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TANZANIA FINANCIAL STABILITY REPORT

December 2023

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LIST OF ACRONYMS

ATS	-	Automated Trading System
DIB	-	Deposit Insurance Board
DSE	-	Dar es Salaam Stock Exchange
EAC	-	East African Community
EFT	-	Electronic Fund Transfer
FSSI	-	Financial System Stability Index
HHI	-	Herfindahl Hirschman Index
IFRS	-	International Financial Reporting Standard
IMF	-	International Monetary Fund
JHL	-	Jubilee Holdings Limited
KA	-	Kenya Airways
NAV	-	Net Asset Value
NHIF	-	National Health Insurance Fund
NPLs	-	Non- Performing Loans
NSSF	-	National Social Security Fund
PLC	-	Public Limited Company
PSSSF	-	Public Service Social Security Fund
ROI	-	Return on Investment
TACH	-	Tanzania Automated Clearing House
TBL	-	Tanzania Breweries Limited
TCC	-	Tanzania Cigarette Company
TCCL	-	Tanga Cement Company Limited
TIPS	-	Tanzania Instant Payments System
TISS	-	Tanzania Interbank Settlement System
TPCC	-	Tanzania Portland Cement Company
TRWA	-	Total Risk-Weighted Assets
TSA	-	Treasury Single Account
TTP	-	TATEPA Limited
TZS	-	Tanzania Shilling
USD	-	United States Dollar
UTT	-	Unit Trust of Tanzania
UTT–AMIS	-	UTT Asset Management and Investment Services
WCF	-	Workers’ Compensation Fund
ZSSF	-	Zanzibar Social Security Fund

FOREWORD

The Financial Stability Report assesses the financial condition and any 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.

Tanzania's diverse economy has remained resilient in the face of global economic challenges such as rising commodity prices, persistent geopolitical tensions, the COVID-19 pandemic, growing interconnectedness in the financial system and climate-related risks. The country's financial system remained resilient supported by robust capital and liquidity positions, the rebound of economic activities, and improved business conditions due to policy, regulatory and supervisory actions taken by governments and financial sector regulators.

The Bank of Tanzania continues to enhance the oversight of the domestic financial system, including the implementation of Basel II and III, as part of its strategy to improve the resilience and stability of the financial sector. The Bank issued contingency and recovery plan guidelines for banks and financial institutions as part of financial crisis preparedness for stability of the financial system. The guidelines will also help to reduce likelihood of occurrence of systemic distress by sharpening supervisory process and inducing self-regulation amongst supervised institutions. Tanzania Instant Payment System (TIPS) was also launched to allow seamless, instant, 24/7 transfers and payments between bank accounts and mobile wallets. TIPS addresses challenges related to payment interoperability, liquidity management, reconciliation, diverse messaging formats, integration costs with multiple stakeholders, and barriers to new payment ecosystem entrants.

The Capital Markets and Securities Authority (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 certified market professionals recognized internationally; and enhancement of financial literacy and public awareness. The capital market regulator succeeded in issuing first multi-currency social bond in Africa, first exchange listed green bond with a big ticket in Sub-Saharan Africa, water infrastructure and sukuk bonds which placed Tanzania in global market, promote market diversification and contribute in mitigating effects of climate change.

The guidelines on Retention and Reinsurance Management issued in August 2023 by Tanzania Insurance Regulatory Authority will enhance retention and reinsurance practices within the industry including enhancement of technical capacity on reinsurance matters, provide guidance on appropriately risk externalization procedures, improvement of retention through participation of locally registered insurers and reinsurers in co-insurance and reinsurance arrangements.

In collaboration with other financial sector regulators, the Bank of Tanzania is committed to detecting risks to the financial system early and taking preventive measures to mitigate systemic risks. This includes addressing the ongoing foreign exchange risks through dedicated efforts to reduce shortage of US dollar and ensure that the financial system continues to save the needs of the economy. Other initiatives and interventions focus on strategic actions to strengthen regulatory oversight and deploy policy tools to address the build-up of systemic risks to enhance the financial system's resilience and development.

Emmanuel M. Tutuba
Governor
BANK OF TANZANIA

EXECUTIVE SUMMARY

Global economy showed remarkable resilience in 2023, despite facing headwinds from high-interest rates, sluggish international trade, and geopolitical conflicts. The observed resilience emanated from the continued stabilization of the banking system, sustained disinflation that is expected to decline further throughout 2024, scaled-up private spending, labour market pickup, and fiscal expansion. The global economic growth slowed slightly to 3.1 percent in 2023 from 3.5 percent recorded in the preceding year due to supply-chain disruptions caused by geopolitical tension in the Middle East, the prolonged war in Ukraine, risks related to climate change and tight monetary policy that exerted an upward pressure on various currencies against the United States Dollar (USD).

Domestic economy remained steady amidst external vulnerabilities. Tanzania Mainland's economy grew by 5.1 percent in 2023 and is projected to grow by 5.4 percent in 2024. While Zanzibar's economy grew by 7.4 percent in 2023 and is projected to grow by 7.2 percent in 2024. The growth is mainly attributed to improvements in business conditions, banking sector profitability, and availability of liquidity to fund business and public investments. However, the economy is exposed to external and internal risks related to tightening global financial conditions, climate change, adverse spillovers from the ongoing war in Ukraine, and disruptions in the global supply chain associated with the ongoing geopolitical tensions in the Middle East.

Risks from households decreased contributed by improvement in creditworthiness. The household disposable income increased mainly because of the increase in government employee salaries, employment opportunities, government spending on major infrastructure projects, increase in private investment, and payment of arrears. Other contributing factors include improvements in household credit access as reflected by increase in personal loan disbursement also contributed to the increase in household disposable income. This is consistent with increase in income and improvement in credit standards. However, household income remains vulnerable to the secondary effects of the prevailing global turbulences.

Non-financial corporates' sources of financing expanded, echoing improvement of business environment. The Non-Financial Corporate Survey 2023 indicated an increase in retained earnings compared to the previous years attributed to improvements in the business environment, increase in both public and private investment and increase in demand. Equally important here is supportive monetary policy. The good performance notwithstanding, non-financial corporations are exposed to tight global financial conditions, exchange rate fluctuations and climate change risks.

The banking industry remained stable and robust, supported by adequate capital and liquidity, and minimized credit risk. In 2023, total assets rose by 17.4 percent reaching TZS 54,263.0 billion, driven mainly by a rise in deposits. The increase in deposits was due to public's continued trust in the banking sector, along with the recovery of economic activities and increased outreach through fintech and agent banking. Furthermore, there was a decrease in credit risk, with NPL dropping to 4.3 percent from 5.8 percent in 2022. This was due to intensified loan recovery initiatives, better credit underwriting standards, settlement of arrears, increased utilization of credit reference systems and write-offs. The performance partly signals the resilience of the banking sub-sector to potential shocks.

Capital markets exhibited resilience and growth despite evolving tighter global financial conditions. The total value of investments in the capital markets increased by 9.3 percent, reaching TZS 37,410.1 billion during the year ending December 2023. Trading activities in equity and bond markets rose by 31.4 percent, while the Net Asset Value (NAV) of Collective Investment Schemes increased by 50.2 percent. These positive developments were mainly attributed to the improved regulatory and business environment, pick-up in economic activities and growth in the financial sector.

The insurance sub-sector showed robust growth and resilience. Total assets of the sub-sector increased by 12.1 percent, reaching TZS 1,870.8 billion by December 2023, indicating a positive expansion. Additionally, net worth strengthened by 7.5 percent, reflecting improved financial positions, while investment rose by 12.7 percent, indicating active investment strategies. Gross premiums increased by 8.9 percent, with notable motor and health insurance growth. Furthermore, the life insurance subsector steadily grew for group and individual policies. Prudent risk management practices were evident, with consistent solvency ratios above regulatory requirements and balanced risk exposure through reinsurance. In aggregate, the sub-sector continued to display financial soundness and growth potentials, driven partly by strategic investments and effective risk management.

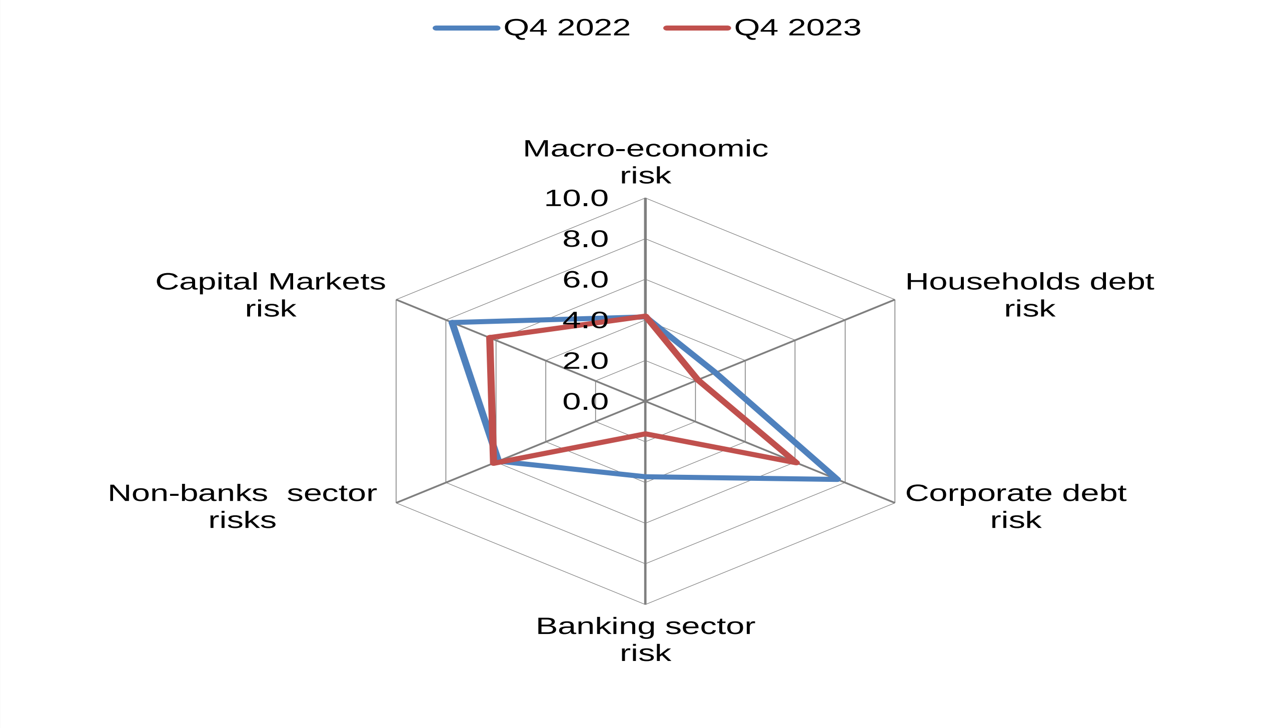
Social Security sub-sector in Mainland Tanzania and Zanzibar remained stable with adequate funding, liquidity, improved assets, and efficiency. During the period under review, social security assets increased by 12.2 percent and 23.0 percent in Mainland Tanzania and Zanzibar, respectively. The growth was due to increased investments, employment and contributions income, owing to increased employers' remittance compliance. The improvements in total assets provide room for meeting maturing obligations and strengthening the sub-sector's resilience. However, close monitoring is necessary to identify any possible systemic risks posed by the dominance of the pension schemes which is currently 91.0 percent of the social security sub-sector's total assets.

Payment and settlement systems remained stable without disruptions due to improved efficiency in clearing and settlement as well as the increased usage of digital channels in providing financial services. Smooth flow of funds between various agents in the economy continued to be facilitated by the Tanzanian Interbank Settlement System (TISS) and Tanzania

Automated Clearing House (TACH). The reliability of payment systems underscores the government's efforts to build a digital economy exploiting the advantages of advancement in information communication technology (ICT) globally.

In summary, risk emanating from the global and domestic environment remained moderate on account of stable domestic macroeconomic factors. The banking sector remained resilient to shocks, as depicted by adequate capital, liquidity, and profitability. Risk to the corporate sector decreased due to improvements in the business environment and increased public and private investment. Risks to the capital market decreased on account of increased turnover in the equity market, total value of investments and trading activities. Risks to households decreased due to increased disposable income attributed to the increase in Government employees' salaries and employment opportunities. However, there has been a slight increase in global risks due to tighter global financial conditions, climate risks, increased commodity prices and geopolitical tensions. The identified potential risks to the domestic macro-financial environment are presented 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 map[1]



Source: Bank of Tanzania

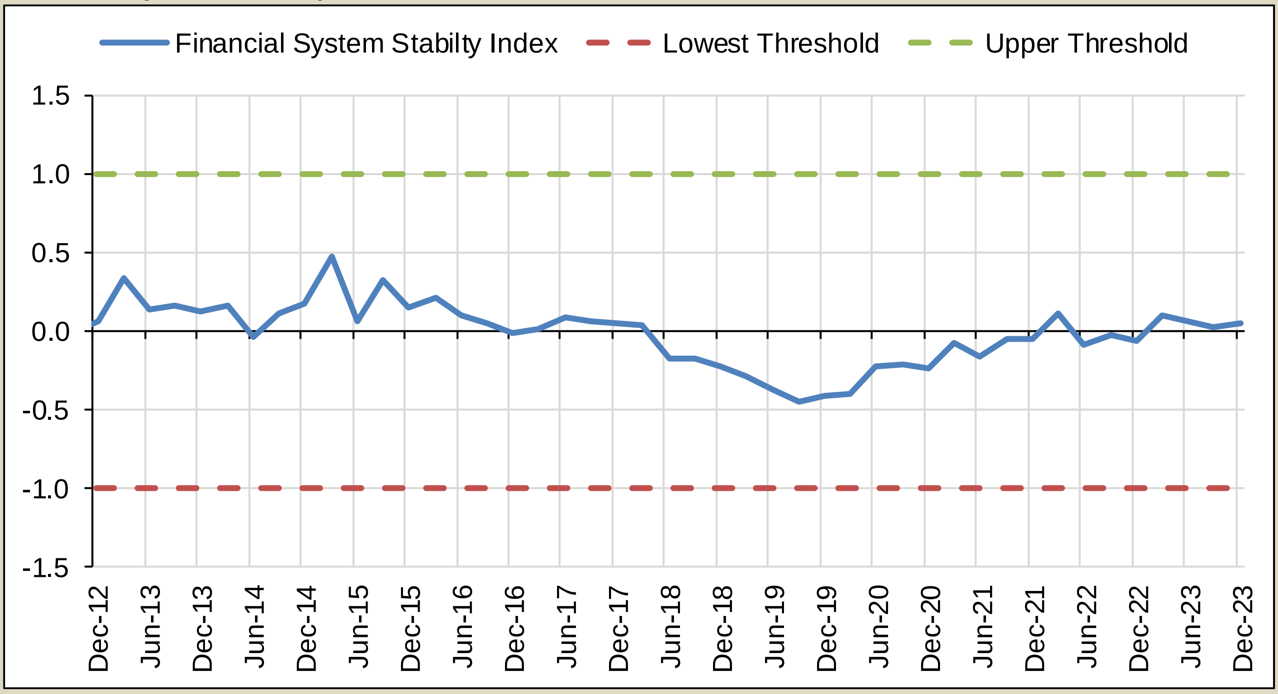
[1] Financial risk map (cobweb) is a graphical representation of magnitude and direction of financial stability risks. The furthest point from 0 indicates high risk and vice versa. It shows the direction of risks from one period to another.

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 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.

Following the assessment of vulnerability and financial soundness for the period ending December 2023, the financial system was found to be stable and resilient to short-term shocks as it lies within the desired thresholds. The index slightly improved to 0.0 at the end of December 2023 compared to -0.1 in December 2022.

Financial System Stability Index

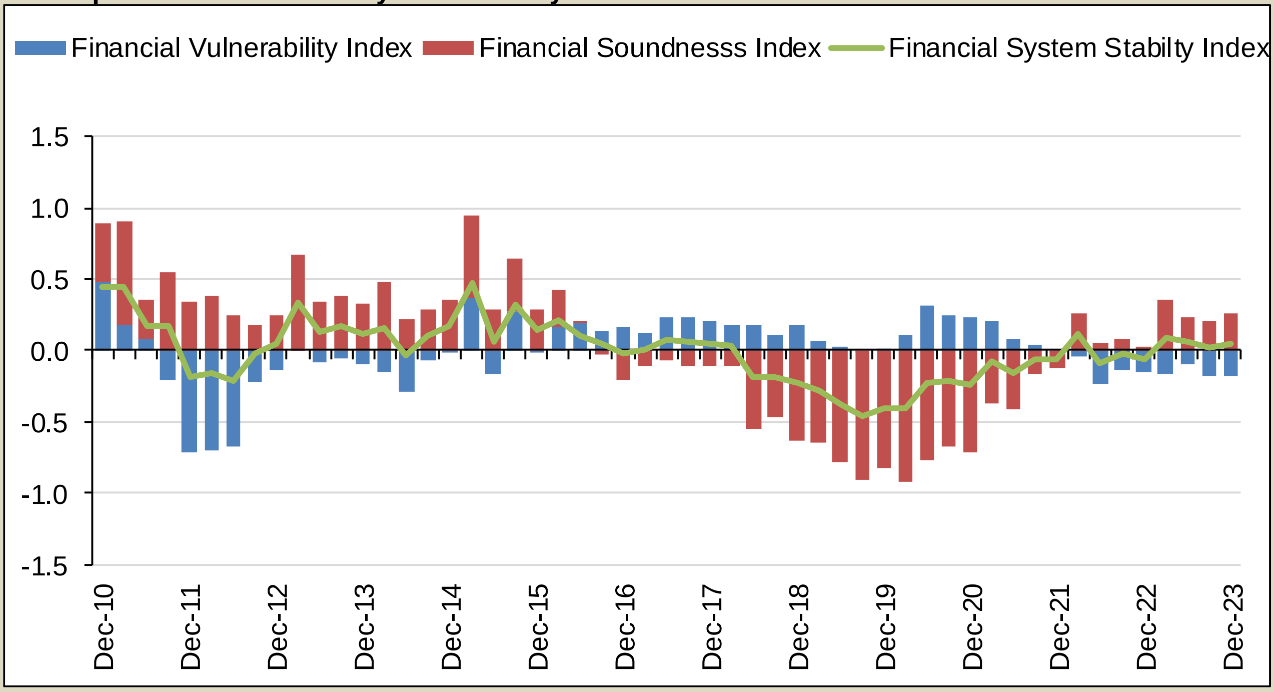


Source: Bank of Tanzania

The index improved on account of performance of banking sector indicators whereby the level of NPLs dropped to 4.3 percent at the end of December 2023 from 5.8 percent in December 2022, return on assets increased to 4.5 percent in December 2023 compared to 3.4 percent recorded in the previous year. Core Capital Adequacy Ratio for the banking sector slightly declined to 17.7 percent in December 2023 from 18.0 percent observed in the preceding period owing to increased lending as the total loans to deposit ratio increased averaging to 90.2 percent compared to the average of 87.5 in 2022. The capital buffer remains adequate above regulatory threshold of 10 percent, providing a cushion against potential credit risks. Furthermore, the index indicates improvement of resilience on account of stability in macroeconomic indicators such as decline in inflation to 3.1 percent from 4.8 recorded in December 2022, decline of oil prices from 88.4 USD per barrel to 84.0 USD per barrel. Another factor contributing to the improvement in resilience is increase in investment in more profitable avenues, supported by the decrease in lending rates.

Specific Observations: Since December 2018, the index has remained below zero, with a slight improvement in 2022. The rebound of the index was partly due to continued implementation of accommodative monetary policy measures as well as enhancing supervisory and prudential roles to cushion the banking sector against the impact of the COVID-19 pandemic and reduce the level of NPLs. Other factors that contributed to the improvement of the index include: increase in return on assets, decrease in liquidity due to increase in investment in more profitable avenues as well as growth in credit to private sector.

Decomposition of Financial System Stability Index



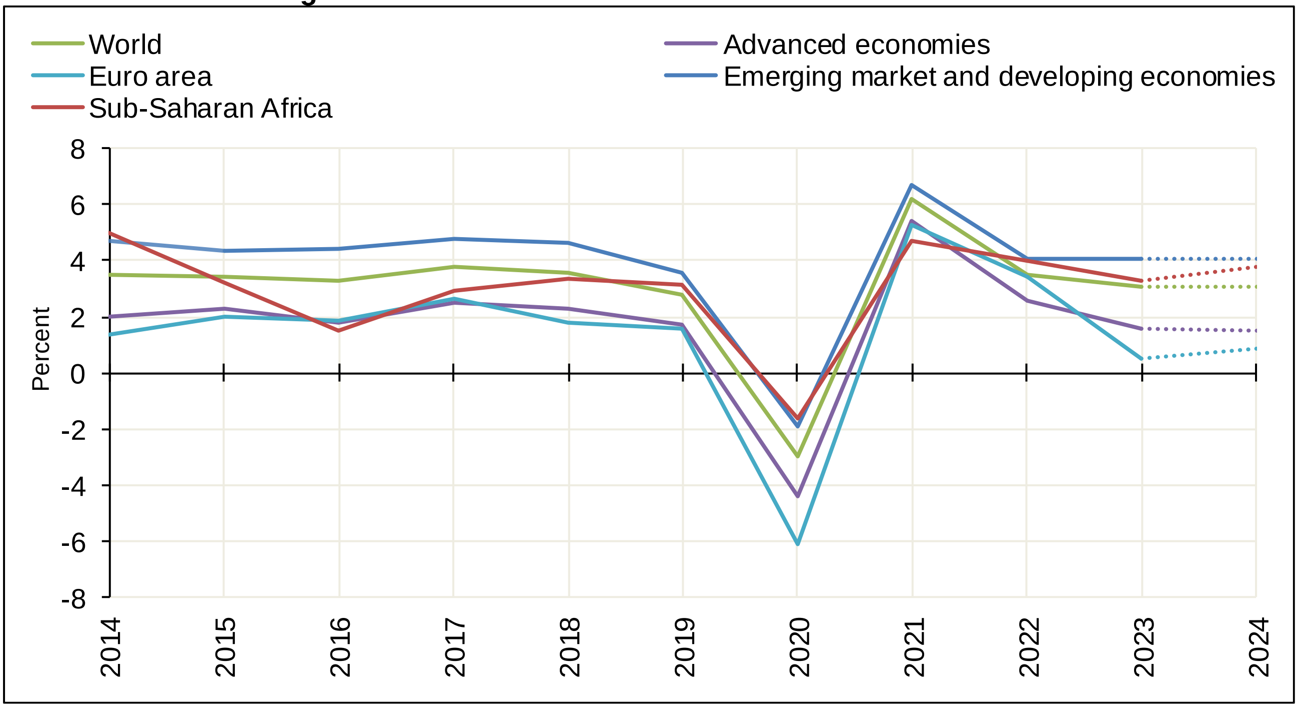
Source: Bank of Tanzania

1. MACROECONOMIC AND FINANCIAL ENVIRONMENT

1.1. Global macro-economic and financial developments

Global economy and financial system remained resilient in 2023 despite headwinds from high interest rates, sluggish international trade and geopolitical conflicts. The resilience is attributed to a significant decline in global inflation to 5.9 percent, which is projected to further decelerate to 4.8 percent in 2024 compared to 9.2 percent in 2022 due to lower energy and food prices that contributed to slow down in interest rate hikes by central banks, increase in Government and private spending and real disposable income gains. Meanwhile, the global economic growth slowed to 3.1 percent in 2023 from 3.5 percent recorded in the preceding year (**Chart 1.1**). The decline in growth came about due to various factors, including supply-chain disruptions caused by geopolitical uncertainty, the prolonged war in Ukraine, climate-related disasters, and tight monetary policies. Other factors are financial market volatility, exchange rates fluctuations and borrowing costs.

Chart 1.1 World GDP growth rates



Source: IMF, World Economic Outlook, January 2024
Note: Dotted lines denote projections.

The outlook is that, the global economy is bright such that in January 2024, the IMF revised its global economic growth projection for 2024 to 3.1 percent from 2.9 percent backed by strengthening of economies of the United States, Emerging Markets and Developing Economies as well as fiscal support in China. Risks to this outlook include possible escalation of conflicts in the Middle East, financial distress, trade fragmentation, climate-related disasters, and war in Ukraine, which could disrupt energy markets and renew inflationary pressure worldwide.

The world economy also faces headwinds arising from elevated borrowing costs and tight credit conditions. This is a significant challenge, considering the high levels of debt and the need for increased investment to revive growth, mitigate climate related risks and recover the financial sector conditions. Rising interest rates and exchange rate pressures, along with geopolitical fragmentation, are also affecting global trade, exacerbating balance of payment deficits and raising debt sustainability concerns. Despite these challenges, liquidity and capital buffers built by financial institutions since the onset of the global financial crisis may contribute to containing potential risks within the financial system, improving the institution's ability to withstand shocks and effectively extend credit to support growth.

Risks to growth outlook in the advanced economies remained muted due to stabilisation of the banking system and continued disinflation. Growth in advanced economies remained stronger than expected due to robust consumer spending in the United States and expansionary fiscal policies. Growth in advanced countries is projected to reach 1.5 percent in 2024, higher than the estimates made in October and July 2023. The Euro area is projected to recover to 0.9 percent in 2024 from 0.5 percent in 2023 (**Table 1.1**), supported by an increase in consumer spending and a decrease in inflation as supply chain constraints ease and commodity price decline.

Financial conditions are expected to remain impacted by the subdued economic activities, high cost of credit, downward pressure on asset prices and a fall in corporate earnings due to unfavourable performance of equities. Additionally, higher wages may increase the cost of production, leading to even higher inflation. The recent conflicts in the Middle East and Ukraine are expected to continue heightening geopolitical risks, which may further negatively affect the global supply chain, food and energy prices, exchange rates, thus resulting in unwarranted upward pressure on inflation and financial stability.

Growth in Emerging Market and Developing Economies remains subdued amid an uncertain global environment. The region's growth is projected to remain at 4.1 percent in 2024, similar to the preceding year, attributable to the rebound of international tourism from the pandemic, and rising commodity prices. However, there are some challenges, such as tight financial conditions, fiscal and external imbalances that have led to capital outflows from emerging markets, resulting in debt sustainability risks. This has caused a significant weakening of some currencies in the emerging market and developing economies. Additionally, shifting patterns of deposits across different institutions have raised funding costs for banks, making it difficult for them to ensure a sustained flow of credit to the economy. Furthermore, the climate-related risks from El Nino rains cast a shadow over the economic and financial outlook of the region, leading to high food prices due to limited pass-through from international to local prices, and weak domestic currencies. As a result, high food prices have disproportionately affected the households' real income. Finally, rising trade distortions and economic fragmentation are expected to continue to weigh on global trade and affect regional growth.

However, the growth outlook in emerging market and developing economies remains positive. This is due to expected private consumption growth, easing inflationary pressure, and recovery from the impact of COVID-19 and supply chain disruptions. The enhancement of global financial sector regulations, which strengthens the sector's resilience to shocks, continues to support economic growth amid emerging risks.

Table 1.1: GDP growth for selected countries

Percent

											Projections
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
United States	2.7	3.6	1.9	2.6	3.1	2.6	-3.4	5.9	1.9	2.5	2.1
Germany	2.2	1.7	2.2	2.5	1.5	0.5	-4.6	2.6	1.8	-0.3	0.5
Japan	4.0	0.8	0.0	1.4	0.5	1.2	-4.5	2.1	1.0	1.9	0.9
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	-9.4	7.6	4.3	0.5	0.6
China	7.2	7.3	6.7	6.8	6.6	6.1	2.3	8.4	3.0	5.2	4.6
India	7.4	8.0	8.2	7.2	6.8	6.1	-7.3	8.7	7.2	6.7	6.5
Brazil	0.5	-3.6	-3.3	1.1	1.1	0.9	-4.5	5.0	3.0	3.1	1.7
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	-6.4	4.9	1.9	0.6	1.0
Euro Area	1.7	1.8	2.5	2.7	1.8	1.3	-6.4	5.3	3.4	0.5	0.9

Source: World Economic Outlook, January 2024

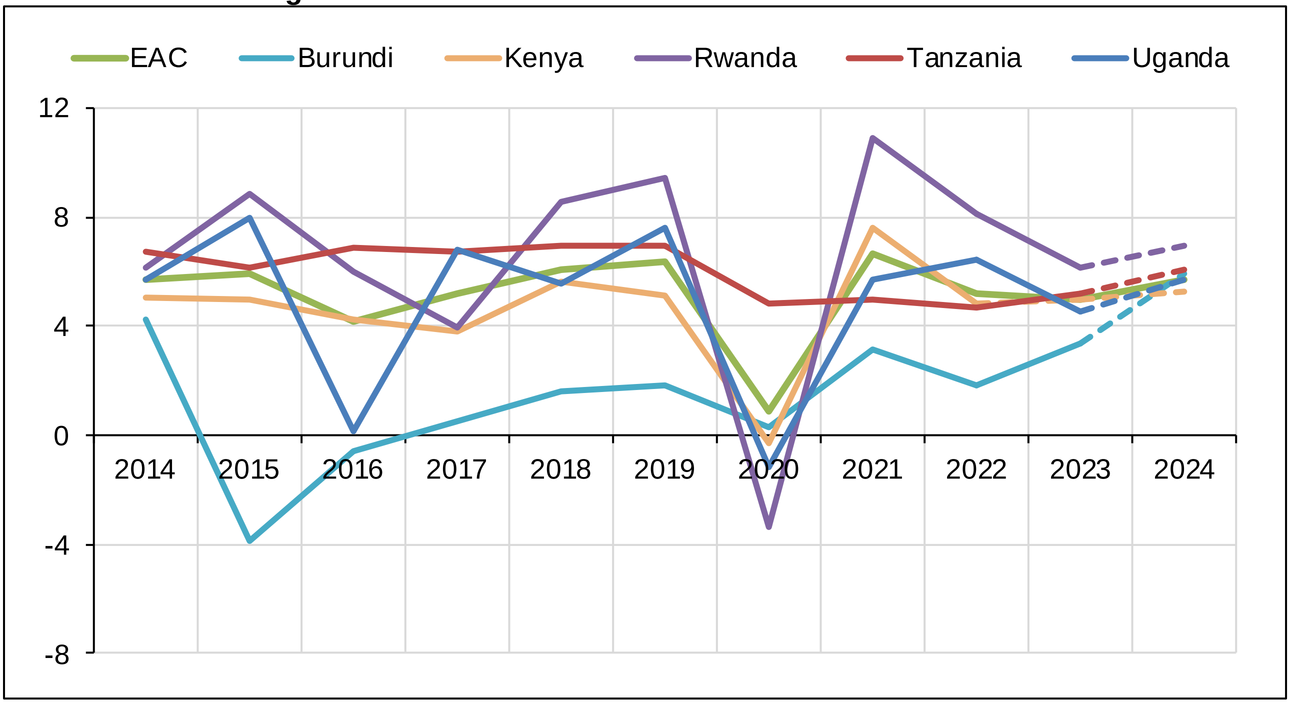
The growth in Sub-Saharan Africa (SSA) is expected to improve but still faces currency depreciation pressure owing to poor export earnings and limited external financing inflows. GDP growth in Sub-Saharan African countries is expected to moderately improve in 2024, rising to 4.1 percent from 3.8 percent (**Chart 1.1**). Favourable export prices, recovery in tourism and efforts to promote trade integration are likely to support growth prospects. However, the region still faces structural vulnerabilities related to among others international commodity prices, foreign direct investment, foreign borrowings, and aid that have contributed to depreciation in African currencies. Deteriorating external conditions have limited the scope for economic expansion, while political instabilities, extreme climate events, and infrastructure bottlenecks have also depressed domestic demand growth.

