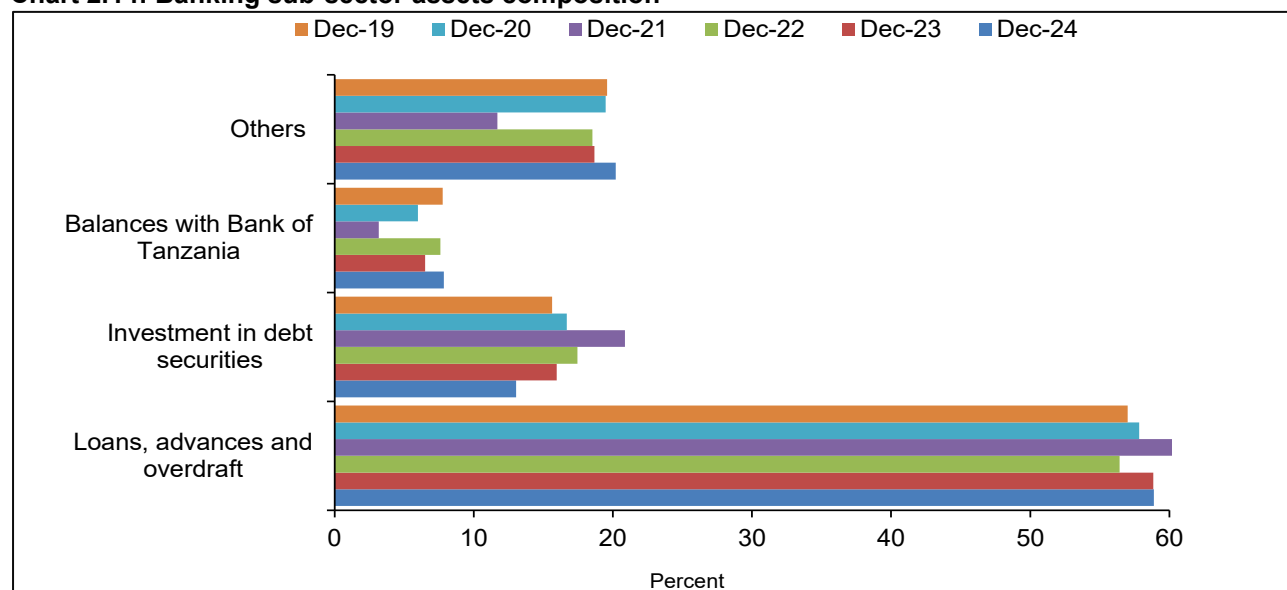
Source: Bank of Tanzania

The banking sub-sector's assets and liabilities portrayed an increasing trend except for investment in debt securities, signalling a continued appetite to provide credit to the private sector, with a low appetite in debt securities (**Chart 2.13**).

Chart 2.13: Composition of banks' selected assets and liabilities

Source: Bank of Tanzania

The banking sub-sector's assets continued to be dominated by loans, advances, and overdrafts, which amounted to TZS 36,600.8 billion, equivalent to 58.9 percent of the total assets, followed by investments in government securities and balances with the Bank of Tanzania ([Chart 2.14](#)). The dominance of loan advances and overdrafts was mainly due to favourable economic activities, increased credit worthiness and debt servicing capacity of borrowers.

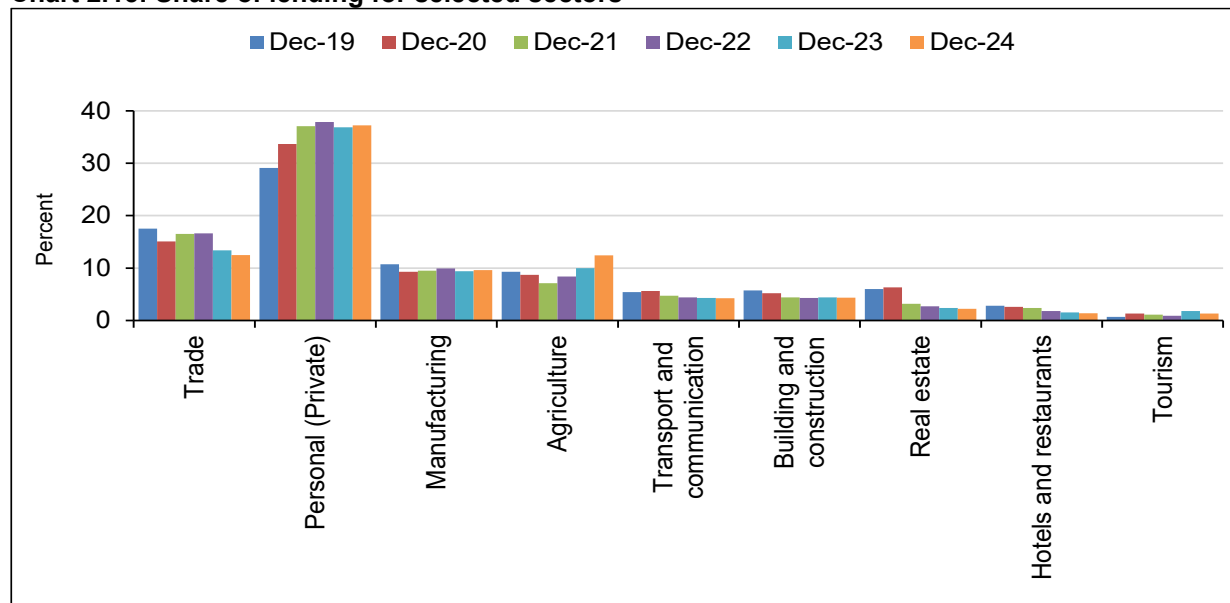
Chart 2.14: Banking sub-sector assets composition

Source: Bank of Tanzania

NB: Others include placements with banks in Tanzania and abroad, equity investments, cash, bank premises furniture and equipment and inter-bank loan receivables

The loan portfolio continued to be dominated by personal loans at 37.2 percent, followed by trade (12.5 percent), agriculture (12.4 percent), and manufacturing (9.6 percent) ([Chart 2.15](#)). The main uses of personal loans indicated during the Bank of Tanzania survey on lending practices and credit conditions, 2024, include education, construction, small businesses, agriculture, and medical services. Henceforth, the dominance of personal loans does not indicate concentration risk.

Chart 2.15: Share of lending for selected sectors



Source: Bank of Tanzania

The funding gap improved from TZS 337.9 billion in 2023 to TZS 3,081.3 billion in 2024, partly contributed by the increase in retained earnings and customer deposits and inversely a decrease in the holding of Government and private securities ([Table 2.5](#)). This indicates that the banking sub-sector utilized more stable sources of funds in 2024 compared to the previous year.

Table 2.5: Funding gap

Particulars	Billions of TZS						
	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Customer Deposits (Retail funding):	20,487.3	21,732.8	23,078.6	24,345.8	30,567.8	35,781.9	40,712.3
LESS: Earning Assets							
<i>Loans, overdrafts and advances</i>	17,428.6	18,847.2	20,179.7	19,490.6	26,137.9	33,156.1	36,600.8
<i>Government and private securities</i>	5,225.4	5,149.6	5,814.6	6,802.2	8,047.9	8,598.1	8,114.4
<i>Due from domestic Banks</i>	570.1	1,197.3	370.0	482.9	359.7	423.3	357.6
<i>Due from Foreign Banks</i>	1,902.3	1,938.4	1,426.8	1,880.5	1,350.5	2,657.7	2,492.0
<i>Commercial and Other Bills purchased and discounted</i>	26.8	66.2	30.6	35.3	61.6	97.5	115.1
<i>Equity Investment</i>	163.8	187.4	201.7	164.2	174.5	241.1	295.2
	(4,829.6)	(5,653.3)	(4,944.7)	(4,509.9)	(5,564.2)	(9,392.0)	(7,262.9)
ADD: (wholesale funding):							
Due to Domestic Banks Deposits	529.3	617.9	572.5	564.9	777.5	594.1	760.3
Due to Foreign Banks Deposits	377.4	343.3	277.5	315.9	254.4	519.1	359.3
Due to Domestic Banks Borrowing	931.7	946.3	642.3	705.0	1,288.7	915.3	734.1
Due to Foreign Banks Borrowing	1,893.7	1,500.2	1,369.1	1,358.4	2,840.5	3,340.4	3,269.1
Special Deposit account	635.9	1,113.0	790.3	675.4	926.8	1,095.4	928.5
	(461.6)	(1,132.6)	(1,293.1)	(890.2)	523.7	(2,927.6)	(1,211.5)
ADD: (equity component):							
Retained earnings	1,430.6	1,570.2	1,819.8	2,061.0	2,817.7	3,265.6	4,292.9
<i>Funding gap</i>	969.1	437.6	526.7	1,170.8	3,341.3	337.9	3,081.3

Source: Bank of Tanzania

The banking sub-sector remained well-positioned to perform intermediation functions.

Core and total capital adequacy ratios improved to 19.3 percent and 19.9 percent in 2024, compared with 17.7 percent and 18.4 percent in 2023, respectively, above the minimum regulatory thresholds. Liquidity positions remained strong at 29.0 percent above the regulatory threshold of 20.0 percent. The strong capital and liquidity positions allowed banks to remain resilient and capable of effectively performing intermediation functions, as reflected in the decreased NPL ratios despite economic turbulence exacerbated by the geopolitical tensions ([Table 2.6](#)).

Table 2.6: Selected financial soundness indicators

Percent

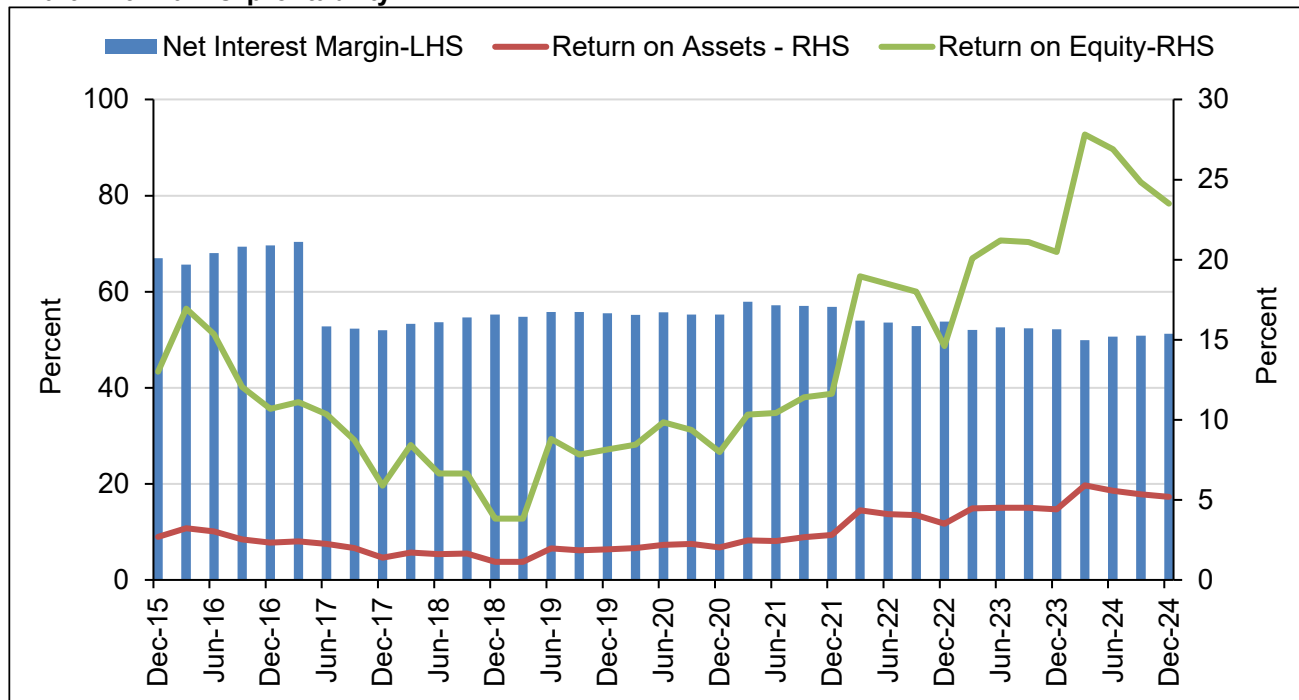
Indicators	Threshold	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Capital adequacy								
Core capital/TRWA	10.0	16.1	16.7	17.2	19.5	18.1	17.7	19.3
Total capital/TRWA	12.0	18.0	17.9	18.1	20.2	18.9	18.4	19.9
Liquidity								
Liquid assets/demand liabilities	20.0	35.2	32.4	30.7	29.4	26.5	28.7	29.0
Total loans/customer deposits		85.1	88.5	86.9	82.1	89.3	92.7	92.6
Earnings and profitability								
Net interest margin		55.2	55.5	55.2	56.9	53.8	52.1	51.2
Non-interest expenses to gross income	55.0	56.1	56.4	54.5	50.0	43.8	40.4	37.3
Personnel expenses to non-interest expenses		45.6	47.9	48.9	51.9	51.4	49.4	48.6
Return on Assets		1.1	1.9	2.0	2.8	3.1	4.5	5.2
Return on Equity		3.8	8.1	8.0	11.6	14.6	21.0	23.5
Asset composition and quality								
Foreign exchange loans to total loans		33.1	30.0	27.6	26.4	28.9	26.3	23.1
Gross non-performing loans to gross loans	5.0	10.4	9.8	9.4	8.2	5.8	4.3	3.3
NPLs net of provisions to total capital		40.1	39.4	35.8	29.8	23.5	19.1	13.8
Large exposures to total capital	800.0	199.5	251.8	124.9	153.3	206.6	109.2	94.5
Net loans and advances to total assets		53.5	54.2	54.2	53.0	56.5	59.0	58.9
Sensitivity to market risk								
FX currency denominated assets to total assets		29.8	28.0	35.7	35.4	34.3	35.7	35.7
FX currency denominated liabilities to total liabilities		33.7	30.2	30.3	29.4	29.3	32.2	32.2
Net open positions in FX to total capital	±10	6.2	8.9	9.0	7.8	2.5	4.5	4.7

Source: Bank of Tanzania

Note: OBSE is off-balance sheet exposure, TRWA is total risk-weighted assets

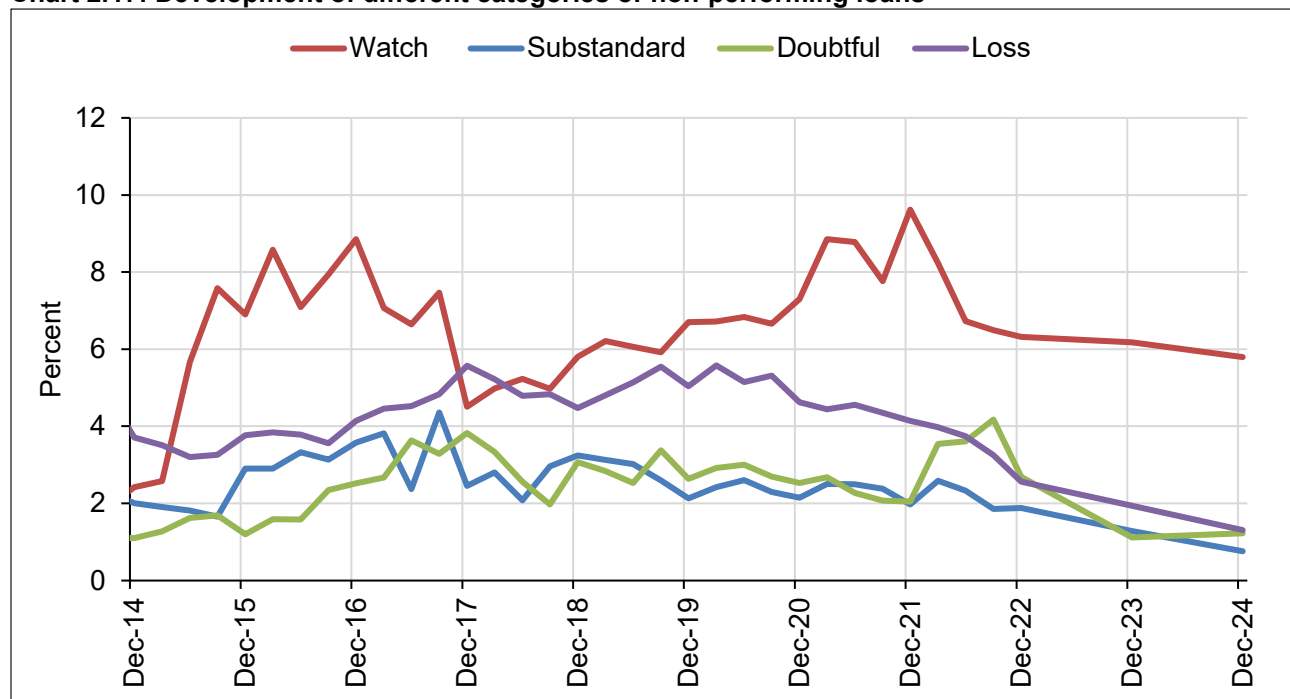
Profitability in the banking sub-sector continued to maintain sustainable growth.

Return on assets and equity increased to 5.2 percent and 23.5 percent in 2024 from 4.5 percent and 21.0 percent in 2023, respectively ([Chart 2.16](#)). The sustained profitability growth was partly attributed to a good loan portfolio performance as reflected in a reduced NPL ratio, sustained operational efficiency, and improved business environment.

Chart 2.16: Banks' profitability

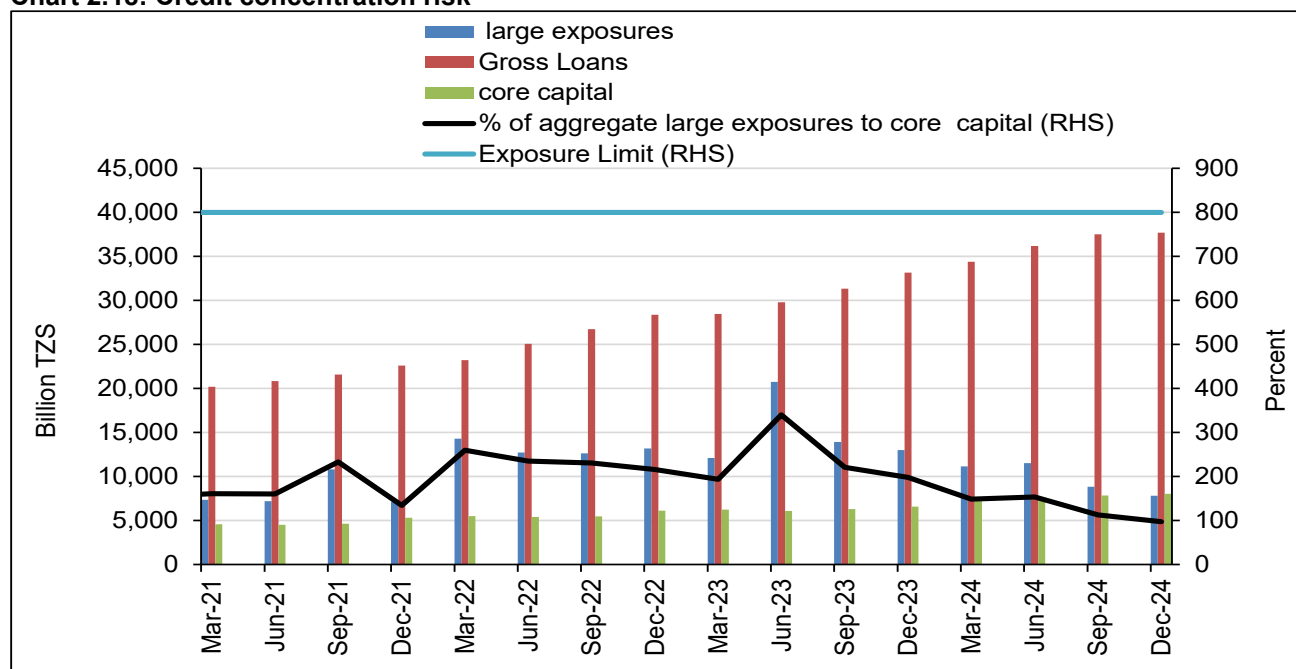
Source: Bank of Tanzania

Credit risk continued to decrease, as reflected by the declining trend of non-performing loans. NPLs declined by 23.3 percent to 3.3 percent in December 2024 compared to 4.3 percent in December 2023. The reasons for the positive loan performance, as indicated in the lending practices and credit conditions survey 2024, were diligent credit underwriting standards and approval process, intensified credit recovery efforts, tightened collateral requirements, and improvements in borrowers' debt servicing capacity and businesses' profitability. Going forward, banks are expecting further reduction in NPLs, resulting from global tensions with the potential to affect the economy, which indicates the possibility of affecting the positive outlook ([Chart 2.17](#)).

Chart 2.17: Development of different categories of non-performing loans

Source: Bank of Tanzania

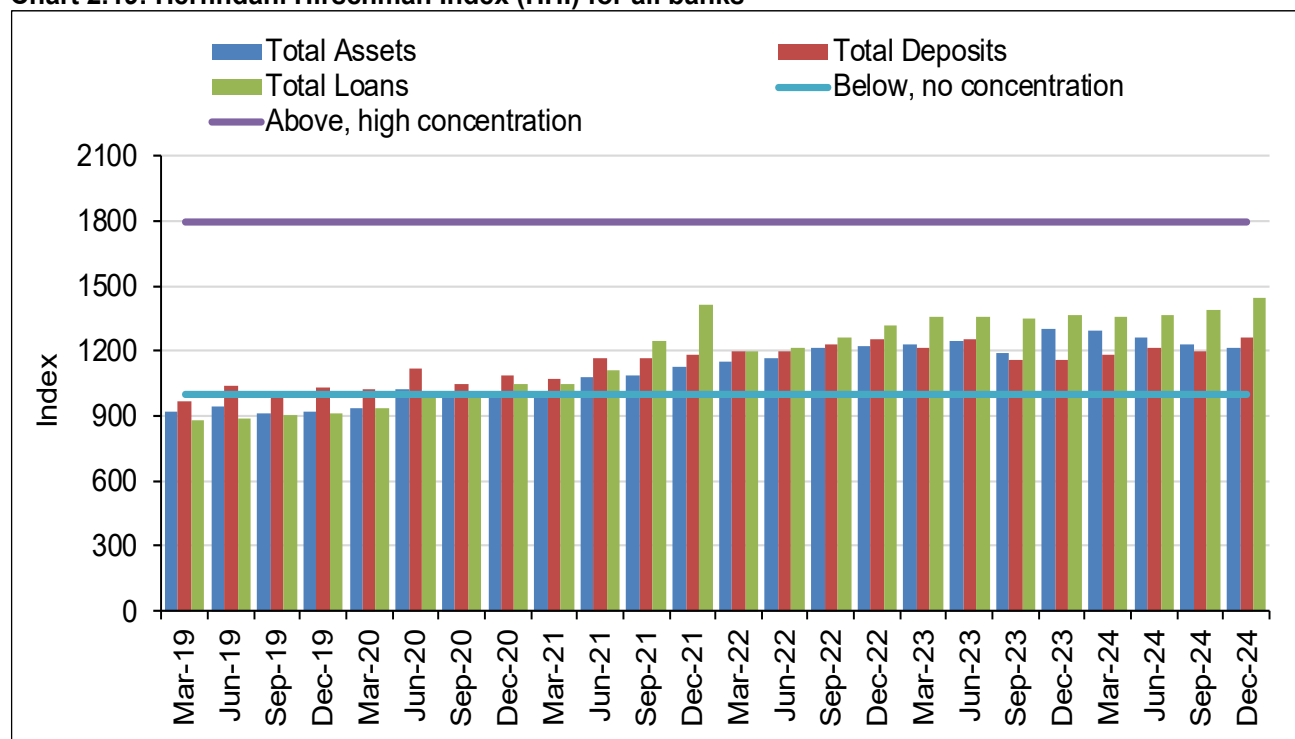
The ratio of aggregate large exposures to core capital that measures the concentration risk on top borrowers decreased to 97.4 percent in 2024 from 198.1 percent in 2023 and remained within the regulatory limits of 800.0 percent ([Chart 2.18](#)). The decreasing trend of the ratio, together with the increasing trends in gross loans, indicates reduced concentration risk on the banking sub-sector's top borrowers.

Chart 2.18: Credit concentration risk

Source: Bank of Tanzania

The Herfindal Hirschman Index² (HHI) measures concentration risk through the dominance of a few banks in the banking sub-sector in terms of total assets, deposits, and loans. HHI indicated reduced concentration on total assets, with the index at 1216.6 points in 2024 compared to 1299.0 points in 2023. Reduced concentration of assets reflects the increased competition, which may potentially lower the cost of credit to businesses and create a more diversified financial system. On the other hand, HHI indicated increased concentration on deposits and loans such that the index stood at 1261.6 and 1446.3 points, respectively, compared to 1158.0 and 1354.0 points in 2023. However, the indices continued to remain below the level that would be considered high concentration at 1800 points ([Chart 2.19](#)).

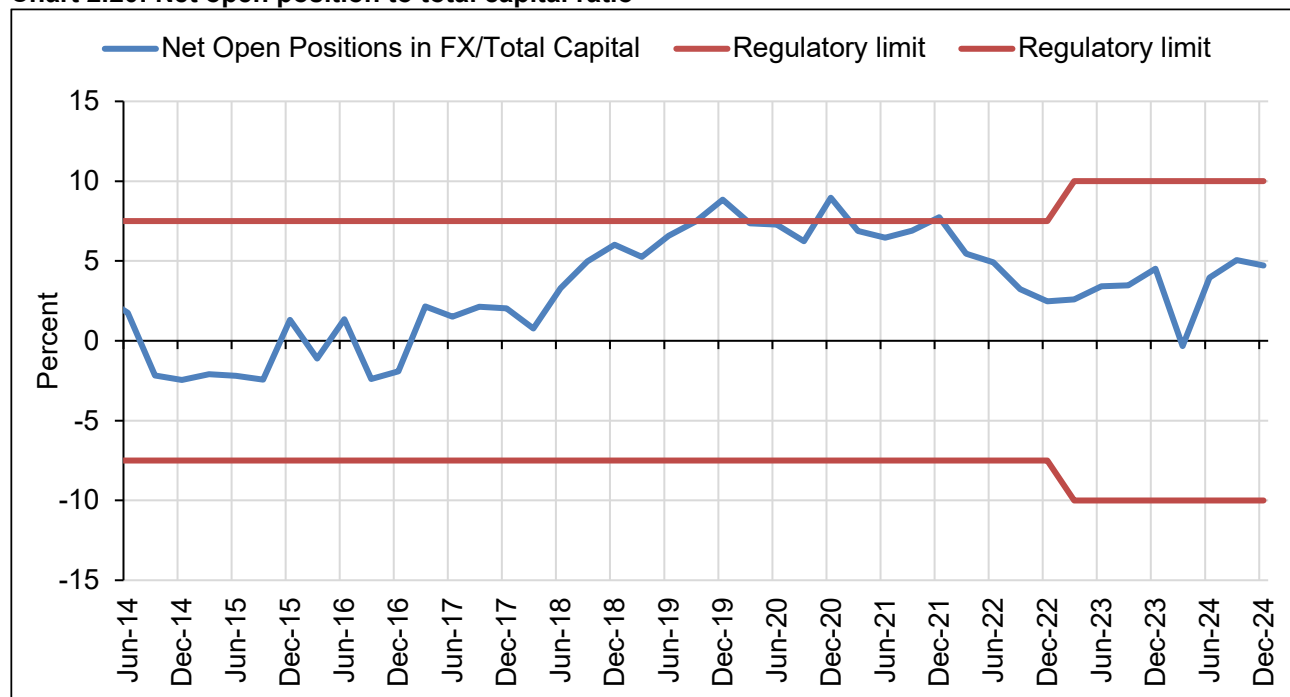
Chart 2.19: Herfindahl Hirschman Index (HHI) for all banks



Source: Bank of Tanzania

Exposure to exchange rate risk remained contained. Net Open Position (NOP), which measures foreign exchange exposure, largely remained the same at 4.71 in 2024 compared to 4.5 percent in 2023 within the regulatory threshold of +/-10 percent. The ratio being within the regulatory thresholds indicates that banks and financial institutions prudently managed foreign exchange risk exposure despite foreign exchange liquidity challenges in the domestic market ([Chart 2.20](#)).

² The Herfindahl Hirschman Index (HHI) measure the level of concentration, whereby an index ranging from 100 to 1,000 is considered no concentration meaning high competition, while medium concentration ranges from 1,000 to 1,800 implying low competition.

Chart 2.20: Net open position to total capital ratio

Source: Bank of Tanzania

The share of foreign currency-denominated loans to total loans dropped to 23.5 in 2024 compared to 26.3 percent recorded in the previous year, mainly driven by an increase in total loans. Further, the ratio between foreign currency-denominated loans to foreign currency-denominated deposits was reduced to 77.4 percent in 2024 from 82.5 percent in 2023, mainly driven by an increase in foreign currency-denominated deposits. (Table 2.7). The Bank continues to monitor and enforce compliance with regulatory requirements by banks to minimise exposure to foreign exchange rate risks.

Table 2.7: Foreign currency denominated loans and deposits

Billions of TZS

Particulars	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Foreign currency denominated loans	5,720.7	5,436.6	7,036.5	8,993.3	8,728.7	8,595.5
Foreign currency denominated deposits	6,640.8	6,916.9	8,107.0	8,343.7	10,584.0	11,104.6
Total loans	18,847.2	19,770.7	22,112.2	28,377.7	33,156.1	36,602.2
Total deposits	23,807.0	24,518.0	28,502.1	32,583.2	37,990.5	40,739.8
Foreign currency denominated deposits/total deposits (%)	27.9	28.2	28.4	25.6	27.9	27.3
Foreign currency denominated loans/total loans (%)	30.4	27.5	31.8	31.7	26.3	23.5
Foreign loans/foreign deposits (%)	86.1	78.6	86.8	107.8	82.5	77.41

Source: Bank of Tanzania

Lending practices and credit conditions

The Bank surveyed lending practices and credit market conditions of banks, tier 2 microfinance service providers, and SACCOS in 2024. The survey revealed mixed results regarding lending practices and credit market conditions.

The banking sub-sector continued to observe sustainable credit growth as indicated by the reduced levels of NPLs. This continuous improvement was contributed by diligent credit underwriting standards and approval process, credit recovery efforts, tightened collateral requirements, and further improvements in borrowers' debt servicing capacity and business profitability. Furthermore, banks anticipated a positive outlook in credit issuance and NPLs if the effects of global tensions remained largely contained.

Licensing and supervision of non-deposit-taking microfinance service providers continue to yield positive impacts on the microfinance sub-sector. The respondents attested to the impact that the Banks' efforts in capacity building of Microfinance Service Providers (MSPs) had in the areas of loan administration. Improvements were noticeable in the areas of the usage of credit reference bureaus, charging reasonable interest rates, and the usage of recommended credit recovery mechanisms. The Bank continues to license and supervise the sub-sector to ensure ethical practices and maintain stability in the financial system.

The SACCOS sub-sector continued to offer the most favourable terms of credit among MSPs. This was contributed by the sub-sector being more customer-centric, the usage of cheap sources of funds contributed by members, and common economic activities and locality of members. SACCOS remains challenged by low uptake by the young generation, low usage of Fintech solutions, and inadequate governance. The Bank and TCDC are working closely with this sub-sector to ensure the challenges faced are addressed to safeguard stability in the financial system.

Banking sub-sector resilience

The banking sub-sector remained safe and resilient to withstand shocks in baseline, adverse, and severe scenarios throughout 2024. During the year under review, the Bank, together with banks and financial institutions, were involved in quarterly assessments of the sub-sector's resilience to withstand macro-financial shocks in the areas of credit, market, and liquidity risks. These assessments are done based on Global best practices and guidelines issued by the Bank from time to time, and the results are as discussed below:

The credit risk was assessed under two assumptions, which are the impact of the increase in the overall and sectoral NPLs on the sub-sector's capital position. The results indicated that under baseline and adverse scenarios, the sub-sector would remain adequately capitalised to withstand both proportionate and sectoral increases in non-performing loans (NPLs). Additionally, the results revealed gradual improvements in capital levels for all categories of banks and financial institutions.

The interest rate risk stress testing assessed the impact of a parallel shift of interest rates due to changes in interest and government bond prices. The results showed that the banking sub-sector's capacity to cover all potential losses resulting from interest and price changes improved compared to 2023 on both baseline and adverse shocks. Both the natural hedging between interest-sensitive assets and liabilities remained a contributing factor in resilience against interest rate shocks.

Exchange rate risk stress testing assessed the impact of TZS appreciation or depreciation against major traded currencies and how the resultant revaluation of foreign currency-denominated assets and liabilities would affect capital positions. In the year 2024, the banking sub-sector continued to be resilient to foreign exchange risks, driven by its NOP position remaining within the regulatory thresholds.

Liquidity stress testing was used to evaluate the ability of banks and financial institutions to meet liquidity obligations under stress scenarios. The shock considered was the proportionate percentage of deposits withdrawn for five consecutive days, where the results showed that banks would be able to meet withdrawals and maintain liquidity positions above regulatory thresholds.

Microfinance service providers

The Microfinance Act, 2018 mandated the Bank of Tanzania to register, license, regulate and supervise MSPs namely Deposit Taking Microfinance Service Institutions (Tier 1), Non-Deposit Taking Microfinance Providers (Tier 2), Savings and Credit Cooperative Societies (Tier 3) and Community Microfinance Groups (Tier 4). Section 14 of the Act has also given the Bank of Tanzania the mandate to delegate its powers and functions in relation to Tier 3 to the commission (TCDC) and Tier 4 to Local Government Authorities (LGAs). During 2024, the Delegated Authorities continued to exercise functions and powers in accordance with the conditions, procedures, and any other directives issued by the Bank from time to time pursuant to section 12 of the Act.

(a) Microfinances – Tier 2

The number of Tier 2 microfinance service providers increased to 2,342 at the end of December 2024 from 1,579 recorded in December 2023. The reported outstanding loans by Tier 2 microfinance service providers reached TZS 1,073.3 billion compared to TZS 962.33 billion recorded in December 2023, while the level of asset quality, as measured by NPL, was at 2.0 percent, owing to enhanced recovery efforts. The same indicates the sub-sector was performing satisfactorily. Major sources of funding for Tier 2 MSPs were borrowings and owners' equity, which stood at TZS 742.8 billion and TZS 500.7 billion, respectively.

(b) Savings and Credit Cooperative Societies (SACCOS) – Tier 3

In 2024, TCDC granted licenses to 75 SACCOS, bringing the total number of licensed SACCOS to 964 by the end of December 2024, up from 884 in December 2023. However, one of the key challenges in licensing Tier 3 Microfinance Service Providers is the inability of SACCOS to meet the minimum capital requirement. TCDC granted probationary licenses to 4 SACCOS in 2024, bringing the total number of probationary licenses to 10.

(c) Community Microfinance Groups (CMG) – Tier 4

Moreover, the BoT, together with the President's Office, Regional Administration and Local Government (PO-RALG), created a registration and monitoring system for CMGs. As of December 2024, a total of 56,645 CMGs were registered compared to 46,928 registered in December 2023. This success is attributed to the establishment of a streamlined registration system that facilitates easy access to information and connects

the community with financial resources and opportunities. Additionally, the BoT, in partnership with PO-RALG, developed a CMG monitoring manual, which is in the final stages of approval. The manual will provide guidance to LGAs on the registration and monitoring of CMGs, detailing an integrated process that covers both registration and operational oversight.

The registration of CMGs has played a significant role in promoting financial inclusion, especially for populations that were previously excluded from formal financial services in both urban and rural areas. By formalizing community microfinance groups, the government has empowered these groups to operate as legal entities, enabling them to access banking services, resolve internal conflicts, and participate in various government and non-governmental programs. The popularity of these groups has grown, as they help individuals develop saving habits and provide loans at mutually agreed interest rates. The success of CMGs has been instrumental in transforming communities, with many individuals now able to save and invest in economic activities that not only generate profits but also improve their living standards.

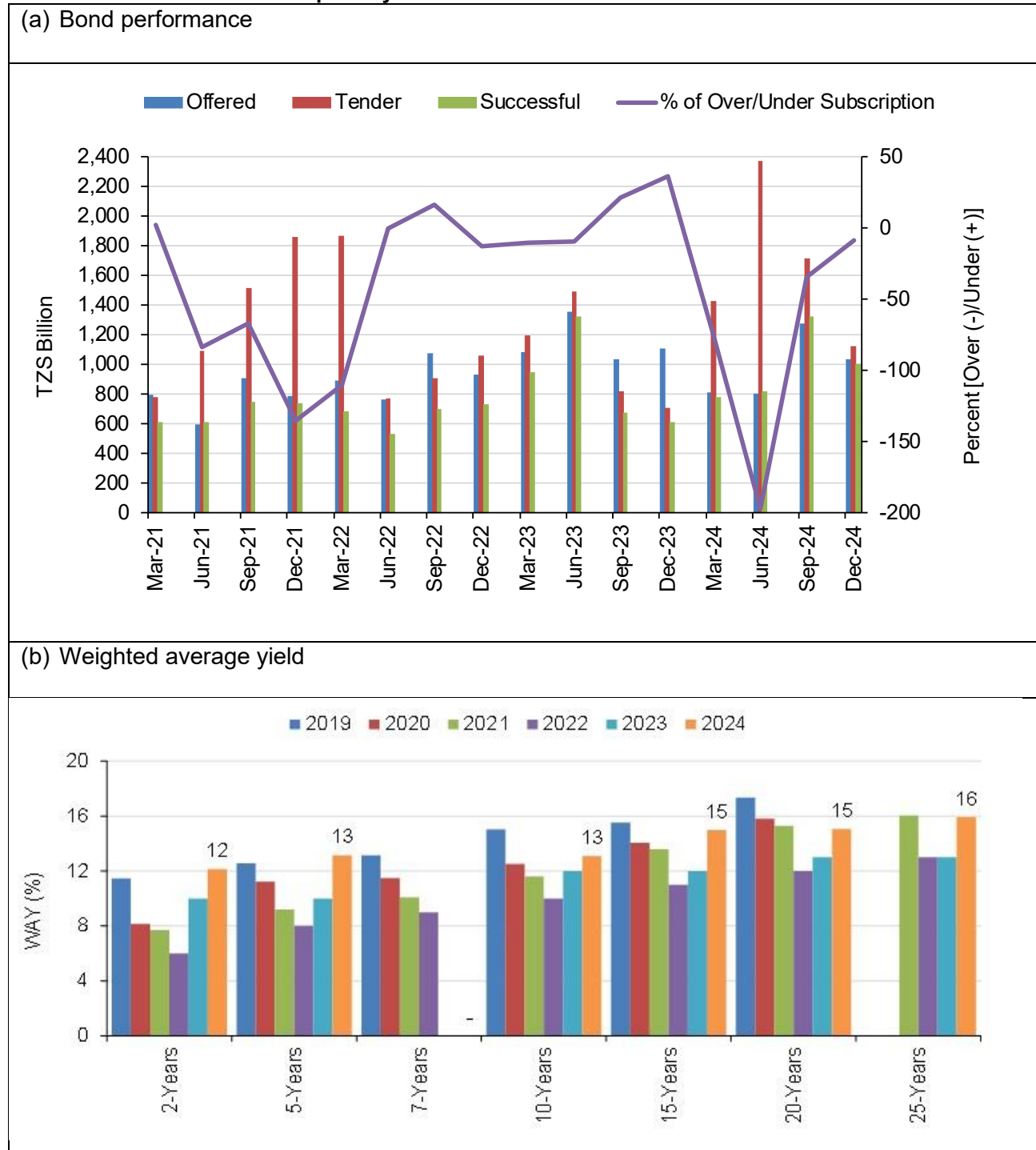
(d) Zanzibar Microfinance Service Providers

In 2024, the President's Office of Finance and Planning in Zanzibar licensed three microfinance service providers under Tier 2, marking the total number of licensed institutions to 9. At the same time, the provision of microfinancing - consumer protection, supported by policy which requires all microfinance institutions that provide loans to maintain a low-interest rate, has increased the volume of targeted beneficiaries and promotes more inclusive growth.

During the review period, 2 SACCOS and 1,999 Cooperative Societies were registered by the President's Office of Labour, Economy and Investment. At the same time, the total number of licensed active SACCOS reached 218. The Zanzibar Microfinance Service Act, No. 9 of 2023, has already been enacted, and its regulation is expected to be launched in 2025 to ensure monitoring and supervision of the microfinance business and reduce public outcry toward unfair practices.

2.5.2. Capital markets and securities sub-sector

The primary market for Government securities was characterised by high yield amid an increased appetite to invest in the real economy. Bond auctions were, on average, oversubscribed by 9.0 percent in the last quarter of 2024 compared to an undersubscription of 36.0 percent during the preceding year (**Chart 2.21 (a)**). Furthermore, weighted average yield to maturity increased across all maturities (**Chart 2.21 (b)**). This upward trend in yields, alongside strong oversubscription, was primarily driven by increased public awareness of government securities as a viable investment option, as well as the attractive coupon rates offered throughout the year. This underscore growing confidence in the market and the government's ability to mobilize funds efficiently.

Chart 2.21: Performance of the primary bond market

Source: Bank of Tanzania

During the year ending 31st December 2024, participation in the primary bond market evidenced a notable shift among key stakeholders as individuals dominated with 29.2 percent compared to 10.8 percent in 2023. Other entities accounted for 15.3 percent of the market share compared to 5.8 percent in 2023. The increase in individual participation was primarily due to heightened awareness of investment opportunities in government securities. This shift reflects evolving dynamics in the market and growing diversification among investors.

Banks' participation in the market declined to 23.0 percent during the year, down from a dominant 40.1 percent in 2023. This shift reflects a rebalancing of investment strategies within the sub-sector, influenced by changing market dynamics and evolving risk appetites ([Table 2.8](#)).