The main downside risks to growth and financial condition of SSA are weak global economic forecast, limited external financing opportunities, the increasing costs of food and energy, climate risks from El Nino and geopolitical tensions in the Middle East and Ukraine. These economies may be affected by exchange rate instability, rising inflation, and declining foreign exchange reserves and government revenues. Depressed global demand, rising borrowing costs, and tighter monetary policy stance could impede debt sustainability and increase the burden of foreign currency-denominated debt.

1.2. Regional macro-economic and financial developments

East African economies and financial systems remained resilient to the adverse impact of global tight monetary policy and geopolitical tensions. The region is projected to grow at 5.0 percent in 2023 and 5.7 percent in 2024, mainly attributed to increased tourism and service sectors, sustained public spending on infrastructure and supportive prudential, fiscal, and monetary policies (**Chart 1.2**). Private sector credit continues to increase due to the recovery of economic activities, which has improved borrowers' creditworthiness and ability to service their debt obligations. Furthermore, the EAC banking sector has registered strong growth in profitability, liquidity and capital buffers, which has enhanced its resilience to external and domestic shocks. Additionally, easing inflation pressure and exchange rate movements is expected to contribute to reduction of funding costs, which will further increase credit supply. However, the region faces several external and domestic risks that could affect the positive economic outlook. These include a global economic slowdown, rising commodity and energy prices, geopolitical tensions, tightening of global financial conditions, currency depreciation and the adverse impact of climate change.

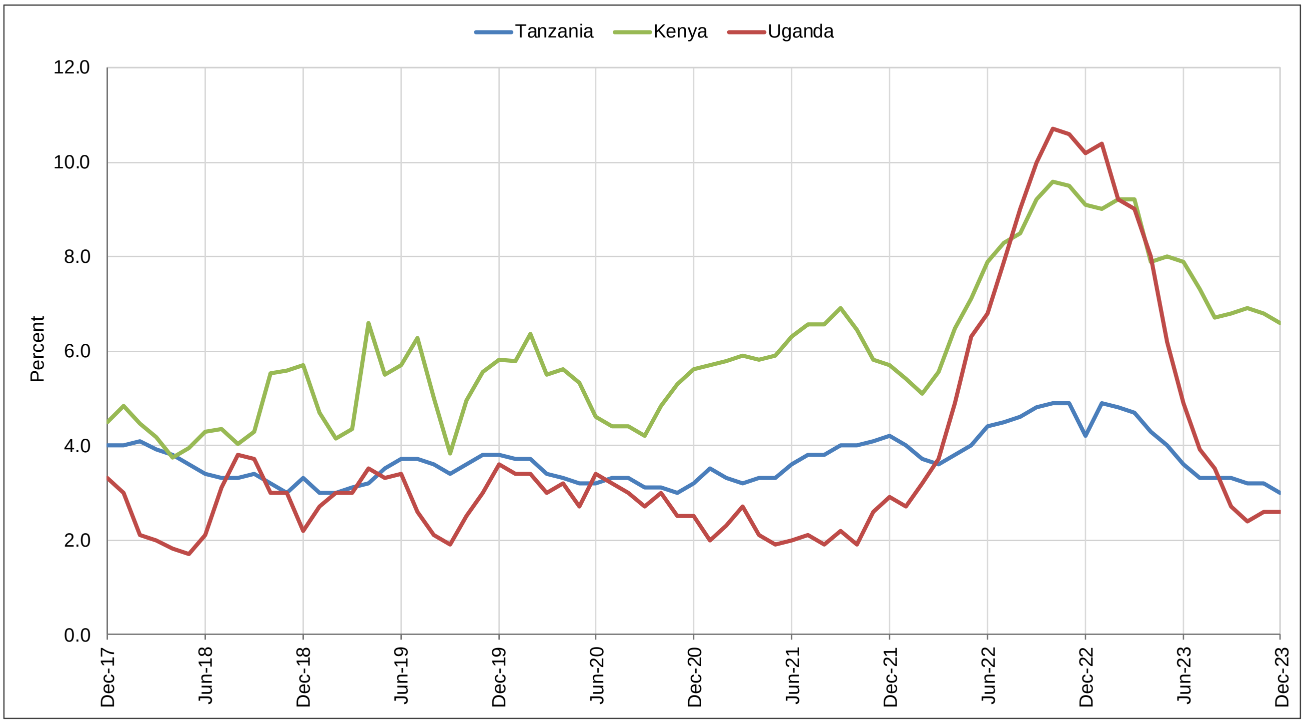
Chart 1.2 Economic growth in EAC



Source: World Economic Outlook, January 2024

Debt vulnerabilities in East Africa might remain elevated, as currency depreciation can increase the burden of private and public debt, while also impacting the balance of payments. Additionally, geopolitical tensions in the Middle East and Ukraine and disruptions in the supply chain may lead to increased import costs and inflation (**Chart 1.3**). The persistent increase in global oil and food prices and drought and currency depreciations can further raise production costs and reduce household purchasing power. However, inflation is expected to normalise in 2024, supported by the EAC Partner States' implementation of monetary, fiscal, and prudential measures. These measures may also improve firms' and households' financial conditions.

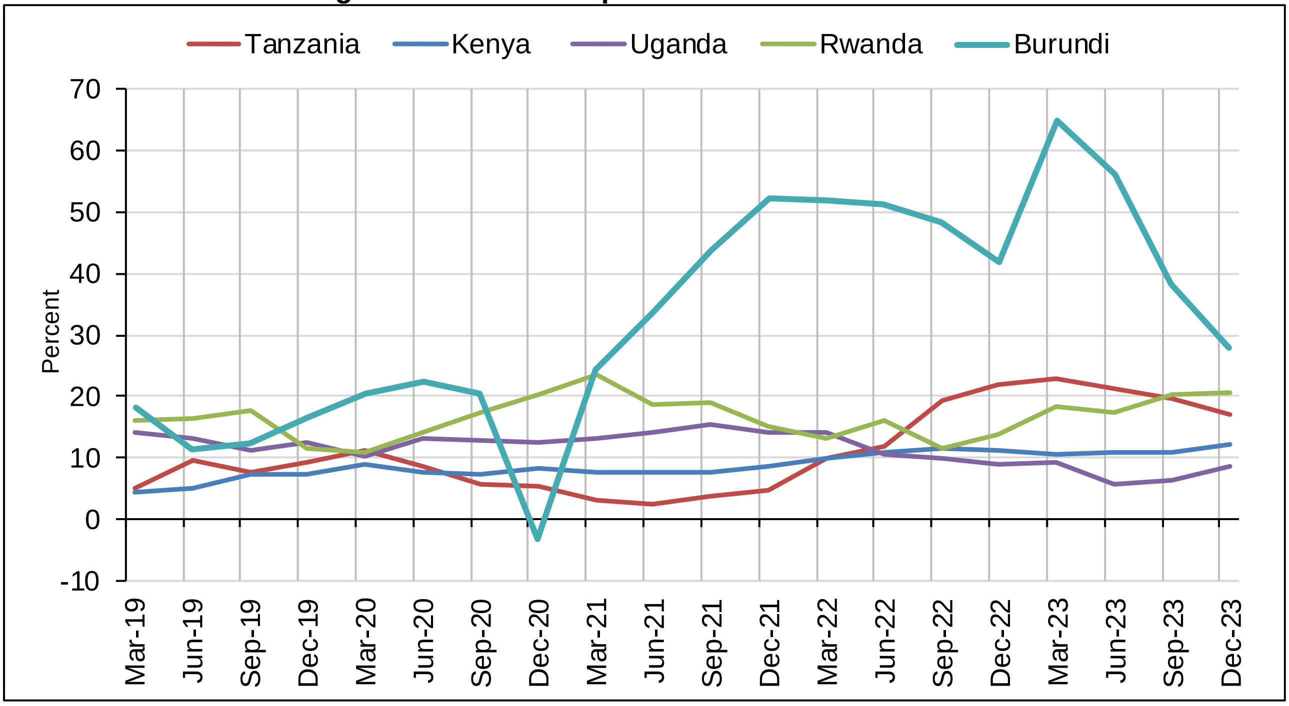
Chart 1.3 EAC selected countries' headline inflation



Source: EAC Central Banks

During the year ending 2023, credit extended to the private sector for EAC Partner States improved. This was in line with the economic recovery and resilience of the banking sector to shocks. It is projected that credit to private sector will continue to grow due to the ongoing recovery of the domestic economy (**Chart 1.4**).

Chart 1.4 Selected EAC growth of credit to private sector

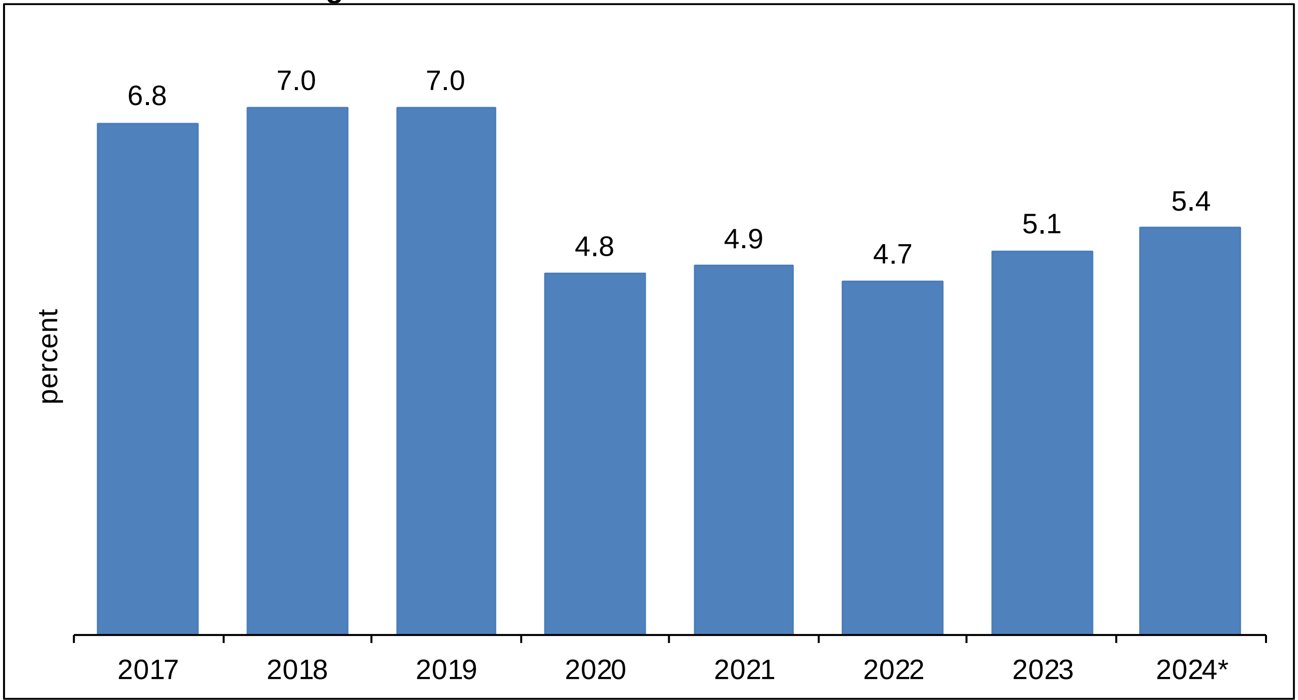


Source: EAC Central Banks

1.3. Domestic macroeconomic and financial environment

Domestic economy performance remained vulnerable to external shocks. The economy is estimated to have grown by 5.1 percent in 2023 and is projected to grow by 5.4 percent in 2024. This growth comes mainly from agriculture, finance, mining and construction activities (**Chart 1.5**). Factors contributing to this growth include favorable business conditions, increased bank profitability, liquidity availability for businesses, and public investment in infrastructure. However, risks such as tighter global financial conditions, spill-overs from the ongoing war in Ukraine and those related to climate still prevail. Furthermore, supply chain disruptions caused by Middle East geopolitical tensions are expected to raise import costs, reduce export demand and decrease foreign currency inflows, which could negatively impact the financial condition of households and corporations, and could increase debt burden. The ongoing El Nino rains could adversely affect crop production and further impact transport infrastructure, thus exerting upward inflation pressure, while constraining borrowers' loan repayment capabilities. The extent of the impact will likely be neutralized by pro-growth monetary and fiscal policies pursued by the Government to cushion the economy against adverse global shocks and to instill financial stability.

Chart 1.5: Annual GDP growth rate

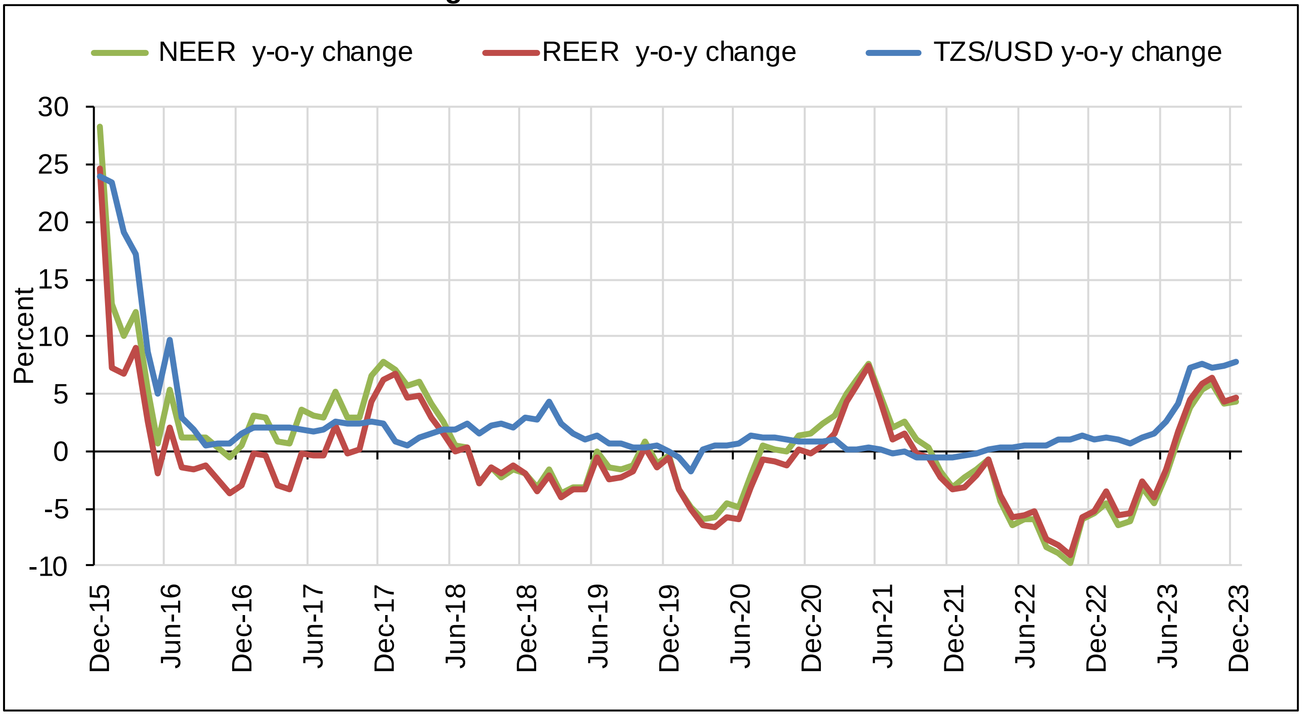


Source: National Bureau of Statistics and Bank of Tanzania
*Projected

The domestic economy experienced shortages of US dollars, posing challenges to corporates and households in settling foreign currency obligations. The foreign currency shortages have led to currency depreciation whereby, in 2023, the shilling depreciated against the US dollar by 8.2 percent compared with a depreciation of around one percent in the preceding year. This was caused by a global surge in commodity prices, particularly in energy and food, and tighter financial conditions in advanced economies, aimed at controlling inflation. The good news is that, the real effective exchange rate movement was stable, indicating steady domestic inflation and positive competitiveness of Tanzanian exports (**Chart 1.6**).

The ongoing conflict in Ukraine, rising tensions in the Middle East, and potential further interest rates hikes in developed countries could continue to exert pressure on the domestic foreign currency markets. Nonetheless, the Bank of Tanzania implemented relatively tight monetary policy and prudential measures, including a review of foreign exchange (Bureau de Change) regulations and release of Bank of Tanzanias' foreign market intervention policy in 2023 in order to improve oversight and compliance, transparency, and better conduct in foreign currency trading.

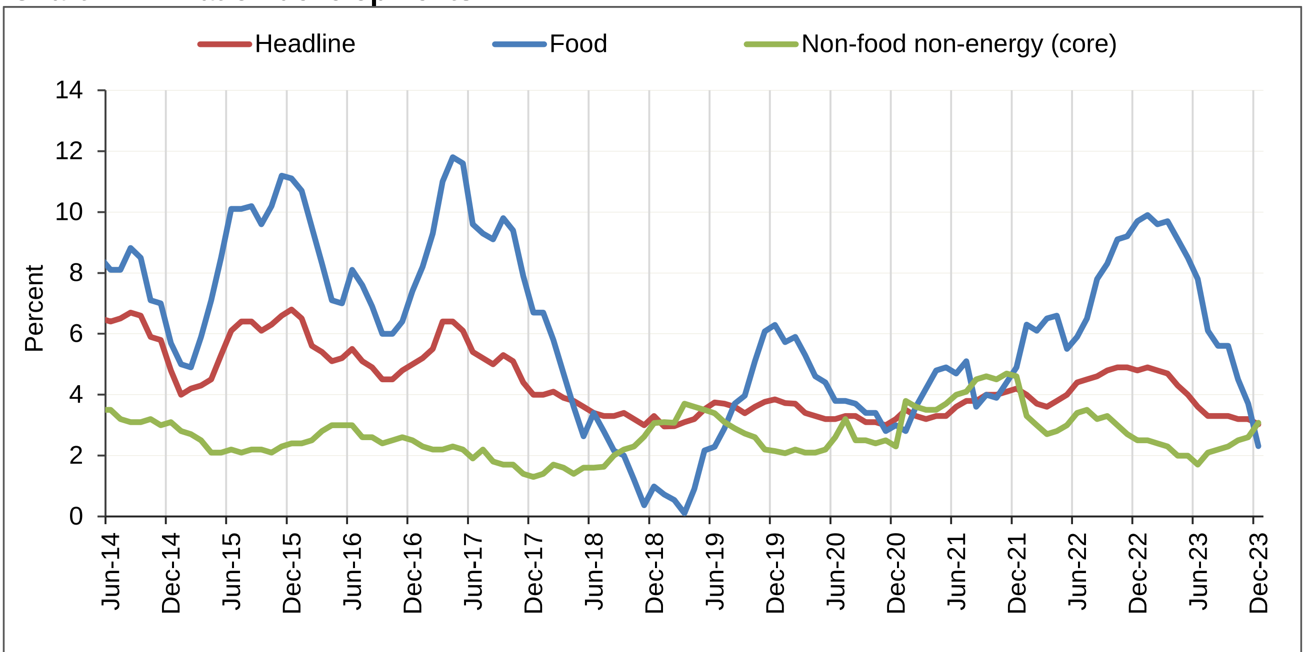
Chart 1.6: Real effective exchange rate



Source: Bank of Tanzania

Inflation rate eased to 3.0 percent in December 2023, compared with 4.8 percent in December 2022; mainly attributed to less accommodative monetary policy and sufficient domestic food supply (**Chart 1.7**). This decrease in inflation could help households and businesses to benefit from improved debt servicing capacity, which reduces the risk of defaults and contributes to a more resilient financial system.

Chart 1.7: Inflation developments

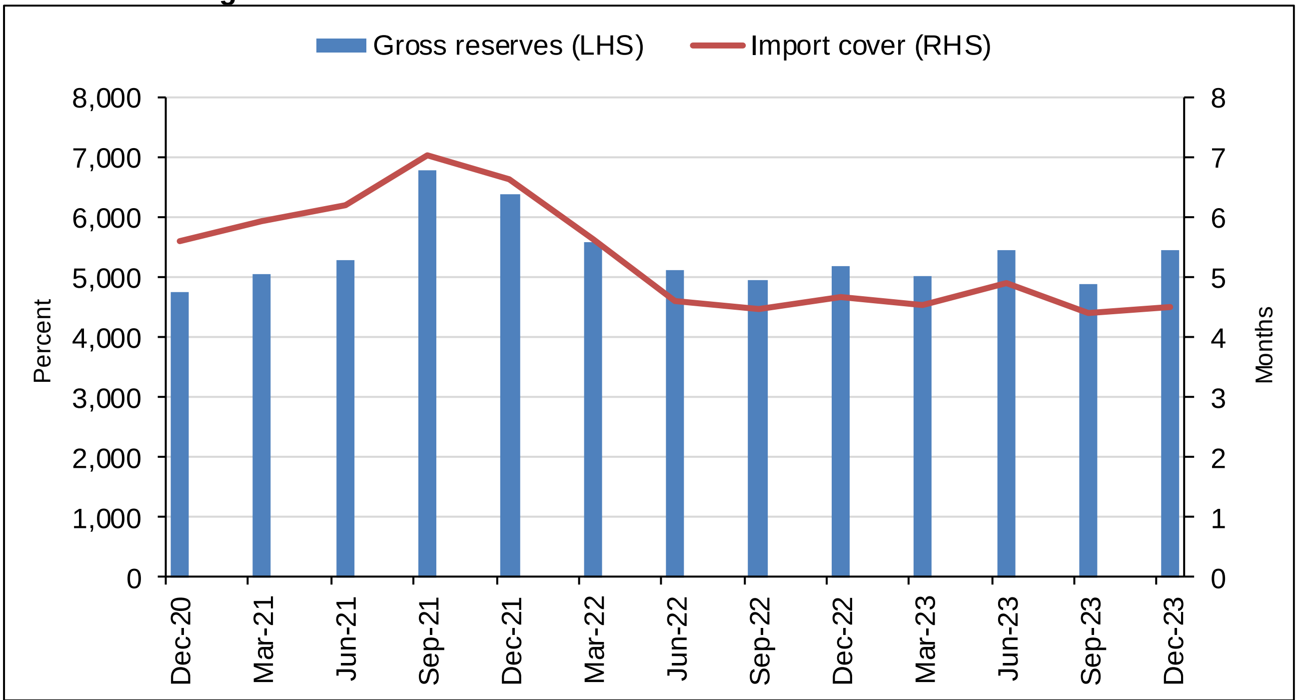


Source: Bank of Tanzania

1.4. Foreign exchange reserves

Gross foreign exchange reserves amounted to USD 5,450.1 million at the end of December 2023 up from USD 5,177.2 million in December 2022. The increase was partly contributed by the improved export performance in 2023, driven by tourism receipts and non-traditional exports, such as gold, oil seeds and horticulture. Additionally, foreign direct investments increased by 30 percent for the quarter ending December 2023. The reserves were sufficient to cover about 4.5 months of projected imports of goods and services, which is above the country's benchmark of 4 months (**Chart 1.8**). Worth noting that the country's foreign reserves still remain vulnerable to headwinds from high borrowing interest rates, and commodity price volatility.

Chart 1.8: Foreign reserves



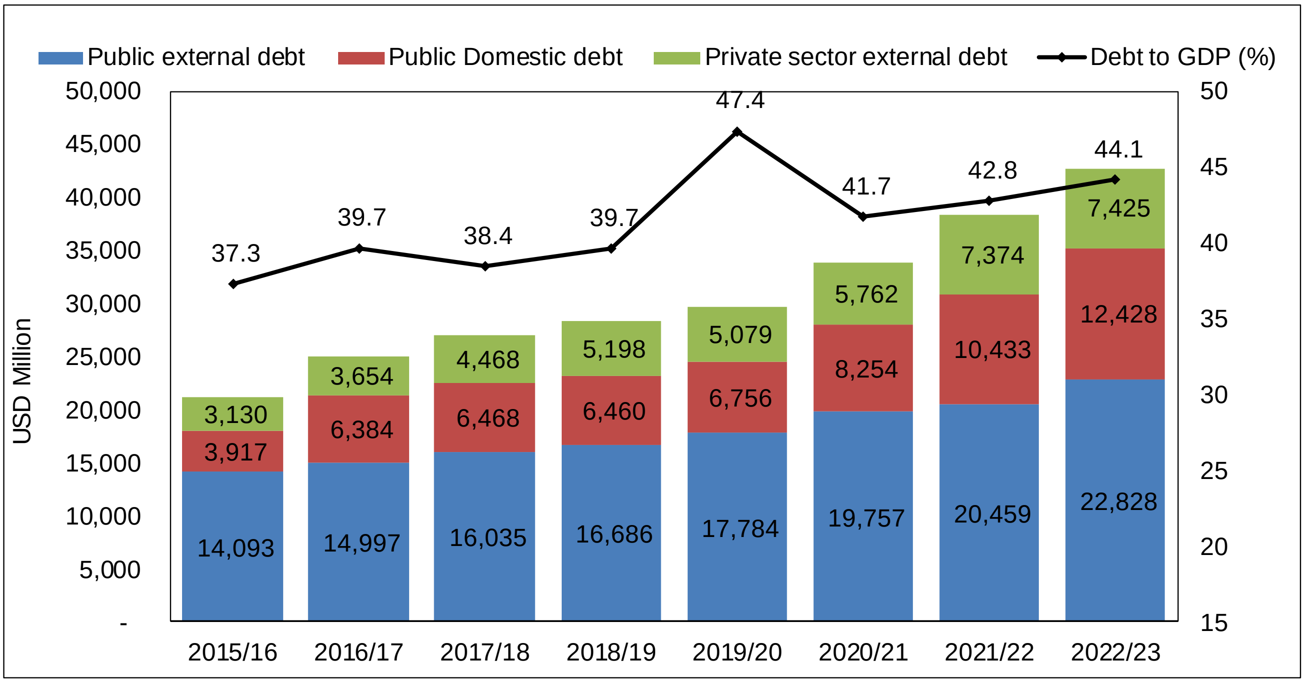
Source: Bank of Tanzania

1.5. National debt

Debt Sustainability Analysis (DSA) conducted in December 2023 indicates that debt remained sustainable in the short, medium, and long term despite the increase in stock consistent with economic expansion. As at the end of December 2023, the national debt level, including public debt (domestic and external) and private sector external debt, increased by 3.0 percent to USD 43,975.9 million from the stock recorded at the end of June 2023.In general, Tanzania's debt remains sustainable with all liquidity and solvency debt burden indicators remaining below their respective thresholds under baseline scenario for both external and public DSA.

Credit rating has been conducted by Moody's Analytics and Fitch Ratings in Tanzania from 2023. During the major review conducted in March 2024, Moody's upgraded Tanzania's long-term issuer ratings from B2 positive to B1 stable outlook. Fitch rated Tanzania with B+ with 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

The credit rating released by Moody's on 22nd March 2024 upgraded Tanzania's long-term issuer ratings from B2 to B1, with a stable outlook, indicating improved confidence in the country's economic trajectory. The country has demonstrated resilience amidst external shocks, maintaining robust GDP growth supported by diverse sectors. Prudent fiscal management has kept the debt burden low despite significant spending needs. Structural reforms have also helped in enhancing institutional strength and fostering a conducive business environment, and attracting investment. Moving from B2 to B1 signifies a shift toward lower credit risk implying relatively lower borrowing costs for both the public and private sectors as well as improved economic fundamentals. Overall, the upgrade signals growth prospects but underscores the importance of ongoing improvements to ensure long-term economic stability and growth.

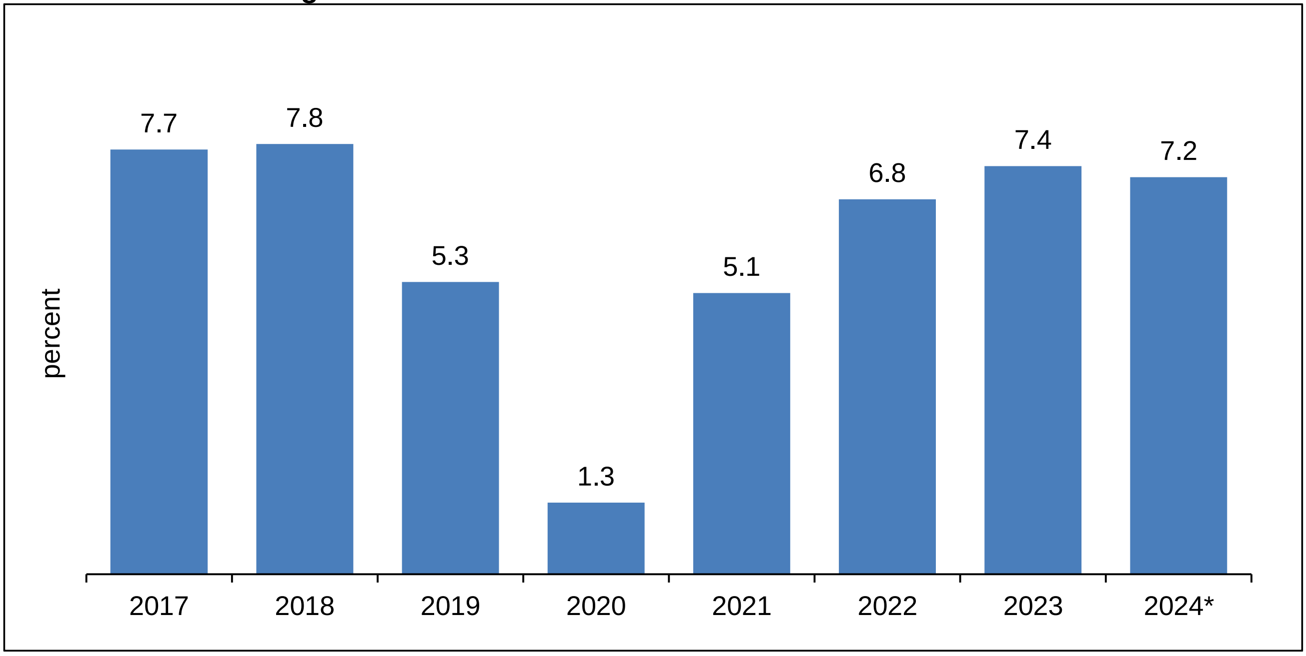
Summary of Moody's rating results for Tanzania

Rating Action Summary	Key Points
Release Date	March 22, 2024
Upgrade	Moody's upgraded Tanzania's long-term issuer ratings from B2 to B1. The upgrade reflects Tanzania's economic resilience amidst external shocks, fiscal discipline, and progress in structural reforms.
Outlook Change	Moody's changed the outlook to stable from positive. The stable outlook reflects Tanzania's track record of economic and fiscal resilience.
Reasons for Upgrade	Tanzania's rating is supported by its diverse economy, stable debt burden, and limited contingent liabilities. However, challenges include low incomes, high reliance on foreign-currency debt, and weak institutions.
Stable Outlook Rationale	The stable outlook reflects a balanced perspective on risks. Ongoing reforms with enhanced administrative capacity and policy coordination could significantly boost competitiveness, investment, growth, incomes, and exports. Climate events affecting agriculture, given limited irrigation infrastructure, pose significant risks to GDP growth and employment.
Environment, social and governance (ESG) considerations	ESG considerations highlight Tanzania's high exposure to environmental and social risks, along with weak governance. Efforts are underway to address social risks and strengthen institutions, but progress remains modest.

1.6. Economic development in Zanzibar

Zanzibar economy remained strong, on account of improvement in business conditions and the rebound in tourism activities. The growth in 2023 was 7.4 percent, mainly driven by developments in sectors such as manufacturing, real estate and food services, wholesale and retail trade, and construction activities. However, it is important to note that this growth remains vulnerable to risks such as weak global economic activity, primarily due to the lingering effects of COVID-19, the war in Ukraine, and climate change. These risks may result from higher commodity prices and the tightening of monetary policies by central banks, which could impact financial conditions. Despite these risks, Zanzibar's growth is expected to remain resilient in 2024, with an estimated growth of 7.2 percent driven by activities such as fishing, mining and quarrying, construction, manufacturing, and accommodation and food services (**Chart 1.10**).

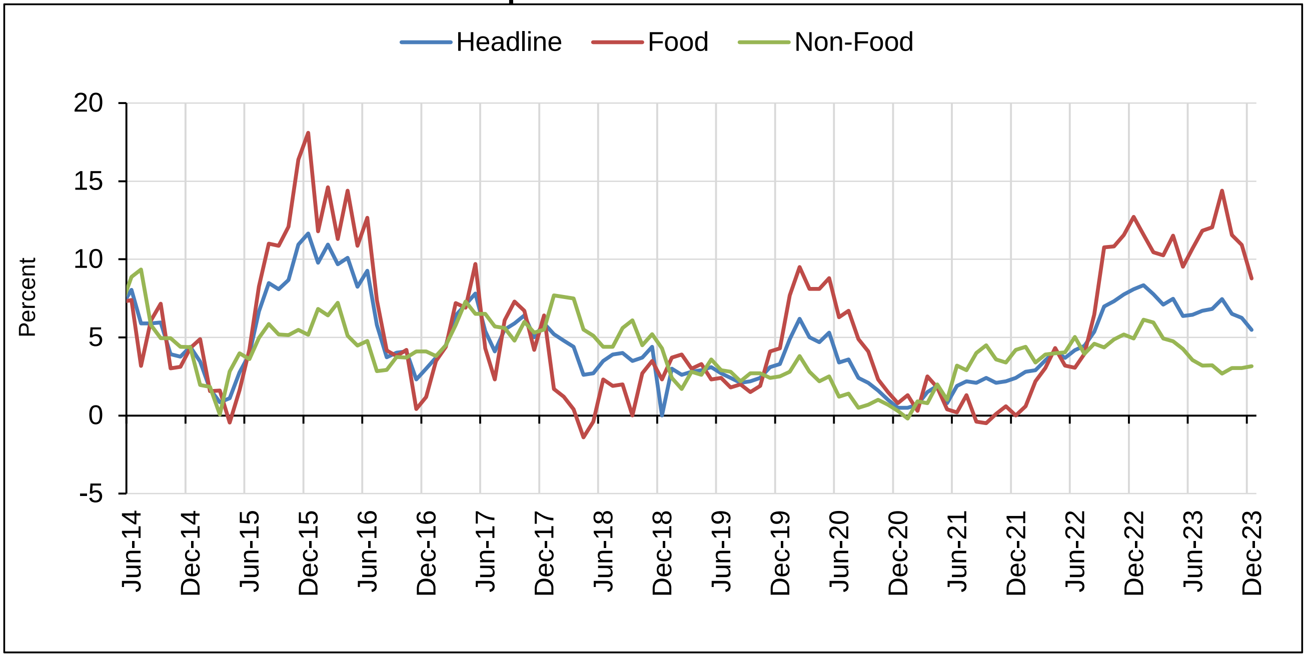
Chart 1.10: Zanzibar growth rates



Source: Office of Chief Government Statistician (OCGS)
*Projection

Inflation saw a significant decrease due to a reduction in both food and non-food inflation. In December 2023, inflation eased to 5.5 percent compared with 8.1 percent in December 2022 (**Chart 1.11**). The outturn was attributed to the stable food prices in the domestic markets and the trend is expected to continue, supported by measures to ensure availability of food and ongoing rainfall.

Chart 1.11: Zanzibar inflation developments



Source: Office of Chief Government Statistician (OCGS)

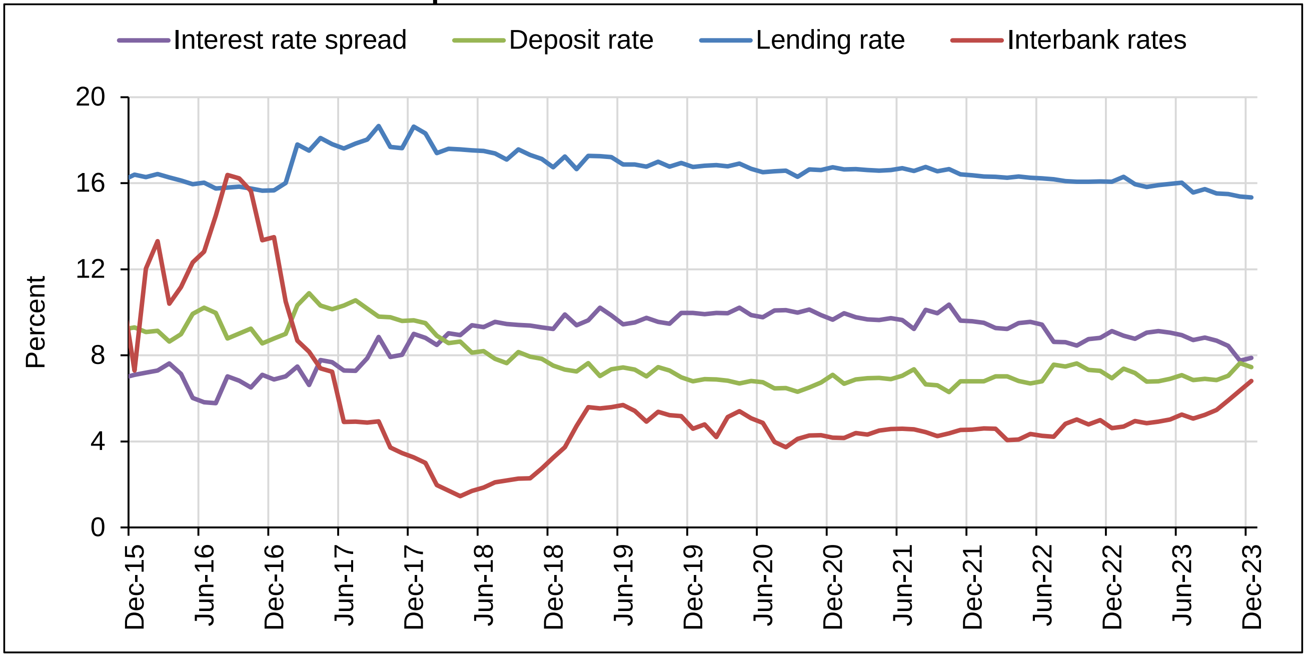
2. FINANCIAL SYSTEM DEVELOPMENTS

2.1. Credit and interest rate developments

Credit to private sector remained strong in 2023, reinforced by favourable financial conditions of lending institutions and improved borrowers' creditworthiness and demand. The loan-to-deposit ratio increased to 92.7 percent in December 2023 from 89.9 percent, which was manifested in strong credit growth of 17.1 percent in 2023. The growth in credit mirrors the increase in economic activities and demand by both households and non-financial firms. On the supply side, it reflects the banking sector's confidence in economy's growth trajectory and borrowers' ability to repay debts going forward. The positive story aside, unprecedented credit growth may elevate debt levels consequently amplifying vulnerabilities in the banking sector.

The lending rates slightly declined, reducing financing costs. The lending rates declined to an average of 15.3 percent in December 2023, compared with 16.1 percent in December 2022 contributed partly by prudential, fiscal and monetary policy interventions. The decline in lending rate reduces financing costs to borrowers, therefore enhancing their creditworthiness and ability to service their debts. Deposit rates remained stable (**Chart 2.1**). These developments, along with improved business conditions, are expected to further reduce credit risk.

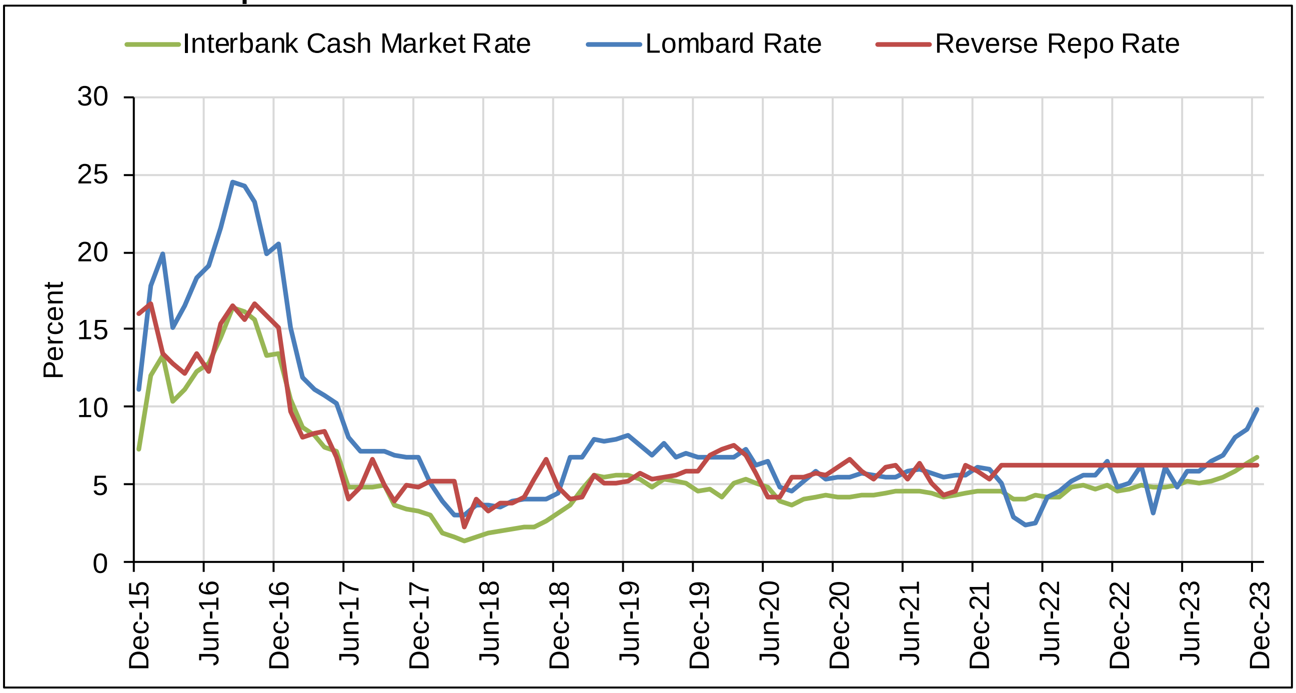
Chart 2.1 Interest rates developments



Source: Bank of Tanzania

The average interest rates in the wholesale funding market increased to 6.8 percent in December 2023 from 4.6 percent in December 2022, partly caused by liquidity challenges faced by small banks due to market segmentation (**Chart 2.2**). In January 2024, the Bank of Tanzania started to adopt an interest rate-based monetary policy, which is expected to promote price discovery and improve the Bank's capacity to steer economic conditions. In implementing this policy, the Bank sets the Central Bank Policy Rate (CBR) to guide the interest rate in the financial market. The modality of implementation and implications of the new framework are explained in **Box 3**.

Chart 2.2 Developments of interest rates in the wholesale market



Source: Bank of Tanzania

Box 3: Implication of shift from monetary targeting framework to inflation targeting (interest rates based) to financial stability

The Bank of Tanzania is mandated to formulate and implement monetary policy, among others. Monetary policy involves actions or decision taken to influence the amount of money circulating in the economy, which ultimately influences interest rates offered to customers by banks and financial institutions.

Since the market based monetary policy was adopted, the Bank of Tanzania has used monetary targeting framework, based on growth rate of money supply in attaining price stability and supporting growth of the economy. In January 2024, the Bank shifted from targeting the quantity of money (monetary aggregates) to targeting interest rate, an approach also referred to price based monetary policy. The shift is expected to improve the effectiveness of monetary policy by allowing the Bank to influence economic condition more precisely. The Bank will introduce Central Bank Rate (CBR) consistent with low and stable inflation conducive to the growth of the economy. The CBR is used to show and influence the direction of monetary policy. It will also be used as a benchmark to guide other interest rates, as opposed to fixing the rates offered by banks and financial institutions. Commercial interest rates will continue to be influenced by market forces, reflecting the dynamic nature of the financial landscape.

The introduction of the CBR, has both positive and negative implications to financial stability. The implication can be reflected in the movement on debt finance transactions both locally and in the context of foreign loans as follows:

Cost of borrowing and interest rate risk: The CBR may influence the cost of borrowing in the country based on the monetary policy stance. The accommodative monetary policy, which is characterized by lowering interest rates will reduce borrowing cost and improve debt servicing capacity of the firms.

Currency risk (for foreign loans): In the case of foreign loans, changes in monetary policy can influence exchange rates. Borrowers taking loans in foreign currency may face positive or negative currency risk depending on the movement of the exchange rate. These risks can affect firms' financial condition, cost of servicing debt in local currency and banks' balance sheet.

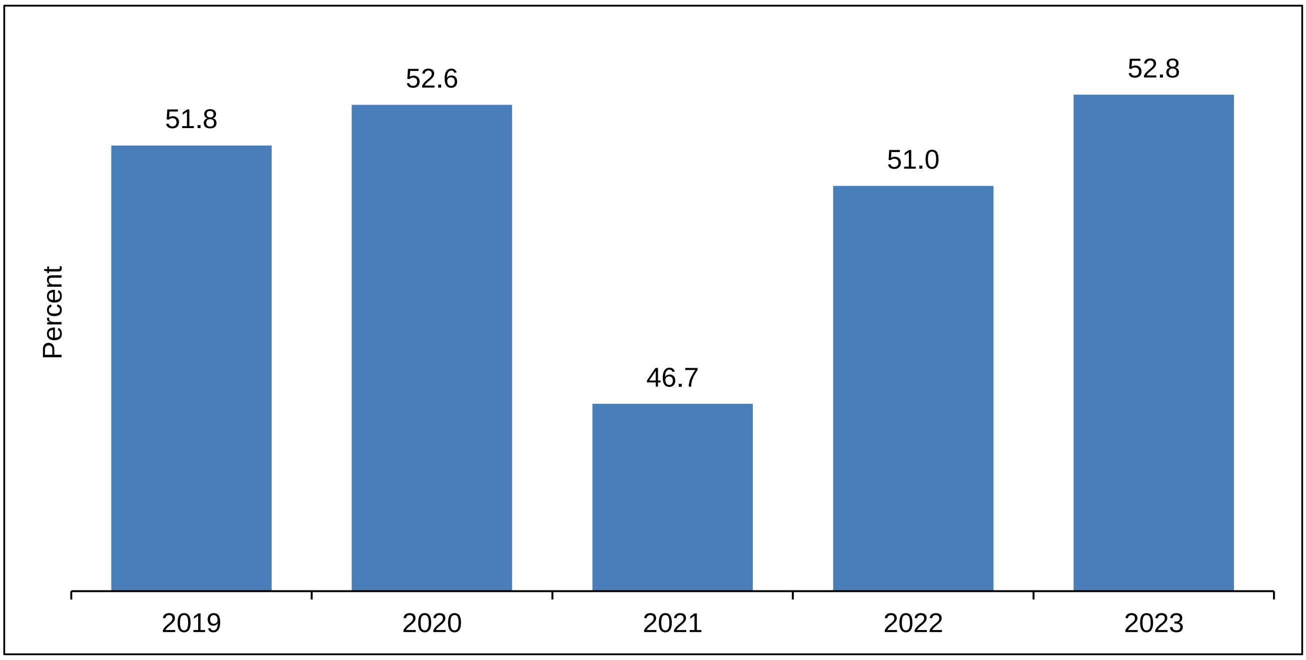
Credit condition: Changes in monetary policy can impact the overall credit environment. Easing monetary policy, often accompanied by low interest rates, may lead to an improved credit market condition. This could enhance borrowers access to credit, improve their creditworthiness and debt servicing capacity.

The shift to price based monetary policy in Tanzania signifies a strategic move by the Bank to enhance its ability to steer economic conditions. Market participants, including borrowers, lenders and investors should monitor these changes and adopt their strategies to the evolving financial landscape development. As the Bank seek to strike a balance between inflation and economic growth, the implication to financial stability underscores the importance of a pro-active and informed approach in managing risks and opportunities.

2.2. Household financial condition

Risks arising from households decreased as a result of increased disposable income. The increase in income is mainly attributed to increase in salaries of government employees and employment opportunities resulting from government spending on major infrastructure projects. Additionally, investments, payment of arrears and new job openings following the recovery of economic activities from the pandemic have contributed to the increase. However, the household debt-to-income ratio increased slightly to 52.8 percent in 2023 from 51.0 percent in 2022 due to an increase in employee's salary income and outstanding debt repayments (**Chart 2.3**).

Chart 2.3 Household debt to income ratio

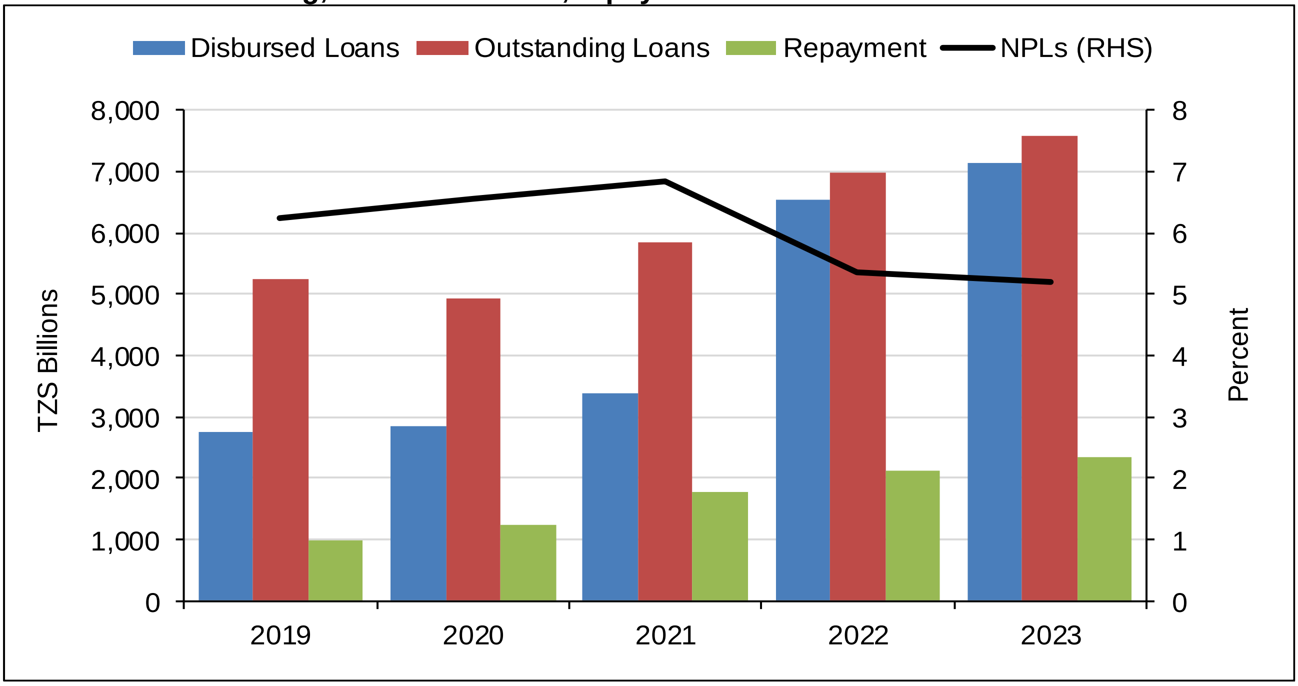


Source: Bank of Tanzania salary earners financial condition survey, 2023

However, household income remains vulnerable to the exchange rate pressure and the ongoing conflict in Ukraine and the Middle East which may result in higher food and energy prices. The country is a net importer of oil in which depreciation of the shilling contributes to increase in domestic fuel prices thus reducing the purchasing power of an individual. Demand for food imports could heighten as well if the ensuing El Nino rains lead to destruction of food crop production and supply chains in the country. A currency depreciation could in contrast exihibit an opposite effect on households' disposable income.

Household borrowing and repayment improved on account of the increase in income. According to household survey 2023, disbursed and outstanding personal loans increased in 2023 following increased appetite for banks' lending to households. Likewise, loan repayments increased as borrowers' ability to repay debts improved due to increased household income and cash flows. Loan disbursements to households continued to exhibit an upward trend, which boosted the stock of outstanding loans (**Chart 2.4**). Respondents attributed the rise in loan disbursement to recovery of economic activities from the pandemic, an increase in salary earners' incomes, and eased loan terms.

Chart 2.4: Outstanding, disbursed loans, repayments and NPLs

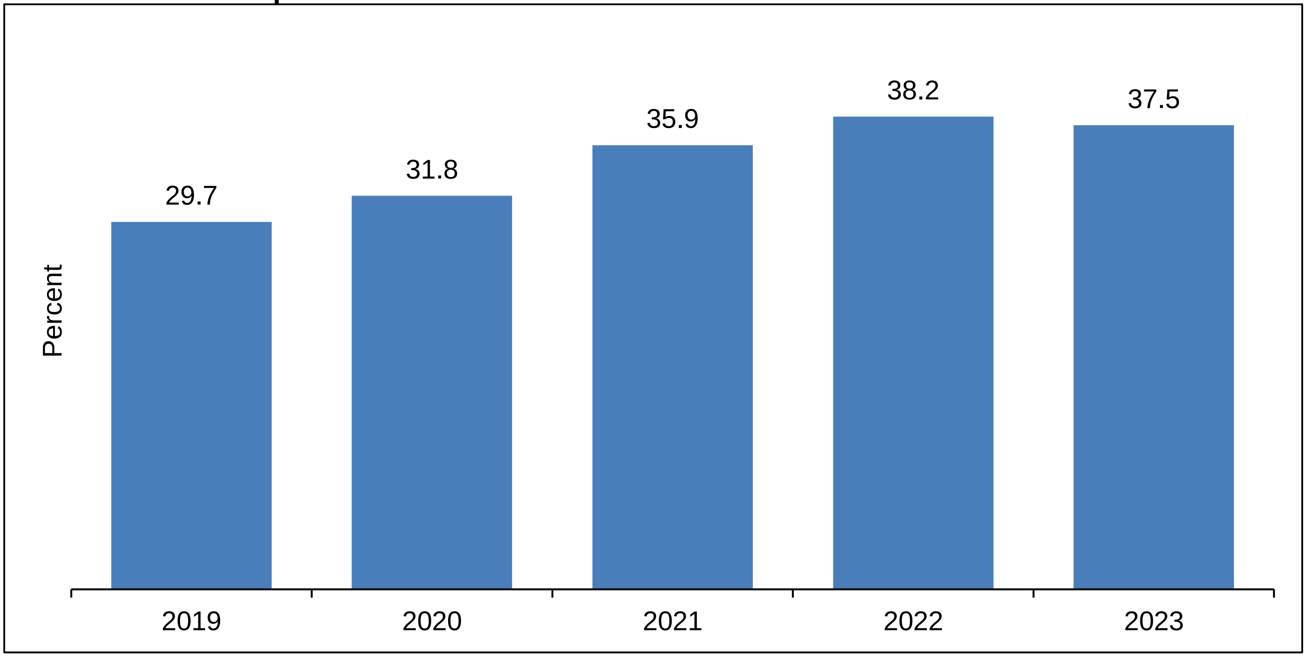


Source: Bank of Tanzania salary earners financial condition survey, 2023

The share of personal loans in total outstanding loans remained dominant as the growth of credit to private sector increased (**Chart 2.5**). The increase in the share of personal loans[2] is due to a decrease in risk weight of these loans, a rise in household income and banks' preference to lend to households relative to other sectors of the economy.

[2] Household borrowings are mainly used for house construction, plot purchase, small business, education, medical services, automobile purchase, emergencies, rental payments, personal expenses, purchase of household items, and funeral expenses.

Chart 2.5: Share of personal to total loans

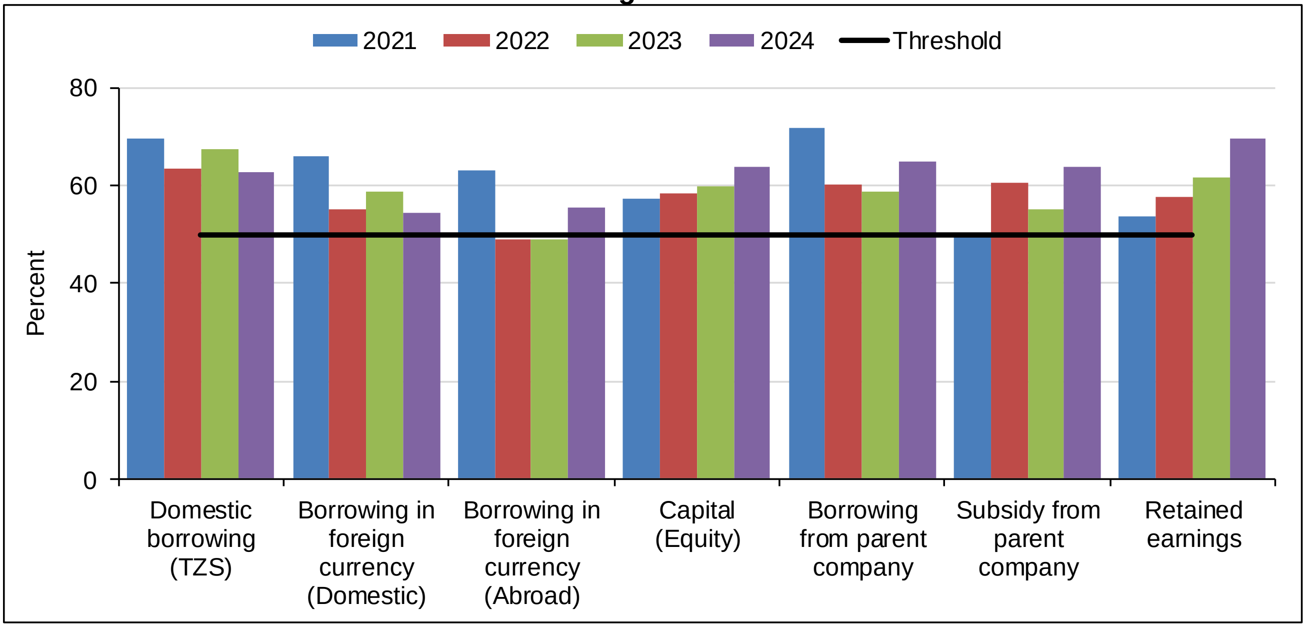


Source: Bank of Tanzania

2.3. Non-financial corporate sector financial condition

Non-financial corporates' sources of financing improved, reflecting a continuing rebound in business activities. According to Non-Financial Corporate Survey conducted in 2023, retained earnings increased in 2023 compared to the previous years that was attributed to improvement in the business environment, public and private investment, and domestic and foreign demand. It was found that indices for the source of financing were above 50 percent thresholds, mainly attributed to the increased appetite for business financing. Respondents revealed that domestic borrowing in foreign and local currencies increased, reflecting the increase in aggregate demand and a favourable business environment. Increased prices of imported commodities such as oil, raw materials and consumables were also cited to contribute to the increase in foreign currency borrowing. The scarcity of USD in the domestic market, which led to the depreciation of the local currency and the decision of lending institutions to convert letters of credit to post-import loans, increased firms' dollar-denominated debt burden (**Chart 2.6**).

Chart 2.6: Trends on NFC source of financing



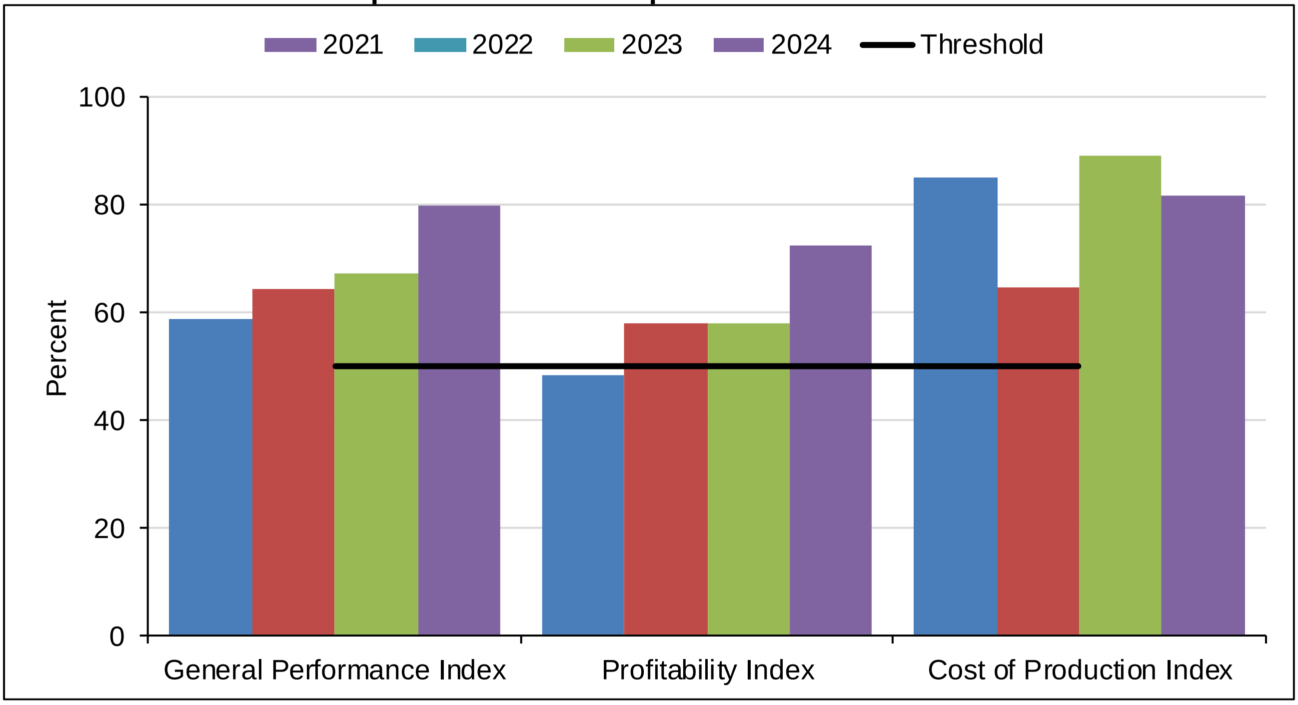
Source: Bank of Tanzania Non-Financial Corporate Sector Survey, 2023

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 sector, availability of liquidity to fund businesses and investment in infrastructure is expected to increase firms' retained profits and creditworthiness.