Table 2.8: Participation in the primary bond market by category

Types of Participants	Amount (TZS Billion)					Proportion (Percent)				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Banks	1,630.7	1,680.1	1,647.8	1,584.5	994.3	48.4	53.3	50.9	40.1	23.0
Individual	263.1	372.2	356.6	428.9	1,265.2	7.8	11.8	11.0	10.8	29.2
Insurance	200.5	250.5	228.9	321.9	259.9	6.0	8.0	7.1	8.1	6.0
Brokers	46.4	45.6	135.5	157.1	3.5	1.4	1.4	4.2	4.0	0.1
Social Security	1,104.3	685.7	620.7	1,232.2	1,144.4	32.8	21.8	19.2	31.2	26.4
Others	121.3	115.0	246.7	230.9	664.7	3.6	3.7	7.6	5.8	15.3
Total	3,366.1	3,149.2	3,236.4	3,955.6	4,332.0	100.0	100.0	100.0	100.0	100.0

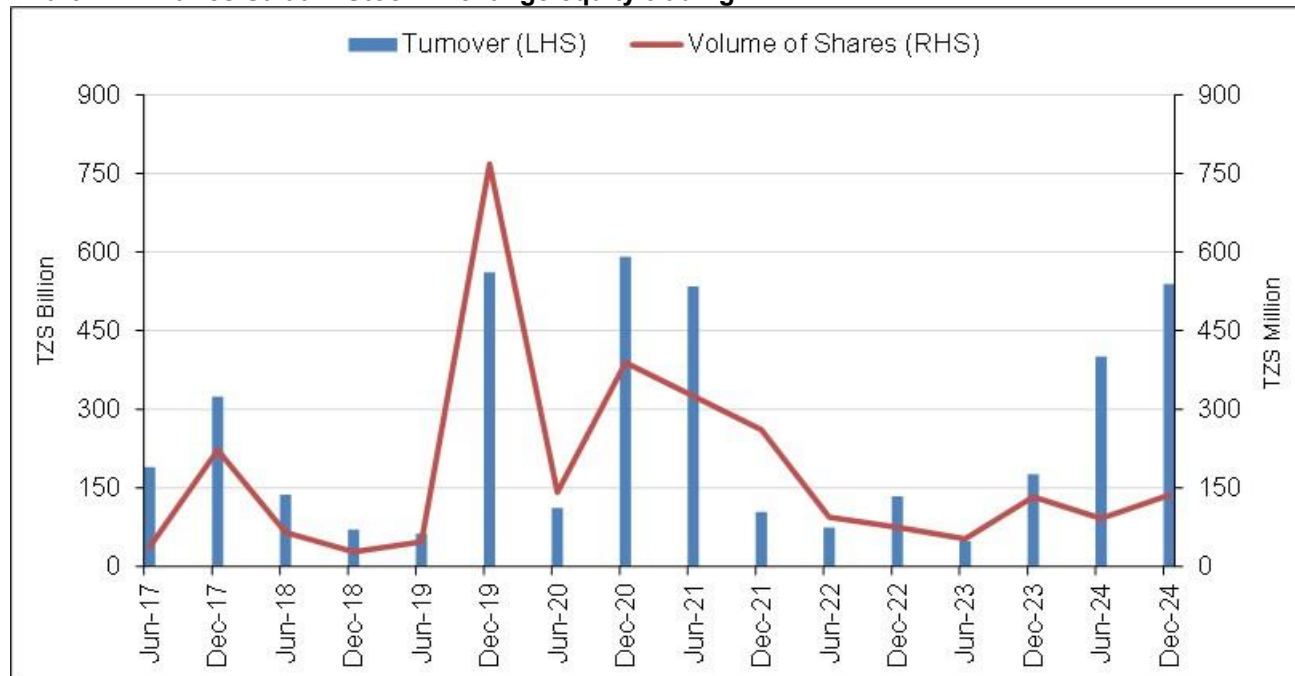
Source: Bank of Tanzania

Secondary markets exhibited resilience and continued to expand despite shifting global financial challenges. The total value of investment in the capital markets increased by 24.9 percent, reaching TZS 46,713.6 billion during the year ending 31st December 2024, from TZS 37,410.1 billion in the corresponding period. Trading activities in equity rose by 1.5 percent to TZS 228.6 billion during the year ending 31st December 2024. The Net Asset Value (NAV) of Collective Investment Schemes increased by 46.1 percent to TZS 2,689.99 billion from TZS 1,841.7 billion recorded during the preceding year. This performance indicates the presence of favourable macroeconomic conditions presenting an attractive opportunity for more investments in the stock market, increased investors (both institutional and retail) participation due to increased public awareness, also improved profitability and earnings of the cross-listed companies.

Trading activity in the equity market grew, buoyed by a relatively improved macroeconomic climate, which had a positive spillover effect on the securities industry. During 2024, total equity turnover at the Dar es Salaam Stock Exchange increased to TZS 538.9 billion from TZS 176.2 billion recorded during the previous year ([Chart 2.22](#)). This improvement is a result of enhanced corporate earnings, dividend payouts, and new product offerings, such as Right Issue, which attracted both retail and institutional investors.

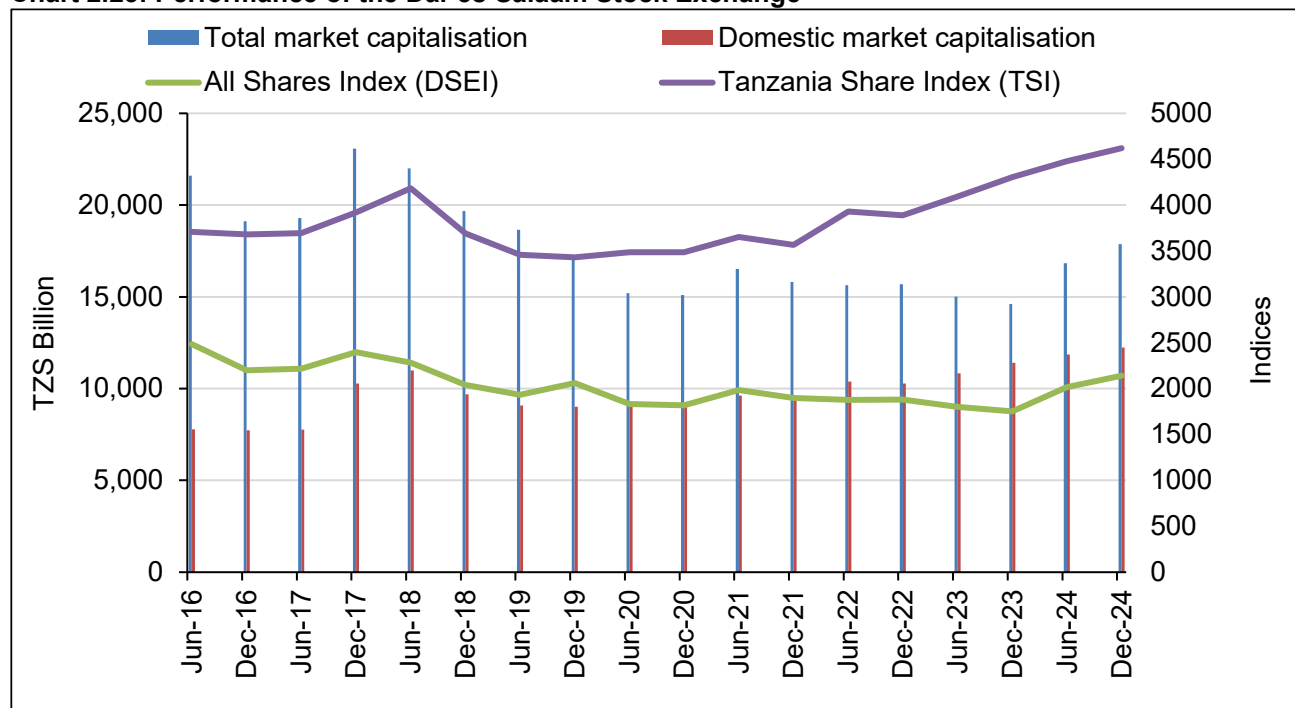
Regulatory reforms, digital trading platforms, and broader financial literacy initiatives also played a role in expanding market access and liquidity, further supporting the increase in total equity turnover at the Dar es Salaam Stock Exchange.

Chart 2.22: Dar es Salaam Stock Exchange equity trading



Source: Dar es Salaam Stock Exchange

Both total market capitalisation and domestic market capitalisation increased by 22.3 percent to TZS 17,868.2 billion from TZS 14,611.4 billion and 7.4 percent to TZS 12,243.4 billion from TZS 11,401.4 billion respectively, similarly both the Tanzania Share Index, which tracks the performance of domestic listed companies and All Share Index (DSEI), which tracks the performance of all listed companies improved by 314.38 points to 4,618.78 points from 4,304.4 points and 389.13 to 2,139.73 points from 1,750.6 points respectively. The improvement was due to an increase in share prices of both domestic, namely NMB, DSE, CRDB, NICO, TOL and cross-listed companies, namely KCB and JHL ([Chart 2.23](#)).

Chart 2.23: Performance of the Dar es Salaam Stock Exchange

Source: Dar es Salaam Stock Exchange

Market concentration risk remained minimal, driven by increased local investor participation and strong performance of domestic listed companies. In 2024, local investors accounted for 94.6 per cent of total buy-side transactions, while foreign investors contributed 5.4 percent. On the sell side, local investors represented 69.6 percent, with foreign investors making up 30.4 percent. This strong domestic participation highlights the continued evolution of Tanzania's capital market, demonstrating its ability to attract and retain local investors, thereby contributing to economic growth. The increasing dominance of domestic investors reflects growing confidence in the performance of listed companies and trust in the financial markets, particularly the capital markets ([Chart 2.24](#)). The most active investors, in terms of both buying and selling, were corporations, individuals and foreigners, while insurance companies had limited participation in both the buy and sell side. Social Security Funds only participated in purchases, with no sales activity, whereas banks did not participate in the equity market during the year 2024. ([Table 2.9](#)).

Table 2.9: Equity Trading Participation in the DSE by investors' category

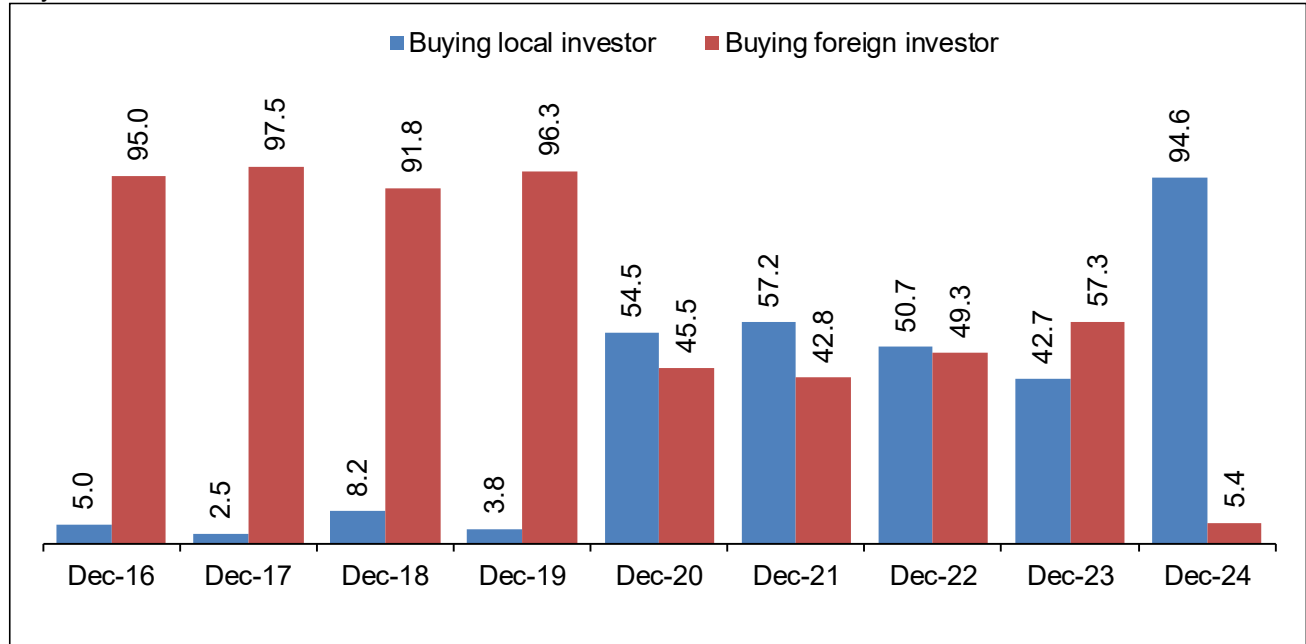
Millions of TZS

Category	Jan to Dec 2023			Jan to Dec 2024		
	Purchase	Sale	Net flows	Purchase	Sale	Net flows
Individuals	49,887.0	46,303.0	3,584.0	49,603.4	77,382.6	-27,779.2
Corporations	26,250.9	14,825.0	11,425.9	118,449.7	77,615.6	40,834.1
Social Security	13,714.4	4,630.0	9,084.4	44,747.5	0.0	44,747.5
Insurance	6,314.2	7,527.1	-1,212.9	952.2	632.0	320.2
Banks	-	-	-	0.0	0.0	0.0
Foreigners	129,052.8	151,934.0	-22,881.2	14,894.1	73,016.6	-58,122.5
Total	225,219.2	225,219.2	-	228,646.9	228,646.8	0.0

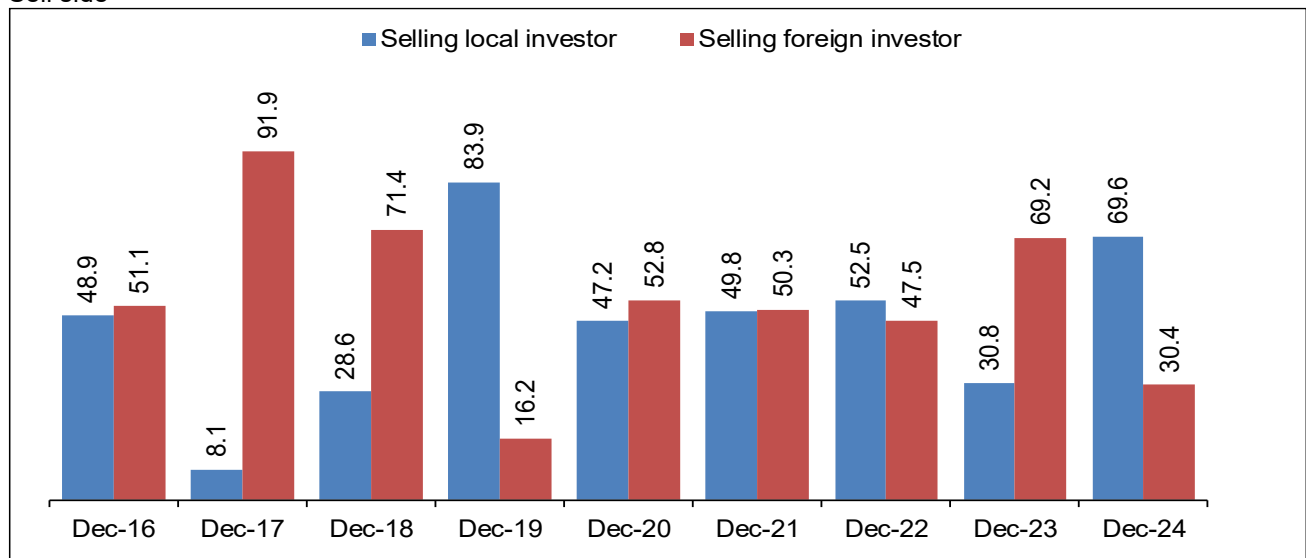
Source: Dar es Salaam Stock Exchange

Chart 2.24: Investors' participation in the DSE in percent

Buy side



Sell side

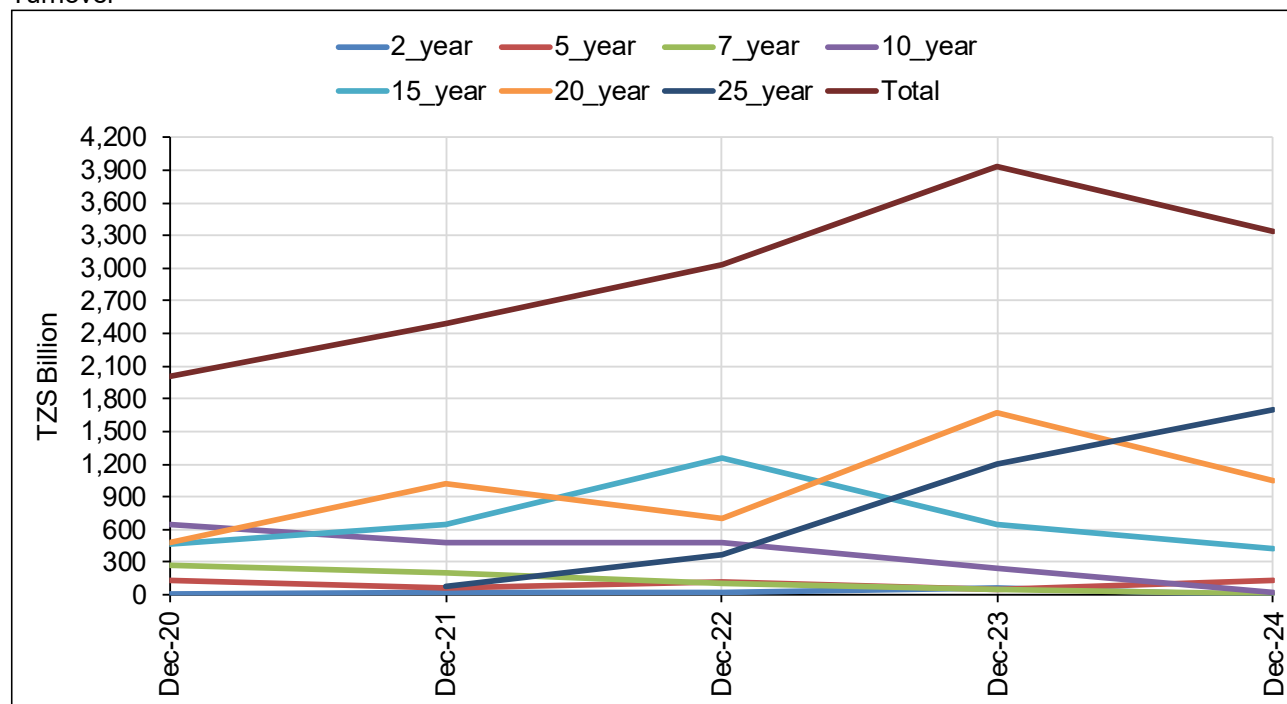


Source: Dar es Salaam Stock Exchange

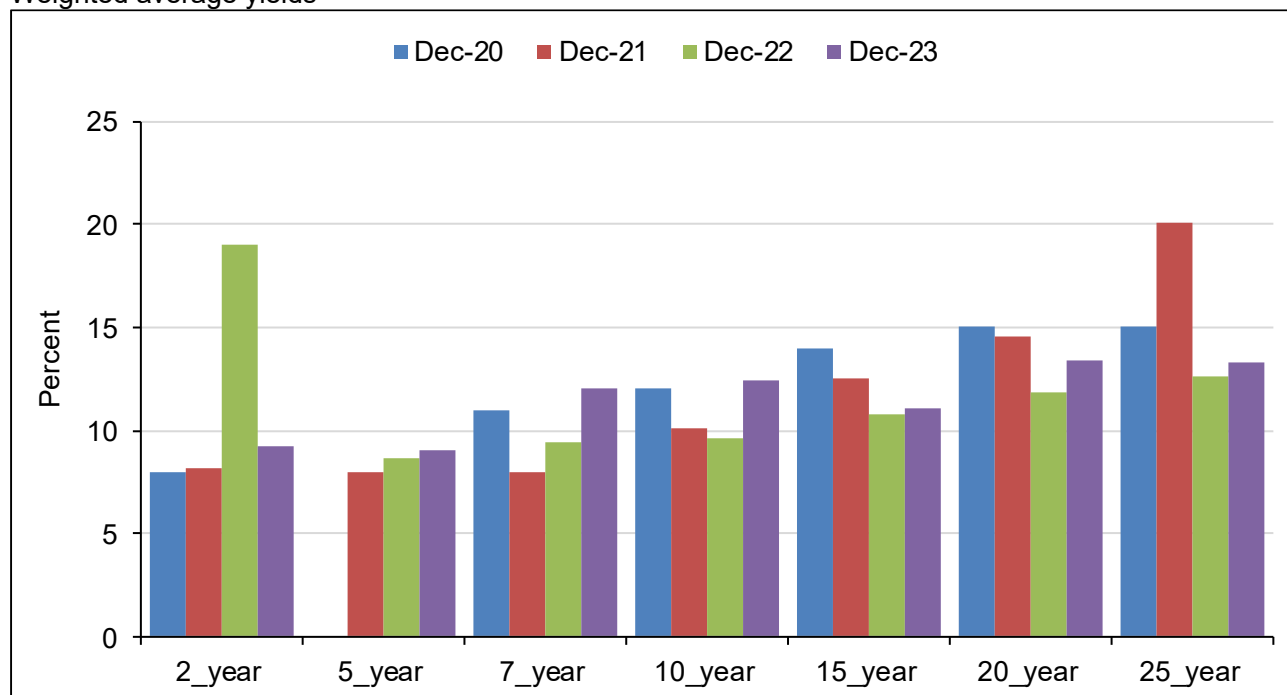
The performance of government bonds in the secondary market faced some headwinds, showing signs of moderation and slower growth. Turnover of government bonds on the secondary market decreased by 14.5 percent to TZS 3,360.2 billion in 2024 from TZS 3,929.4 billion in 2023 ([Chart 2.25](#)).