Firms reported improved performance and profitability in 2023 following continued public and private investment improvement. The improvement was mainly attributed to the recovery of economic activities in 2023. The sectors that recorded increased activities resulting in good performance and profitability include mining and quarrying, oil and gas, transport and communication, and tourism. Tourist arrivals continued to increase due to the relaxation of global pandemic restrictions. The improvement in different sectors of the economy was attributed to the impact of monetary and fiscal policies that helped to reduce the adverse spill-over effects of global supply shocks. These policy measures reduced the cost of doing business and supported credit growth, leading to business expansion, performance, and profitability.

The optimistic outlook is for profitability, as measured by diffusion index to be above 72 percent by 2024 attributed to business conditions improvements and increase in aggregate demand as economic activities increase. The extent to which this outlook will be realized will depend on the direction taken by, among others, commodity prices and foreign currency supply (**Chart 2.7**).

Chart 2.7: Firms business performance and expectations



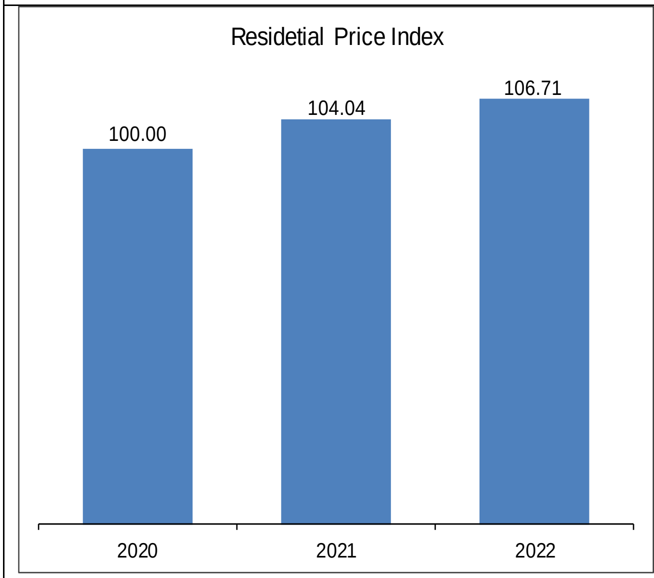
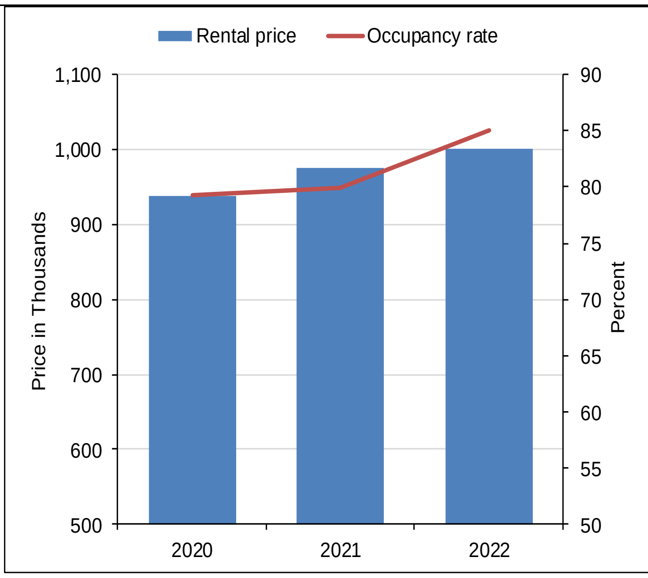
Source: Bank of Tanzania Non-Financial Corporate Sector Survey, 2023

2.4. Real estate sector

The real estate sector continued to recover from the pandemic shock with residential, Social Security Funds and commercial property's occupancy rate increasing. As depicted in (**Chart 2.8**), the residential property occupancy rate has been rising. The high occupancy rates were attributed to improvement in business environment, infrastructure, real estate market, and demand. Higher occupancy rates were observed in houses with more bedrooms, which augurs well with the demographic structure of most Tanzanian households.

The rise in residential property rental prices resulted partly from the increase in households' incomes as the economy improved. The demand push from population growth and urbanisation also played part in this. The impact was more felt from the major hinterland cities as the residential property rental prices in Dar es Salaam, the major commercial city of the country remained relatively unchanged in 2023. This suggests presence of supply-demand imbalances particularly in the hinterland cities, which is worth monitoring.

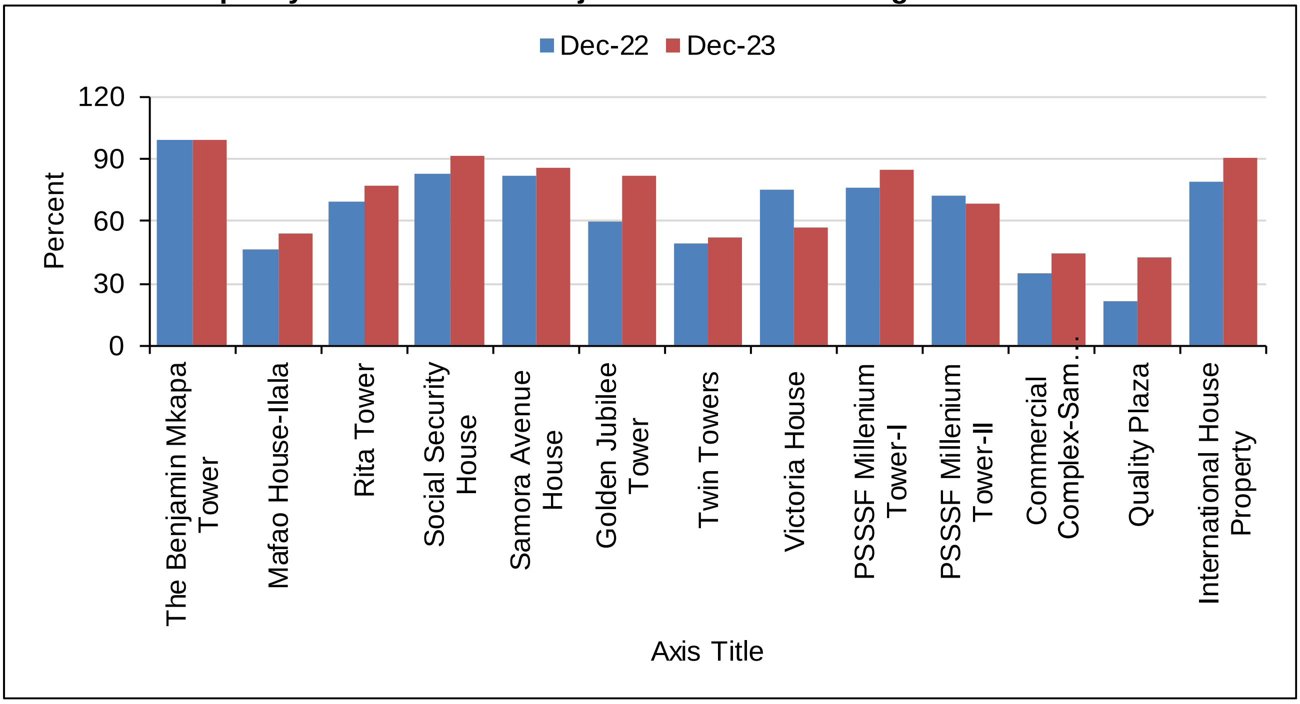
Chart 2.8: Residential price index, rental prices and occupancy rate

(a) Residential price index	(b) Residential Occupancy and Average rental price
	

Source: Bank of Tanzania

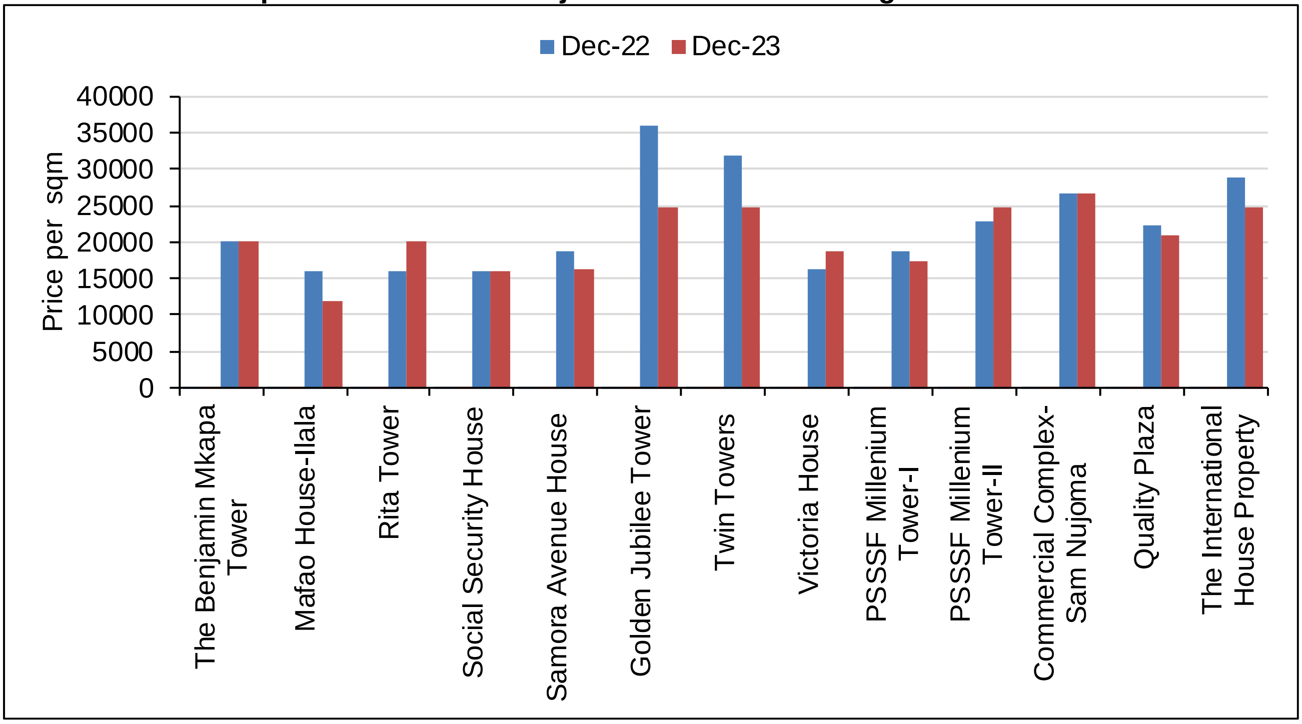
In 2023, there was also a general increase in occupancy rates of selected major commercial buildings in Dar es Salaam, depicted in (**Chart 2.9**). Despite the increase, rental prices of the commercial properties exhibited mixed trends (**Chart 2.10**). Some property owners reduced prices, possibly to increase their customer base and cash flows. The prices are likely to rebound as the economy continues to expand after the pandemic; this warrants monitoring.

Chart 2.9: Occupancy rate of selected major commercial building



Source: Bank of Tanzania Non-Financial Corporate Sector Survey, 2023

Chart 2.10: Rental prices of Selected Major Commercial buildings



Source: Bank of Tanzania

2.5. Financial sector

The financial sector continued to demonstrate strength and resilience, as evidenced by the growth of assets. The resilience was reinforced by the capital buffer and liquidity positions attained by banks before the pandemic. Regulatory measures taken by the Bank to cushion the sector from the shocks while building resilience also helped in this.

The financial sector assets grew by 14.6 percent in 2023. With this, the financial sector's total assets as a percentage of GDP rose from 36.8 percent in 2022 to 44.2 percent in 2023. The growth was partly attributable to the increase in lending to the private sector as economic activities expanded. However, the sector continues to be skewed towards banks which accounted for 72.1 percent of the total assets in 2023, trailed by pension funds with 25.0 percent (**Table 2.1**).

Table 2.1: Structure of the financial system

	Millions TZS					As percentage of	
Descriptions	2019	2020	2021	2022	2023	Total assets	GDP
Banks	33,067,267.5	34,850,915.9	39,544,979.4	46,228,590.0	54,262,973.0	72.1	31.9
Insurance	1,045,900.0	1,009,922.0	1,270,000.0	1,420,600.0	1,868,515.3	2.5	1.1
Social security	12,776,100.0	12,931,937.4	14,449,779.0	16,789,420.0	18,834,085.7	25.0	11.1
Open-ended collective investment schemes	329,635.8	476,987.2	744,925.9	1,226,291.4	1,841,692.1	2.4	1.1
Total financial system assets	47,218,903.3	49,269,762.5	56,009,684.3	65,669,874.5	75,288,430.0	100	44.2

Source: Bank of Tanzania

2.5.1. Banking sub-sector

The banking sub-sector maintained robustness and stability, supported by sufficient capital, liquidity, and minimised credit risk. Total assets increased by 17.4 percent to TZS 54,263.0 billion in 2023, mainly driven by increased deposits (**Table 2.2**). The increase in deposits was attributed to continuous public confidence in the banking sector and recovery of economic activities coupled with enlarged outreach through fintech and agent banking. Commercial banks continued to dominate the market in total assets, accounting for 97.6 percent. The banking sector deposits were dominated by the top six banks that form part of systemically important banks, partly attributed to their wider branch network and use of agent banking and digital financial services. The six banks accounted for more than 65.2 percent of the total deposits, which calls for close monitoring to identify and mitigate any possible systemic risks.

Table 2.2: Composition of banking sector assets

Percent

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

Source: Bank of Tanzania

Total funding improved by 17.5 percent to TZS 49,130.6 billion in 2023 compared to the corresponding period (**Table 2.3**). The ratio of core deposits to total funding increased to 60.0 from 58.8 percent in the previous period. Still, it was above the required 50 percent, implying the strong ability of banks to withstand internal and external shocks.

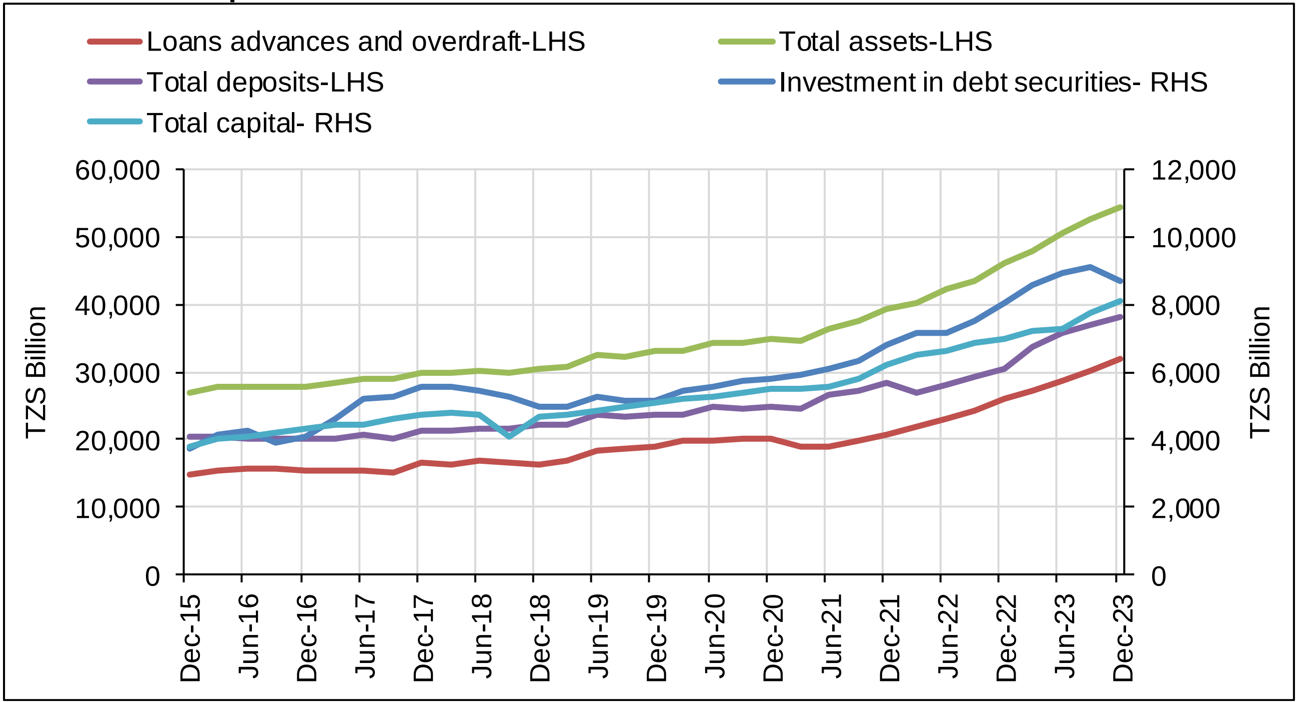
Table 2.3: Core deposits and total funding

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

Source: Bank of Tanzania

The banking sector assets continued to be dominated by loans, advances, and overdrafts, accounting for 57.2 percent of the total assets (**Chart 2.11**).

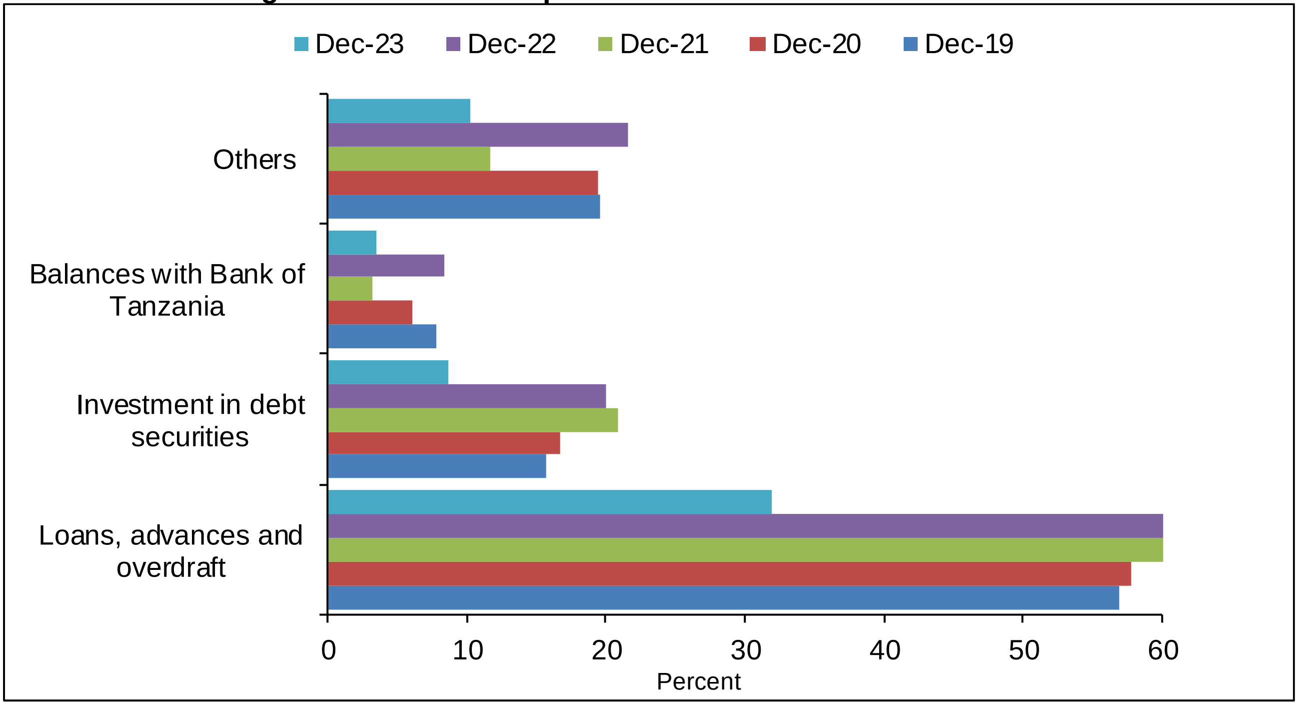
Chart 2.11: Composition of banks' selected assets and liabilities



Source: Bank of Tanzania

Banks' lending to private sector grew by 17.2 percent in 2023, which was above the projected rate of 16.4 percent. The improved financial conditions of the banking sector were reinforced by the growth of profitability, capital adequacy, and enhanced creditworthy of the borrowers as the economic conditions continue to improve. The loan-to-deposit ratio further increased to 92.7 from 89.3 percent recorded in 2022, reflecting an increase in bank appetite to provide credit to the private sector. However, the increase in the loan-to-deposit ratio may increase liquidity pressure on the banks in the event of rising defaults.

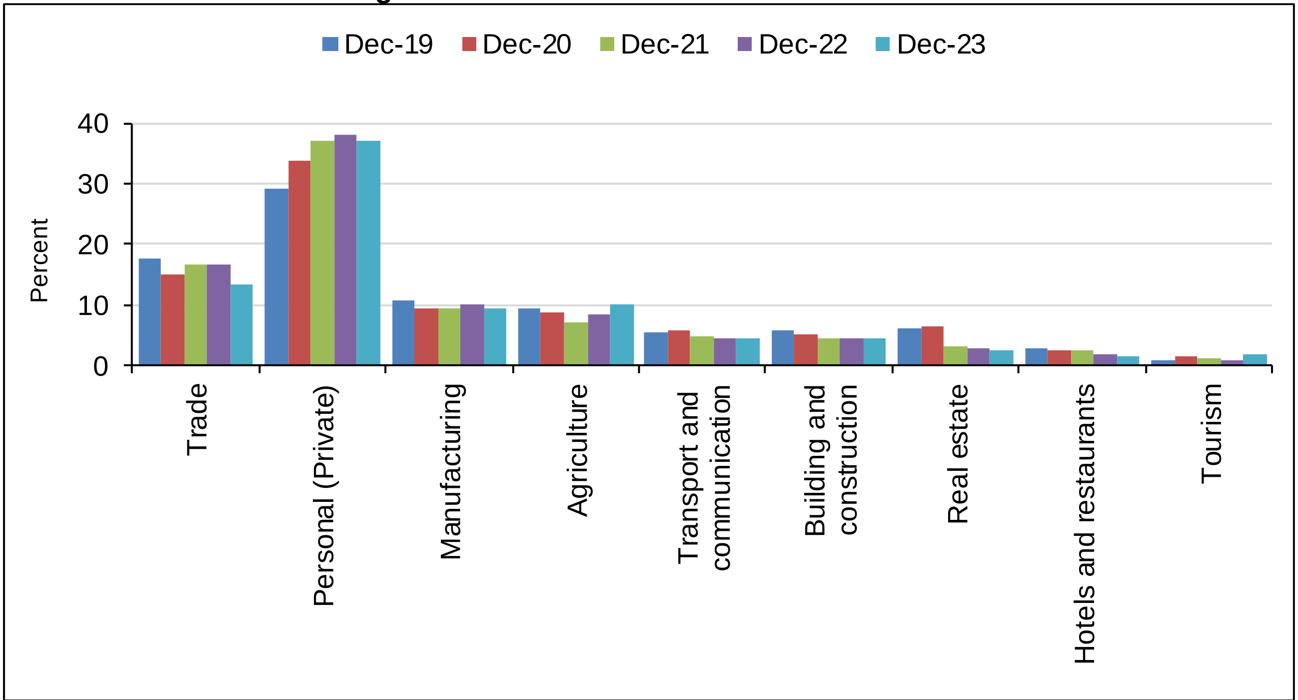
Chart 2.12: Banking sector assets composition



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 (37.2 percent), followed by trade (13.6 percent) and agriculture activities (10.2 percent) (**Chart 2.13**). The dominance of personal loans is partly attributed to measures by financial institutions to ease credit conditions, including interest rates, collateral requirements, and maturity, as evidenced by the Lending officers' opinion survey conducted in 2023.

Chart 2.13: Share of lending for selected sectors



Source: Bank of Tanzania

The funding gap (the usage of customers' deposits and retained earnings in funding-earning assets) decreased in 2023. The decrease was partly contributed by the increase in customer deposits and retained earnings compared to the preceding year. However, the growth of lending and other assets imposed some pressure on banks to fund the growth of earning assets through wholesale funding (**Table 2.4**).

Table 2.4: Funding gap (TZS Billion)

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

Source: Bank of Tanzania

Deposits, profitability, and retained earnings are expected to increase as business and economic conditions improve. However, the sector's funding costs could potentially come under pressure due to an additional spike in wholesale funding.

The banking sector maintained sufficient capital and liquidity to support lending. Core and total capital adequacy ratios were 17.7 percent and 18.4 percent in 2023, compared with 18.1 percent and 18.9 percent in 2022, respectively (**Table 2.6**). These were above the minimum regulatory threshold of 10.0 percent and 12.0 percent, respectively. The capital position supported the growth of credit to private sector as reflected by increased loans and advances. The banking sector exhibited enhanced performance in comparison to the previous period, as evidenced by absence of undercapitalised banks. The implementation of Basel II and III is expected to enhance the resilience of the sector, as detailed in **Box 4**.

Box 4: Regulatory interventions in enhancing the resilience of the banking sector

A. Implementation of Basel II and III

The Global Financial Crisis of 2007/2008 revealed inadequacy of tools to mitigate systemic risks and promote financial stability. In a response, the Basel Committee on Banking Supervision (BCBS) revised definition of regulatory capital, introduced capital buffers, leverage ratio and liquidity standards. This was done through issuance of a global regulatory framework aimed at creating more resilient banks and banking systems. The framework addresses shortcomings of the pre-crisis regulatory framework and provides a foundation for a banking system that is more resilient helping avoid the build-up of systemic vulnerabilities. The Bank of Tanzania implemented Basel I in 2008 and is currently implementing Basel II and III, which is part of its strategy to enhance the resilience and stability of the domestic financial sector.

In 2023, the Bank issued a framework for implementation of Basel II and III which included the issuance of revised regulations related to capital adequacy, liquidity management, prompt corrective actions. It also introduced Internal Capital Adequacy Assessment Process (ICAAP) Guidelines, Internal Liquidity Adequacy Assessment (ILAAP) Guidelines, Market Disciplines Guidelines for Banks and Financial Institutions. Additionally, the Bank provided Guidance Notes on Computation of Capital Charge for Credit Market, and Operational Risks, Guidance Notes on Computation of Net Stable Funding Ratio and Liquidity Coverage Ratio. These regulatory interventions are expected to strengthen the resilience of the sector in absorbing shocks.

For effective adoption of Basel II and III standards, the Bank of Tanzania has provided a moratorium period of eighteen months from the date of publication for banks or financial institutions to comply. However, the moratorium period shall be implemented in phases as indicated below: -

(a) Every bank or financial institution is expected to utilize the initial six months of the moratorium period of eighteen months, from 1st October 2023 to 31st March 2024, to adjust its systems and data granularity to meet regulatory reporting as per Basel II & III requirements;

(b) During the remaining twelve months of the moratorium period of eighteen months, from 1st April 2024 to 31st March 2025, there shall be a parallel run of the existing framework as per the regulations issued in 2014 against revised regulations and new guidelines issued in 2023. This setup aims at assessing implementation of the revised regulations and new guidelines issued in 2023 has yield the intended results;

(c) During the parallel run period, every bank or financial institution shall submit to the Bank a board approved Internal Capital Adequacy Assessment Process (ICAAP) report as at 31st December 2023, not later than 30th April 2024; and

(d) Every bank or financial institution shall be required to comply with the requirements of Basel II & III standards contained in the revised regulations and new guidelines with effect from 1st April 2025.

Following the adoption of Basel II and III framework, banks shall be required to comply with regulatory capital requirements as follows:

Table 2.5: Minimum capital requirements

Type of Capital	BCBS	Bank of Tanzania
Common Equity Tier 1	4.5	8.5
Additional Tier 1	1.5	1.5
Tier 1 (Core capital)	6.0	10.0
Tier 2	2.0	2.0
Total Capital	8.0	12.0
Capital Conservation Buffer (CCB)	2.5	2.5
Total Capital + CCB	10.5	14.5

Source: Bank of Tanzania

Further, The Bank of Tanzania has not introduced additional buffer for Domestic Systemic Important Banks (D-SIBs), rather the D-SIBs are required to comply with higher risk management requirements. In this process, the banks will also be required to have internal procedures for assessing their overall capital adequacy in relation to their risk profile (ICAAP) and submit them to the Bank. Depending on the effectiveness of the internal assessments, the Bank of Tanzania may consider an additional buffer requirement in due time. These institutions have additional regulatory and supervisory requirements including intensified supervision, stress testing, resolvability assessment and maintenance of recovery and resolution plans.

Adoption of Basel II and III will also enhance banks' liquidity risk measurement, standards and monitoring by introducing new metrics namely Liquidity Coverage Ratio and Net Stable Funding Ratio. Banks are required to conduct Internal Liquidity Adequacy Assessment Process (ILAAP) to identify, measure, manage and monitor liquidity and funding risks across different time horizons and stress scenarios, consistent with the risk appetite. The two ratios will increase the banking sector's ability to withstand liquidity shocks by holding a sufficient amount of high-liquid assets, enhancing trust among investors, facilitating regulatory assessment, creating additional incentives for banks to fund their activities with more stable sources of funding, and promoting financial stability.

B. Contingency and recovery planning guidelines

The Financial Stability Board's Key Attribute focusing on recovery and resolution plans (KA11) requires supervisory and resolution authorities to ensure that financial institutions maintain recovery plans that identify options to restore financial strength and viability when they come under severe stress. The plans should include, among others, credible options to cope with a range of firm-specific and market-wide stress situations to restore viability and ensure the continuity of critical functions. Execution of contingency and recovery planning will reduce the likelihood of the occurrence of systemic distress by sharpening supervisory processes and inducing self-regulation amongst supervised institutions as well as lower the cost of resolving distressed banks and financial institutions.

The Bank of Tanzania prepared contingency and recovery plan guidelines for banks and financial institutions in 2023. The plans provide a set of identified policies, actions and processes necessary for the prevention, management, and containment of banking or financial institutions distress. In developing plans, a bank should provide an overview of its business model describing its activities including significant business lines. Further, a bank should provide an assessment of critical functions and shared services, governance oversight, Management Information System (MIS) capabilities, early warning indicators, recovery options, triggers for activation of the plans, communication and coordination, and cross-border considerations. The circular which was issued by the Bank in April 2023 required banks and financial institutions to put inplace plans, procedures and policies for implementation of the plans by December 2023.

The plan will enhance the preparedness of a bank or financial institutions to deal with stressful situations in an orderly, timely and cost-effective manner to reduce the likelihood of the occurrence of a crisis and its impact on the stability of the financial system and the economy. The Bank will undertake periodic reviews of the plans to assess their viability and credibility.

Table 2.6: Selected financial soundness indicators (Percent)

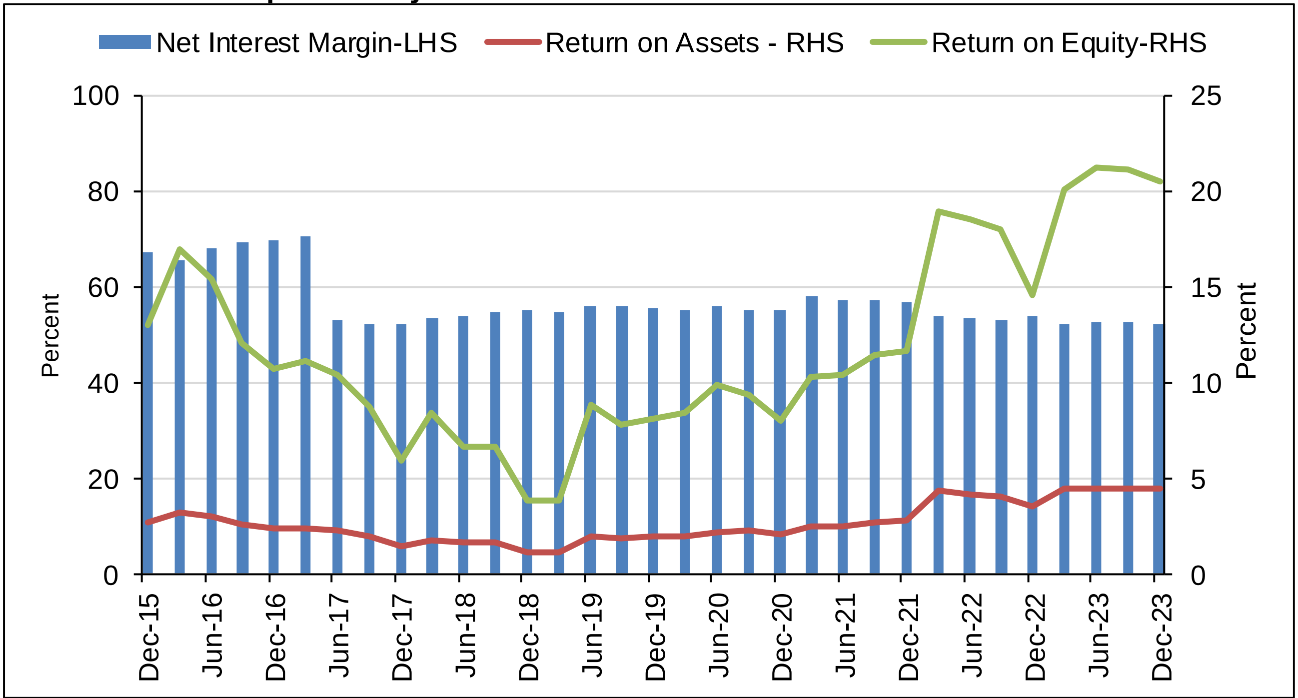
Indicators	Threshold	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Capital adequacy							
Core capital/TRWA	10.0	16.1	16.7	17.2	19.5	18.1	17.7
Total capital/TRWA	12.0	18.0	17.9	18.1	20.2	18.9	18.4
Liquidity							
Liquid assets/demand liabilities	20.0	35.2	32.4	30.7	29.4	26.5	28.7
Total loans/customer deposits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

Source: Bank of Tanzania
Note: OBSE is off-balance sheet exposure, TRWA is total risk-weighted assets

The banking sector maintained sufficient liquidity funds to finance asset growth and settle maturing obligations. The liquidity ratio increased to 28.7 percent in 2023 from 26.5 recorded in the preceding year, above the minimum regulatory requirement limit of 20.0 percent. The increase in the liquidity ratio was partly attributable to an increase in bank profitability following a pickup in economic activities. The increase signifies improved banks' ability to meet short-term obligations, increased confidence in the banking system and reduced likelihood of bank failures.

Increased profitability stemmed from enhanced operational efficiency and improved borrowers' debt servicing capacity. Return on assets and equity were at 4.5 percent and 21.0 percent in 2023, compared to 3.1 percent and 14.6 percent recorded in 2022, respectively (**Chart 2.14**). Growth in profitability was partly attributed to the expansion of loan portfolio, reduction of cost to income ratio, and favourable business environment, thereby enhancing the sector's resilience against potential risks.

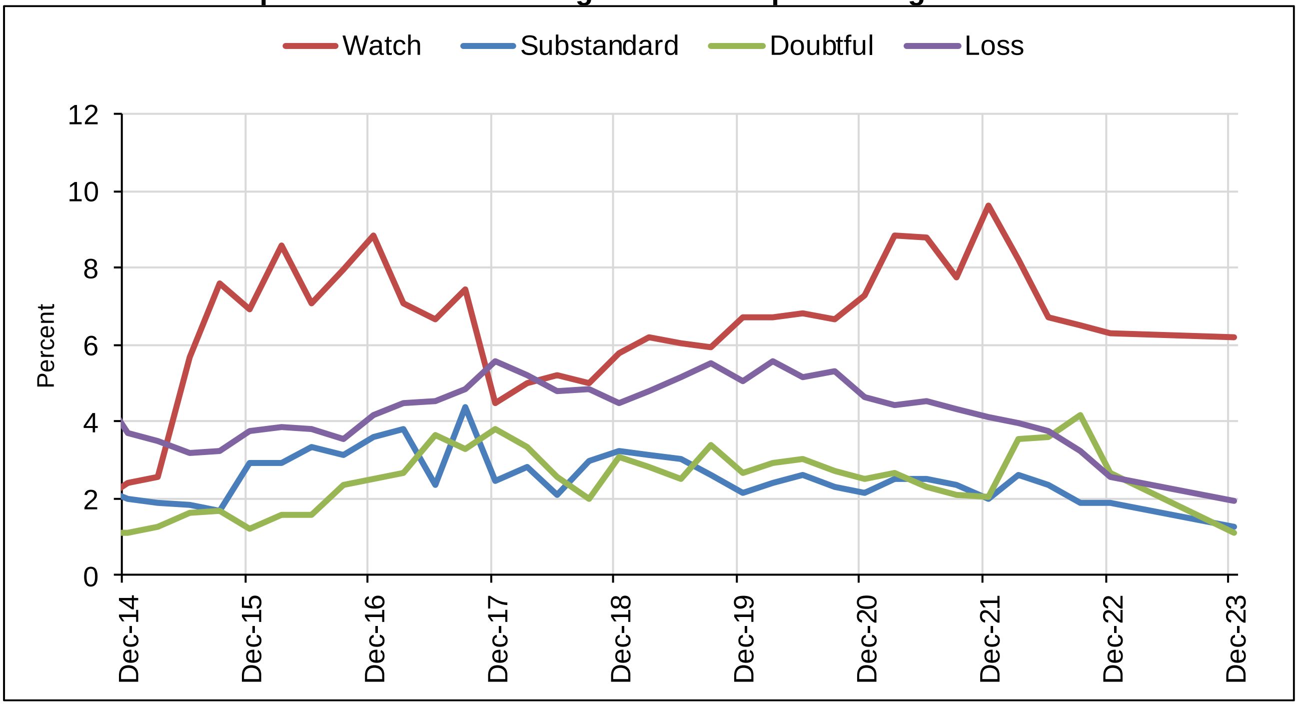
Chart 2.14: Banks' profitability



Source: Bank of Tanzania

Credit risk decreased, as reflected by the decline of non-performing loans. NPLs declined to 4.3 percent from 5.8 percent in 2022, partly attributable to enhancement of credit underwriting standards, continued business recovery, intensified loan recovery efforts, settlement of arrears, and increased utilisation of credit reference systems. It is worth noting that the level of watch loan category remained relatively unchanged, indicating that watch loans have not deteriorated. This signals a controlled build-up of potential credit risk which helped to maintain constancy of loan quality (**Chart 2.15**).

Chart 2.15: Development of different categories of non-performing loans

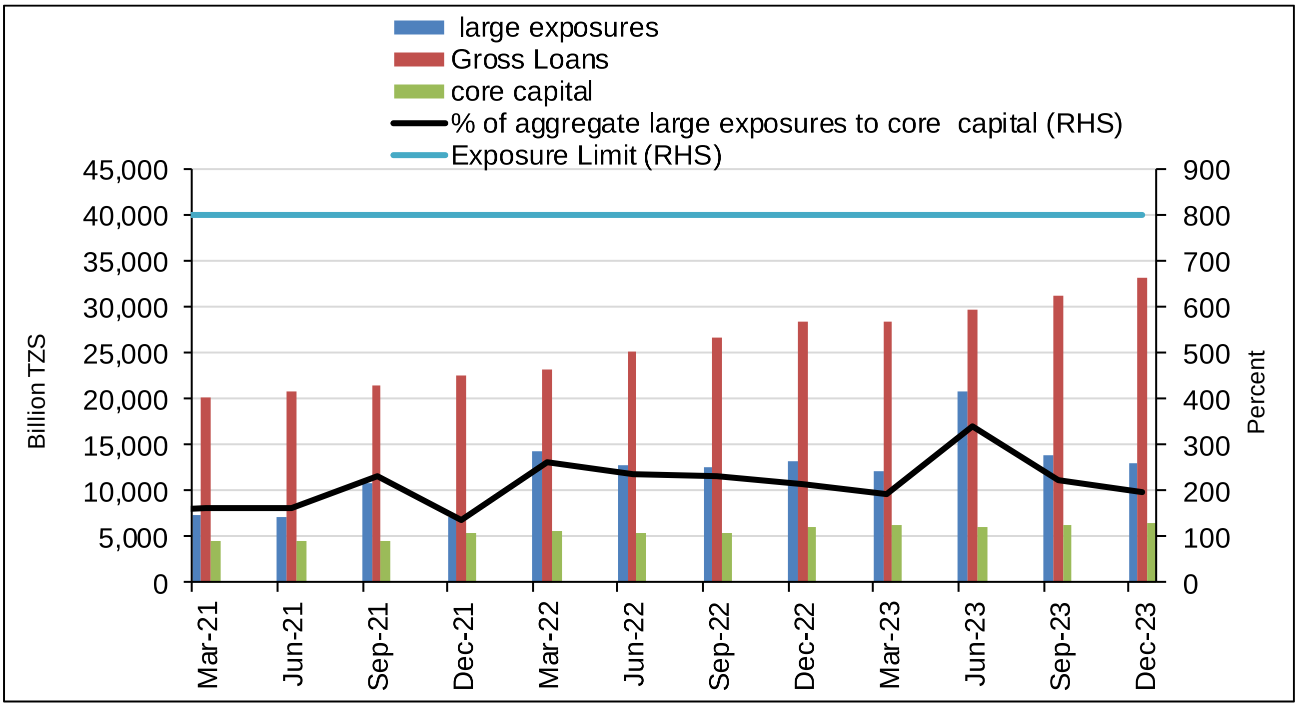


Source: Bank of Tanzania

The concentration of large borrowers depicted by aggregate large exposures to core capital stood at 198.1 percent in 2023 compared with 215.7 percent recorded in 2022, within the regulatory limit of 800.0 percent (**Chart 2.16**). Meanwhile, the Herfindal Hirschman Index (HHI) shows that the banking sector market is concentrated among a few banks, underscoring the need for close monitoring to mitigate any possible systemic risks (**Chart 2.17**)[3].

[3] 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.

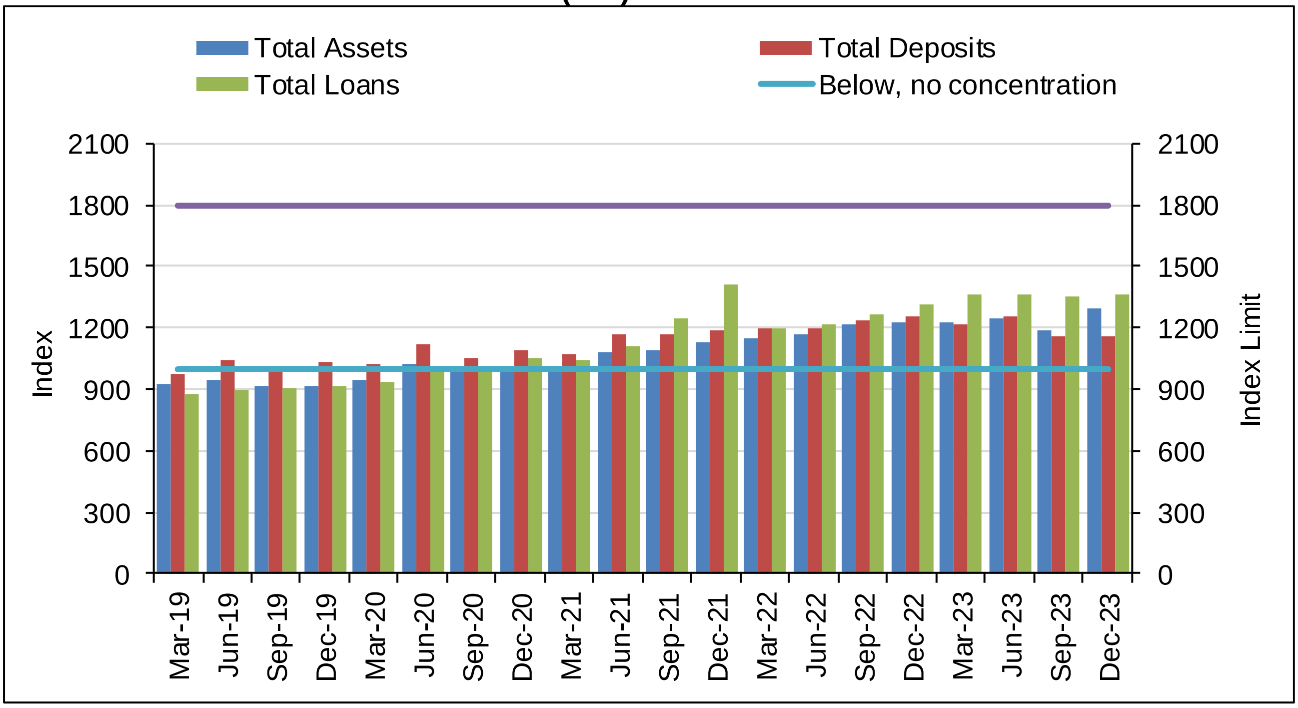
Chart 2.16: Credit concentration risk



Source: Bank of Tanzania

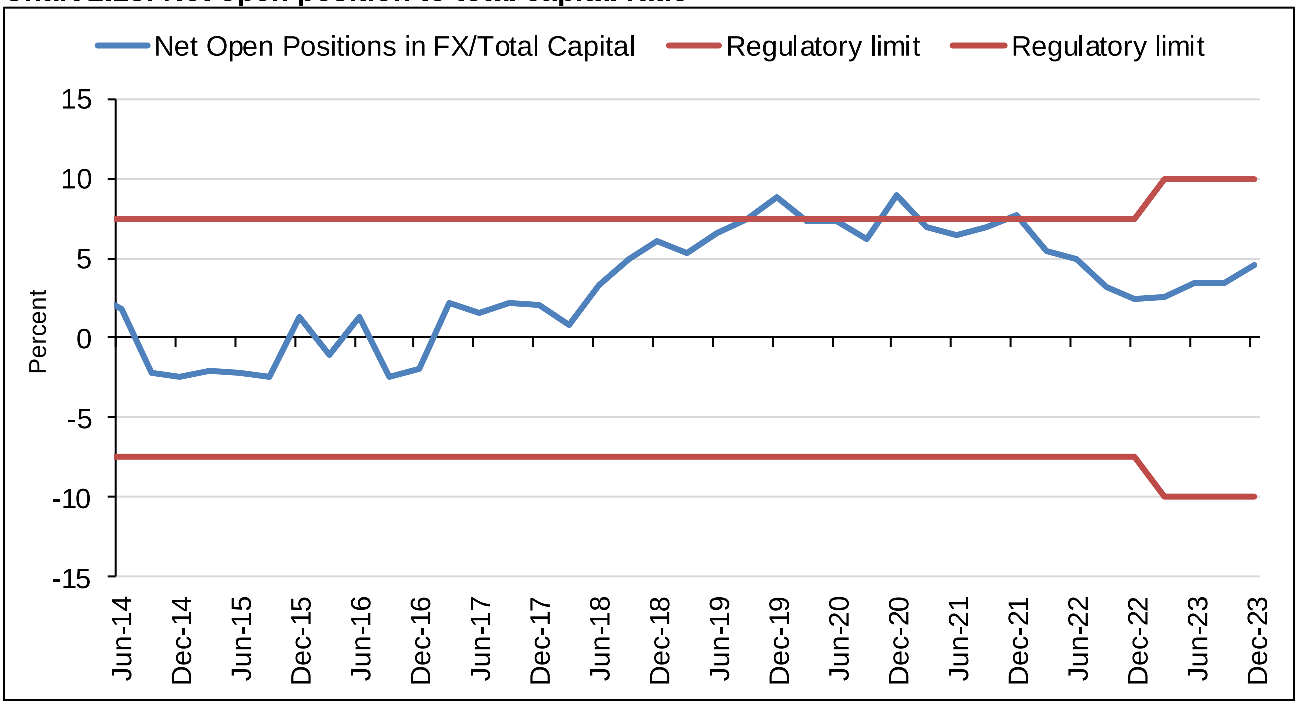
Exposure to exchange rate risk remained low and within the regulatory limit. Net Open Position (NOP) which measures foreign exchange exposure moved to 4.5 percent in 2023 from 2.5 percent in 2022, but within the regulatory threshold of +/-10 percent. Suggesting that institutions adequately practiced prudent risk management and effective mitigation measures to deal with adverse currency fluctuations (**Chart 2.19**). This also indicates an increase in foreign currency assets relative to foreign currency liabilities on account of increase in foreign currency borrowing to meet import demand obligations. Furthermore, the ratio of foreign currency deposits to total deposits slightly increased to 27.9 percent in 2023 compared to 25.6 percent in 2022, as a result of increase in deposit rates for foreign currency-denominated deposits as well as depreciation of the Tanzanian shilling against USD.

Chart 2.17: Herfindahl Hirschman Index (HHI) for all banks



Source: Bank of Tanzania

Chart 2.18: Net open position to total capital ratio



Source: Bank of Tanzania

The share of foreign-denominated loans to total loans dropped to 26.3 percent in 2023 compared to 31.7 percent in 2022, partly explained by tightened lending conditions in foreign currency following differentials between the interest rates paid on domestic and foreign currency loans, inflationary pressure, increased cost of imported goods as observed during Non-Financial Corporate Sector

Survey, 2023 (**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 (TZS Billion)

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

Source: Bank of Tanzania

Lending practices and credit conditions

In 2023, the Bank surveyed the lending practices and credit market conditions of banks, microfinance service providers, and SACCOs. The survey revealed mixed improvements were reported regarding lending practices and credit market conditions.

The banking sector observed credit growth in parallel with the reduced NPL levels. This was mainly attributed to intensified recovery efforts, tightened collateral requirements, improved credit underwriting standards and approval processes, continued usage of credit reference bureaus, and improved borrowers' debt servicing capacity following improved business performance. Furthermore, banks reported a positive outlook coupled with anticipation of a continued decline in NPLs, easing credit conditions and intensification of credit recovery efforts.

The regulation and licensing of non-deposit-taking microfinance service providers contributed to the transformation of the microfinance sector. The survey indicated considerable improvements in loan administration from origination to recovery efforts with a continued reduction of interest rates charged by microfinance service providers. However, some microfinance service providers introduced additional fees and charges to compensate for the reduced interest rates. The Bank continues to license and supervise the sector to ensure ethical practices and maintain stability in the financial system.

SACCOS reported that loans were predominantly channelled to trade and personal-related activities, with a similar observation noted for microfinance loans. Further, it was reported that most of the processes involved in loan administration remained relatively unchanged, with increased loan applications attributed to improvements and a positive outlook on economic activities.

Banking sector resilience

The banking sector's ability to withstand macro-financial shocks was tested under baseline, adverse, and severe scenarios and the results indicated that the sector remained resilient to credit, interest rate, exchange rate and liquidity risks.

The credit risk assessed the impact of overall and sectoral increase in NPLs. The results showed the minimum capital requirements for proportionate and sectoral increases in non-performing loans (NPLs) were met. Additionally, the results revealed gradual improvements in capital level for medium banks, with the top five and top ten banks showing a similar trend.

The interest rate risk stress testing assesses the impact of a parallel shift of interest rates due to changes in interest and government bond prices. The results showed that the banking sector would cover the losses due to changes in interest and price changes and comply with the minimum threshold for baseline and adverse scenarios shocks.

Exchange rate risk stress testing assesses the impact of TZS appreciation or depreciation against major traded currencies and how this affects foreign currency credit portfolios. The banking sector was resilient to exchange rate risk with capital ratios above regulatory thresholds.

Liquidity stress testing evaluates the ability of banks to meet their short-term (daily) financial obligations. The shock considered was the proportionate deposits withdraws for five consecutive days where the results showed that, banks' liquidity positions would stay steady above the statutory threshold.

Bottom-up stress test: Results demonstrated that the banking industry is well-positioned to withstand a significant economic downturn. Banks' stress testing results assess credit, interest rate, exchange rate, liquidity risk, profitability, and capital positions, with some extending assessments to operational and counterparty risks.

Microfinance service providers

The number of Tier 2 microfinance service providers increased to 1,579 at the end of December 2023 from 1,095 recorded in December 2022. The reported outstanding loans by Tier 2 microfinance service providers reached TZS 962.33 billion, while the level of asset quality, as measured by NPL, was at 8.0 percent, indicating the sub-sector was performing satisfactorily.

The Tanzania Cooperative Development Commission (TCDC) licensed 125 SACCOS in 2023, bringing the total number of licenced SACCOS to 884. However, a major challenge in licensing Tier 3 microfinance service providers is the SACCOS’ inability to comply with the minimum capital requirements. To address this issue, the Bank has granted a three-year waiver until April 2025 for the

SACCOS to build up their capital to the required levels. Due to this waiver, in 2023, TCDC issued probationary licenses to six SACCOS.

In collaboration with President's Office – Regional Administration And Local Government (PO-RALG), the Bank continues to sensitise Community Microfinance Groups (CMGs) to register. To date, 46,928 CMGs have been registered, compared to 34,127 at the end of 2022.

In Zanzibar, the President's Office of Finance and Planning licensed three microfinance service providers under Tier 2, bringing the total number of licensed institutions to eight as of the end of December 2023. During the review period, 2 SACCOS and 1954 Cooperative Development Groups were registered by the President's Office of Labour, Economy and Investment. However, four SACCOS were dormant and had to be deregistered, as a result, there were 216 licensed and active SACCOS by the end of December 2023. The Zanzibar Microfinance Service Act, No. 9 of 2023, was enacted, leading to enhanced monitoring and supervision of the microfinance business, and reduced public outcry towards unfair practices.

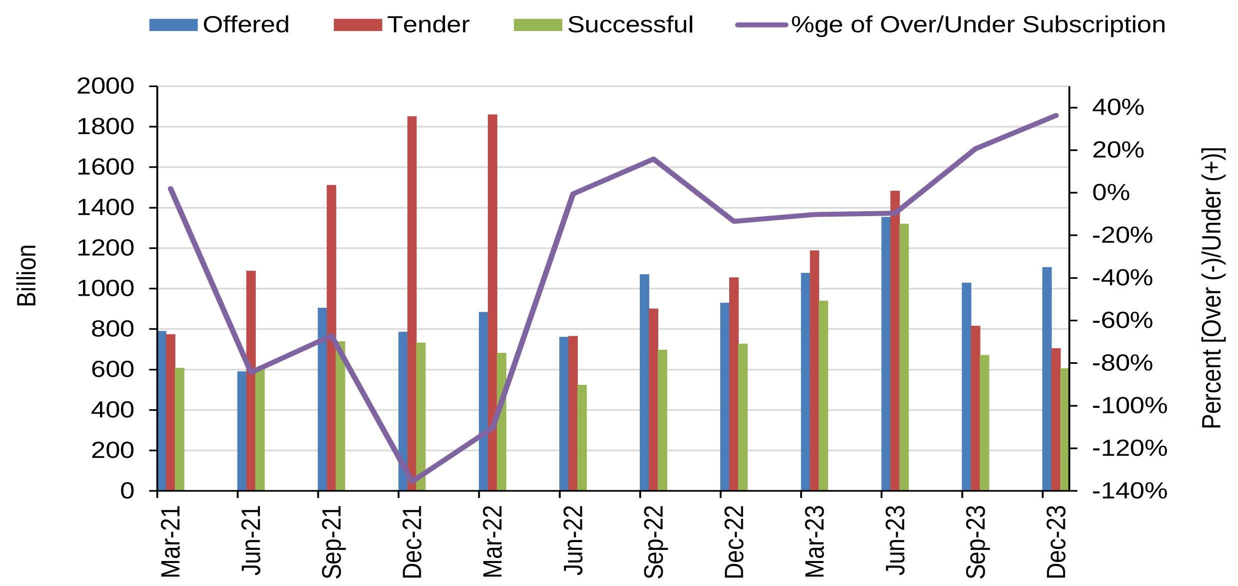
2.5.2. Non-banking

Capital Markets

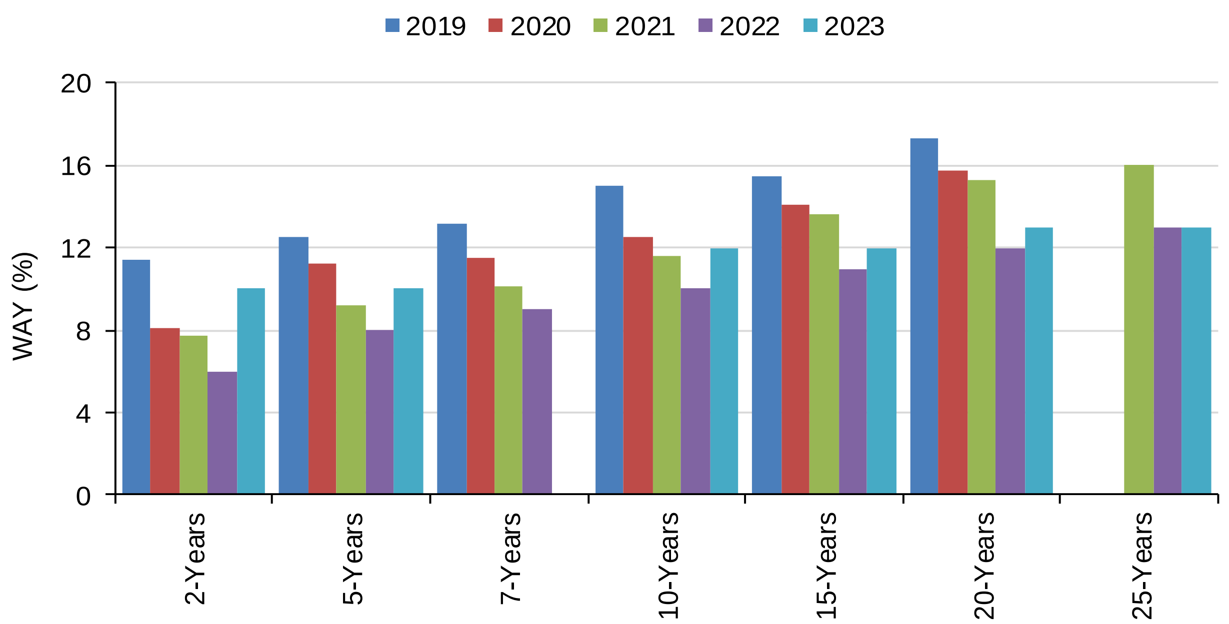
Primary market for Government securities was characterised by high yield amid an increased appetite to invest in the real economy. Government securities depicted discounted prices which increased yield to investors. Bond auctions were, on average undersubscribed by 9.0 percent in 2023 compared to an oversubscription of 27.0 percent during the preceding year (**Chart 2.19 (a)**). Furthermore, weighted average yield to maturity increased across all maturities, especially in short and medium tenures (**Chart 2.19 (b)**). The increase in the weighted average yields coupled with the growing under subscription, especially in the short-term maturities, was due to the pick-up in economic activities, providing an alternative avenue for investment, and investors' portfolio rebalancing towards foreign currency-denominated deposits.

Chart 2.19: Performance of the primary bond market

(a) Bond performance



(b) Weighted average yield



Source: Bank of Tanzania

Banks and social security schemes dominated with 40.1 percent and 31.2 percent of the market, respectively, compared to 50.9 percent and 19.2 percent registered in 2022. The participation of social security schemes almost doubled from TZS 620.7 billion to TZS 1,232.2 billion on account of increased appetite for investing in Government bonds due to their convenience in meeting beneficiaries' obligations, while protecting the schemes funds (**Table 2.8**).

Table 2.8: Participation in the primary bond market by category

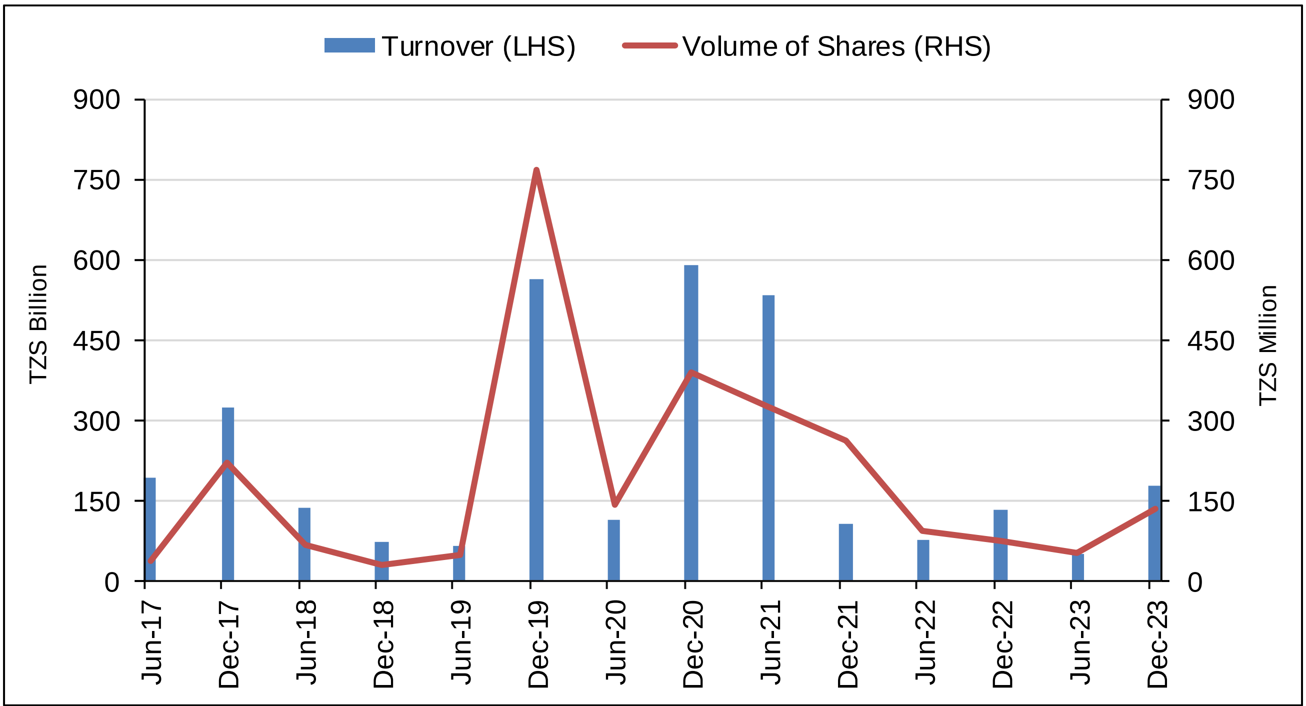
Types of Participants	Amount (TZS Billion)					Proportion (Percent)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Banks	2,380.0	1,630.7	1,680.1	1,647.8	1,584.5	71.8	48.4	53.3	50.9	40.1
Individual	207.9	263.1	372.2	356.6	428.9	6.3	7.8	11.8	11.0	10.8
Insurance	314.6	200.5	250.5	228.9	321.9	9.5	6.0	8.0	7.1	8.1
Brokers	139.2	46.4	45.6	135.5	157.1	4.2	1.4	1.4	4.2	4.0
Social Security	183.1	1,104.3	685.7	620.7	1,232.2	5.5	32.8	21.8	19.2	31.2
Others	91.3	121.3	115.0	246.7	230.9	2.8	3.6	3.7	7.6	5.8
Total	3,316.0	3,366.1	3,149.2	3,236.4	3,955.6	100.0	100.0	100.0	100.0	100.0

Source: Bank of Tanzania

Secondary markets demonstrated resilience and growth despite evolving global financial challenges. The total value of investment in the capital markets increased by 9.3 percent, reaching TZS 37,410.1 billion during the year ending 31st December 2023, from TZS 33,998.4 billion in the corresponding period. Trading activities in equity and bond markets rose by 31.4 percent to TZS 4,154.6 billion during the year ending 31st December 2023. The Net Asset Value (NAV) of Collective Investment Schemes increased by 50.2 percent to TZS 1,841.7 billion from TZS 1,226.3 billion recorded during the preceding year. These developments were mainly attributed to the improved regulatory and business environment, pick-up in economic activities coupled with the resilience of the domestic capital market to the global shocks and growth in the financial sector. This is also reflected by conducive policy, regulatory and operational environment, economic diplomacy, and international relations being implemented by the Government opening of new capital market frontiers.