Chart 2.25: Government bond turnover and weighted average yields

Turnover



Weighted average yields



Source: Dar es Salaam Stock Exchange

Commercial banks continued to be the main participants, followed by other individuals and corporations, reflecting an increase in household income ([Table 2.10](#)). The ongoing government's commitment to economic stability and progressive financial policies will further enhance the attractiveness of government bonds.

Table 2.10: Government bonds secondary market trading participation by categories

Billions of TZS

Particulars	Jan to Dec 2023			Jan to Dec 2024		
	Buy	Sale	Net flow	Purchase	Sale	Net flow
Banks	1,762.3	2,259.6	-497.3	682.4	1,180.8	-498.4
Corporation	871.1	517.9	353.2	917.9	676.6	241.3
Individual	943.2	929.2	14.0	1,236.0	1,465.6	-229.6
Social funds	332.3	195.3	136.9	488.0	0.0	488.0
Insurance	20.5	27.0	-6.5	35.9	37.2	-1.3
EAC	0.0	0.5	-0.5	0.0	0.0	0.0
Total	3,929.4	3,929.4	0.0	3,360.2	3,360.2	0.0

Source: Dar es Salaam Stock Exchange

The corporate bond market witnessed strong growth, driven by innovative, financially stable, and environmentally sustainable products. The introduction of thematic and ethical bonds contributed to an extraordinary increase of 499.3 percent, reaching TZS 6.4 billion from TZS 1.1 billion. This surge reflects a growing interest in sustainable and socially responsible investments, aligning with global efforts to address climate-related risks. As Tanzania's financial market continues to evolve and embrace innovation, products like bonds are set to play a more prominent role in shaping the financial landscape and expanding investment opportunities for investors.

Collective investment schemes exhibited strong performance in 2024, combined with consistent returns to investors. The total Net Asset Value (NAV) surged by 46.1 percent, rising from TZS 1,841.7 billion to TZS 2,686.0 billion ([Table 2.11](#)). This growth was primarily driven by the approval of eleven new funds managed by UTT AMIS, Sanlam Investments East Africa Limited, iTrust Finance Limited, Orbit Securities, and Global Alpha Capital, as well as the strong performance of underlying securities of the Funds, including equities and bonds. The good performance was also pioneered by technological advancements which expanded investor access, aligning with the financial sector's digitalization. Collective investment schemes remained a key vehicle for implementing investment strategies, offering

savings solutions for education, retirement, healthcare, and insurance, ultimately enhancing financial well-being.

Table 2.11: Collective investment schemes

Scheme	Outstanding units (Millions of TZS)			Net Asset Value (NAV in Millions)			NAV Growth %		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
UTT-AMIS Funds	4,932.6	7,492.2	10,122.4	1,218,315.9	1,822,450.0	2,574,900.1	63.5	49.6	41.3
Watumishi Fund	79.5	174.6	271.9	7,975.5	19,242.1	33,491.9	-	141.3	74.1
Zan security fund	-	-	135.9	-	-	14,455.2	-	-	-
iTrust finance funds	-	-	519.7	-	-	52,289.2	-	-	-
Sanlampesa	-	-	4,299.7	-	-	4,299.7	-	-	-
Orbit securities	-	-	103.6	-	-	10,557.1	-	-	-
Grand Total	5,012.1	7,492.2	10,952.6	1,226,291.4	1,841,692.1	2,686,415.9	64.6	50.2	45.9

Source: Capital Markets and Securities Authority

The total value of investments in the capital markets grew by 24.9 percent in 2024, reaching TZS 46,713.6 billion. This growth was driven by favourable regulatory frameworks, increased investor confidence, and economic expansion, which contributed to the strong performance of listed companies, new issuance in Bonds and Collective Investment Schemes. Additionally, the introduction of thematic and ethical capital market products and the rising attractiveness of Collective Investment Schemes further fuelled market growth. ([Table 2.12](#)).

Table 2.12: Value of investment in the capital market

Items	Billions of TZS	
	2023	2024
Equity	14,611.4	17,868.2
Government Bonds	20,236.1	25,398.4
Corporate Bonds	720.8	757.1
NAV of Collective Investment Schemes	1,841.7	2,690.1
Total Value	37,410.1	46,713.7

Source: Capital Markets and Securities Authority

2.5.3. Insurance sub-sector

The insurance sub-sector experienced financial growth, with notable increases in assets, net worth, investments, and gross premiums written. The insurance sub-sector demonstrated continued financial growth in 2024, characterized by an increase in total assets, net worth, and total investment assets. Total assets grew from TZS 1,697.0 billion in 2022 to TZS 2,151.8 billion in 2023 (increase of 26.8 percent) and further expanded to TZS 2,339.9 billion in 2024 (increase of 8.7 percent). This expansion was driven by heightened market demand and effective strategic financial management. This growth reflects an accumulation of reserves and investments, strengthening the sub-sector's financial stability.

Total net worth increased from TZS 690.5 billion in 2022 to TZS 697.4 billion in 2023 (increase of 1.0 percent) and further expanded significantly to TZS 847.3 billion in 2024 (increase of 21.5 percent), highlighting enhanced equity and financial stability. Total investment assets increased from TZS 1,169.7 billion in 2022 to TZS 1,278.3 billion in 2023 (increase of 9.3 percent) and further grew to TZS 1,418.1 billion in 2024 (increase of 14.3 percent). This increase reflects prudent financial management, strategic asset allocation, and diversification to optimize returns while mitigating risks ([Table 2.13](#)).

Table 2.13: Insurance sub-sector performance

Particular	Billions of TZS				
	Performance			Percentage Change	
	31-Dec-22	31-Dec-23	31-Dec-24	Dec 22 - Dec 23	Dec 23 - Dec 24
Total Assets	1,697.0	2,151.8	2,339.9	26.8	8.7
Total Liabilities	1,006.5	1,454.5	1,492.6	44.5	2.6
Total Net worth	690.5	697.4	847.3	1.0	21.5
Total Investments	1,169.7	1,278.3	1,440.1	9.3	12.7
Gross Premium Written					
General Insurance	895.1	950.3	1,099.0	6.2	15.7
Life Insurance	242.2	262.7	290.5	8.5	10.6
External Business		27.3	28.6		4.9
Total	1,137.3	1,240.2	1,418.1	9.1	14.3

Source: Tanzania Insurance Regulatory Authority

Gross premiums written increased, reflecting market expansion and enhanced consumer adoption. In 2024, total gross premiums increased by 14.3 percent in 2024, reaching TZS 1,418.1 billion, driven by rising demand across general insurance and life

insurance. Specifically, general insurance premiums grew by 15.7 percent in 2024 to TZS 1,099.0 billion, driven by increased demand in motor, health and accident insurance. Similarly, life insurance premiums recorded strong growth, rising by 10.6 percent in 2024 to TZS 290.5 billion, reflecting increased awareness and adoption of life insurance products.

In 2024, motor insurance continued to lead the general insurance market, driven by its mandatory requirement and economic growth. Motor insurance premiums increased from TZS 338.0 billion in 2023 to TZS 384.8 billion in 2024. The insurance market share remains dominant despite declining from 35.6 percent to 35.0 percent, reflecting the faster growth of other segments. Accident, miscellaneous, aviation and engineering insurance recorded substantial growth. Accident insurance premiums rose from TZS 22.6 billion to TZS 48.6 billion, increasing its market share from 2.4 percent to 4.4 percent. Similarly, miscellaneous insurance surged from TZS 17.1 billion to TZS 51.4 billion, raising its share from 1.8 percent to 4.7 percent. Meanwhile, aviation and engineering insurance expanded significantly, with aviation premiums increasing from TZS 50.3 billion to TZS 55.4 billion (4.2 percent to 5 percent), and engineering premiums rising from TZS 40.4 billion to TZS 72.2 billion (4.3 percent to 6.6 percent), driven by infrastructure and construction growth ([Table 2.14](#)).

Table 2.14: Market share for gross premium written as per business class

Class of Business	TZS Billions		Market share (%)	
	31-Dec-23	31-Dec-24	31-Dec-23	31-Dec-24
Motor Insurance	183.9	384.8	19.4	35.0
Fire Insurance	40.4	189.9	4.2	17.3
Health Insurance	338.0	162.0	35.6	14.7
Aviation Insurance	22.6	55.4	2.4	5.0
Engineering Insurance	40.1	72.2	4.2	6.6
Marine Insurance	50.3	55.1	5.3	5.0
Miscellaneous Insurance	161.0	51.4	16.9	4.7
Accident Insurance	0.0	48.6	0.0	4.4
Liability Insurance	23.7	36.3	2.5	3.3
Theft Insurance	6.7	14.6	0.7	1.3
Bond Insurance	40.7	10.2	4.3	0.9
Energy Insurance	18.1	8.1	1.9	0.7
Goods in Transit	6.5	5.1	0.7	0.5
Agricultural Insurance	1.2	4.4	0.1	0.4
Travel	17.1	0.7	1.8	0.1
Total General Insurance	950.3	1099.0	100.0	100.0
Individual Life	44.0	40.3	16.8	13.9
Group Life	218.7	249.5	83.2	85.9
Other life	0.0	0.7	0.0	0.2
Total Life Insurance	262.7	290.5	100.0	100.0

Source: Tanzania Insurance Regulatory Authority

Conversely, fire and health insurance saw a relative decline in market share. While health insurance premiums increased slightly from TZS 161.0 billion to TZS 162.0 billion, its market share dropped from 16.5 percent to 14.7 percent. Likewise, fire insurance premiums increased from TZS 183.9 billion to TZS 189.9 billion, leading to a market share from 19.4 percent to 17.3 percent, reflecting shifting consumer preferences.

In 2024, marine and liability insurance showed growth, with marine insurance increasing from TZS 40.1 billion to TZS 55.1 billion and liability insurance rising from TZS 23.7 billion to TZS 36.3 billion. Agricultural, energy, and travel insurance remained minimal, together holding under 2 percent of the market. Life insurance premiums grew by 10.6 percent to TZS 290.5

billion, driven by group life insurance, which expanded to TZS 249.5 billion, capturing 85.9 percent of the market. Individual life insurance fell to TZS 40.3 billion, and other life insurance remained small with TZS 0.7 billion.

The insurance sub-sector's total investments grew, driven by significant investments in government securities and diversified pooled investment vehicles. In 2024, the insurance sub-sector's total investments increased by 12.7 percent to reach TZS 1,440.1 billion from 1,278.3. Government securities rose by 15 percent to TZS 430.0 billion, reflecting a focus on stability and liquidity, while investment pools expanded to TZS 8.0 billion, highlighting a shift toward diversified assets. Real estate and listed shares grew by 3 percent, maintaining portfolio stability, whereas other investment assets surged by 35 percent to TZS 16.4 billion, signaling increased interest in high-yield opportunities ([Table 2.15](#)).

Table 2.15: Investment assets portfolio mix

Particular	Billions of TZS				
	31-Dec-22	31-Dec-23	31-Dec-24	Percentage Change	
				Dec 23 - Dec 24	Dec 23 - Dec 24
Deposits in Financial Institutions	566.1	588.4	551.6	3.9	-6.3
Tanzania Government Securities	323.0	373.1	430.0	15.5	15.3
Real Estate	128.0	158.2	163.5	23.6	3.3
Shares in Unlisted Companies			97.9		
Shares in Listed Companies	108.1	124.0	128.0	14.7	3.2
Corporate Bonds			10.0		
Investment in Investment Pools, Mutual Funds, Unit Trusts			8.0		
Other Investment Assets	9.3	12.1	16.4	29.8	35.3
Investments in Subsidiaries, Associates and Affiliates	19.8	6.9	5.4	-65.1	-21.7
Other loans			9.8		
Policy Loans			6.0		
Other Bonds and debentures	15.4	15.6	13.5	1.1	-13.3
Total Investment Assets	1,169.7	1,278.3	1,440.1	9.3	12.7

Source: Tanzania Insurance Regulatory Authority

Similarly, deposits in financial institutions declined by 6 percent to TZS 551.6 billion, reflecting a shift to higher-return investments. Investments in subsidiaries dropped by 22 percent, continuing the downward trend, while bonds and debentures fell by 13 percent to TZS 13.5 billion, indicating portfolio adjustments in fixed-income assets. Overall, the investment strategy emphasized diversification and liquidity management, ensuring resilience and adaptability within the insurance sub-sector.

The sub-sector remained adequately capitalized, with solvency and liquidity ratios above regulatory thresholds, despite some fluctuations. The insurance sub-sector maintained capital adequacy with solvency ratios above regulatory minimums. The general insurance solvency ratio was 42.5 percent in 2024, above the required threshold of 25.0 percent. Life insurance solvency improved, rising from 42.9 percent to 48.3 percent, exceeding the minimum requirement of 8.0 percent. Returns on investment slightly increased for general insurance from 9.0 percent to 9.3 percent, while life insurance saw a slight improvement from 5.0 percent to 5.1 percent ([Table 2.16](#)).

Table 2.16: Financial soundness indicators of the insurance sub-sector

Indicator	Statutory requirement	31-Dec-23		31-Dec-24	
		General	Life	General	Life
Capital Ratios					
Solvency Ratio	General $\geq 25\%$; Life $\geq 8\%$	67.6	42.9	42.5	48.3
Change in Capital and Reserves		6.0	10.0	13.2	6.2
Assets Quality Ratios					
Rate of return on investment		9.0	5.0	9.3	5.1
Investment Mix					
Investment in Government Securities		31.0	28.3	36.4	34.9
Investment in bank deposits	Min 40%	45.7	36.5	41.5	34.7
Investment in real estates	Max 30%	4.6	15.3	6.7	17.3
Reinsurance ratios					
Liquidity Ratios					
Liquidity Ratio	General $\geq 95\%$; Life $> 50\%$	140.4	90.0	98.5	93.9

Source: Tanzania Insurance Regulatory Authority

The investment mix favoured government securities, with both general and life insurers increasing their allocations. General insurers raised their investment in government securities from 31.0 percent to 36.4 percent, while life insurers increased from 28.3 percent to 34.9 percent. Bank deposits showed a mixed trend, declining for general insurers from 45.7 percent to 41.5 percent and for life insurers from 36.5 percent to 34.7 percent. Real estate investments grew slightly, with general insurers increasing their share from 4.6 percent to 6.7 percent, and life insurers rising from 15.3 percent to 17.3 percent.

Liquidity ratios exhibited mixed performance. General insurers experienced a decline from 140.4 percent to 98.5 percent but remained above the statutory threshold of 95 percent. In contrast, life insurers saw an improvement, with liquidity rising from 90.0 percent to 93.9 percent, well above the required minimum of 50 percent. Overall, these indicators reflect a balanced and prudent approach to liquidity management within the insurance sub-sector.

2.5.4. Social security sub-sector

Tanzania Mainland

The social security sub-sector remained stable, sound, and resilient in 2024. Total assets grew by 13.4 percent to TZS. 21,353 billion in 2024 from TZS.18,834 billion in 2023. The growth was primarily driven by contributions as well as income from investments. These holdings accounted for 7.6 percent of GDP, highlighting the sub-sector's importance to the domestic financial system. The sub-sector also continued to be a significant source of funding for the domestic financial system, making its sustained viability crucial for the overall stability of the financial sector.

The sub-sector's funding position remained strong, complying with regulatory thresholds, indicating the sub-sector's sustainability and ability to meet future obligations. As of December 2024, the pension Funds' funding ratio slightly declined to 66.0 percent from 69.1 percent in the previous year, which is above the minimum threshold of 40.0 percent. Similarly, the non-pension Fund funding ratio decreased to 4.1 times in December 2024 from 6.4 times in December 2023, yet remained above the regulatory threshold of 1.0 time. The decline in funding ratios was mainly caused by the implementation of monthly pension reforms, which increased liabilities, along with a rise in the number of claims paid and those expected to be paid under non-pension Fund benefits.

The liquidity coverage ratio improved to 4.2 times in December 2024 from 2.6 times in December 2023 (Table 2.17). This improvement was primarily driven by increased allocations to short-term investments, cash and cash equivalents, and marketable securities. The enhanced liquidity position enabled Social Security Funds to meet benefit obligations promptly, thereby strengthening public confidence in the social security sub-sector and contributing to overall financial stability.

The efficiency of the social security sub-sector declined, driven by increased operational costs. This was evidenced by the rise in the administrative expense ratio to 9.8 percent in December 2024, from 6.4 percent in December 2023. The increase approached the regulatory ceiling but remained within the regulatory thresholds. This upward trend is attributed to increased costs associated with enrolling new members from the informal sector and the expansion of employment injury scheme branches to enhance service delivery. Meanwhile, this does not pose an immediate threat to the sub-sector's viability in the short to medium term, it may impact liquidity if future expenditures exceed income. Nevertheless, the regulator continues to ensure that the sub-sector remains cost-effective to safeguard the benefits of members.

The Social Security sub-sector's ability to utilize contributions for paying benefits recorded some improvements, signalling increased funds sustainability. As of December 2024, the contributions collected were sufficient to cover benefits 1.7 times, up from 1.6 times the previous year. This improvement was attributed to the continued enrolment of new members and a reduction in the voluntary exit of members. However, despite this improvement, the sub-sector still faces default risks from employers, which leads to lower contribution density among members. This reduction in contribution density directly impacts the computation of retirement benefits, resulting in lower payouts. In the short to medium term, the sub-sector is expected to remain stable. A major concern for the long term is the limited creation of new employment opportunities, which is a key factor driving the growth in membership and contributions.

The Social Security sub-sector's ability to continue meeting its obligations without compromising its long-term viability, as determined by the dependency ratio, is recorded growth. As of December 2024, there were nine active contributing members for every retiree, which exceeds the threshold of four active members per retiree ([Table 2.17](#)). This positive trend reassures both current and future retirees that no significant reforms, such as increasing the retirement age or reducing pensions, are anticipated in the near future, thereby maintaining their confidence in the Fund's ability to remain financially stable.

Table 2.17: Tanzania Mainland: Social security selected financial indicators

Indicators	Prudential Limit	Percent				
		Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Funding Ratio	For Pension Fund Min .40%	40	58.5	68.9	69.1	66
	For Non-pension Schemes min >1 times	6.4	6.4	6.4	6.4	4.1
Efficiency Ratio %	Max. 10 % of total Contribution	8	6.24	5.62	6.4	9.8
Total Contribution / Benefit (Times)	Min. 1.5 times	0.84	1.57	1.26	1.6	1.7
Dependency ratio	Min (1 pensioner: 4 Active Contributors)	6	5	6	6	9
Returns on Investment %	>= Average inflation rate	13	15	7	9	17
Total Investment/Total Assets %	>= 85%	77	84	91.8	90	88
Liquidity Ratio (Times)	Min. 1.1 times	1.5	1.3	1.04	2.6	4.2
Benefits/Total income %	Lower Ratio (<50%)	69	47	60.6	49	46.4
Fund Balance Growth %	>= Average inflation rate	5	21.3	10	14	15.1

Sources: PMO-LYED

The social security sub-sector investment was well-diversified, complying with to regulatory limits and supporting capacity to meet maturing obligations. This prudent investment approach strengthened the sub-sector ability to meet its short-, medium-, and long-term obligations while also positioning it as a significant source of funding for other sub-sectors within the financial system.

The sub-sector investment assets channelled into the economy increased by 11 percent to TZS 18,791 billion in 2024 from TZS 16,900 billion in 2023, primarily driven by government securities and Banks deposits. The proportion of cross-border investments remained largely unchanged, with 99.8 percent of the sub-sector investment assets held within Tanzania and only 0.2 percent allocated to foreign investments. This demonstrates the sub-sector minimal exposure to regional investment risks.

The rate of return on the sub-sector total investment portfolio increased to 17 percent in 2024 from 9 percent in 2023. When compared to an average inflation rate of 3.1 percent during the same period, it implies a real rate of return of 13.48 percent was realised. Admittedly, this positive return was primarily supported by interest earned from government securities, rental income from both commercial and residential properties, and dividends paid by companies following the recovery of business activities post-COVID-19.

The sub-sector's exposure to government securities increased, driven by a preference for low-risk assets and the limited depth of the domestic equity market. Allocations to real estate remained stable at 17 percent, indicating sustained confidence in property investments. Conversely, equity holdings declined slightly to 8 percent from 10 percent in 2023, driven by a reduction in private equity exposure to comply with investment portfolio regulatory requirements.

Deposits in banks and other financial institutions increased from 7 percent in 2023 to 8.1 percent, reflecting a growing preference for liquid assets. Conversely, other investments including direct loans to the government, corporate bonds, infrastructure investments, and collective investment schemes declined from 14 percent to 12 percent despite new exposure to corporate bonds ([Table 2.18](#)). This decrease suggests a reallocation of resources within the portfolio underscore the sub-sector's strategic efforts to balance risk and return amid evolving economic conditions. The current allocation of investment assets across different classes is not expected to pose any threat to the sub-sector viability in the short to medium term.