Trading activity in the equity market grew, reflecting increased investors' confidence. During the year ending December 2023, total equity turnover at the Dar es Salaam Stock Exchange increased by 68.5 percent to TZS 255.2 billion from TZS 133.7 billion recorded during the previous year. This was mainly due to the acquisition of 68.3 percent of shareholding in Tanga Cement Plc by Scancem International (**Chart 2.20**). This transaction reflects increasing trust and interest from the global investment community as the Government continues to strive to create favourable economic policies fostering a conducive investment environment.

Chart 2.20: Dar es Salaam Stock Exchange equity trading

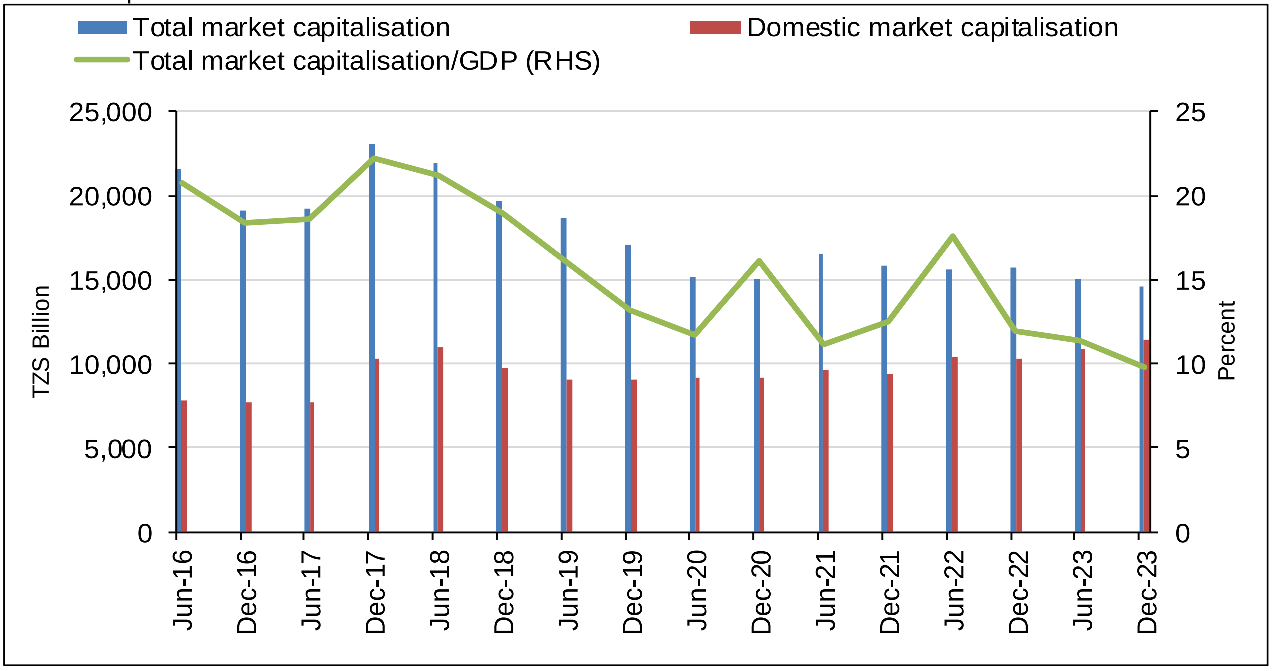


Source: Dar es Salaam Stock Exchange

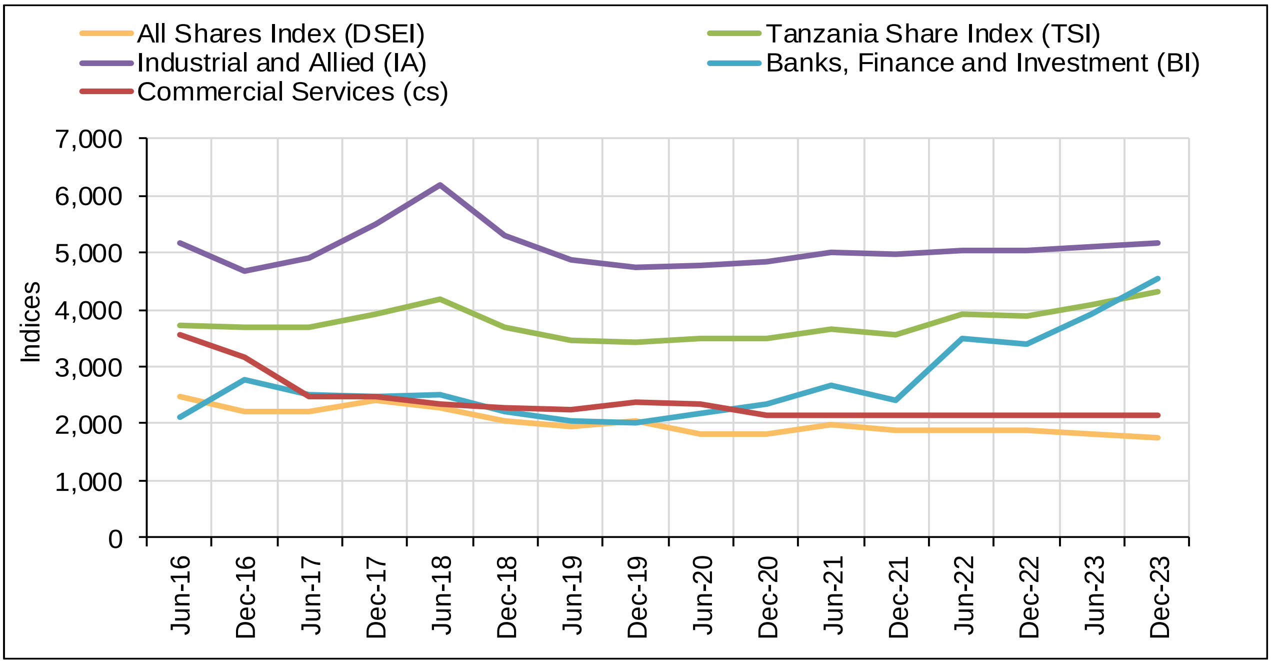
The depth of the equity market, as measured by the ratio of total market capitalisation to GDP, decreased to 9.8 percent from 11.9 percent recorded in the preceding year. This was due to the decrease in the share prices of cross-listed companies, reflecting the repercussions of global economic shocks (**Chart 2.21**).

Chart 2.21: Performance of the Dar es Salaam Stock Exchange

Market capitalization



Share Indices



Source: Dar es Salaam Stock Exchange

The share of domestic market capitalisation increased by 10.6 percent to TZS 11,401.4 billion from TZS 10,279.9 billion, while the Tanzania Share Index, which tracks the performance of domestic listed companies, improved by 9.1 percent to 4,304.4 points from 3,888.8 points. This performance indicates presence of a robust local economy and sector-specific progress, presenting an attractive opportunity for investors to keep tapping into the local growth narrative. All Share Index (DSEI), which tracks the performance of all listed companies, declined to 1,750.6 points from 1,881.9 points recorded in 2022 mainly on account of the decrease in share prices of cross-listed companies (**Chart 2.21**). The downward trend is due to the deprived performance of cross-listed companies, particularly EABL, KCB and JHL, whose performance declined compared to locally listed companies. The decline reflects the impact of the changes in global financial condition following the tightening of monetary policy in advanced countries that affected investors' appetite and capital flows to developing countries. However, the domestic market demonstrated resilience amidst global uncertainties on the backdrop of domestic economic and financial stability, thus posing high-growth opportunities for investors.

Market concentration risk remained low on account of the improved performance of domestic listed companies. Domestic companies' market share, measured as a percentage of market capitalisation, increased by 12.5 percent to 78.0 percent in December 2023 compared to 65.5 percent recorded in December 2022. The low market concentration risk was on account of increase in share prices of CRDB, DSE, NMB, NICO, Tanga Cement, TCCIA and TWIGA counters. The impressive performance was a reflection of growth in the financial sector arising from increased investments and a surge in demand for financial services. The performance was also contributed by the strong growth of the commercial and industrial activities (**Table 2.9**).

Table 2.9:Total market capitalisation

Percent

Cross Listed Companies(CLC)	Dec-20	Dec-21	Dec-22	Dec-23
EABL	17.2	16.8	16.0	9.8
KCB	15.9	17.3	13.5	7.1
KA	3.0	2.9	2.9	3.1
JHL	2.8	3.0	1.7	1.5
NMG	0.4	0.4	0.4	0.4
CLC Market share as percent of Total Market Capitalization	39.3	40.4	34.5	22.0
Domestic Listed Companies (DLC)				
TBL	21.3	20.4	20.5	22.0
NMB	7.8	6.3	9.6	15.4
VODA	11.4	10.9	11.0	11.8
TCC	11.3	10.8	10.8	11.6
CRDB	3.4	4.6	6.6	8.2
TPCC	3.0	3.9	4.2	5.4
OTHERS	2.6	2.7	2.7	3.6
DLC Market share as percent of Total Market Capitalization	60.7	59.6	65.5	78.0

Source: Dar es Salaam Stock Exchange

Market participation of foreign investors increased, reflecting an improved business environment. During 2023, local investors' participation accounted for 42.7 percent on the buy side with 57.3 percent foreign investors' participation, while on the sell side, local investors' participation accounted for 30.8 percent with 69.2 percent foreign investors' participation. The increase indicates the ability of the Tanzanian capital market to evolve and attract diverse investors contributing to the growth of the economy. This signals foreign investors' confidence in the performance of listed companies and improvement in the business environment in the country (**Chart 2.22**). The positive developments are expected to carry on following the intensification of awareness campaigns and usage of technology-enabled platforms (**Table 2.10**).

Table 2.10: Equity Trading Participation in the DSE by investors' category

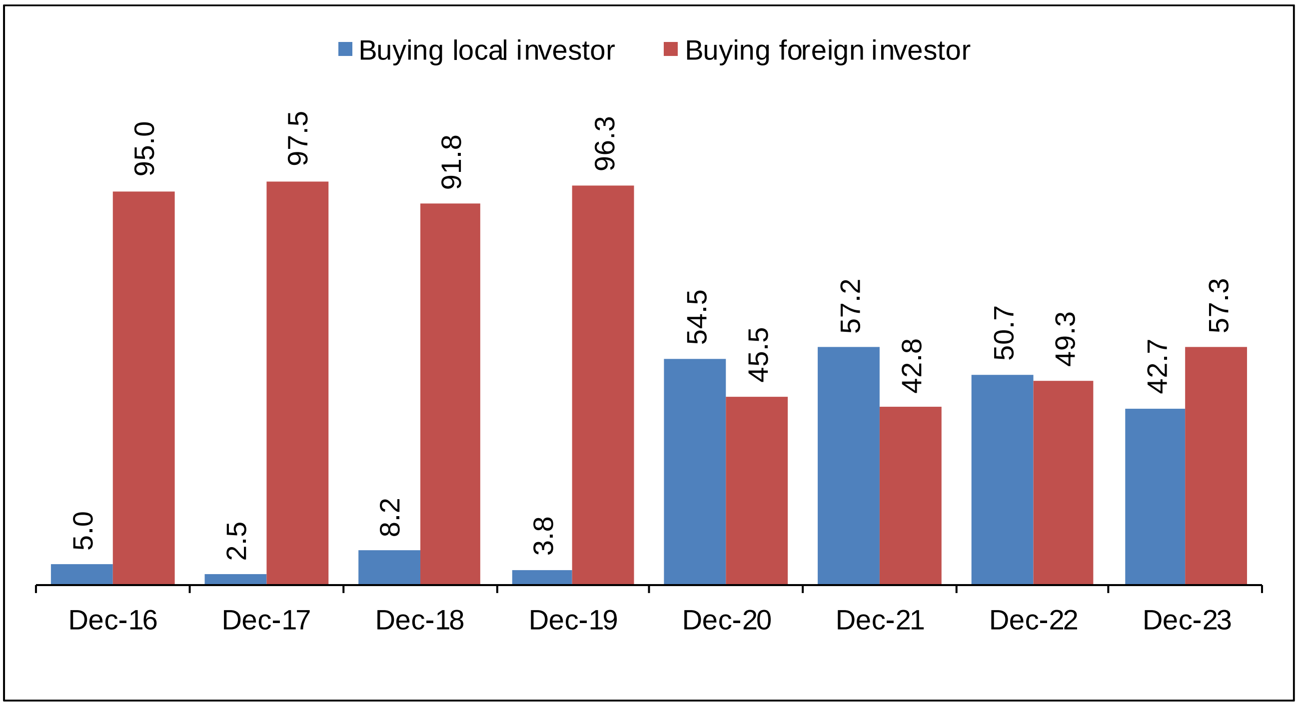
Billion

	Jan to Dec 22			Jan to Dec 23		
Category	Purchase	Sale	Net Flows	Purchase	Sale	Net Flows
Individuals	31,116.9	45,223.8	-14,107.0	49,887.0	46,303.0	3,584.0
Corporations	25,162.1	24,124.9	1,037.3	26,250.9	14,825.0	11,425.9
Social Security	11,560.2	-	11,560.0	13,714.4	4,630.0	9,084.4
Insurance	-	871.9	872.0	6,314.2	7,527.1	-1,212.9
Banks	-	-	-	-	-	-
Foreigners	65,821.8	63,440.3	2,381.5	129,052.8	151,934.0	-22,881.2
Total	133,661.0	133,661.0	0.0	225,219.2	225,219.2	0.0

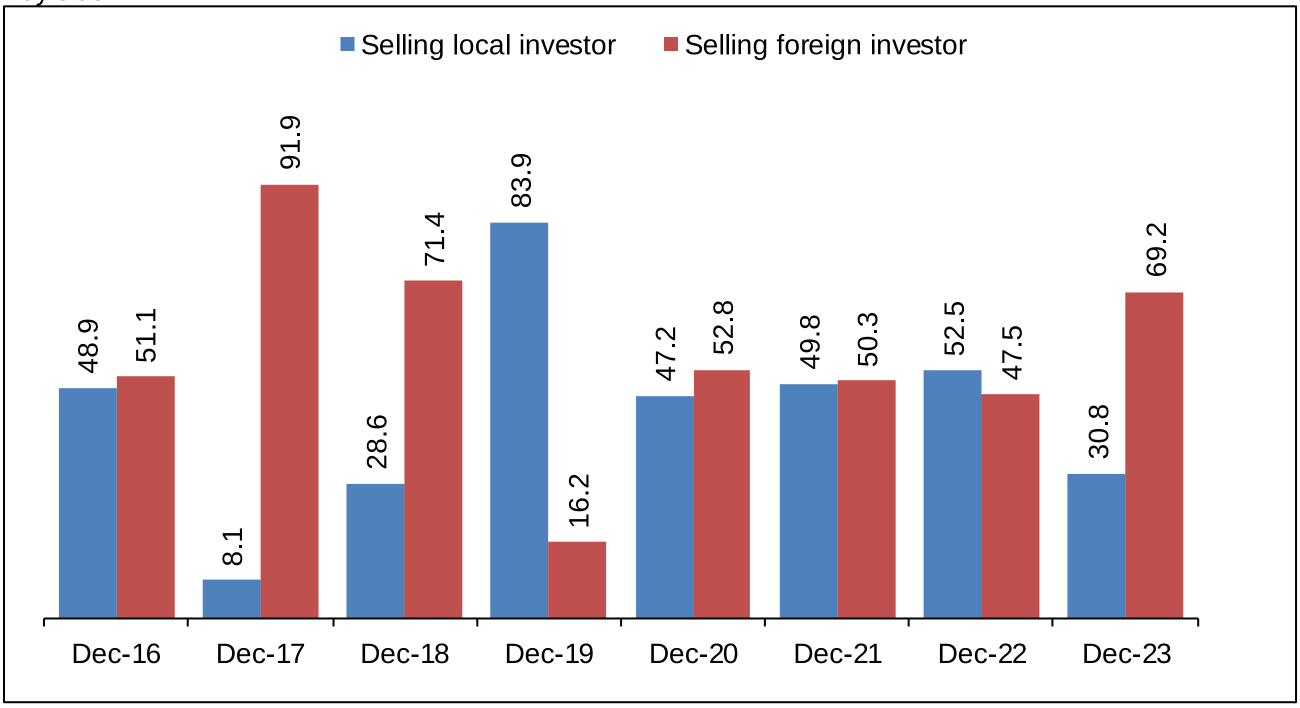
Source: Dar es Salaam Stock Exchange

Chart 2.22: Investors' participation in the DSE

Sell side



Buy side



Source: Dar es Salaam Stock Exchange

The performance of government bonds in the secondary market continued to demonstrate resilience and expansion. Turnover of government bonds on the secondary market increased by 29.3 percent to TZS 3,929.4 billion in 2023 from TZS 3,037.7 billion in 2022. This trend underscores the growing investors' confidence in government securities as a stable and reliable investment (**Chart 2.22**). The growth reflects efforts on public education, attractive yield to maturity offered compared to those offered by corporate bonds and pick-up of economic activities. Commercial banks continued to be the main participants, followed by other individuals and corporations, reflecting an increase in household income (**Table 2.11**). The ongoing government's commitment to economic stability and progressive financial policies will further enhance the attractiveness of government bonds.

Table 2.11: Government bonds secondary market trading participation by categories

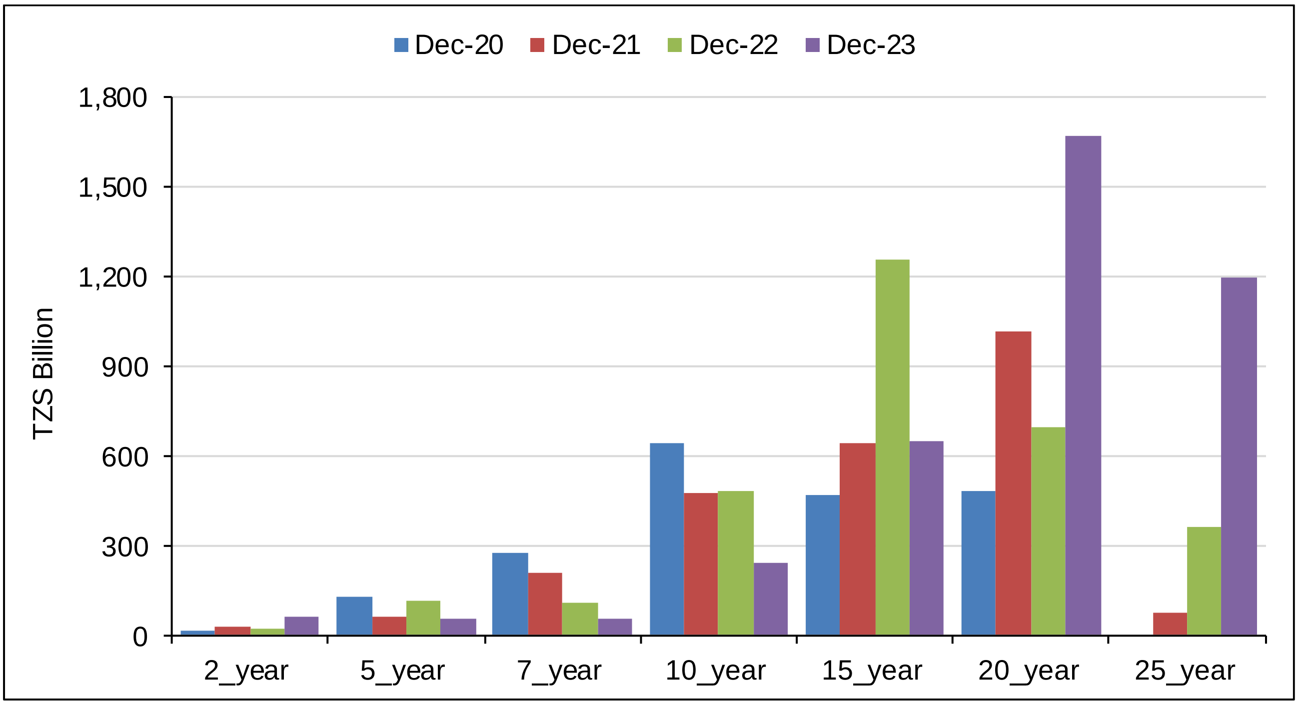
Billion

	Jan to Dec 2022			Jan to Dec 2023		
Particulars	Buy	Sell	Net flow	Purchase	Sale	Net flow
Banks	1,408.6	1,701.0	-292.4	1,762.3	2,259.6	-497.3
Corporation	1,081.4	906.0	175.4	871.1	517.9	353.2
Individual	223.0	253.0	-30.0	943.2	929.2	14.0
Social funds	300.6	112.1	188.5	332.3	195.3	136.9
Insurance	23.6	53.2	-29.5	20.5	27.0	-6.5
EAC	0.4	12.3	-11.9	0.0	0.5	-0.5
Total	3,037.7	3,037.7	0.0	3,929.4	3,929.4	0.0

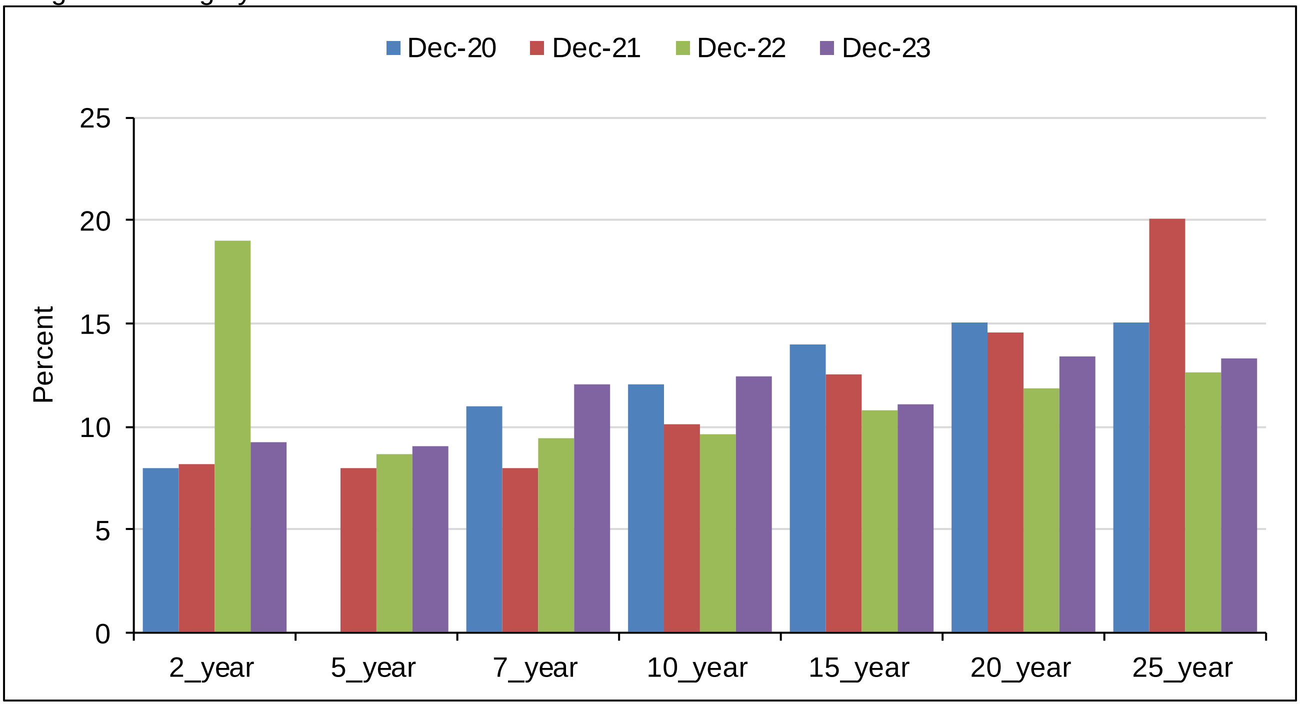
Source: Dar es Salaam Stock Exchange

Chart 2.23: Government bond turnover

Turnover



Weighted average yields



Source: Dar es Salaam Stock Exchange

The corporate bonds market was characterised by innovative, financially sound and environmentally friendly products. The introduction of thematic and ethical bonds[4] in 2023 contributed to the extraordinary growth of 70.6 percent to TZS 1.1 billion from TZS 0.6 billion. The surge indicates an increasing interest in sustainable and socially responsible investment options, aligning with the global trends towards mitigating evolving climate-related risks. As the Tanzania financial market continues to evolve and adapt innovative products such as bonds, it is poised to play an increasingly significant role in shaping the financial landscape and offering investors a wide array of investment options.

Collective investment schemes have demonstrated robust performance, providing investors with consistent returns. During 2023, the total Net Asset Value (NAV) of the collective investment scheme increased by 49.6 percent to TZS 1,841.7 billion from TZS 1,226.3 billion. The increase was due to the good performance of the securities (equities and bonds) in which the funds were invested. The performance was also pioneered by technological advancements to widen the investor base, mirroring the financial sector's shift towards digitalisation to democratise investment access (**Table 2.12**). The collective investment schemes continued to provide an effective vehicle for investors to implement their preferred investment strategies, saving platforms for individuals in serving their needs such as education, retirement, pension, health care and insurance to enable households and other investors to improve their financial conditions.

Table 2.12: Collective investment schemes

	Outstanding units (Millions)			Net Asset Value (NAV in Millions)			NAV Growth %		
Scheme	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23
UTT-AMIS Funds									
Umoja Fund	346.9	344.7	345.6	269,464.7	302,291.7	339,983.6	13.5	12.2	12.5
Wekeza Maisha	3.8	9.0	13.9	2,536.6	6,658.7	12,063.1	77.3	162.5	81.2
Watoto Fund	9.5	15.4	22.9	4,599.0	8,426.9	14,560.4	24.8	83.2	72.8
Jikimu Fund	114.3	120.2	134.9	17,321.6	19,122.6	22,994.4	-3.6	10.4	20.2
Liquid Fund	1,006.3	1,632.8	2,325.7	304,337.4	559,272.1	890,749.2	99.4	83.8	59.3
Bond Fund	1,313.6	2,810.6	4,649.2	146,666.6	322,543.9	542,099.4	129.4	119.9	68.1
Total	2,794.5	4,932.6	7,492.2	744,925.9	1,218,315.9	1,822,450.0	56.2	63.5	49.6
Watumishi Fund									
Faida Fund	-	79.5	174.6	-	7,975.5	19,242.1	-	-	-
Grand Total	2,794.5	5,012.1	7,666.8	744,925.9	1,226,291.4	1,841,692.1	56.2	63.5	49.6

Source: Capital Markets and Securities Authority

Other fund managers have demonstrated skills to deliver strong returns thereby earning the trust and confidence of investors. The value of total assets under other fund managers was TZS

[4] Thematic and ethical bonds are a type of fixed-income security issued to finance projects that align with specific themes or goals such as those related to environmental, social, ethical or governance criteria.

160.4 billion in 2023 compared to TZS 146.8 billion recorded in the previous year. Funds placed by individual clients were 46.1 percent of the total fund management portfolio whereas the funds placed by institutional investors were 53.9 percent. The fund managers are composed of Watumishi Housing Company-Real Estate Investment Trust, managing 42.4 percent of the total value of funds, followed by TSL Investment Management Limited, with 39.2 percent and the remaining four (4) fund managers managing 18.4 percent. Funds were diversified into several asset classes, with 38.1 percent placed in real estate, followed by money market instruments accounting for 44.0 percent and 17.9 percent in equities.

The total value of investment in the capital markets increased by 9.3 percent, reaching TZS 37,410.1 billion in 2023. The increase was attributed to conducive regulatory policies, a pick-up of economic activities, and a good operational environment, which led to good performance of listed companies, listing of thematic and ethical capital markets products, and improved performance of Collective Investment Schemes (**Table 2.13**).

Table 2.13: Value of investment in the capital market

Billions

Items	2022	2023
Equity	15,684.6	14,611.4
Government Bonds	16,943.9	20,236.1
Corporate Bonds	143.8	720.8
NAV of Collective Investment Schemes	1,226.3	1,841.7
Total Value	33,998.4	37,410.1

Source: Capital Markets and Securities Authority

Insurance

The insurance subsector has shown robust growth, resilience, and expansion. The insurance subsector's total assets have increased from TZS 1,697.0 billion to TZS 1,870.8 billion, indicating a growth of 12.1 per cent. This growth suggests that the insurance subsector has accumulated more assets, including investments, reserves, and other holdings, signifying a positive expansion of its financial base. The total liabilities have increased from TZS 1,006.5 billion to TZS 1,128.7 billion, marking a 10.2 per cent rise. This indicates that the insurance subsector has taken on more financial obligations over the years due to increased policy payouts (**Table 2.14**).

Table 2.14: Insurance sector performance

Particular	31-Dec-22	31-Dec-23	Percentage change Dec 22 to Dec 23
Total Assets	1,697.0	1,870.8	12.1
Total Liabilities	1,006.5	1,128.7	10.2
Total Net worth	690.5	742.2	7.5
Total Investments	1,169.7	1,318.5	12.7
Gross Premium Written			
General Insurance	895.1	974.0	8.8
Life Insurance	242.2	264.5	9.2
Total	1,137.3	1,238.5	8.9

Source: Tanzania Insurance Regulatory Authority

The total net worth has increased from TZS 690.5 billion to TZS 742.2 billion, indicating a growth of 7.5 percent. The subsector total investment increased by 12.7 percent from TZS 1,169.7 billion to TZS 1,318.5 billion. This growth suggests that the companies' financial positions have strengthened over the year, as their assets have grown more than their liabilities.

The gross premiums written increased, reflecting more demand for insurance services. The total gross premiums written, combining general and life insurance, increased by 8.9 percent to TZS 1,238.5 billion. Premium written for general insurance increased by 8.8 percent to TZS 974.0 billion (**Table 2.14**). This suggests an increased demand for general insurance products due to various factors such as economic growth, increased insurance awareness, a sound business environment, and the introduction of new regulations. This overall growth in premiums indicates a positive market trend for the insurance subsector in Tanzania. Similarly, Gross premiums written for life insurance increased by 9.2 percent to TZS 264.5 billion. This suggests a similar trend of increased demand for life insurance products driven by factors such as market demand and awareness provided by the TIRA.

The insurance subsector experienced growth, benefiting from the usage of bank assurance and digital platforms. The insurance subsector continues to register growth following the application of digital insurance platforms and bancassurance. The contribution of the insurance digital platform and bancassurance was mainly on stimulating new products in the market, new channels of business, expansion of outreach and enhanced access to insurance services to inaccessible regions in rural areas. As a result, the motor insurance class witnessed a substantial rise in premiums from 287.2 to 339.8 million, reflecting heightened business activity, and its market share increased from 32.1 per cent to 34.9 per cent, indicating its growing importance. Similarly, health insurance premiums surged from 139.3 to 161.5 million, accompanied by an increase in market share from 15.6 per cent to 16.6 per cent, underlining its expanding role in the market. However, fire insurance, although experiencing a slight uptick in premiums from 177.7 to 182.5 million, observed a slight decrease in market share from 19.9 per cent to 18.7 per cent, signalling a relative decline in significance within the market (**Table 2.15**).

Table 2.15: Market share for gross premium written as per business class

	TZS Billions		Market share (%)	
Class of business	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23
Motor	287.2	339.8	32.1	34.9
Fire	177.7	182.5	19.9	18.7
Health	139.3	161.5	15.6	16.6
Other general	52.9	82.0	5.9	8.4
Accident	65.9	61.6	7.4	6.3
Aviation	33.1	53.0	3.7	5.4
Engineering	98.4	51.9	11.0	5.3
Marine	34.8	38.6	3.9	4.0
Oil and gas	5.7	3.1	0.6	0.3
Total General Insurance	895.1	974.0	100.0	100.0
Group life	204.4	218.4	84.4	82.6
Individual life	37.7	46.0	15.6	17.4
Other life	0.0	0.0	0.0	0.0
Total Life Insurance	242.2	264.5	100.0	100.0

Source: Tanzania Insurance Regulatory Authority

Both group and individual policies exhibited steady growth trajectories in the life insurance subsector. Group life insurance continued to dominate, evidenced by consistent premium increases from 204.4 to 218.4 million, and maintained a substantial market share of around 84.4 per cent. Individual life insurance demonstrated growth, with premiums rising from 37.7 to 46.0 million, and a slight increase in market share from 15.6 per cent to 17.4 per cent. These trends underscore the resilience and dynamism within Tanzania's insurance market, emphasising the importance of adapting strategies to capitalise on emerging opportunities in motor, health, and group life insurance, while ensuring alignment with evolving consumer preferences and needs.

Investments in the subsector grew, characterised by deposits and government securities. In 2023, investments made by the insurance subsector grew by 12.7 percent to TZS 1,318.5 billion. Notable increases in various investment categories fueled this growth, including shares, government securities, and term deposits. Cash reserves increased from 61.1 to 72.6 percent, indicating a substantial liquidity buffer that can be leveraged for operational needs and capitalising on investment opportunities. Moreover, investments in government securities rose by 13.8 percent, implying an improved ability of insurance firms to settle claims (**Table 2.16**).

Table 2.16: Investment mix (TZS billion)

Particular	31-Dec-22	31-Dec-23	Percentage Change Dec 22 to Dec 23
Other investments	9.3	13.2	41.7
Company bonds and debentures	15.4	15.5	0.9
Investments in related parties	19.8	23.9	20.7
Cash	61.1	72.6	18.8
Shares	108.1	119.4	10.5
Real estate	128.0	128.1	0.0
Tanzanian government securities	323.0	367.7	13.8
Term deposits	504.9	578.1	14.5
Total investment assets	1169.7	1318.5	12.7

Source: Tanzania Insurance Regulatory Authority

Term deposits show a notable increase of 14.5 percent, indicating a preference for fixed-income investments. Overall, this diversified investment strategy, coupled with a significant increase in total investment assets, reflects insurers' prudent approach to ensuring financial stability while seeking opportunities for growth and maximising returns on investment.

Insurance subsector solvency ratios remained stable above the minimum regulatory threshold. In 2023, the general insurance companies’ solvency ratio increased to 67.6 from 66.7 percent in the preceding year, maintaining its trend of surpassing regulatory benchmarks of 25.0 percent. However, the life insurance companies’ solvency ratio declined to 42.9 from 46.8 percent in 2022 but remained above the statutory regulatory requirement of 8.0 percent due to fluctuations in investment returns.

Return on investment for general insurance slightly declined to 9.0 from 9.2 percent recorded in 2022, while for life insurance, return on investment remained at 5.0 percent in both years (**Table 2.17**). TIRA continues to ensure a closer look into optimising investment strategies for the life insurance category to keep up with the general insurance category.

Table 2.17: Financial soundness indicators of the insurance sector

Indicator	Statutory requirement	31-Dec-22 General	31-Dec-22 Life	31-Dec-23 General	31-Dec-23 Life
Capital Ratios					
Solvency Ratio	General ≥ 25%; Life ≥ 8%	66.7	46.8	67.6	42.9
Change in Capital and Reserves		21.3	120.0	6.0	10.0
Assets Quality Ratios					
Rate of return on investment		9.2	5.0	9.0	5.0
Investment Mix:					
Investment in Government Securities		29.4	28.8	31.0	28.3
Investment in bank deposits	Min 30%	46.7	35.3	45.7	36.5
Investment in real estates		4.8	19.0	4.6	15.3
Reinsurance ratios					
Retention Ratios	General; 30%< RR < 70% Life; 50%< RR < 90%	49.4	85.7	53.3	83.3
Actuarial Liabilities (General)					
Actuarial Provision to Capital Ratio	Max 250%	86.7		85.5	
Earning Ratios (General)					
Return on Equity		20.1		17.2	
Liquidity Ratios					
Liquidity Ratio	General ≥ 95%; Life ≥ 50%	106.8	79.9	140.4	90.0
Total Receivables as % of Capital & Reserves	Max 100%	57.7	34.0	58.2	22.9
Loss Ratio		47.5		46.1	
Benefit Ratio			58.9		51.3
Expense Ratio		45.4	14.7	45.6	16.2
Combined Ratio	Max 100%	100.0		102.5	

Source: Tanzania Insurance Regulatory Authority

Retention ratio for general insurance increased to 53.3 from 49.4 percent in 2022. On the other hand life insurance retained 83.3 percent in 2023 compared to 85.7 percent recorded in 2022. Both insurance categories maintained retention ratios within the regulatory threshold. These retention ratios highlight the subsector's commitment to balanced risk exposure and strengthen market stability against unforeseen financial challenges.

In 2023, the liquidity ratio for general insurers improved to 140.4 from 106.8 percent recorded in 2022. The liquidity ratio for life insurers improved to 90.0 from 79.9 percent recorded in 2022. The improved liquidity ratios, all within statutory requirements, indicate an enhanced ability to meet financial obligations.

The actuarial provisions to capital slightly decreased to 85.5 percent in 2023 from 86.7 percent in 2022 but remained within the maximum threshold of 250 percent. These figures reflect prudent risk management practices.

Social security

Tanzania Mainland

Social security sub-sector remained resilient, with adequate funding, liquidity and efficiency. Total assets increased by 12.2 percent to 18,834.1 billion, mainly driven by an increase in contributions income (**Table 2.18**). The growth in contributions income was attributed to the increase in employers' compliance, which improved the ability of the sector to meet maturing obligations.

Social Security sector total assets continued to be dominated by the Pension schemes that form part of systemically important social security schemes, accounting for 91.0 percent of total assets. The dominance was mainly attributed to contribution income which forms 20.0 per cent of the employee salaries compared to 6.0 per cent contributed to non-pension schemes. Moreover, pension schemes hold more assets in the social security sector; therefore, close monitoring is needed to identify and mitigate any possible systemic risks.

Social security sector funding ratio improved reflecting improved ability of Pension Schemes to settle maturing obligations. As of December 2023, the funding ratio slightly improved to 69.0 percent from 68.9 percent recorded in the previous year. The improvement was on account of increased assets, improved cash flow from the assets investment, supervisory and regulatory enhancement as well as parametric reforms on the sector's benefits formula and increased employers' payment of arrears and contributions.

Liquidity improved indicating increasing ability of Social Security Funds to pay benefits within a short period. The liquidity ratios stood at 2.6 times from 1.0 times recorded in December 2022 (**Table 2.18**). The increase was mainly attributed to an increase in collections and income from property investments following pick-up in economic activities, which boosted occupancy rate and prices coupled with an increase in government securities and deposits. Improved liquidity will enable the Social Security Funds to pay benefits on time, hence enhancing public confidence in the Social Security sector and financial stability.

Social Security Sector efficiency improved with expenses remaining below regulatory limit. During the period under review, cost management remained stable as the Funds continued to strengthen the institutionalisation of strong internal controls among the social security schemes. Administrative expenses of December 2023 were 6.4 percent compared to 5.6 percent recorded in December 2022 within the regulatory limit of 10.0 percent. The main contributing factor was the continuing supervision by the regulator to ensure compliance with Social Security Schemes (Administrative Expenses), Guidelines, 2018. The improved sector efficiency will enhance the financial condition of the Funds and contribute to financial system stability.

Social security sector's ability to use contributions collected to pay benefits improved. As of December 2023, the contributions collected were sufficient to pay benefits by 1.6 times, an increase from 1.3 times recorded in the previous year. This suggests the availability of sufficient funds to pay benefits when they fall due. The improvement came about due to payment of contribution arrears and an increase in the number of contributing members. This will enhance the social security schemes' ability to increase their investments to match maturing obligations.

Dependency ratio remained stable within prudential limit, implying relatively small accrued liabilities compared to current assets. As of December 2023, there were five active contributing members supporting one retiree (**Table 2.18**). This is above the threshold of four active members per retiree, demonstrating the Fund's ability to generate sufficient contributions to pay retirees. Observed sustainable payments provide assurance of benefit payment, strengthen the disposable income of retirees and enhance their purchasing power. The Government will continue to ensure that the social security sector is sustainable and viable in the short, medium and long term. This will contribute to ensuring financial stability and growth in the country.

Table 2.18: Tanzania Mainland: Social security selected financial indicators

Percent

		NSSF		PSSSF		NHIF		WCF		Sector	
Indicators	Prudential limit	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23
Funding ratio	For Pension Fund Min .40%	87.0	88.1	50.0	50.0	-	0.0	0.0	0.0	68.9	69.1
Efficiency ratio	Max. 10 % of total Contribution	8.0	6.5	4.3	4.3	14.0	10.6	34.9	13.2	5.6	6.4
Total contribution / benefit (times)	Min. 1.5 times	2.3	2.3	1.0	1.2	0.8	1.4	4.2	4.2	1.3	1.6
Dependency ratio	Min (1 pensioner: 4 active contributors)	27.0	26.7	3.0	2.9	-	0.0	-	0.0	6.0	5.5
Returns on investment		1.4	6.0	1.9	8.5	32.6	7.7	3.1	14.9	3.7	7.7
Total investment/ Total assets	>= 85%	89.6	82.7	94.4	84.4	87.0	61.5	90.9	85.7	91.8	82.6
Liquidity ratio	Min. 1.1 times	1.1	4.2	1.1	2.8	0.9	0.8	1.4	3.5	1.0	2.6
Benefits/ Total income		36.0	0.4	72.0	0.6	109.4	65.0	11.5	11.0	60.6	49.0
Fund balance growth		22.0	0.2	13.0	0.1	-0.2	-28.0	0.2	10.0	0.1	14.0

Source: PMO -LYED

Financial condition of the sector improved on account of growth of investments and portfolio mix. During 2023, the investment portfolio slightly grew by 0.96 percent to TZS 15,563 billion from 15,414 billion recorded in the previous year (**Table 2.19**). This growth was accounted for by increase in cash flow from contributions, income from investments, improvement in business conditions and an increase in employment in the private sector. The portfolio was characterised by an optimal portfolio mix and remained within the regulatory limit. These developments will improve the financial capacity of the sector to meet maturing obligations and contribute to the economy and growth of the financial sector.

The returns on investment improved to 7.7 percent from 3.7 percent recorded in December 2022. This improvement has been attributed to intensive investment in Government securities and real estate, whose market has started to improve after recovery from the COVID-19 pandemic, improved business environment, pick-up in economic activities and increase in investments. The improved financial condition of the sector will enhance its ability to pay benefits and improve public confidence.

The social security sector's investment portfolios were dominated by Government securities, real estate, direct government loans, and banks' deposits (**Table 2.19**). Government securities accounted for 52.0 percent of the total investment portfolios; this implies that the social security sector is exposed to government securities, which are perceived as risk-free investments.

Table 2.19: Tanzania Mainland: social security portfolio investment mix

s/n	Investment category	Dec-21	Dec-22	Dec-23	Prudential limit
1	Cash and demand deposit in banks and financial institutions	7.9	8.0	2.0	5.0
2	Government securities (Treasury bills, Treasury bonds)	54.0	53.5	52.1	20 - 100
3	Direct loans to the Government	7.4	8.2	8.7	10.0
4	Commercial paper, promissory notes and corporate bonds	0.0	0.0	0.0	20.0
	of which Unlisted Corporate Debt	0.0	0.2	0.3	5.0
5	Real estate of which non-income earning property	12.4	10.8	11.4	30.0
	of which Non-Income Earning Property	5.1	6.0	5.9	5.0
6	Ordinary and preference shares of which unquoted equity	4.9	4.8	4.8	20.0
	of which Unquoted Equity	4.0	4.5	4.7	5.0
7	Infrastructure investments	2.1	2.0	0.9	25.0
8	Fixed deposits, time deposits and certificates of deposits with licensed banks and financial institutions	0.0	0.0	7.0	35.0
9	Investment in licensed collective investment schemes	2.1	1.9	1.9	30.0
10	Guaranteed fund – supplementary schemes only	0.0	0.0	0.0	100.0
11	Others - subject to prior approval by the Bank	0.0	0.0	0.0	10.0
Total investment portfolios as % of total assets		84.0	91.0	90.0	>= 85%

Source: PMO LYED

Zanzibar Social Security Fund

The Zanzibar Social Security Fund remained well-capitalized, coupled with growth in net assets. Net assets of the fund for the year ended December 2023 grew by 23.0 percent to TZS 935.91 billion compared to the preceding period in 2022. This growth was due to an increase in investments and contributions during the year that resulted in increased return from investment. The total contribution for the year ended December 2023 grew by 38.9 percent to TZS 152.14 billion compared to TZS 109.57 billion in the preceding period in 2022. The growth is due to an increase in contributing members and salary growth.

The return on investment, depicted by the Investment income/Investment assets, grew to 9.3 percent to TZS 85.15 billion in 2023, compared to 8.0 percent in the preceding year. The growth increased the income from Treasury bonds, dividends, and rent income (**Table 2.20**).

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 changed. Liquidity of the Fund measured by current assets to current liabilities was 4.7 times in December 2023 from 3.1 times in 2022. This growth is increasing efficiency in liquidity management.

The Fund's operational efficiency, as depicted by the administration cost-to-contribution ratio, decreased to 6.0 percent in 2023 from 7.0 percent in 2022 due to cost-cutting strategies and increased income.

The dependency ratio shows a higher rate of pensioners compared to the increase of active members at 11 in December 2023 as recorded in the previous year. The Government continues to monitor the performance of the Fund to ensure its sustainability.

Table 2.20: ZSSF selected indicators

Particulars	2022	2023
Contribution income/Total Benefit payments (a+b) (Times)	5.0	5.0
Dependency ratio (Times)= Total active members / Pensioners	9.0	11.0
Investment income/Investment assets (Percent)	8.0	9.3
Administrative cost (TZS Billion)	7.2	8.6
Administrative cost/Investment income (Percent)	12.1	10.0
Administrative cost/Contributions (Percent)	6.6	6.0
Liquidity ratio = Current Asset /Current Liability (Times)	3.1	4.7
Funding ratio = Net Asset/Benefit liabilities (Percent)	40.0	40.0

Source: Zanzibar Social Security Fund

The Fund's investment portfolio grew by 23.5 percent to TZS 919.99 billion as of the end of December 2023 compared to the previous year. The increase was generally due to increased investments in Treasury bonds, Equities, Fixed Deposits, and Corporate Bonds.

On the other hand, investment in Government securities grew by 43.03 percent to TZS 492.6 billion, and fixed deposits remain dominant in the fund portfolio (**Table 2.21**). The growth, coupled with improved operational efficiency and financial conditions, will increase the fund's sustainability and resilience and strengthen its ability to honour its maturing obligations as they fall due.

Table 2.21: ZSSF investment portfolio

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

Source: Zanzibar Social Security Fund

Deposit Insurance

The Deposit Insurance Fund (DIF) remained capable of meeting deposit insurance obligations, contributing to safety, soundness and public confidence in the banking sector. The ratio of fully insured deposit accounts to the total number of insurable deposit accounts rose from 97.1 percent to 97.3 percent, consistent with and above the International Association of Deposit Insurers (IADI) standard threshold of at least 90.0 percent. Moreover, the value of insured/covered deposits to value of total insurable deposits ratio increased to 24.1 percent in 2023 compared to 8.2 percent in 2022 indicating enhanced deposit protection, the ratio above the EAC-Monetary Affairs Committee (MAC) convergence criteria of 10.0 percent. This is attributed to the increase of the maximum coverage amount from TZS 1.5 million to TZS 7.5 million.

The DIF increased by 17 percent to TZS 1,123.04 billion in 2023 from TZS 959.85 billion in 2022. This was attributed to an increase in proceeds from investments and deposit insurance premiums. The ratio of DIF to total value of deposits was 3.3 percent, while the ratio of DIF to the total value of insured deposits was 13.7 percent (**Table 2.22**).

Table 2.22: Tanzania position as compared to EAC convergence criteria

Percent

Ratio	EAC and IADI Target/standards	Tanzania position
Fundsize to total deposit	3.0	3.3
Fundsize to total deposit	20.0	13.7
Value of insured deposits to total insurable deposits(Fully and partially covered)	10.0	24.1
Number of fully covered accounts/total number of insurable accounts	90.0	97.3

Source: Bank of Tanzania and Deposit Insurance Board.

During the period, 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, which will enhance the Fund's contribution to promoting the stability and soundness of the financial system.

Competition in the financial sector

The financial sector remained competitive. The financial sector in Tanzania is characterised by many players, particularly in the banking and insurance sub-sectors implying low barriers to entry and exit.

Banking sub-sector remained contestable, characterised by many players who hold market shares below 35.0 percent. The HHI Index recorded for the end of the year 2023 was around 1,386, which indicates that the market is low concentrated (Highly competitive), with five banks dominating the market by 65 percent. The dominance of a few banks indicates that the banking subsector is prone to uncompetitive conducts. Fair Competition Commission (FCC) will continue to closely monitor the banking sector to ensure effective market competition. Further to that, the interest rates remain competitive as the banks continue to establish and publish the rates independently.

Competition in the insurance sub-sector continued to be stable whereby more than 85 percent of players were holding market shares below 10 percent. The HHI recorded in the 2023 was 771, which indicates that the market is low concentrated (highly competitive), thus, likelihood of anti-competitive behaviours was minimal. In addition, TIRA continued to establish a minimum indicative rate for general insurance gross premiums.

Further, in a bid to expand their footprints and compete more effectively in the relevant markets, the FCC approved eight merger transactions. These transactions include one in the insurance industry, four in banking, and two in microfinance. The transactions were aimed at enhancing competitiveness and capital efficiency. The benefits of fair competition overflow to consumers through the provision of consumer-centric financial products, lower prices, improved innovation, and low switching costs.

Going forward, the FCC will continue to promote and protect effective competition in trade and commerce, aiming to increase efficiency in the production, distribution, and supply of goods and services, thus promoting stability in the sector. Further, in collaboration with other Government Institutions, the FCC takes necessary measures to ensure compliance with the Fair Competition Act, 2003, and its regulations.

2.6. Financial inclusion and stability

Tanzania has witnessed remarkable 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, 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 the period under review, significant progress was witnessed in the broad range of savings, credit, insurance, capital markets, social security services as well as payment services.

2.6.1 Saving services

During the period under review, saving services in the financial sector increased, as depicted by a broad range of savings products, efficient distribution channels, access points, and increased public awareness. It was further observed that the savings accounts in the financial sector increased to 7.0 trillion in December 2023 from 5.8 trillion recorded in December 2022. The growth in savings is partly attributed to the increased adoption of alternative channels and their wide distribution in rural areas; adoption of digital banking has improved customers' convenience access to unique and verifiable identification numbers that facilitate client onboarding by financial service providers (FSPs) and availability of tailored products to attract excluded segments of the population. Nevertheless, notwithstanding the impressive growth, the saving services are challenged by the following: low level of financial literacy due to limited financial education programs, low level of income by financial services consumers, and increased cybersecurity risks associated with the increased adoption of digital financial services. This threatens consumer trust and confidence in the financial system.

2.6.2 Credit services

During the period under review, credit services in the financial sector improved, as depicted by broad distribution channels, access points, and borrowing. Specifically, there was a notable increase in borrowing in foreign currency to USD 2,594.1 million in December 2023 from USD 516.6 million in December 2022. It was further noted that the credit in the microfinance sector significantly increased to TZS 96.6 billion in December 2023 from TZS 72.2 billion recorded in December 2022. The increase was mainly due to the usage of the credit reference system, which helps to reduce credit risk and safeguards the stability and integrity of the financial system. In addition, access to credit services through mobile phones increased to TZS 27.7 billion in December 2023 from TZS 12.7 billion recorded in December 2022. The increase in digital lending was mainly on account of increased ownership of digital devices and a wide range of digital credit products coupled with relaxed Know Your Customer (KYC) requirements as well as enhanced market conduct supervision, and complaints handling and redress mechanism.

However, despite the recorded growth the credit market is marred by increased predatory lending practices and unlicenced lenders. In addition, the credit market is facing challenges that include absence of a Secured Transactions Law to allow movable collaterals, high interest rates, inadequate availability and interoperability on business, property, and residential address information; increased cybersecurity risks and low financial literacy levels. These challenges threaten consumer trust and confidence in utilization of digital financial services.

2.6.3 Insurance services

During the period under review, insurance services improved as depicted by broad distribution channels, access points, and complaints handling mechanisms. This improvement was partly accounted for by development of Guidelines for micro-insurance, enhanced market conduct supervision, increased sensitization and promotion on the use of insurance digital platforms, increase in tailored insurance services and awareness of insurance services. Nevertheless, the adoption of insurance services remains low mainly on account of affordability, low literacy levels, limited access points, bureaucracy, delay in claim payments and cultural beliefs associated with a preference for informal coping mechanisms.

2.6.4 Investment in capital markets and securities

During the period under review, capital markets and securities services in the financial sector improved, as reflected by the increased volume traded to 225.2 billion in December 2023 from 133.7 billion in December 2022. The noted increase was a result of increased capital markets awareness campaigns and innovations that partly helped increase the customer base including students. The main contributor to these developments was anchored on the increased adoption of technology-enabled platforms that facilitate subscriptions and trading of securities in the capital markets.

However, capital markets and securities services are challenged by the limited participation of Tanzanian diaspora and institutional investors, including social security funds and innovative financial products, some of which are vulnerable to cybersecurity threats, pyramid schemes and money laundering activities.

2.6.5 Social security services

Social security services improved, as reflected by an increased number of contributing members and pensioners. The increased membership was mainly fuelled by awareness and sensitisation campaigns, effective complaints handling, and redress mechanisms and the use of electronic payment systems. However, adoption of social security services remains low on account of inadequate product design to attract people from the informal sector, limited availability and coverage of financial education and awareness programs targeted on the informal sector. Other factors include low uptake of supplementary schemes, high level of unemployment, and limited supervision of the social security sector.

2.6.6 Payment systems infrastructure and services

During the period under review, the payment systems infrastructure continued to support financial inclusion by facilitating transfers and payment for goods and services for individuals, businesses, and the Government. The retail payment system infrastructure in Tanzania has evolved and improved tremendously, driven by advancements in technology, innovations, and increased demand for safe and convenient payment methods. Some notable developments include increased uptake of mobile money services, increased usage of Point of Sale (POS) terminals and Quick Response (QR) Code-based payments by merchants and retailers. Others include online transactions through internet banking, introduction of inclusive digital financial services such as digital credit, micro-saving and micro-insurance through partnerships and collaborations between FSPs and regulators.

The driving factors for the increased payment services include enhanced interoperability in payment infrastructures, and higher collaboration and partnership for the provision of innovative digital financial platforms and products. Other factors are adoption of QR Code payment technology for goods and services; and development of a retail instant payment system (TIPS) to enhance interoperable payments amongst financial services providers. These developments supported increase in access to micro-credit, micro-savings, as well as simplifying payments through virtual cards. The main objective of establishing TIPS is to increase efficiency of payment services.

Despite the remarkable progress in payment services, challenges remain, particularly on the high cost of adoption, transaction, and maintenance; increased cybersecurity risks associated with the growing digitalisation of payment services; increased fraud incidences among users of digital financial services; limited studies on financial capabilities and behavioural aspects influencing the adoption of digital financial services; inadequate customer-centric design of digital financial products and services; consumer risks arising from adopting unregulated virtual assets operations; challenges in data interoperability among FSPs and high preference for cash in making payments.

Generally, financial inclusion is a powerful instrument for reducing poverty, promoting economic growth, and fostering the resilience and stability of the financial system. However, a balanced approach is required to promote financial inclusion, while safeguarding the stability and integrity of the financial system.

2.6.7 SMEs financing

During the period under review, the Ministry of Finance has developed the SME Financing Strategy 2023-2028, which sets out the guidelines for improving SMEs financing in the country. The objective of the strategy is to enhance access to finance for SMEs and ultimately contribute to inclusive social and economic growth, job creation and export. The strategy is also aimed at creating enabling policy, legal and regulatory environment so as to strengthen infrastructure for the development of SMEs.

The strategy is expected to contribute to the implementation of the Financial Sector Development Master Plan 2020/21 – 2029/30 by enhancing financial inclusion, reducing the cost of funding for SMEs, improving SMEs' business environment, and stimulating innovation and competitiveness. Among the strategic interventions of the strategy is to improve the Credit Guarantee Scheme, which is expected to contribute to the increased confidence/ willingness of lending institutions to provide credit to SMEs at suitable terms and conditions and contribute to improving the ability of the small enterprises to service their debts.

The improvement of SME financing is expected to promote financial stability by supporting economic growth, diversifying the financial sector, mitigating risks, and stimulating innovation and competitiveness. By addressing the financing needs of small businesses, the Government and financial institutions can contribute to the overall stability and resilience of the financial system.

3. FINANCIAL SYSTEM INFRASTRUCTURE AND REGULATORY DEVELOPMENTS

3.1 Payment systems infrastructure

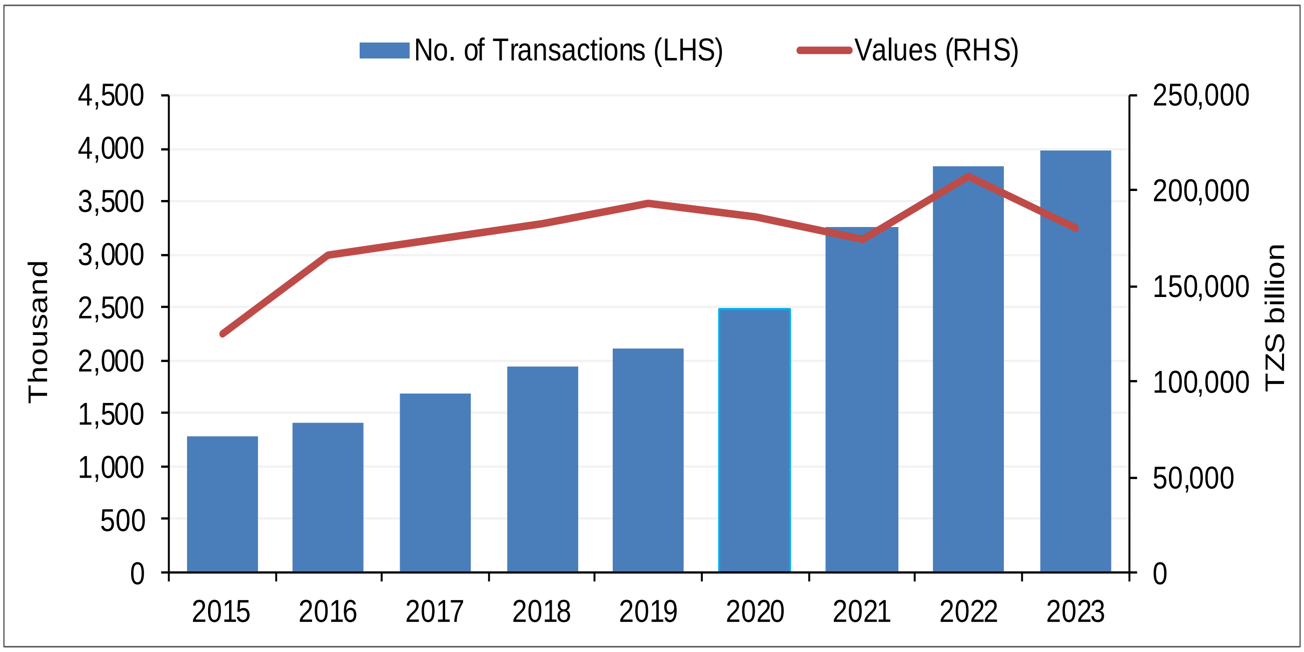
System for payment and settlement remained stable without disruptions. systems for payments, clearing and settlement, operated efficiently with a noticeable growth in the usage of digital channels for provision of financial services. This serves as a backbone, enabling the smooth flow of funds between various institutions and ensuring the stability of the overall financial infrastructure. Notwithstanding the trends in transactions as movement of volume and value, the large payment system, Tanzanian Interbank Settlement System (TISS) and retail payment system, Tanzania Automated Clearing House (TACH), remained resilience and effective with no significant faults observed during the period under review. The efficiency and resilience of the payment platforms sustained public confidence and stability of the financial system and served the needs of the economy.