Table 2.18: Tanzania Mainland: social security portfolio investment mix

Investment Category	% Share of the total investment portfolio					Prudential Limit %
	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	
Government Securities	48	49	54	52	54	20 - 100
Real Estate	15	18	16	17	17	35
Equity	9	9	7	10	8	25
Deposits in Banks and other Financial Institutions	7	5	5	7	8.1	35
Other investment	21	19	18	14	12	5-35
Total Investment Portfolios as percent of Total Assets	81	84	91	90	88	>= 85
Total Assets (TZS Billions)	12,927	15,661	16,789	18,834	21,353	

Sources: PMO-LYED

*Other investments include Direct Loans to the Government, Corporate Bonds, Infrastructure Investments, and Collective Investment Schemes

Zanzibar Social Security Fund

The Zanzibar Social Security Fund's investment assets continued to improve, supported by increased operational efficiency. The Fund's ability to cover obligations, weighed by net assets against benefit liabilities, remained at 40.0 percent, suggesting maintaining of Assets and Liabilities remain unchanged. The liquidity of the Fund measured by current assets to current liabilities, was 2.12 percent in December 2024, from 4.7 percent in 2023 ([Table 2.19](#)). Apart from the increased working progress by 117 percent, the Fund's liquidity position remained stable with respect of the ongoing initiative to minimize administrative costs and strengthen efficiency in liquidity management.

The Fund's operational efficiency, as depicted by the administration cost-to-contribution ratio, increased to 6.6 percent in 2024 from 6.0 .0 percent in 2023. Despite slightly increased administration costs compared to contributions, the Fund's operating and structural reforms, including its cost-cutting strategy, started to show an efficiency response.

The dependency ratio shows the number of pensioners compared to active members. In December 2024, the ratio was recorded at 10.4 percent compared to 11 percent in the previous year of 2023. The Fund's financial stability continues to improve after the gradual increase of investment income from different invested asset portfolios. In addition to that, the Government, through the Fund's authority, continues to monitor the performance of the Fund to ensure its sustainability for the future benefits of its members.

Table 2.19: ZSSF selected indicators

Particulars	2022	2023	2024
Contribution income/Total Benefit payments (a+b) (Times)	2.07	5.0	2.2
Dependency ratio (Times)= Total active members / Pensioners	9	11.0	10.4
Investment income/Investment assets (Percent)	8	9.3	11
Administrative cost (TZS Billion)	7.2	8.6	10.5
Administrative cost/Investment income (Percent)	12.1	10.0	10.0
Administrative cost/Contributions (Percent)	6.6	6.0	6.6
Liquidity ratio = Current Asset /Current Liability (Times)	3.1	4.7	2.12
Funding ratio = Net Asset/Benefit liabilities (Percent)	40	40.0	40.0

Source: Zanzibar Social Security Fund

The Fund's investment portfolio grew by 19.4 percent to TZS 1098.5 billion as of the end of December 2024 compared to 920.0 in the previous year. The increase was generally due to increased investments in Government security, Treasury bonds, Equities and Fixed Deposits.

On the other hand, investment in Government securities grew by 26 percent to TZS 622.1 billion, and fixed deposits remain dominant in the fund portfolio ([Table 2.20](#)). The growth indicates a positive response towards the overall position of the Fund's financial sustainability, supported by improved operational efficiency and financial conditions, which together enhance the Fund's ability to meet its long-term obligations and strategic objectives. In the near future, ZSSF expect to invest more in financial instruments such as Zanzibar Sukuk, which will form a part of the fund's investment portfolios and minimize financial risk. This will ensure the fund's financial stability and resilience and strengthen its ability to honour its maturing obligations against future uncertainty.

Table 2.20: ZSSF investment portfolio

Particulars	21-Dec		22-Dec		23-Dec		24-Dec	
	TZS Billion	Share (%)	TZS Billion	Share (%)	TZS Billion	Share (%)	TZS Billion	Share (%)
Mapinduzi Memorial Museum Items	0.5	0.1	0.5	0.1	0.1	0.0	0.0	0.0
Mapinduzi Revolving Resta	0.5	0.1	0.5	0.1	0.1	0.0	0.1	0.0
Hotel Furniture and Equipment					0.4	0.1	0.4	0.0
Work in Progress (WIP)		0.0	5.9	0.8	26.5	2.9	57.4	5.2
Investment Property- Real estate	107.6	16.2	97.7	13.1	71.2	7.7	68.6	6.2
Investment Property- Recreation and Amusement Park	36.6	5.5	34.1	4.6	26.7	2.9	18.4	1.7
Investment Property- land	53.1	8.0	68.0	9.1	76.9	8.4	107.1	9.8
Investment in Equity	43.2	6.5	62.4	8.4	74.3	8.1	90.6	8.3
Mkoani Hotel					0.0	0.0	0.1	0.0
Investment in Government Security	247.1	37.2	272.4	36.6	492.6	47.3	622.1	56.6
Fixed Deposit	104.8	15.8	131.4	17.6	126.1	13.7	110.5	10.1
Loan	59.8	9.0	50.0	6.7	35.4	3.9	0.0	0.0
Corporate Bond	11.5	1.7	22.1	3.0	21.9	2.4	0.0	0.0
House Sale Receivable			27.3		24.9	2.7	23.2	2.1
Total investments Assets	664.7	100.0	745.2	100.0	920.0	100.0	1098.5	100.0

Source: Zanzibar Social Security Fund

2.5.5. Deposit insurance

The Deposit Insurance Fund (DIF) remained capable of meeting deposit insurance obligations, contributing to safety, soundness and public confidence in the banking sub-sector. The DIF size grew to TZS 1,338.95 billion from TZS 1,123.04 billion recorded in 2023. This was attributed to an increase in proceeds from investments and deposit insurance premiums. The maximum coverage amount is TZS 7.5 million, and the ratio of fully insured deposit accounts to the total number of insurable deposit accounts rose from 97.3 percent to 99.10 percent. Coverage is above the International Association of Deposit Insurers (IADI) standard threshold of at least 90.0 percent.

The ratio of Fund Size to Total Value of Deposits as of 31st December 2024 was 3.12 percent above the EAC target of at least 3.00 percent. The ratio of Fund Size to Total Value of Insured Deposits on 31st December 2024 was 19.12 percent. Further, the Value of Insured Deposits to Total Insurable Deposits was 18.11 percent as of 31st December, which is above the EAC target of 10 percent ([Table 2.21](#)).

Table 2.21: Tanzania's position to EAC convergence criteria and IADI Standards

Ratio	EAC and IADI	
	Target/standards	Tanzania position
Fundsize to total deposit	3.0	3.12
Fundsize to total deposit	20.0	19.12
Value of insured deposits to total insurable deposits(Fully and partially covered)	10.0	18.11
Number of fully covered accounts/total number of insurable accounts	90.0	99.1

Source: Bank of Tanzania and Deposit Insurance Board

The analysis indicates that DIF is performing well against IADI's minimum recommended ratio of 90 percent in terms of Fully Covered Accounts to Total Number of Insurable Accounts. Likewise, there is good progress towards attaining the EAC targets set to be achieved by the Partner States by the year 2026, in which it has surpassed two of the set targets out of the three. The remaining ratio, i.e., Fund Size to Total Value of Insured Deposits, was at 19.12 percent, and it is expected that the target of 20 percent will be attained by the end of the year 2026.

DIB continued to make efforts to increase the size of the Fund, reimburse insured deposits to eligible depositors, distribute liquidation dividends, and conduct public awareness campaigns aiming to improve deposit protection and increase public confidence in the banking system. Further, the Government has commenced the procedures to broaden the DIB's mandate and enhance DIB operational independence, which will enhance the Fund's contribution to promoting the stability and soundness of the financial system in Tanzania.

2.6. Competition in the financial sector

The financial sector remained competitive. Tanzania's banking sub-sector shows a moderately concentrated yet highly competitive environment. Although the top five banks, together, command nearly 55 percent of the market, no single institution holds overwhelming dominance. The Herfindahl-Hirschman Index (HHI) value of 1,261.6, as previously noted, further supports the view that the sub-sector is low-concentrated by international standards, promoting contestability.

The presence of several mid-sized banks that consistently maintain stable market shares demonstrates healthy competition among players. This competitive pressure likely

contributes to relatively better service delivery, product innovation, and more competitive interest rates for consumers. Additionally, the continuous growth in assets among both large and mid-tier banks indicates that market opportunities are being fairly distributed rather than monopolized. While competition remains robust, there is a latent risk that dominant players could engage in practices that might eventually limit market entry or harm consumer welfare. Therefore, the Fair Competition Commission's (FCC) role in monitoring and intervening, if necessary, remains crucial to sustaining long-term competitive dynamics in the sector.

The insurance sub-sector in Tanzania remains highly competitive, with more than 85 percent of players holding market shares below 10 percent. In 2024, the Herfindahl-Hirschman Index (HHI) recorded a low value of 1000, signalling that the market is not concentrated, which reduces the risk of anti-competitive behavior. This level of competition ensures that no single company or small group of firms can easily dominate the market, fostering a dynamic environment for consumers. Additionally, the Tanzania Insurance Regulatory Authority (TIRA) has been proactive in setting a minimum indicative rate for general insurance gross premiums, helping to maintain fair pricing standards while encouraging healthy market competition. Overall, the sub-sector appears stable, with regulatory measures in place to ensure that it remains competitive and consumer friendly.

The FCC approved six financial sector mergers (4 insurance and 2 banking sub-sectors) after carefully balancing efficiency benefits against competition risks. The regulator employed modern antitrust analysis, linking mergers to consumer advantages like better pricing and innovation while implementing safeguards against market concentration. Ongoing monitoring will ensure promised benefits materialize without anti-competitive effects, particularly in banking. This demonstrates FCC's commitment to fostering competitive markets that serve consumer welfare.

2.7. Financial inclusion and stability

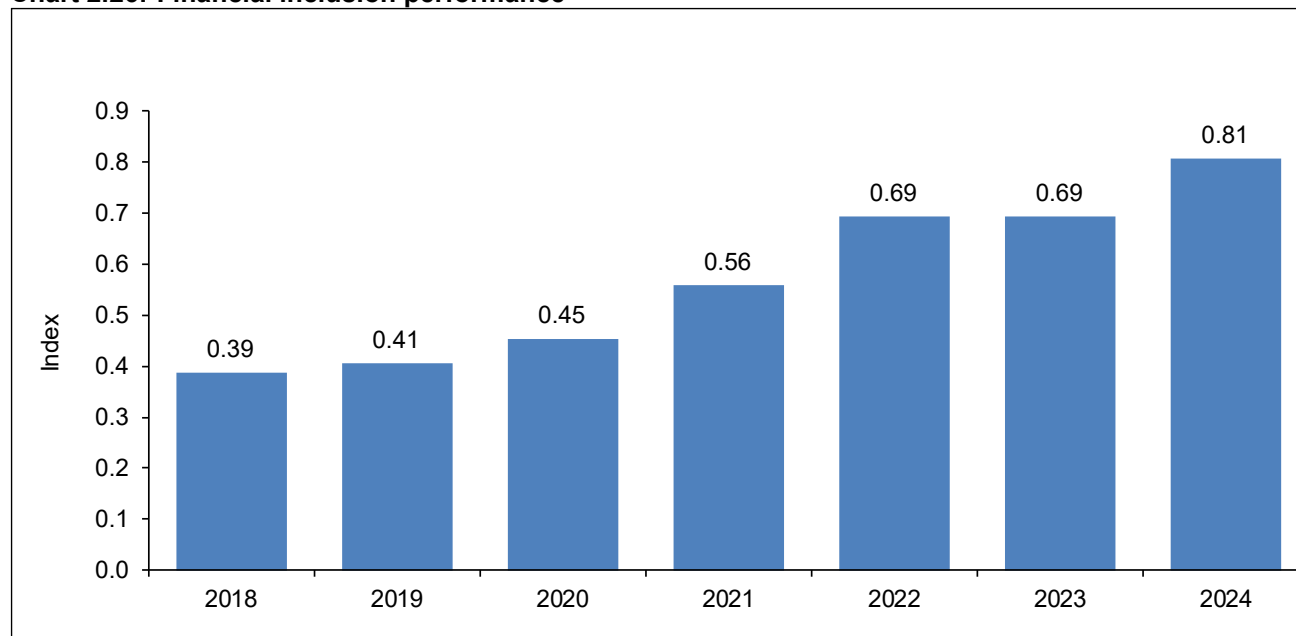
2.7.1 Financial inclusion performance

Tanzania has witnessed strong progress toward advancing financial inclusion on various fronts. Specifically, the access and usage of a broad range of high-quality and formal financial products and services continued to improve in the banking, microfinance, capital markets, insurance and social security sub-sectors. The developments were anchored

in enabling infrastructure and legal and regulatory frameworks, empowering and protecting consumers, and designing customer-centric products and services.

During December 2024, the Tanzania Financial Inclusion Index (Tan Fix) revealed steady progress, rising to 0.81 compared to the index of 0.79 recorded in the corresponding period of 2023, depicting increased financial inclusion (**Chart 2.26**). The increase was mainly attributed to the rise in mobile money, bank agents, microfinance service access points, and point-of-sale locations. The formalization of community microfinance groups, increased innovations and an enabling legal and regulatory environment also contributed to the increase in inclusion.

Chart 2.26: Financial inclusion performance



Source: Bank of Tanzania

2.7.2 Access to and usage of financial services

The financial services users continued to access financial services channels, mainly through the use of mobile money and banks' agents. During the period under review, the number of financial access points recorded an increase of 2.0 percent to TZS 1.7 million from the previous quarter. This was mainly due to increased access to mobile money agents, microfinance, and insurance access points. In addition, the provision of conducive legal and regulatory frameworks fueled the increase of financial access points in the country (**Table 2.22**).

Table 2.22: Total Number of Financial Access Points

Financial Access Points	Sep-24	Dec-24
Access points in Banking	139,530	148,430
Access points in Microfinance	58,759	58,926
Access points in investment and Capital Market	392	392
Access points Insurance	1,714	1,950
Access points in Social Security Services	140	140
Access points in non-Bank Payment System Services	1,437,255	1,475,281
Total	1,637,790	1,685,119

Source : BOT, TIRA, PMO-LYED, ZSSF and CMSA

2.7.3 Usage of savings services

During the period under review, usage of savings accounts as depicted by the number and amount of saving accounts grew by 3.9 percent and 2.0 percent to 29.5 million accounts and TZS 7,708.6 billion, respectively ([Table 2.23](#)). This was attributed to increased financial awareness and literacy programs and the usage of digital platforms as innovative saving products.

Table 2.23: Savings accounts and amounts ending December 2024

Particulars	Sep-24	Dec-24
Number of saving accounts (million)	28.4	29.5
Saving amounts (TZS billion)	7,562.30	7,708.60

Source: Bank of Tanzania

2.7.4 Financial consumer protection performance

The Bank continued to address financial consumer protection by enhancing complaint resolution mechanisms to maintain trust and stability in the financial system. Despite the dominance of banking sub-sector complaints, particularly related to credit facilities, proactive measures such as public awareness campaigns and regulatory actions against prohibited digital lenders have been implemented. To further improve efficiency, the Bank is finalizing the deployment of a Financial Complaints Resolution System, integrating USSD technology and AI-driven support to streamline dispute resolution. Additionally, draft guidelines for effective complaints handling have been developed to ensure a harmonized approach across the industry.

2.7.5 Market conduct

In 2024, the financial system continued to face risks stemming from improper loan recovery procedures and abusive practices by unlicensed digital and micro lenders, leading to consumer distress, increased default rates, and reputational risks for the financial sector. These challenges undermined trust in the system and heightened vulnerabilities among borrowers. To address these risks, the Bank continued to strengthen the market conduct surveillance through onsite and offsite monitoring and collaborate with other Regulatory Authorities to take action against non-compliant entities. Additionally, ongoing public awareness campaigns were conducted to encourage the use of formal financial services, reinforcing consumer protection and promoting a more stable financial system.

3. FINANCIAL SYSTEM INFRASTRUCTURE

3.1 Payment systems infrastructure

Systems for payment and settlement remained stable without disruptions. Clearing and settlement systems operated efficiently with a noticeable growth in the usage of financial services provision digital channels. The systems comprise Tanzanian Interbank Settlement System (TISS), retail payment systems - Tanzania Automated Clearing House (TACH), and Tanzania Instant Payment System (TIPS); these serve as the backbone systems in facilitating the smooth flow of funds in the economy. During the review period, the systems remained resilient and effective, maintaining an average availability rate of 99.85 per cent. The good performance sustained public confidence and the stability of the financial system.

The Bank spearheaded the initiatives to onboard GePG into TIPS to enable seamless payment of government bills through TIPS. The adoption and implementation of an interoperable Quick Response Code (TANQR) was in progress, along with the implementation and migration of payment messages to SWIFT ISO20022. By leveraging fintech innovation, the Bank continued to collaborate with and encourage FSPs to introduce new, simple, and adaptive digital payment products relevant to Tanzanians' needs.

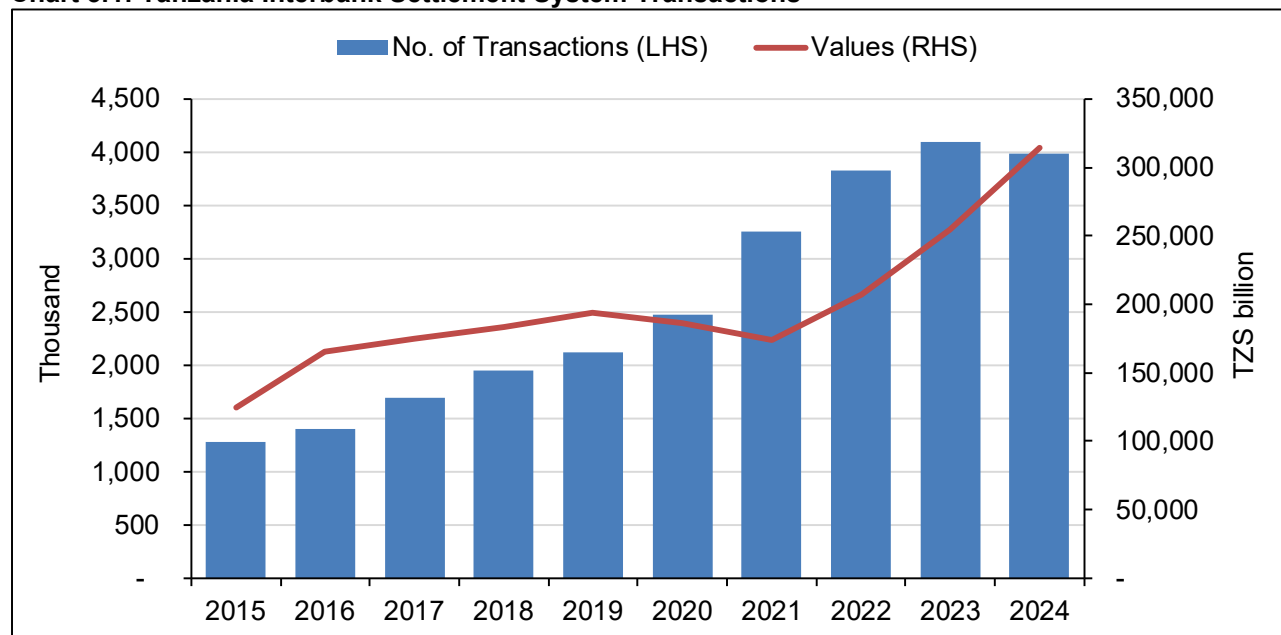
To achieve a cash-lite economy, the Bank implemented policy measures to promote the adoption and usage of electronic payments through formal payment systems. These policy measures include ensuring the affordability of digital payment system services, enhancing interoperability, actively engaging in public awareness of digital payment products, enhancing trust of digital financial services through onsite and offsite surveillance, and enforcing compliance with laws and regulations.

3.1.1 Tanzania Interbank Settlement System

Tanzania Interbank Settlement System (TISS) operated seamlessly, ensuring secure and efficient settlement of interbank transactions through both SWIFT and VPN channels. The large value interbank system, TISS, continued to record an average of 99.85 percent efficiency in terms of server and database uptime availability. Transactions processed in TISS reached 3.98 million in 2024 compared to 4.09 million recorded in the preceding period. The value of transactions increased to TZS 314,232.74 billion from TZS 254,719.88 billion in 2023. The noticeable increase in the system performance was partly attributable to the enhanced TISS platform that operates 24/7. By operating 24/7, the system enhanced financial stability, boosted trust in the banking sub-sector, and improved liquidity

management by ensuring timely interbank settlement of funds, thus contributing to a more resilient and efficient financial ecosystem in Tanzania (**Chart 3.1**).

Chart 3.1: Tanzania Interbank Settlement System Transactions



Source: Bank of Tanzania

3.1.2 Tanzania Automated Clearing House

Clearing and retail payment systems, namely Tanzania Automated Clearing House (TACH), Electronic Fund Transfer, and Card switch, operated efficiently. In 2024, the total number of cheque transactions processed through TACH and their corresponding values declined by 13.91 percent and 7.15 percent, respectively. The decrease was attributable to the reduced usage of cheques due to increased adoption of alternative digital payment channels. The volume of EFT transactions, on the other hand, rose by 7.37 percent to 21.08 million transactions and 16.28 percent in value to TZS 16,769.88 billion compared to the corresponding period in 2023 (**Table 3.1**).

Table 3.1: Payment systems' values and volume of transactions

Particulars	Volume transacted (Million)				Percentage change (%)
	2021	2022	2023	2024	
ATM and POS	59.4	65.3	86.0	88.2	2.5
Internet banking	8.4	15.5	17.2	21.5	24.7
Mobile banking	71.5	92.1	82.0	144.3	76.0
Mobile payment	3,158.5	3,595.0	5,061.2	6,414.0	26.7
TACH (Cheque)	0.6	0.6	0.5	0.4	(16.3)
TACH (EFT)	15.6	16.8	19.1	21.1	10.3
TISS	3.3	3.8	4.1	4.0	(2.8)

Particulars	Value transacted (Billion)				Percentage change (%)
	2021	2022	2023	2024	
ATM and POS	10,278.6	11,692.1	16,480.5	18,577.5	12.7
Internet banking	100,065.3	123,061.3	157,500.4	213,961.7	35.8
Mobile banking	24,973.3	30,651.6	25,507.9	29,924.7	17.3
Mobile payment	115,228.4	114,315.98	154,705.80	198,859.00	28.5
TACH (Cheque)	2,025.6	1,977.7	1,893.5	1,758.0	(7.2)
TACH (EFT)	10,694.5	12,079.2	14,422.4	16,769.9	16.3
TISS	174,308.5	207,503.4	254,719.9	314,232.7	23.4

Source: Bank of Tanzania

3.1.3 Digital payment systems

As of 31st December 2024, the Bank issued 101 licenses, comprising 42 licenses to banks and 59 non-banks for the provision of payment systems services, and granted approvals on various applications received from banks and non-bank payment system providers to issue payment instruments/products that are customer centric. In a move to attain the vision of digital economy by 2025, the Bank continued to promote the uptake of various use cases, including Government to Person (G2P), Person to Government (P2G), Person to Business (P2B); Business to Government (B2G) and Business to Business (B2B) transactions.

Banks, in collaboration with fintech, continued to introduce new saving channels, enabling Tanzanians to save and access credit using their digital wallets. These digital solutions helped cash collections, thus digitizing social groups' resource mobilization at a micro level. In 2024, the major digital solutions were Halo Yako, Kamilisha, Kibubu Mgodi, Songesha, M-Koba, M-Pawa, Nivushe, Timiza, Bustisha, Wezesha, Vikoba and Halal, all issued through a partnership between banks and non-banks as technology providers.

3.1.4 Payment systems developments

Tanzania Instant Payment System (TIPS) continued to perform strongly in 2024. The Bank closely monitored its progress, and the number of onboarded institutions onto the TIPS platform (both banks and electronic money issuers) increased to 46 in 2024. As of December 2024, the number of transactions processed on the TIPS platform increased significantly to 454 million transactions worth TZS 29.90 trillion compared to 236 transactions worth TZS 12.50 trillion registered in the previous period.

TIPS continued to enhance system interoperability among Digital Financial Service Providers (DFSPs), enabling real-time instant payments and serving as an efficient clearing and settlement platform for retail digital transactions. The Bank continued with the development activities of the system by incorporating additional features (use cases) as well as supporting and fixing issues that surfaced in the production environment.

In 2024, the Bank actively engaged with FSPs to enhance the functionality and utility of the Financial Service Registry (FSR). This included the development of an improved reporting model, which incorporated analysts' reports and visualized special reports using Geographic Information System (GIS) technologies. These advancements provide deeper insights into the distribution and accessibility of financial services, enabling more informed decision-making and strategic planning.

Furthermore, the Bank continued to support FSPs to utilize the FSR system for onboarding new outlets and maintaining existing ones. This ongoing effort ensures the database remains up-to-date and reflective of the evolving financial services landscape. The FSR remains a vital resource for fostering financial inclusion, enabling stakeholders to identify gaps, optimize service delivery, and drive equitable access to financial services across the nation.

3.2 Communication sector

The communication sector has continued to play a pivotal role in underpinning financial stability through its rapid expansion and increasing digital integration. As a key enabler of inclusive finance, the sector's growth has significantly enhanced access to digital financial services, strengthened payment infrastructures, and reduced systemic vulnerabilities within the financial system.

During the review period, mobile network coverage expanded marginally to 98.2 percent in 2024, up from 98 percent in 2023. The coverage has extended digital connectivity across rural and underserved populations, thereby enhancing financial inclusion through broader access to mobile banking and mobile money platforms. The number of active SIM cards increased by 24 percent, reaching 86.8 million in 2024, with mobile money-enabled SIMs rising by 20 percent to 63.2 million. The growth underscores the increasing reliance on mobile channels for financial transactions, reducing dependence on cash and mitigating transaction-related risks.

Additionally, device penetration played a critical role in the economy. The number of feature phones rose by 8 percent, while smartphones surged by 18 percent, enabling a broader user base to engage in digital financial activities. These devices serve as essential tools for accessing a range of financial services, including savings, credit, insurance, and transfers, which collectively promote economic resilience and household-level satisfaction.

Furthermore, broadband mobile network coverage increased to 91 percent in 2024 (from 86 percent in 2023), accompanied by a 34 percent rise in internet subscriptions to 48 million users and a 91 percent surge in internet traffic to 1.96 million gigabytes. This increase in high-speed internet availability enhances the reliability and reach of digital financial services, enabling secure, real-time transactions and strengthening the overall efficiency of the payment systems.

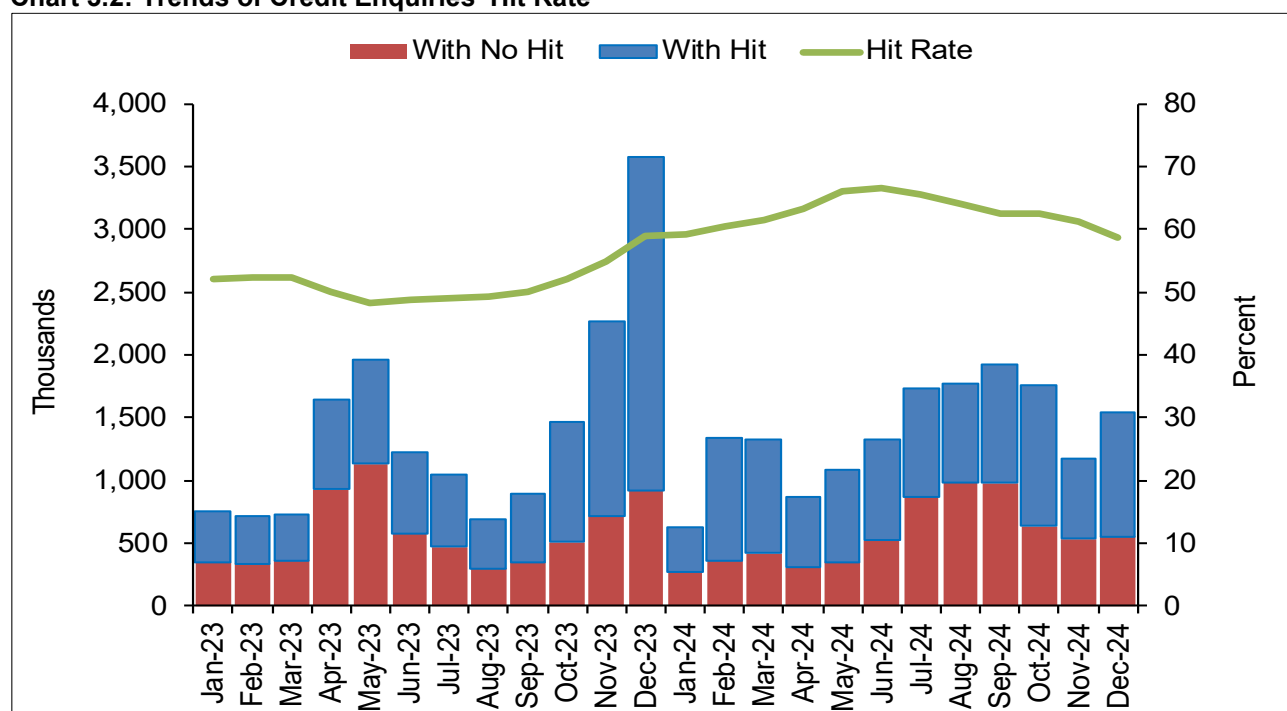
A resilient and high-performing communication infrastructure reflected improved Quality of Service (QoS) indicators. According to the Tanzania Communications Regulatory Authority (TCRA), industry wide QoS performance improved to 96 percent in 2024, up from 91 percent in 2023, signalling greater reliability in service delivery, a crucial factor for maintaining trust in digital financial systems.

The ongoing rollout of 5G technology, which stood at 20 percent of the population, marked a significant step forward. With higher speeds and lower latency, 5G infrastructure enhances the quality of digital financial services and supports more sophisticated fintech applications. This, in turn, contributes to a more inclusive and resilient financial ecosystem.

3.3 Credit reference system

Lenders continue to utilise credit reference services as evidenced by a high number of credit enquiries and credit reports sold, which stood at 16,496,641 and 9,096,601, compared to 17,001,917 and 9,420,624 recorded in the previous year, respectively (**Chart 3.2**). The high level of credit enquiries and reports sold was caused by an increase in the usage of credit reference systems by banks and non-deposit-taking microfinance service providers and increased digital lending. The Bank continued to sensitise banks and other credit providers on the usefulness of credit information sharing.

Chart 3.2: Trends of Credit Enquiries' Hit Rate



Source: Bank of Tanzania

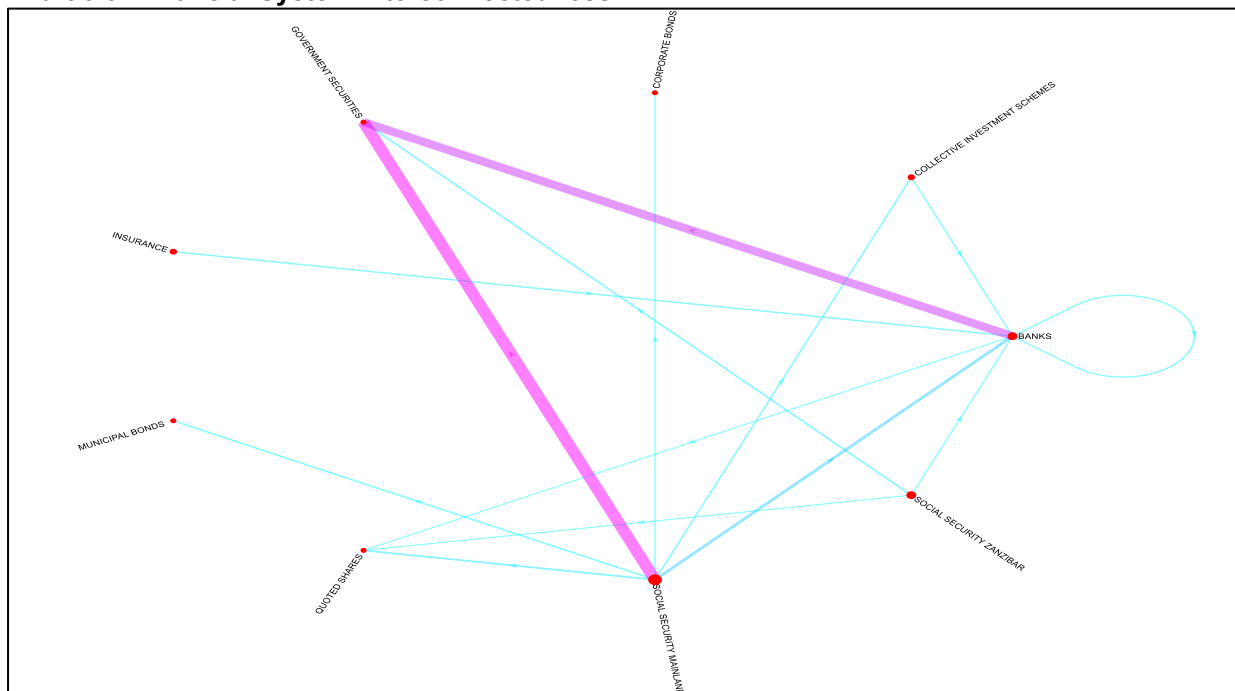
The annual hit rate slightly decreased by 28.09 basis points to 58.75 percent in 2024 compared to 59.03 percent recorded in 2023 (**Chart 3.2**). The decline in hit rate is attributable to the non-availability of some credit applicants in the credit reference system, as some credit information from both formal and informal credit providers remains limited in the credit reference databank. The usage of credit reference information in the loan underwriting process is expected to reduce the level of non-performing loans. Further, the Bank, in

collaboration with other stakeholders, continued with national awareness campaigns on the usage of credit reference information in securing financing facilities.

3.4 Financial system interconnectedness

Financial sector interconnectedness continued to grow, led by banking and social security. The aggregate exposure between various sub-sectors and financial instruments increased, topped by the interlinkage between social security in Mainland Tanzania and Government securities, followed by the exposure of the banking sub-sector to Government securities (**Chart 3.3**). This indicates a higher Tanzania sovereign exposure within the financial sector, which is closely monitored by all financial sector regulators and safety net players to maintain stability in the financial system.

Chart 3.3: Financial System Interconnectedness



Source: Bank of Tanzania

The banking sub-sector remained with a higher cross-border exposure compared to other sub-sectors in the financial system. Domestic banks' exposure to foreign banks amounted to TZS 5,266.0 billion in December 2024, as compared to TZS 3,686.1 billion observed in December 2023. This higher exposure is consistent with the banking sub-sector's role in facilitating international trade. On the other hand, the analysis of Electronic Money Issuers (EMIs) at cross-border market indicated a high density of interconnectedness between M-Pesa and Safaricom, followed by Airtel Tanzania and Thunes. The growth of

EMIs both in the domestic and international markets warrants efforts by the Bank and the Deposit Insurance Board in ensuring mobile money deposits are protected.

4. FINANCIAL SYSTEM REGULATORY DEVELOPMENTS

4.1 Banking developments

During the period under review, amendments on various laws pertaining to the Bank's operations were issued, and the Bank issued several Regulations, Guidelines, Directives, Notices, and Orders with the view to enhancing compliance and strengthening mechanisms for bank and financial institutions and the entire financial sector. The following regulatory changes emerged during the period under review.

A. Laws and Regulations

(i) Amendments to the Bank of Tanzania Act, 2006

The Finance Act, 2024, No. 6 of 2024, introduced restrictions for the use of currencies other than the legal tender issued by the Bank of Tanzania. Such restrictions were introduced through the amendment of section 26 of the Bank of Tanzania Act, 2006. The amendments introduced a new subsection 26(2) providing that, *"Save as otherwise prescribed by the Minister in the Regulations, a person who transacts using any other currencies other than the legal tender issued by the Bank, commits an offence"*. Thus, the provision implies that the use of currencies other than Tanzanian shillings issued by the Bank for any transaction is strictly prohibited, save for exceptions which may be granted by the Minister responsible for Finance under the respective regulations. In execution of this provision, on 28 March 2025, the Minister of Finance issued the regulations on restrictions of usage of foreign currency in local transactions, G.N. No. 198 of 2025.

(ii) Amendments to the Banking and Financial Institutions Act, 2006

The Banking and Financial Institutions Act, 2006 was amended in July by the Finance Act 2024 under section 46 to incorporate provisions on procedural arrangements for handling abandoned properties surrendered to the Bank by banks or financial institutions. These amendments have reduced the time for surrender of abandoned properties by banks or financial institutions, from 15 to 10 years. Further, with the amendments, the mandate and procedures for disposal of

the surrendered properties is vested to the Bank whereas, the Bank is obliged to deposit 90 percent of the abandoned properties to the Consolidated Fund, and the remaining 10 to be deposited to the General Reverse Fund, effective from 01st January 2025.

(iii) The Microfinance Act, 2023

The Microfinance Act was assented on 01 February 2024 with provisions for licensing, regulating, and supervising microfinance services towards maintaining stability, safety and soundness of microfinance services and other related matters in Tanzania Zanzibar. For the period under review, the Zanzibar Microfinance Act, 2023 is yet to be operational following the finalization of its Regulations below which are pending for signature by the Minister responsible for Finance in Zanzibar.

- (a) The Zanzibar Microfinance Services (Non- Deposit Taking Microfinance Service Providers) Regulations, 2024;
- (b) The Zanzibar Microfinance Service (Savings and Credit Cooperative Societies) Regulations, 2024; and
- (c) The Zanzibar Microfinance Services (Community Non-Deposit Microfinance Groups) Regulations, 2024. Thus, the Zanzibar Microfinance Act, 2023 will be operational upon issuance of these Regulations.

B. Regulations, Guidelines, Orders, Notices, and other Subsidiary Legislation

(i) The Bank of Tanzania (Fintech Regulatory Sandbox) Regulations, 2024

The Bank of Tanzania (Fintech Regulatory Sandbox) Regulations, 2024, G.N. No. 540 of 2024 were issued in July 2024 applicable to: financial service providers licensed by the Bank; fintech companies collaborating with a financial service providers licensed by the Bank; and fintech companies intending to offer financial solution on financial products and services regulated by the Bank. These Regulations were issued with the view to facilitating fintech innovations in Tanzania following technological advancement.

The Regulations provide for among others, eligibility criteria for persons apply for participating in the Fintech Regulatory Sandbox as well as the application

procedures, whereas the application window for participating in the Fintech Regulatory Sandbox is set to be on a quarterly basis where the Bank shall invite the applicants through its official website and other widely circulating media. The provisions require the Bank to evaluate the application and notify the applicant within forty-five days on either approval or rejection of the application. However, approval under these Regulations is limited to permitting an applicant to proceed with the testing of the financial solution in the market environment and does not constitute a full fledged approval to provide the financial solution to the public.

Furthermore, these Regulations provide for re-application procedures, financial solution requirements, commencement of testing, completion of testing period and submission of final report by the applicant, data protection requirements, intellectual property rights, customer compliant mechanisms, general powers of the Bank as well as administrative sanctions. The Regulations are currently operational within the Bank.

(ii) The Banking and Financial Institutions (Compulsory Liquidation) (Amendment) Regulations, 2024 G.N. No. 1077 of 2024

The Banking and Financial Institutions (Compulsory Liquidation) Regulations, 2024 were amended in December 2024 with minor changes under regulation 4 on the appointment of a liquidator and regulation 5 on the powers of a liquidator. Further, regulation 10 on creditors' meeting was amended by adding new provisions requiring Members of the Creditors' Committee to elect from amongst themselves a chairperson and a secretary of the Committee during their first meeting upon their appointment. Further, the amendments provide that the Creditors Committee shall serve as a link between the liquidator and the creditors, and the Committee is vested with the mandate to regulate its proceedings.

(iii) Guidelines on Fees and Charges for Banks and Financial Institutions, 2024

The Bank issued these Guidelines pursuant to regulation 25(1) of the Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 applicable to banks and financial institutions effective from 16th July 2024. The Guidelines provide guidance on imposition of fees and charges on products and services offered by banks and financial institutions. The aim is to ensure that the imposition of fees and charges is fair and equitable to consumers, banks, and financial institutions, while fostering competition and innovation in the provision of financial products and services to support financial inclusion. Specifically, the Guidelines seek to ensure fairness in pricing, deter the application of unjustified charges, promote healthy competition, and enhance access to and usage of formal financial services.

The Guidelines also guide on governance and internal control issues including a policy for fees and charges that should mandatorily be established by a bank or financial institution. The key aspect is on reasonability and affordability of fees and charges imposed by banks and financial institutions, whereas the criteria for determining the same has been stipulated in the Guidelines. With these provisions, banks and financial institutions are obliged to ensure, among others, that lending services and electronic transactions are charged reasonable and affordable fees, while restricting the imposition of fees and charges for merchant payments by cards. All these are among the initiatives to facilitate the attainment of a cash-lite economy.

Furthermore, item 20 of the Guidelines explicitly provides for prohibited fees and charges. The Guidelines also provide for disclosure requirements, administrative sanctions, and penalties imposed upon breach of the provisions stipulated therein.

(iv) Guidelines on Fees and Charges for Microfinance Service Providers, 2024

The Bank issued these Guidelines pursuant to regulation 25(1) of the Bank of Tanzania (Financial Consumer Protection) Regulations, 2019, applicable to microfinance service providers (Tier 2) effective from 16th July 2024. These Guidelines provide guidance on the imposition of fees and charges on products and services offered by Microfinance Service Providers. The aim is to ensure imposition of prices is equitable to both consumers and Microfinance Service Providers, fostering competition and innovation in the provision of financial services and products, and ultimately contributing to financial inclusion. Specifically, these Guidelines aim at: ensuring fair and equitable imposition of fees; deterring unfair fees; promoting fair competition among microfinance service providers; and enhancing access to and usage of formal financial services and products.

The Guidelines have provisions on governance and internal controls as well, including a policy for fees and charges. Here, the aspects of reasonability and affordability of fees and charges are emphasised. With these provisions, microfinance service providers are obliged to ensure among others that, lending services charged reasonable and affordable fees, while restricting imposition of fees and charges such as administrative fees, maintenance charges and other fee type indicated under item 17(2) for services that are part and parcel of the operating processes. These Guidelines also provide for disclosure requirements, administrative sanctions, and penalties imposed upon breach of the provisions stipulated therein.

(v) Guidelines on Fees and Charges for Non-Bank Payment Systems Providers, 2024

The Bank issued these Guidelines pursuant to regulation 25(1) of the Bank of Tanzania (Financial Consumer Protection) Regulations, 2019 applicable to non-bank payment system providers effective from 16th July 2024. The Guidelines provide guidance on imposition of fees and charges on products and services offered by non-bank payment systems providers. Further, the Guidelines aim at ensuring that, imposition of prices is equitable for both consumers, non-bank payment systems providers, fostering competition and innovation in provision of

financial products and services, and ultimately promote financial inclusion. Specifically, these Guidelines aim at; ensuring fair and equitable imposition of fees and charges; deterrence for unfair fees and charges; promoting fair competition among banks and financial institutions; and enhancing access to and usage of formal financial services and products.

Apart from the objectives and application, the Guidelines have provisions on governance and internal controls including a policy for fees and charges that should mandatorily be established by a non-bank payment systems provider. Further, the key aspect is on reasonability and affordability of fees and charges imposed by non-bank payment system providers, whereas criteria for determining the same has been stipulated in the Guidelines. With these provisions, non-bank payment systems providers are obliged to ensure among others that, electronic money transactions are charged reasonable and affordable fees, while provisions on negotiable fees and charges for services initiated by the customer. These Guidelines also, provide for disclosure requirements, administrative sanctions, and penalties imposed upon breach of the provisions stipulated therein.

(vi) Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers, 2024

Pursuant to the provisions of section 12(3) of the Microfinance Act, 2018, the Bank of Tanzania has issued the Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers, 2024. The Guidance Note so issued apply to all Tier 2 Microfinance Service Providers operating in Mainland Tanzania with effect from 27 August 2024.

Among others, the provisions of the Guidance Note requires a microfinance service provider to notify the Bank of all digital lending platforms they operate in the market within 14 days from the issuance date of the Guidance Note. Failure to submit such information on the set deadline, the Bank will suspend all lending platforms and those operated by unlicensed microfinance service providers. Furthermore, the Guidance Note required all microfinance service providers with existing digital loan products and services before the issuance of the Guidance Note to comply with the following requirements within 30 days.

- to seek and obtain a no-objection letter from the Bank of Tanzania in line with the criteria provided in the Guidance Note to continue offering digital loan products and services;
- not to onboard new loans without obtaining a no-objection letter from the Bank of Tanzania to offer digital loan products and services;
- in cases where a microfinance service provider operates more than one digital lending platform (Mobile Application, Website or another platform), to establish a mechanism to migrate all customer data and credit relationships into a single digital lending platform, which will be submitted to the Bank for the request of a no-objection letter; and
- notify the Bank of Tanzania of all digital lending platform (s) which have been discontinued following a migration of customer data and credit relationships, and shall ensure these platforms are closed immediately before the end of the moratorium period.

(vii) Bank of Tanzania (Withdrawal of Old Banknotes Shillings Issued from 1985 to 2003 and 500 Banknotes issued in 2010) Notice, 2024 G.N. No. 858 of 2024

The Bank of Tanzania is mandated under section 28(2)(3) of the Bank of Tanzania Act, 2006 by notice in the *Gazette* to call in any notes or coins issued by it on payment of the face value thereof; and, any notes or coins at the time of expiry of such notice shall cease to be a legal tender. In this purview, the Bank issued the Bank of Tanzania (Withdrawal of Old Banknotes Shillings Issued from 1995 to 2003 and 500 Banknotes issued in 2010) Notice, 2024 G.N. No. 857 of 2024, published on 11 October 2024.

With this Notice, the Bank called in banknotes series with denominations of twenty (20), two hundred (200), five hundred (500), one thousand (1000), two thousand (2,000), five thousand (5,000) and ten thousand shillings (10,000) issued from 1985 to 2003, and five hundred banknotes issued in 2010. The characteristics of the called-in banknotes are stipulated in the Schedule to the Notice.

Further, the Notice provides for the commencement and end date for the collection of old banknotes stipulated above which was set to commence on 06 January 2025

and end on 06 April 2025. Implementation of these provisions required any person in possession of the called-in banknotes with the above criteria to deposit or exchange the same with commercial banks before 06 April 2025, upon which all banks shall not pay-out, accept deposits or receive requests for exchange of banknotes, and the same shall cease to be a legal tender. This Notice was also issued in the Swahili language, published as G.N. No. 858 of 2024 of 11 October 2024.

The rationale for demonetization of old banknotes, among others, includes a reduction in counterfeiting incidents by the introduction of more secure banknotes with new security features and a reduction of public confusion on circulating currency, thus enhancing general acceptance of banknotes in daily transactions.

(viii) The Bank of Tanzania (Issuance of Reprinted Banknotes of 2010 Series) Notice, 2024, G. N. No. 1081 of 2024

Section 26 of the Bank of Tanzania Act, 2006 vests to the Bank the sole right to issue banknotes and coins in and for Tanzania to be used as the legal tender. Further, section 27(2) requires the Bank to give notice in the *Gazette* of the denominations and other characteristics of the banknotes and coins before they are circulated for use. In exercise of the powers conferred upon the Bank with the above provisions, the Bank issued the Bank of Tanzania (Issuance of Reprinted Banknotes of 2010 Series) Notice, 2024, G.N. No. 1081 of 2024, published on 20 December 2024.

With this Notice, the Bank notifies the public that with effect from the date of coming into operation of the Notice it has issued into circulation the re-printed banknotes in denominations of One Thousand (1,000), Two Thousand (2,000), Five Thousand (5,000) and Ten Thousand (10,000) of 2010 Series. The reprinted banknotes retain the same characteristics and security features, with other characteristics of the reprinted banknotes of the 2010 series being provided in the schedule to the Notice. The Notice further informs the public that the existing banknotes with such denominations in circulation shall remain a legal tender and continue circulating concurrently with the reprinted banknotes. This Notice was also issued in the Swahili language, published as G.N. No. 1080 of 2024 of 20 December 2024.

(ix) The Mining (National Gold and Gemstone Reserve) (Establishment) Order, 2024

On 30 June 2024, the Minister of Finance issued the Mining (National Gold and Gemstones Reserve) (Establishment) Order, 2024. Through this Order, the Minister established the National Gold and Gemstones Reserve, which shall be under the control of the Bank of Tanzania. The objectives for the establishment of the Reserve are to preserve gold and gemstones to address both the current and future national needs, with a view to enhancing the contribution of the country's natural resources in achieving the long-term development goals.

The provisions of this Order, further provides the sources of the Reserve being: refined minerals paid as royalty in kind pursuant to the requirement of the Act; minerals impounded or otherwise confiscated in accordance with the law; minerals purchased by the Government in accordance with the provisions of the Act; dividend minerals paid under any arrangement or agreement; and minerals otherwise acquired by the Government.

It further vests the Minister responsible for finance with the overall oversight role in the performance of the Reserve. On the other hand, the Order vests the Bank with responsibilities for control and management of the Reserve; custodianship of all gold and gemstones deposited into the Reserve; and providing advice to the Minister and the National Gold and Gemstones Reserve Governing Board in all matters related to the effective management of the Reserve. Further, the Order provides for governance arrangements in the management of the Reserve, with frequency of meetings for the Governing Board, remuneration and audit. It also covers provisions on utilisation and restrictions on the use of the Reserve as well as the manner of mineral deposits in the Reserve and disposal thereof.

(x) The Interbank Foreign Exchange Market Code of Conduct (IFEM)

Towards ensuring proper market conduct, integrity, and stability in the market with the view to promoting effective functioning of the wholesale foreign exchange market and stability in the country in line with the financial market global code, the Bank issued the revised Interbank Foreign Exchange Market Code of Conduct (IFEM) in January 2024.

This initiative followed the stakeholder's engagement for market conduct and further reiterates the circular issued in November 2023 on the review of this code of conduct, insisting among others, for compliance to the foreign exchange regulations and directives for foreign exchange trading undertaken by unlicensed dealers/ individuals. Thus, recognizing the dynamic nature of the market, considering economic changes and emerging risks; regular reviews of the FX Code for continuous improvement are inevitable. In response to these imperatives, the IFEM Code of Conduct 2024 (FX Code 2024) has been developed to address evolving market dynamics, setting standards to strengthen and promote the integrity and effective functioning of the wholesale foreign exchange market in Tanzania. Guidance from global standard-setting bodies and supervisory authorities in other jurisdictions has informed the preparation of this code.

The FX Code 2024 draws significantly from the FX Global Code 2017 which consists of 55 principles organized into six major pillars. These pillars include Ethics, Governance, Execution, Information Sharing, Risk Management and Compliance, and Confirmation and Settlement Processes. The pillars outlines expectations for market participants to ensure ethical behavior, effective governance, robust execution and risk management, accurate information sharing, and efficient confirmation and settlement processes.

The FX Code 2024 is designed to promote a robust, fair, liquid, open, and transparent market, where diverse participants can confidently transact at competitive prices in line with global standards. Hence, the revised FX Code will contribute to the better functioning of the market and reinforce Tanzania's exchange rate regime. With such improvements, market participants are strongly encouraged to engage with and implement the code to support its objectives and foster a thriving foreign exchange market in Tanzania.

C. Circulars and Public Notices

Circulars

(i) Circular on Charges for Bank-to-Bank Transfers Through Retail Platforms and Channels (TIPS and TACH)

On 22 April 2024, the Bank issued this Circular to all banks and financial institutions pursuant to section 56(3) of the National Payment Systems Act, 2015. With this

Circular, the Bank informs all banks and financial institutions that it has observed that high charges are imposed on customers for transferring funds from one bank to another through retail platforms and channels, which tends to increase the burden to the consumer of these services.

In view thereof, the Bank has set charge limits for interbank transfers made through retail platforms based on the amount being transferred as follows:

- Incoming Transfers: There shall be zero charges to the end user for incoming transfers.
- Outgoing Transfers: The following charges shall apply for outgoing transfer:
 - (i) TZS 0 - 500 for transfers of value between TZS 1 to 50,000;
 - (ii) TZS 0 - 1,000 for transfers of value between TZS 50,001 to 500,000;
 - (iii) TZS 0 - 1,500 for transfers of value between TZS 500,001 to 5,000,000;
 - and (iv) TZS 0 - 2,000 for transfers of value between TZS 5,000,001 to 20,000,000.

Further, banks and financial institutions are reminded to observe and comply with the above charges for interbank Electronic Fund Transfers (EFT) and interbank Instant Transfers through retail platforms and channels. The effective date of this Circular was on 01 May 2024.

(ii) Circular on Prohibition on Merchant Onboarding of Unlicensed Digital Lenders and Facilitation of Digital Loans

This Circular was issued on 25 April 2024, to all banks, payment system providers, and electronic money issuers. The Circular was issued further to the Bank of Tanzania Circular with Ref. No. FA.42/53/01/22 dated 27th August 2021 on Policy Measures to Promote Credit to Private Sector and Lower Interest Rates and Circular Ref. No. LB.422/535/08/50 dated 15th September 2021 on Measures to Promote Adoption and Usage of Digital Channels.

Through this Circular, the Bank informs all banks, payment system providers and electronic money issuers that, from the date of this Circular, they are strictly prohibited from merchant onboarding of unlicensed digital lenders or facilitate

activities of unlicensed online loan providers. Also, the Bank informs these stakeholders that, from the date of this Circular, they should not onboard a merchant who does not have a no objection letter from the Bank of Tanzania to carryout digital or online lending and investment activities despite having a licence to conduct Microfinance Business from the Bank of Tanzania.

Further, towards ensuring compliance with this Circular, banks, payment system providers and electronic money issuers are hereby required to intensify oversight and supervision of their recruited clients, merchants, and businesses by undertaking thorough KYC for clients, merchants, and business applicants as well as ensuring continuous assessment and monitoring of the activities of the recruited clients, merchants and business.

Public Notices

(i) Public Notice on Demonetization of Old Banknote Series,

Following publication of the Bank of Tanzania (Withdrawal of Old Banknotes Shillings Issued from 1995 to 2003 and 500 Banknotes issued on 2010) Notice, 2024 G.N. No. 858 of 2024, the Bank issued a notice to the Public on 24 October 2024 informing the public on the process for withdrawal of old Banknotes with denominations of twenty (20), two hundred(200), five hundred(500), one thousand(1,000), two thousand(2,000), five thousand(5,000) and ten thousand shillings(10,000) issued from 1985 to 2003, and five hundred banknotes issued in 2010.

The public notice further emphasized on the commencement and end date for collection of old banknotes stipulated above that was set to commence on 06 January 2025 and end on 06 April 2025 whereas, by the end date they shall cease to be a legal tender. Thus, requiring any person in possession of the recalled banknotes to deposit or exchange the same with commercial banks, and contact the Bank for more information via info@bot.go.tz or botcommunications@bot.go.tz or through telephone +255745 802 007.

(ii) Public Notice on Domestic Gold Purchase Program

On 01 October 2024, the Bank issued a public notice regarding its Domestic Gold Purchase Program. This program offers gold sellers the opportunity to sell their gold directly to BOT at competitive World Market Prices. The program offers reduced fees and faster payment processing as part of the 20 percent gold purchase commitment outlined in section 59 of the Mining Act (Cap 123). Further, this notice provides that; gold prices will be determined by the World Market Price (TZS/g) published daily by the Mining Commission; payments to be made 100 percent within 24 hours after receiving the fire assay report from the approved refinery, subject to confirmation of fire assay report and 20 percent allocation applicable to all mineral rights holders and licensed dealers.

On the other hand, this notice informs the public that the Bank will cover all refining costs. The incentives applicable for gold purchase is deduction of royalty fees to 4 percent instead of 6 percent, removal of inspection fees to 0 percent instead of 1 percent; and zero-rated VAT hence, sellers can claim input tax. Thus, under this arrangement, any mineral rights holders, a licensed dealer, or a refinery with an Agreement with the Bank can sell any amount to the Bank. Therefore, with this public notice, the Bank encourages all gold sellers to take advantage of this opportunity to sell directly to the Bank with the view to ensuring prompt payment and the best value for gold.

(iii) Official Announcement for Application to the Bank of Tanzania Fintech Regulatory Sandbox

On the 28th day of November 2024, the Bank issued a notification to all banks, financial institutions, mobile money operators, electronic money issuers, and fintech companies informing these stakeholders that; the Bank has developed the Bank of Tanzania fintech regulatory sandbox for creating a controlled environment through a test and learn approach for testing financial products and services that are not yet fully covered by existing regulatory frameworks under the BOT mandate. The notification further briefly describes the application requirements, whereas the first application window was open from 02 to 22 January 2025, with applications being made via the Bank's Fintech Regulatory Sandbox Application

Portal in line eligibility criteria set under the Bank of Tanzania (Fintech Regulatory Sandbox) Regulations, 2024. For inquiries, this notification provides contact information for relevant contact persons within the Bank.

(iv) Notification on Publication of Guidelines on Fees and Charges for Bank and Financial Institutions, Microfinance Service Providers, and Non-bank Payment System Providers, 2024

On 16th July 2024, the Bank issued a notification in different circulars to all banks and financial institutions, microfinance service providers (Tier 2), and non-bank payment system providers, on issuance and publication of Guidelines for fees and charges issued by the Bank under regulation 25(1) of the Bank of Tanzania (Financial Consumer Protection) Regulations, 2019. The notification further indicated 16th July 2024 being the effective date of these Guidelines, thus all stakeholders are obliged to comply accordingly.

(v) Notification on Publication Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers, 2024

On 27th August 2024, Bank issued a notification on the Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers applicable to all Tier 2 Microfinance Service Providers operating in Mainland Tanzania. With this notification, the Bank provides a brief highlight on the provisions of the Guidance Note which among others require a microfinance service provider to notify the Bank of all digital lending platforms they operate in the market within 14 days from the issuance date of the Guidance Note. Failure to submit such information on the set deadline, the Bank will suspend all lending platforms and those operated by unlicensed microfinance service providers. The notification further provides for other terms to be complied upon by the microfinance service provides from its effective date.

(vi) Public Notice on Prohibition for Engagement in Digital Lending Business without a License from the Bank of Tanzania

On 09th May 2024, the Bank issued a public notice informing the public that, section 17 of the Microfinance Act, 2018 gives the Bank the power to license institutions,

companies, and individuals to engage in the business of lending. In connection to that and in accordance with section 16 (1) of the Act, it is an offence to engage in business of lending without a valid license. The prohibition to engage in lending business without a license includes provision of loans through various platforms such as digital loans.

Thus, with this notice, the Bank reminds the public to refrain from doing business with institutions, companies, and individuals that provide lending without valid license issued by the Bank of Tanzania. Further, members of the Public are urged to report to the Bank of Tanzania and security organs institutions, companies, and individuals who are conducting lending business without having valid license or which are operating without adhering to regulatory requirements to facilitate initiation of necessary legal actions. A list of licensed institutions, companies, and individuals licensed by the Bank of Tanzania to undertake lending business is provided on the Bank's website: www.bot.go.tz.

(vii) Public Notice on the Adoption and Use of Point of Sale (POS)

Towards promoting digital payments as among the initiatives to cash-lite economy, through this notice to the public, the Bank continues to promote the adoption and usage of digital payments in the United Republic of Tanzania through various measures. One of the key measures taken is ensuring that payments made using debit, credit, or prepaid cards at merchant Point of Sale (POS) terminals are completely free of charge for consumers.

Further, the Bank informs the public that, digital payments are a safe, convenient, and cost-effective method for conducting transactions. Their adoption contributes to building a cash-lite economy while offering the benefits of enhanced security, transparency, and ease of use. Thus, the Bank encourages the use of digital payments through POS and in case any person encounters any charges or surcharges while making payments at a POS terminal, should report the issue to their respective bank or contact the Bank of Tanzania's Consumer Complaints Desk via: Complaints.Desk@bot.go.tz or botcommunications@bot.go.tz and telephone contacts provided therein.

(viii) Public Notice on the List of Applications Debarred from Offering Digital Lending Services

On 21 November 2024, the Bank issued a public notice to the effect that, following the issuance and implementation of the Guidance Note on Digital Lenders Under Tier 2 Microfinance Service Providers, 2024 issued on 27 August 2024, some of the Microfinance Digital Lenders have failed to meet the requirements provided in the Guidance, hence the same have been debarred accordingly.

With this notice, the Bank informed the public that 18 applications listed therein are not licenced thus prohibited from undertaking such services. Further, the Bank warns the public not to engage in business with the debarred applications. Meanwhile, the Bank in collaboration with Tanzania Communication Regulatory Authority (TCRA) work to ensure that these applications do not operate. An updated list of the licenced and authorized digital lenders is found in the Bank's website.

(ix) Public Notice regarding Operations of the Leo Beneath London (LBL)

On 24 February 2025, the Bank issued a public notice informing the public that it has not engaged in any discussions nor issued any directives to license or allow operations of a company named Leo Beneath London (LBL), contrary to various reports circulating online. Further, legal action is currently being taken against officials of the LBL company for their involvement in fraudulent activities including deposit mobilization, interest distribution and financial transactions without any legal license from the Bank.

Furthermore, the public is advised to refrain from engaging with any institutions, companies, or individuals offering financial services without a license from the Bank or other financial service regulators. Through this notice, the Bank also warns individuals and companies illegally using the name of the Bank of Tanzania to further their activities to stop immediately, forthwith legal action shall be taken against them.

Thus, the Bank urges members of the public to obtain financial services only from institutions that are licensed to operate, as listed on the Bank of Tanzania's website (www.bot.go.tz) or the relevant financial sector regulators.

4.2 AAML/CFT/CPF developments

In compliance with the Financial Action Task Force (FATF) Recommendations and other international standards, financial sector developments must be commensurate with the developments in the Anti-Money Laundering, Countering Terrorist Financing of Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF). Following these international requirements, in October 2022, Tanzania was included in the list of jurisdictions under FATF's Increased Monitoring that comprises jurisdictions with strategic deficiencies in the AML/CFT/CPF regime. Since its listing, Tanzania remains committed to working with the FATF, International Cooperation Review Group (ICRG) and Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to address the identified deficiencies.

The identified deficiencies subject to improvement included: improving risk-based supervision of Financial Institutions and Designated Non-Financial Business Professionals (DNFBPs) as well as applying effective, proportionate and dissuasive sanctions for non-compliance; ensuring Law Enforcement Agencies (LEAs) are taking measures to identify, trace, seize, and confiscate proceeds and instrumentalities of crime; conducting a comprehensive Terrorist Financing Risk Assessment and implementing a comprehensive national CFT Strategy; improving authorities' capability to effectively conduct a range of investigations and prosecutions of Money Laundering in line with the country's risk profile; increasing awareness of the private sector and competent authorities on Terrorism Financing (TF) and Proliferation Financing (PF) related to Targeted Financial Sanctions (TFS); and carrying out the TF risk assessment for Non-Profit Organizations (NPOs) in line with the FATF Standards and using it to develop an outreach plan.

Towards addressing the identified deficiencies, several efforts have been made during the period under review, whereas the United Republic of Tanzania has successfully completed implementation of all 21 action items of the FATF's Action Plan, which have been rated 'Addressed' in 1 action item and 'Largely Addressed' in 20 action items. These results were confirmed during the FATF Plenary meeting that was held in February 2025 in Paris, France. Further to that, the country onsite visit was conducted from 14th to 15th April 2025 by

Assessors from FATF's African Joint Group, the outcome of which will be reported during the FATF's Plenary meeting scheduled in June 2025 at Strasbourg, France. This meeting will deliberate on whether Tanzania should be removed from the grey list or not.

Further, with the view to enhancing compliance to AML/CFT/CPF standards within the United Republic, progress was made in various aspects, including amendment of laws in line with the FATF's Technical compliance standards and recommendations. Thus, during the period under the review, the following developments were made;

(i) The Anti Money Laundering, Counter Financing of Terrorism and Counter Financing of Proliferation Enforcement Strategy for Real Estate Sector, 2024

In February 2024, the Financial Intelligence Unit issued the Anti-Money Laundering, Counter Financing of Terrorism and Counter Financing of Proliferation Enforcement Strategy for Real Estate Sector. The strategy was issued in collaboration with the Ministry of Lands, Housing and Human Settlements Development of Tanzania Mainland and the Ministry OF Land and Housing Development of the Revolutionary Government of Zanzibar Tanzania. The purpose of this strategy is to set out the practices and procedure to be followed by the regulatory authority when applying remedial action and sanctions to the real estate agents for failure to comply with the requirement of AML/CFT/CPF laws and apply the range of sanctions proportionately to greater or lesser breaches of supervisory requirements.

The objectives for the development and enforcement of the strategy are basically to provide guidance to the regulatory authority on how to impose administrative sanctions to real estate agents for non-compliance with AML/CFT/CPF legislation. Further, specific objectives include: to protect the real estate sector from being abused by criminals for money laundering and terrorism financing activities; to enhance compliance with AML/CFT/CPF laws, regulations, guidelines and international standards (FATF Recommendations); to enhance information sharing and cooperation with competent authorities to ensure joint enforcement actions on

AML/CFT/CPF compliance; and to set out the practices and procedures to be followed by the authority when applying remedial actions and sanctions.

The objectives for the development and enforcement of the strategy are basically to provide guidance to the regulatory authority on how to impose administrative sanctions to real estate agents for non-compliance with AML/CFT/CPF legislation. Further, specific objectives include: to protect the real estate sector from being abused by criminals for money laundering and terrorism financing activities; to enhance compliance with AML/CFT/CPF laws, regulations, guidelines and international standards (FATF Recommendations); to enhance information sharing and cooperation with competent authorities to ensure joint enforcement actions on AML/CFT/CPF compliance; and to set out the practices and procedures to be followed by the authority when applying remedial actions and sanctions.

(ii) Manual on AML/CFT/CPF Enforcement Framework for Supervisory Authorities, 2024

The Financial Intelligence Unit issued this Manual with the view to describing policies and procedures for the exercise of enforcement actions available to AML/CFT/CPF supervisory authorities in URT in the event of non-compliance by reporting persons (licensees and registrants with the regulatory laws) who are subject to requirements under the Anti-Money Laundering laws. For the purpose of this manual, regulators are supervisory authorities of their respective sector and are responsible for exercising the enforcement powers granted under the laws and Anti-Money Laundering laws and any other legal instrument enacted by the Government from time to time.

This manual among others provides for; the approach for enforcement to be used by the regulator such as the risk-based supervisory approach; compliance procedures in line with AML/CFT/CPF laws in place; information gathering and investigation powers vested to regulators; enforcement and decision making process and applicable actions to be taken by the regulator; prosecution of offences and assessment of fines and penalties; and administrative sanctions invoked based on the nature of the offence or level of non-compliance.

In addition, implementation of the National Counter Terrorist Financing Strategy 2023/24 to 2027/28 that was launched in 2023 for Tanzania Mainland is ongoing for the period under review. Further, in line with the FATF Recommendations and other AML/CFT/CPF standards, all the competent authorities in Tanzania continued to provide training on various AML/CFT/CPF matters.

4.3 Social Security developments

Towards improving the social security sub-sector, implementation of the Tanzania National Social Protection Policy, 2023 commenced for the period under review whereas various changes to the governing legislation were made including:

(i) **The Social Security Laws (Amendments) Act, 2024, Act No. 9 of 2024**

The Parliament of the United Republic of Tanzania enacted this Act providing for amendment of social security laws. The laws which were amended under this Act include: *The National Social Security Fund Act Cap. 50* whereas sections; 2, 5A, 10, 11, 11A, 12, 12A, 14, 15, 16, 18, 20, 23, 28, 28A, 33, 43, 52, 53, 61, 71, 72, 74, 75, 76, 79, 87, 87A, 90, and the Schedules were amended accordingly.

With these amendments, the key notable changes are addition of new provisions on registration requirements for a self-employed person, contributions for a member employed more than one employer, referral to panel of medical experts for a claim of permanent invalidity and notice to furnish information as it may be issued by the Director General. These changes have been effected under section 11A, 12A, 28 A, and 87A respectively.

The Public Services Social Security Fund Act, Cap. 371, which was amended under section 3, 5, 17, 18, 19, 23, 24, 45, 47, 48, 51, 52, 55, 58, 59, 72, as well as part II and V.

Further, the *Workers Compensation Act, Cap. 263* was amended under was amended under section 14, 39, 42, 48, 58, 73, 75, 75A, 82 and 85. With such amendments, section 75A has introduced a provision on refund of contributions remitted on error.

(ii) Amendments to the Social Security Schemes (Benefits) Regulations, 2018

The Social Security Schemes (Benefits) Regulations, 2018 were amended in March and June 2024 by the Social Security Schemes (Benefits)(Amendment) Regulations, 2024 through G.N. No. 140 and G.N. No. 539 D of 2024, respectively. Among the key amendments under G.N. No. 140 include amendment of the definition provisions, changes under regulation 12 by outlining specific instances when pensions may be deferred, and the addition of regulation 21A to the Benefits Regulations 2018 by introducing special lump-sum payments to members listed therein.

Further, amendments under G.N. 539D reflect major changes under regulation 7 on changes of pension benefit factors and regulation 8 on changes of the pension formula. Thus, these amendments represent a significant advancement for Fund members with enhanced clarity on deferred pensions, recalculations for new contributions, and extended unemployment benefits. Additionally, the introduction of specific lump-sum payments for unskilled members and those facing unique circumstances highlights a compassionate approach to members' welfare. These changes empower members to navigate their financial futures with confidence, fostering a more inclusive and responsive system that prioritizes their well-being.

The Mandatory Pension Funds have implemented the requirements stipulated under section 11 of the Social Security Schemes (Benefits) Regulations, 2024, raising the minimum monthly pension from TZS 100,000 to TZS 150,000 and indexing it to the prevailing inflation rate.

4.4 Insurance developments

During the review period, the insurance sub-sector underwent significant regulatory reforms aimed at bolstering market stability, transparency, and consumer protection. A pivotal development was the enactment of the Universal Health Insurance (UHI) Act, 2023 complemented by detailed Universal Health Insurance Regulations, 2024 outlining coverage, funding mechanisms, and implementation strategies. Additionally, the Tanzania Insurance Regulatory Authority (TIRA) introduced comprehensive Guidelines to standardize product development, enhance premium levy collection efficiency, strengthen external audits, and elevate actuarial oversight. These initiatives collectively aim to fortify sub-sector resilience,

foster regulatory compliance, and bolster public trust. Key legislation introduced include during the period under review include:

(i) The Universal Health Insurance Regulations, 2024

Following the enactment of the Universal Health Insurance Act, 2023, these Regulations were issued to operationalize its provisions. The Regulations establish among others, a definitive framework specifying eligibility criteria, benefit packages, and financing mechanisms, with a primary goal of expanding insurance coverage and improving healthcare access for all Tanzanian citizens. This initiative underscores the Government's commitment to enhancing public health and shielding citizens from the financial burdens associated with medical expenses, thereby fortifying the resilience and inclusivity of the healthcare system.

(ii) Guidelines on Insurance Products

These Guidelines aim to standardize the approval process for insurance products, ensuring they are financially viable, competitively priced, and transparent, while providing comprehensive information to policyholders. Addressing historical gaps in regulatory frameworks, this initiative promotes clarity, enhances consumer confidence, and bolsters market stability.

(iii) Guidelines on Premium Levy Computation and Collection

The Guidelines are designed to enhance efficiency and accuracy in computing and collecting premium levies, with clear provisions on foreign facultative reinsurance, ensuring transparency and preventing double taxation.

(iv) Guidelines on External Auditors Servicing Insurance Sector

Recognizing the complexities of International Financial Reporting Standards (IFRS) and regulatory compliance, these Guidelines reinforce auditor independence and establish criteria for auditor appointment, rotation, and adherence to international auditing standards. This enhances oversight and reliability in financial reporting.

Collectively, these regulatory advancements have strengthened the insurance industry's resilience and positioned it for sustained growth. Improved regulatory frameworks are expected to enhance public confidence, increase insurance penetration, and stimulate innovation, particularly through digital platforms and product diversification.

(v) Guidelines on the Actuarial Function:

These Guidelines are developed with the view to enhancing the actuarial framework within the insurance industry, requiring insurers to establish dedicated actuarial functions staffed by qualified local actuarial firms. It mandates these functions to effectively contribute to risk management, product pricing, capital adequacy assessments, and financial condition reporting, crucial for maintaining industry solvency and resilience.

Collectively, these regulatory advancements have strengthened the insurance industry's resilience and positioned it for sustained growth. Improved regulatory frameworks are expected to enhance public confidence, increase insurance penetration, and stimulate innovation, particularly through digital platforms and product diversification.

4.5 Developments in Capital Markets

The Capital Markets and Securities Authority (CMSA) has been at the fore in undertaking initiatives that has positioned the financial markets, and capital markets in particular at higher height in driving economic development and growth in the country. The CMSA has implemented initiatives that have opened new market frontiers including development of thematic and innovative capital market products and services; promotion of technology-enabled financial service distribution channels; increasing the number of competent market professionals recognized internationally, and enhancement of financial literacy and public awareness.

Development of thematic and innovative capital market products and services:

In 2024, sixteen (16) applications for the issuance of capital market products were received, reviewed, and approved as follows:

- (i) 10-year Water Infrastructure Green Revenue Bond worth TZS 53.12 billion in respect of Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA). The Bond raised TZS 54.72 billion, compared to the plan of TZS 53.12 billion, a success rate of 103 percent. The Bond was successfully listed on the Dar es Salaam Stock Exchange and cross-listed on the Luxemburg Stock Exchange (LuxSE). The funds raised from the Bond are being used to finance water infrastructure improvement and environmental conservation in Tanga city.
- (ii) 5-year Road Infrastructure Bond dubbed “Samia Infrastructure Bond” worth TZS 150 billion issued by CRDB Bank Plc. The main objective of the Samia Infrastructure Bond is to support local contractors working with the Tanzania Rural and Urban Roads Agency (TARURA) so as to effectively implement various road projects within urban and rural areas in Tanzania. The Bond raised TZS 323.09 billion, a success of 215.4 percent, and was successfully listed on the Dar es Salaam Stock Exchange.
- (iii) The Medium-Term Note (MTN) Programme worth TZS 100 billion to be issued in five tranches by Azania Bank PLC. The first tranche, dubbed “Bondi Yangu”, raised TZS 63.27 billion, a success rate of 210.9 percent. The funds raised is being used to implement Azania Bank PLC's strategy to grow and develop its business, including providing loans to Small and Medium Enterprises (SMEs) engaged in various economic sectors and those offering services to women and youth groups.
- (iv) Ethical Sharia Compliant Sukuk Bond, issued by iTrust Finance Limited. The Sukuk raised TZS 13.27 billion, a success rate of 265 percent. The fund raised is being used to finance small and medium-sized Sharia-compliant businesses.
- (v) Rights Issue of 97,646,913 ordinary shares of DCB Commercial Bank Plc at a price of TZS 110 per share at a ratio of one new ordinary share for every one share held. The Bank raised TZS 10,741,160,430 as planned, a success rate of 100 percent. The funds raised is being used to expand the company's assets and its growth.

- (vi) Two (2) Collective Investment Schemes, namely: “*Orbit Money Market Fund (Inuka Fund)*” and “*Orbit Index Fund (DSE Dozen Fund)*”. The Funds are operated by Orbit Securities Company Limited as the Fund Manager. The Funds aim at facilitating investors from various spectrums of the economy to invest in the capital markets, and, therefore, facilitate financial inclusion. The initial public offer for Inuka Fund raised TZS 10.1 billion compared to a plan of TZS 5 billion, a success rate of 201.1 percent.
- (vii) Five (5) Collective Investment Schemes, namely, *iGrowth Fund*, *iCash Fund*, *iSave Fund*, *iIncome Fund* and *Imaan Fund*. The Funds are operated by iTrust Finance Limited as Fund Manager and NBC Bank Limited as Custodian Bank. The Funds are open-ended, focusing on investment into treasury bonds, listed corporate bonds, listed equities, money market instruments and shariah-compliant instruments. The initial public offer for the Funds raised TZS 50.42 billion compared to a plan of TZS 37 billion, a success rate of 136.26 percent.
- (viii) Two (2) Collective Investment Schemes, namely: Sanlam Pesa Money Market Fund and Sanlam USD Fixed Income Fund. The Funds are operated by Sanlam Investments East Africa Limited (SIEAL) as the Fund Manager. The Funds aim at facilitating investors from various spectrums of the economy, including youth, women, special groups, institutions, and social security funds, to benefit from investments in the capital markets; promote a saving culture and investment; and empower citizens to participate in various productive activities in the economy.
- (ix) One (1) Collective Investment Scheme, named “*Juhudi Fund*”, operated by UTT AMIS Plc as Fund Manager. The Fund provides opportunities to employees from both public and private sectors (through arrangements with their employers) to invest in treasury bonds, listed corporate bonds, listed equities and money market instruments.
- (x) One (1) Ethical Sharia Compliant Collective Investment Scheme, dubbed “*Alpha Halal Fund*”. The Fund is operated by Global Alpha Capital Limited as Fund Manager and CRDB Bank Plc as Custodian Bank. The Fund provides opportunities

for investing in Shariah-compliant capital market products, including Halal Stocks, Halal ETF and Sukuks.

4.6 Developments under TCDC

During the period under review, TCDC issued the various Guidelines with the view to developing a core SACCOS system in Tanzania while ensuring cybersecurity and resilience in the market. The following Guidelines were issued:

(i) **Guidelines on Acquisition or Developing of a Core SACCOS System in Tanzania, 2024**

These Guidelines were issued on 31 October 2024, providing a structured framework to guide Savings and Credit Cooperative Societies (SACCOS) in selecting, acquiring, or developing a robust and efficient Core SACCOS System. The Guidelines aim at enhancing operational efficiency, security, compliance, and service delivery in line with regulatory requirements and best practices in financial technology. Given the rapid digital transformation in the financial sector, Tanzanian SACCOS must adopt modern, secure, and scalable systems to ensure sustainability and competitiveness. Thus, the Guidelines are set to address the challenges faced by SACCOS on choosing and implementing a software solution that manages the financial operations.

The provisions stipulated under these Guidelines cover the process of acquisition of the core SACCOS system with various steps to be adhered to, vendor selection, regulatory compliance, system security, features and functionalities, system customization, budgeting and approval, procurement process, testing and quality assurance as well as support and maintenance.

Further, the provisions outline mandatory policies and procedures that a SACCOS should have in place when developing the system. The required policies include; Information Security Policy; Vendor Management Policy; Anti-Money Laundering Policy; Independent Review and Audit Policy; Acceptable Use Policy (AUP) Policy; Software Management Policy; Outsourcing Policy; ICT Asset Management Policy; Social Media Policy; Interoperability and Integration Policy; Technology Risk

Management Policy; and Internet Usage Policy. The Guidelines also provide for system functionality requirements to be adhered to, both mandatory and optional.

(ii) Guidelines on Cybersecurity and Resilience of SACCOS in Tanzania, 2024

These Guidelines were issued on 31 October 2024, with the view to establishing a robust framework for enhancing the cybersecurity posture and resilience of SACCOS in Tanzania. The rationale beyond issuance of these Guidelines followed an increase in adoption of digital technologies in the financial sector, whereas SACCOS face growing risks from cyber threats that can compromise member data, financial assets, and overall operational continuity. These Guidelines underscore the need for SACCOS to adopt a proactive and resilient approach to cybersecurity in line with the local and international best practices.

Further, these Guidelines were issued with the purpose to; safeguard member data and financial information; ensure operational continuity and resilience against cyber disruptions; promote trust and confidence in SACCOS' digital systems as well as aligning SACCOS with national and international cybersecurity standards and practices.

The Guidelines apply to all SACCOS operating in Tanzania with various key provisions being; cybersecurity governance and oversight with clear comprehensive cyber-resilience strategy and frameworks; risk management and monitoring mechanisms that keep in pace with technological developments; effective security/access control and data security; incident response and recovery; capacity building and awareness; third-party risk management; regulatory compliance and reporting as well as remedial measures and administrative sanctions reflected under regulation 85(h) and 85(i) of the Microfinance (Savings and Credit Cooperative Societies) Regulations, 2019. Thus, with the issuance of these Guidelines, and implementation of various measures set therein, SACCOS can mitigate cyber risks, ensure continuity of services, and support the growth of a secure and inclusive financial ecosystem in Tanzania.

5. FINANCIAL STABILITY OUTLOOK

The domestic financial system is expected to remain resilient and dynamic, maintaining a robust growth trajectory. This positive outlook is underpinned by strong macroeconomic fundamentals, proactive government initiatives aimed at stimulating economic growth, and notable improvements in banks' balance sheets, supported by substantial capital buffers. Furthermore, Tanzania's financial regulators have taken proactive steps to mitigate emerging risks, focusing on strengthening frameworks to enhance the system's resilience and ensure financial institutions are well-prepared to manage potential disruptions.

The corporate sector is projected to maintain a positive outlook, driven by government-led growth strategies and the continued resilience of the banking sub-sector. These factors are expected to support sustained access to credit and foster a conducive financial environment for businesses. However, the sub-sector remains exposed to vulnerabilities such as climate change and supply chain disruptions, particularly those stemming from ongoing global conflicts. These challenges could tighten financial conditions and increase operational pressures, especially for firms with international linkages. .

Risks from the household's sector are anticipated to decline, supported by increased economic activity and employment opportunities, which are expected to boost household incomes through salary increments and investment returns. Additionally, borrowing costs have remained within affordable ranges, enhancing access to credit and strengthening purchasing power. Nonetheless, financial illiteracy continues to pose a significant challenge, with many households facing debt distress due to poor loan management and overspending. Moreover, the rise in internet-based financial fraud and pyramid schemes has heightened household vulnerability.

The overall outlook for financial stability continues to improve, driven by increased economic activity and a stable macroeconomic environment, including stable inflation and exchange rates. These factors are fostering positive sentiment among businesses and households. Significant progress has been made in increasing the resilience of the domestic financial system, particularly through the enforcement of contingency and recovery plans and the implementation of Basel II and III frameworks. These measures are instrumental in mitigating the impact of potential systemic shocks, especially for Domestic Systemically Important Banks (DSIBs) and other financial institutions.

Despite the optimistic outlook, financial stability remains susceptible to external risks, including ongoing geopolitical tensions in the region and the Middle East, trade frictions stemming from U.S. protectionist policies and climate-related disruptions. These factors could lead to supply chain disruptions, reduced export demand, and diminished foreign currency inflows, potentially affecting production and overall economic performance.

APPENDICES

Appendix 1: Global real GDP growth and projections

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Percent	
											Estimate	Projections
											2024	2025
World	3.4	3.4	3.3	3.8	3.6	2.8	-3.1	6.2	3.5	3.3	3.2	3.3
Advanced Economies	2.0	2.3	1.8	2.5	2.3	1.7	-4.5	5.4	2.6	1.7	1.7	1.9
United States	2.7	3.6	1.9	2.6	3.1	2.6	-3.4	5.9	1.9	2.9	2.8	2.7
Euro Area	1.4	2.0	1.9	2.6	1.8	1.6	-6.4	5.3	3.4	0.4	0.8	1.0
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	-9.4	7.6	4.3	0.3	0.9	1.6
Japan	4.0	0.8	0.0	1.4	0.5	1.2	-4.5	2.1	1.0	1.5	-0.2	1.1
Emerging Markets and Developing Economies	4.7	4.3	4.4	4.8	4.6	3.6	-2.0	6.7	4.1	4.4	4.2	4.2
China	7.2	7.3	6.7	6.8	6.8	6.1	2.3	8.4	3.0	5.2	4.8	4.6
Subsaharan Africa	5.0	3.2	1.5	3.0	3.3	3.2	-1.7	4.7	4.0	3.6	3.8	4.2
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	-6.7	4.9	1.9	0.8	1.5	1.6

Source: IMF, World Economic Outlook, January 2025

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