As part of executing the government's initiative to promote the digital economy, in collaboration with various stakeholders, the Bank continues to promote the utilization of digital payment channels targeted at achieving a cash-lite economy.

3.1.1 Tanzania Interbank Settlement System

Tanzania Interbank Settlement System (TISS) remained reliable and efficient. The large value interbank system, TISS, continued to record an average of 99.9 percent efficiency in terms of server and database uptime availability. Transactions processed in TISS reached 4.1 million in 2023 compared to 3.83 million in the preceding period. The value of transactions increased to TZS 254,719.9 billion compared to TZS 207,503.4 billion in 2022. The noticeable increase in the system performance was partly attributable to the enhanced TISS platform that continues to operate 24/7 for 365 days (**Chart 3.1**).

Chart 3.1: Volume and value of 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 2023, the total number of cheque transactions processed through TACH and their corresponding values declined by 11.1 percent and 4.6 percent, respectively. This decrease is attributable to the reduced usage of cheques due to the availability of alternative channels for effecting payments. EFT transactions, on the other hand, increased by 13.4 percent in volume and 19.4 percent in value, compared to the year 2022 (**Table 3.1**).

Table 3.1: Payment systems' values and volume of transactions

	Volume transacted (Million)			
Particulars	2021	2022	2023	Percentage change (%)
ATM and POS	224.9	266.7	293.4	10.0
Internet banking	8.4	15.5	17.2	10.7
Mobile banking	71.5	92.1	80.2	(12.9)
Mobile payment	3,158.5	3,595.0	5,061.2	40.8
TACH (Cheque)	0.6	0.6	0.5	(9.1)
TACH (EFT)	15.6	16.8	19.1	13.6
TISS	3.3	3.8	4.1	7.9
	Value transacted (Billion)			
Particulars	2021	2022	2023	Percentage change (%)
ATM and POS	74,911.5	98,101.3	105,949.4	8.0
Internet banking	100,065.3	123,061.3	157,500.4	28.0
Mobile banking	24,973.3	30,651.6	18,302.1	-40.3
Mobile payment	115,228.4	114,316.0	154,705.8	35.3
TACH (Cheque)	2,025.6	1,977.7	1,893.5	-4.3
TACH (EFT)	10,694.5	12,079.2	14,422.4	19.4
TISS	174,308.5	207,503.4	254,719.9	22.8

Source: Bank of Tanzania

3.1.3 Digital payment systems

In 2023, the Bank issued 20 licenses to FinTech for provision of payment systems services and granted approvals on various applications received from banks and other payment system providers, to issue payment instruments/products that are customer-centric. This is part of the efforts to attain the vision of digital economy by 2025. Other promoted areas include use case of Person to Government (P2G), Person to Business (P2B); Business to Government (B2G) and Business to Business (B2B) digital transactions.

3.1.4 Payment systems developments

During 2023, the Bank developed the Tanzania Instant Payment System (TIPS) in order to improve interoperability amongst financial services providers to enhance efficiency and oversight of payment systems. 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. The system is an interoperable digital payment platform for retail transactions, which started live operations in August 2021 with 5 FSPs. As of December 2023, 45 FSPs had been onboarded onto the TIPS platform. As of December 2023, the platform processed over 33 million transactions worth TZS 1.9 trillion.

Registration of financial services access points in the Financial Services Registry (FSR) continued during the period through financial service providers. The number of registered outlets was 117,414, with 300,721 access services points across the country. Of the registered access points, 221,933 or 73.8 percent were already verified, and the remaining 26.2 percent were still under the verification process. The FSR is crucial in facilitation informed decisions for increasing access and usage of formal financial services.

3.2 Credit Reference System

Lenders continue to utilise credit reference services. The number of credit enquiries and credit reports sold increased to 7,311,187 and 4,642,488, respectively, compared to 5,712,114 and 2,726,381 for credit enquiries and credit reports sold in 2022. The increase in credit enquiries and reports sold was caused by an increase in the usage of credit reference systems by banks and increased digital lending. The Bank continued to sensitise banks and other credit providers on the usefulness of credit information sharing.

3.3 Financial system interconnectedness

The financial sector experienced rapid growth of interconnectedness within the financial system, creating more extensive financial networks. The Bank analysed risk exposure through network relationships and interdependencies, using a network analysis approach, with a view to facilitate the understanding on potential risk sources, transmission channels. The findings suggest high interconnectedness, while pointing to possible high risk exposures.

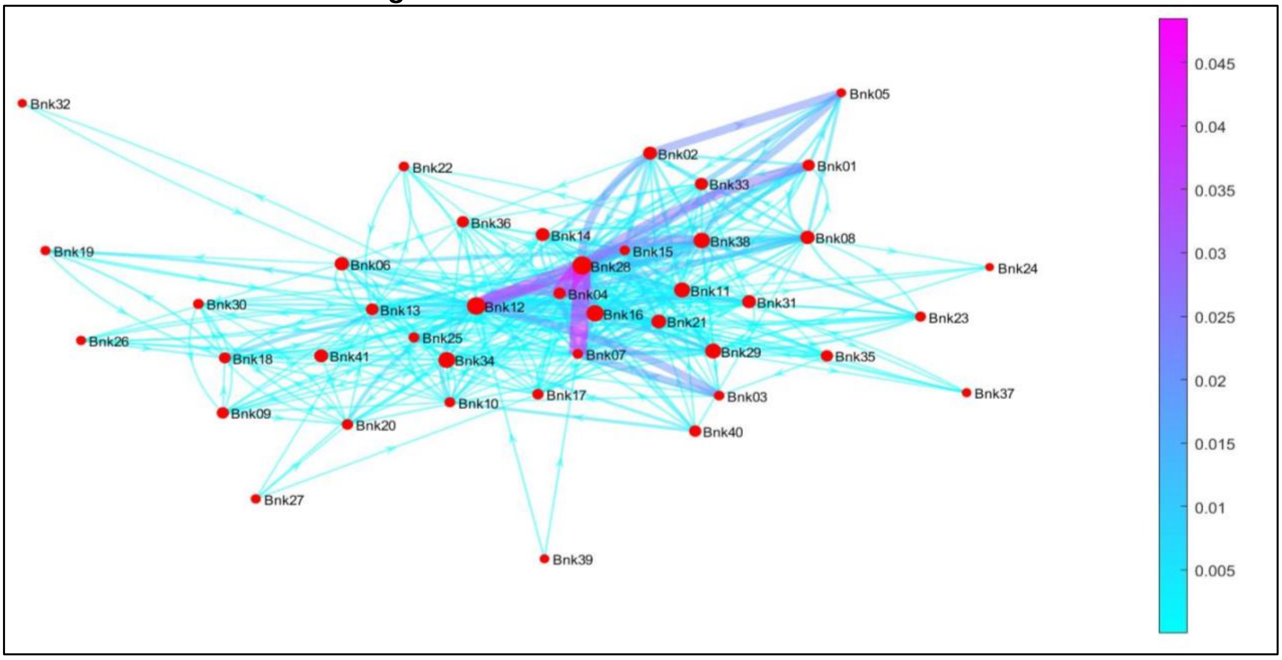
3.3.1. Interbank market analysis

Interbank market network revealed high interconnectedness reflecting growing interdependency in the liquidity market. Interbank market continues to serve the credit market as a source of short-term funds, facilitating the provision of liquidity to the market. During the period under review, the interbank market continued to grow to accommodate liquidity demand coupled with increasing economic activities. The growth of the market heightened exposure stemming from interconnectedness among banks and financial institutions. Such exposure originates from borrowing and lending relationships and extends to diverse financial interdependencies that include trading, investment and participation in the financial market. The Bank closely monitor diverse risk exposures within the liquidity market to mitigate potential risks.

Network analysis revealed that the structures of the Tanzanian interbank money market depicted a core–peripheral structure, implying that some banks in the network were core, serving as hubs for banks in the peripheral sub-networks. Some clusters of banks on the periphery were found to have strong links with the core, others have weak links, and still others do not have links with the core at all. Furthermore, Bnk26 and Bnk22 act as core or bridge banks, followed by Bnk16, Bnk04 and Bnk07, while others are peripheral banks (**Chart 3.2a**).

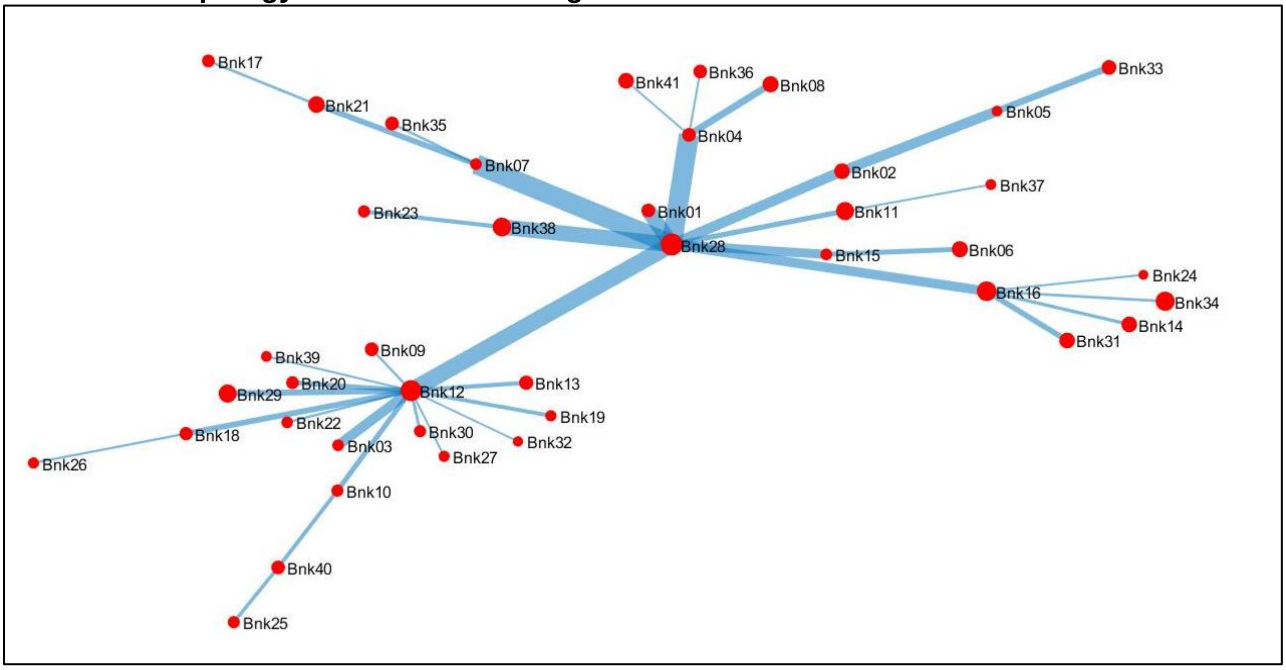
Network structure revealed higher interconnectedness among Bnk28, Bnk07, Bnk01, Bnk04, and Bnk12; the higher density of connections implies closeness of the bank and significant volumes of transactions among the banks in the form of borrowing, lending or bridge banks (**Chart 3.2b**).

Chart 3.2a: Interbank lending network



Source: Bank of Tanzania

Chart 3.2b: Topology of interbank lending



Source: Bank of Tanzania

During this period, the identified risks and vulnerabilities in the banking sector were mitigated, and no significant contagion effect was observed within the banks and financial institutions. Nevertheless, the Bank continues to monitor interlinkages to identify any elevated potential systemic and contagion risks in the interbank market.

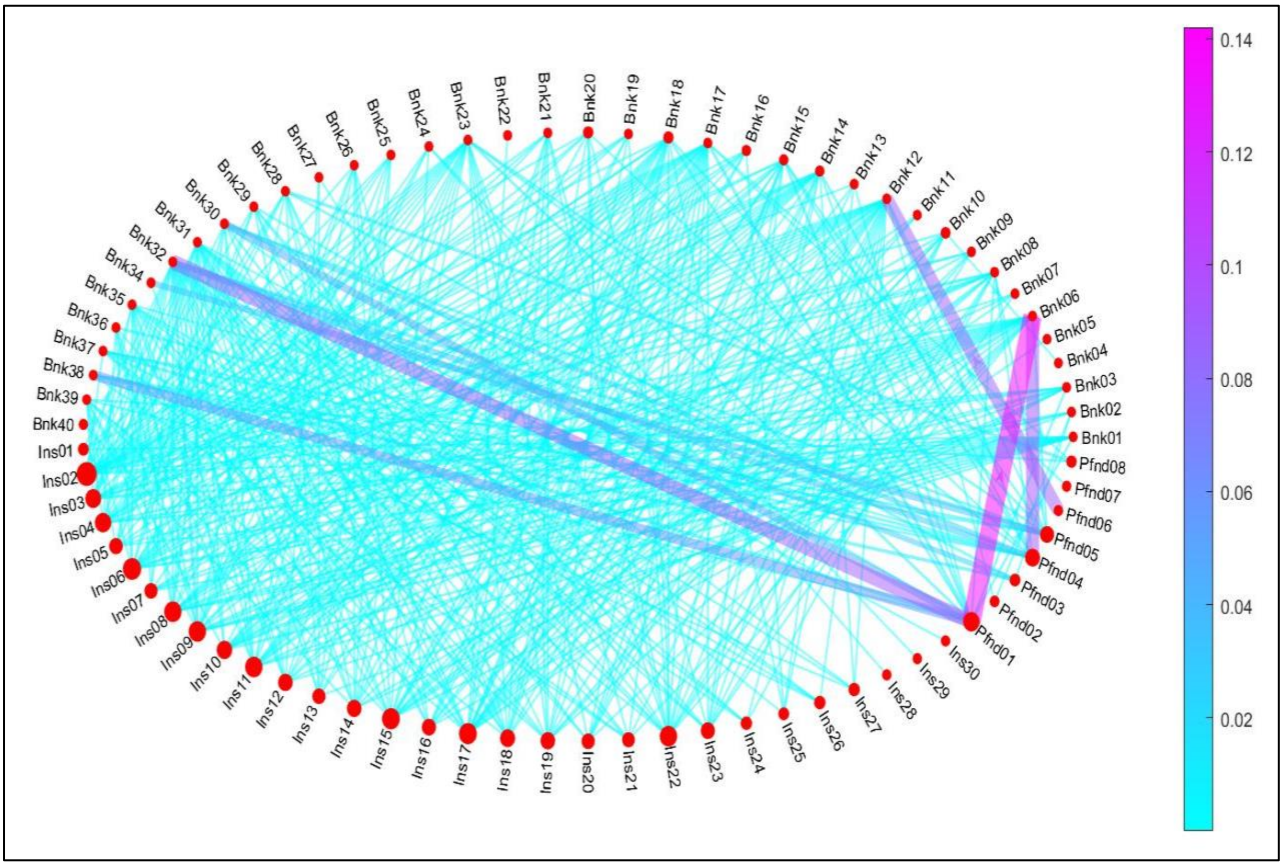
3.3.1. Cross-sector analysis

The interconnectedness between the social security, insurance, and banking sub-sectors exists in terms of deposits, loans, and equity investment. Within the financial sector network, Social Security Pfnd01 had higher interconnectedness with Bnk06, Bnk32 and Bnk38, followed by Social Security Pfnd01 with Bnk04 and Social Security Pfnd06 with Bnk12. Social security emerges as a systemically important sector by providing a stable and long-term source of funds that support banks in maintaining the overall stability of the banking sector. Furthermore, concentration risks were observed in a few banks and effective measures were deployed to address such exposure to the banking sector.

The banking and insurance subsectors depend on each other, leveraging their strengths to provide comprehensive financial services to customers. This relationship encompasses the distribution of insurance products, bancassurance partnerships, collection of insurance premiums, and offering financing options for insurance products in the bank.

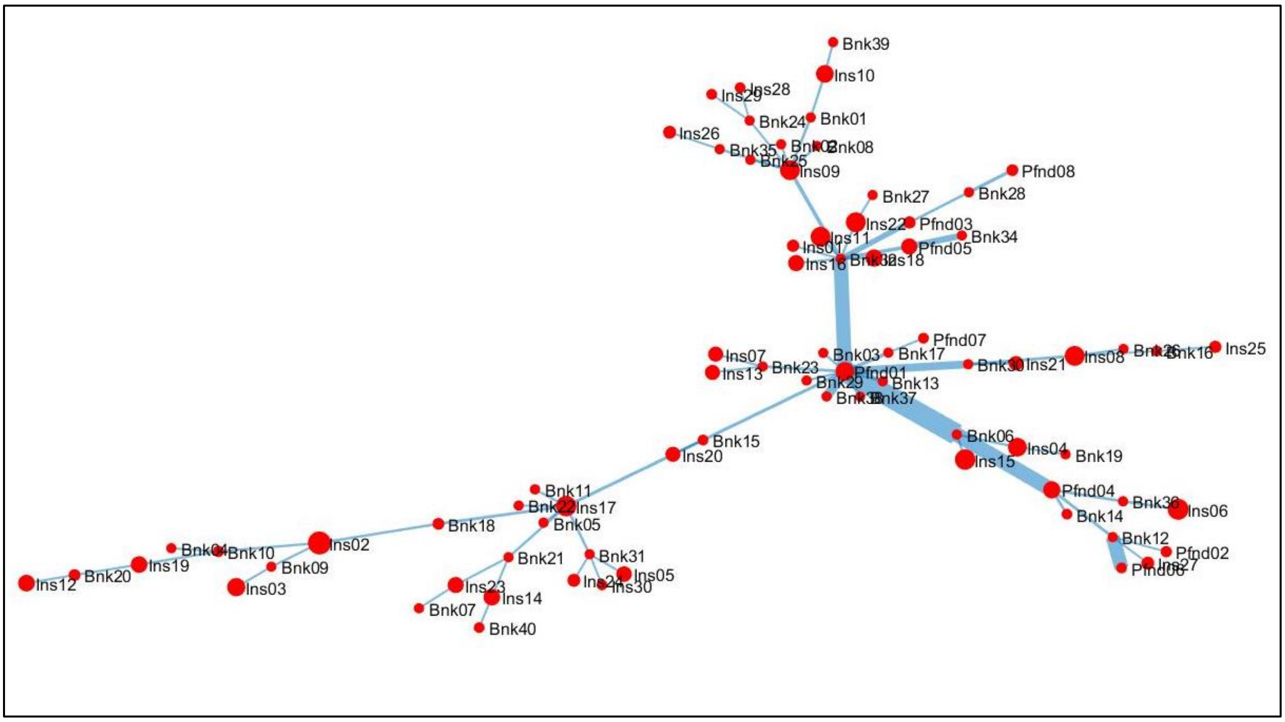
Interconnectedness exists between banks and insurance, but with less volume compared to social security; however, the slight denseness of interconnectedness observed between insurance insu09 and bank Bnk32 implies less risk spread and a minor domino effect of failure. The availability of insurance coverage enhances the overall resilience and stability of the banking sector.

Chart 3.3a: Interconnectedness in the financial sector



Source: Bank of Tanzania

Chart 3.3b: Topology of Financial Sector Interconnectedness



Source: Bank of Tanzania

The Bank, in collaboration with other financial regulators, continues to monitor systemic and contagion risks in the financial system. This will ensure prompt response to any potential systemic risks, ensuring financial stability and supporting economic growth.

3.4 Financial system regulatory developments

3.4.1. Payment system developments

During the period under review, pursuant to Section 56(3) of the National Payment Systems Act, 2015, the Bank issued various circulars pertaining to payment system infrastructure. Among others, the Bank issued the following circulars:

(i) Circular No. LA.53/449/01/893 on Opening of Digital Channels through TIPS Platform. The Circular was issued on 16th June 2023 to all TIPS Participants informing all the TIPS Participants to complete onboarding of all approved digital channels (USSD, Mobile App or Internet Banking) offered to the public through the TIPS Platform by 30th July 2023. The process of onboarding onto TIPS by the Financial Services Providers started in 2022, as evidenced by Circular No. LB.53/449/01/694 dated 20th July, 2022.

(ii) Circular on Customer Experience Guideline on Merchants Payments. On 12th June 2023 the Bank issued a Circular with Reference No. LB/237/01/18 to all Payment System Providers (PSPs). The Circular was issued in furtherance to Circular No. LA/53/449/01/672 dated 12th

August, 2022 on the establishment of Tanzania Quick Response Code Standard (TANQR Code Standard, 2022) aiming at enhancing efficiency of merchant payments in the country.

With this circular, the Bank informs all PSPs that it has designed a uniform ustomer experience for both USSD and Mobile App to ensure that standardized experience is met to all merchant payments regardless of their engagement with financial services payment services. The circular requires all financial services providers to adopt the new guidelines on TANQR-related merchant payments effective from the date of the circular. The circular effective date is 1st September, 2023.

3.4.2. Banking Sector Developments

During the period under review, the Bank issued the following Regulations and Guidelines aiming at enhancing regulatory compliance and strengthening supervisory mechanisms for banks and financial institutions: -

A. Laws

B. Regulations, Guidelines and Frameworks

(i) The Foreign Exchange (Bureau de Change) Regulations, 2023 with aim of providing new modality of application for licence to carry out bureau de change business. The new regulations provide new paid-up share capital levels of one billion Tanzanian shillings for Class A bureau de change with foreign majority shareholding; five hundred million Tanzanian shillings for Class A bureau de change with local majority shareholding; and two hundred million Tanzanian shillings for Class B bureau de change. Further, the new regulations expanded scope of transactions by allowing a bureau de change, apart from spot transactions, to deal with money transfer service as a subagent of an international money transfer agent or a mobile money operator, payments for sale and purchase of foreign currency through cash; a bank, financial institution or mobile money operator; or other payment instrument as may be approved by the Bank. These Regulations repealed the Foreign Exchange (Bureau de Change) Regulations, 2019.

(ii) The Banking and Financial Institutions (Capital Adequacy) Regulations, 2023. The objectives of these Regulations are to ensure that banks and financial institutions maintain adequate capital to protect them against the current and future risk of loss that may arise out of their business activities; ensure that banks and financial institutions maintain capital adequacy standards in line with internationally accepted best practices, and to promote and maintain public confidence in the banking sector. The new regulations have enhanced the capital adequacy level for Development Finance

Institutions to two hundred billion shillings, while capital levels for other categories of financial institutions remained unchanged.

Further, the new Regulations enhanced the definition and computation of total capital, which now consists of the sum of the tier 1 capital (composed of Common Equity tier 1 capital and additional tier 1 capital) and tier 2 capital. In addition, these Regulations require banks and financial institutions to maintain periodic internal capital adequacy assessment processes for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining adequate capital levels. In addition to the minimum capital requirements, every bank and financial institution shall maintain a capital conservation buffer of 2.5 percent of its total risk-weighted assets and off-balance sheet exposures made up of common equity tier 1 capital elements. These Regulations repealed the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014.

(iii) The Banking and Financial Institutions (Liquidity Management) Regulations, 2023 to provide guidance on implementation of liquidity management standards that conform to established international norms; and maintain public confidence by ensuring that banks and financial institutions have sufficient liquidity at all times. The Regulations require a bank or financial institution to submit to the Bank, a copy of the contingency plan for dealing with liquidity stress scenarios approved by its board of directors; maintain minimum liquid assets amounting to not less than twenty percent of its demand liabilities; maintain at all times a stock of unencumbered high-quality liquid assets amounting to not less than a hundred percent of total net cash outflows; and maintain its available stable funding at levels not less than a hundred percent of its required stable funding. These Regulations repealed the Banking and Financial Institutions (Liquidity Management) Regulations, 2014.

(iv) The Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2023, to guide timely and effective actions to deal with a weakening bank or financial institution; enhance transparency by establishing minimum actions the Bank shall take in addressing identified weaknesses in a bank or financial institution; and maintain confidence in the banking sector. These Regulations, among others, require that where, in the opinion of the Bank, an adequately capitalised bank or financial institution is likely to incur a loss which may result in it becoming undercapitalised or otherwise conducting its business in an unsafe or unsound manner, the bank or financial institution concerned to submit within such reasonable period as it may specify, a written plan of corrective action, which identifies the existing weaknesses in the administration or operations of the bank or financial institution; determines in detail the corrective measures required to remedy such weaknesses; and offers a realistic timetable for implementing such measures.

Further, these Regulations prohibit the bank or financial institution from declaring and paying any dividends, which would, in the opinion of the Bank, likely cause the banking institution to fail to comply with the requirements prescribed under relevant regulations in relation to capital adequacy. In addition, these Regulations describe key requirements of capital restoration plans for problem banks or financial institutions. These Regulations repealed the Banking and Financial Institutions (Prompt Corrective Action) Regulations, 2014.

(v) The Contingency Planning Guidelines for Banks and Financial Institutions, 2023. The Bank issued these Guidelines to all banks and financial institutions, in compliance with the Financial Stability Board Key Attribute 11, with the aim to:

a. Provide guidance to banks and financial institutions about developing and implementing contingency planning arrangements with the view to minimising business disruptions to ensure continuity of critical functions;
b. Reducing the likelihood of occurrence of crisis and its impacts in event of its occurrence;
c. Restoring the solvency, liquidity and earnings of a bank or financial institution in a timely manner; and
d. Protecting the interests of depositors and reducing the possibility of using Government funds in resolving a bank or financial institution in crisis.

(vi) The Recovery Planning Guidelines for Banks and Financial Institutions, 2023. To ensure that banks and financial institutions have recovery plans to address more severe scenarios whenever they face them, the Bank developed these Guidelines in compliance with the Financial Stability Board Key Attribute 11, which among others, set key principles, requirements and supervisory prospects on development and maintenance of recovery plans. The Guidelines were developed with the main objective of guiding banks and financial institutions in developing their recovery plans to protect their critical functions to uphold public confidence in the financial system during severe stress situations to ensure stability of the financial system in crisis situations.

Further, these Guidelines provide for, among other things, minimum requirements for establishing a recovery plan by a bank or financial institution, governance and risk management, critical functions and services, scenario analysis, recovery indicators and recovery options, communications, cross-border cooperation and coordination, and sanctions for non-compliance.

(vii) Guidelines for computation of capital charges for risks emanating from credit, market and operational areas. Further, the Bank issued Guidelines for internal liquidity adequacy assessment process, internal capital adequacy assessment process, market discipline, computation of net stable funding ratio, liquidity coverage ratio for banks and financial institution, and cloud computing Guidelines for financial service providers.

(viii) The Zanzibar Microfinance Act, 2023 was assented on 1st February 2024 provides for provisions for licensing, regulating, and supervising microfinance services towards maintaining stability, safety and soundness of microfinance services and other related matters in Tanzania Zanzibar. Apart from the microfinance licensing and registration requirements, the Act also provides for provision of microfinance consumer protection. For the period under review, the Zanzibar Microfinance Act, 2023 is yet to be operational following the finalization of its Regulations.

The following draft Regulations have been made under the provisions of the Act, reviewed by relevant stakeholders pending review and inputs from relevant Committees in Zanzibar:

(a) The Zanzibar Microfinance Services (Non-Deposit Taking Microfinance Service Providers) Régulations, 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.

C. Circulars and public notices

During the period under review, the Bank issued various circulars and public notices as follows:

(i) Circular No. IA/170/178/01/37 on the Review of the Interbank Foreign Exchange Market (IFEM) Code of Conduct. The Circular was issued on November 2023 to all foreign exchange authorized dealers in the IFEM, informing the targeted market stakeholders that the Bank is reviewing the IFEM Code of Conduct 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.

As part of financial inclusiveness, the Circular informs all relevant stakeholders to submit their inputs to the IFEM Code of Conduct as the revised version was intended to be published in January 2024. The Circular also reiterates the need for banks and financial institutions to always adhere to foreign exchange regulations and directives, renouncing of foreign exchange trading undertaken by unlicensed dealers/ individuals.

Further, through this Circular, the Bank refers to circulars previously issued in May and August 2023 and public notices issued in June 2023 as well as October 2023 which are intended to enhance foreign exchange liquidity in the market, limit dollarization to foster microfinance stability. Following this Circular and a review of inputs from the relevant stakeholders, the Bank issued the IFEM Code of Conduct on January 2024.

(ii) Public Notice on the Bank's Efforts to Address Foreign Currency Shortages. On 23rd March, 2024, the Bank of Tanzania issued a Public Notice informing the general public of its efforts to address foreign currency shortages. Following the shortage of foreign currency, particularly USD, the Bank informs the general public of its efforts towards addressing foreign currency shortages to the extent that, the Bank continues to actively participate in the market by selling USD to commercial banks. The aim of the initiative is to ensure customers' demand for foreign currency is met through licensed financial institutions at the prevailing market prices. Notably, the notice reiterates that the Bank's intervention in the market is guided by the Foreign Exchange Intervention Policy aimed at promoting market stability and meeting the legitimate needs of foreign exchange in the country.

3.4.3. Financial inclusion developments

Tanzania has recently witnessed a remarkable transformation in the financial sector, leveraging the rapid growth of the adoption of technologies in developing and distributing financial services and products. In the context of financial inclusion, the efficient functioning of an economy depends on the level of access to and use of affordable, high-quality financial services and products to promote individuals' and businesses' welfare. Access to a broad range of financial services and products empowers individuals and communities, enabling them to participate fully in economic activities and improve their livelihoods. According to the FinScope Survey 2023, the level of access to and usage of formal financial services and products increased to 89 percent and 76 percent in 2023 from 86 percent and 65 percent in 2017, respectively.

During the year ending 2023, the National Council for Financial Inclusion (NCFI) developed and launched the Third National Financial Inclusion Framework (NFIF 2023-2028), aiming at increasing access to and usage of broad range of formal financial services and products to 95 percent and 85 percent by 2028 from 89 percent and 76 percent in 2023 respectively. In addition, NCFI developed the NFIF Communication Framework, Guide for Certified Financial Educators, and NFIF Implementation Support Guide to facilitate the effective implementation of financial inclusion initiatives in the country. Further, the NCFI developed a Curriculum for Certified Financial Educators with the objective of ensuring systematic, effective, and sustainable delivery of financial literacy skills to the public, as well as a toolkit for financial literacy curriculum design with the aim of equipping university and college students with personal financial management skills.

Financial literacy is crucial for early ages because it equips them with the knowledge and skills to manage money effectively throughout their lives. It empowers them to make informed financial decisions, avoid debt, save for the future, and invest wisely. Teaching youth about money early on fosters responsible financial behaviours and prepares them to navigate the complexities of personal finance as adults. With this view, NCFI, in collaboration with the Ministry of Education, inculcated financial literacy skills in the schools' curriculum from pre-primary, primary and secondary schools. For the schooling population, there is a Memorandum of Understanding between the Bank on behalf of the NCFI and universities/colleges and House Media to enhance the effective delivery of financial literacy programs to people out of learning institutions.

3.4.4. AML/CFT/CPF Developments

In compliance with the Financial Action Task Force (FATF) Recommendations and other international standards, financial sector developments must commensurate with the developments in the Anti-Money Laundering, Combating of Financing of Terrorism and Counter-Proliferation of Weapons of Mass Destruction 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/CFP 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 include 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, progress was made in various aspects, including the amendment of laws in line with the FATF's Technical compliance standards and recommendations. Thus, during the period under review, the following developments were made:

During the April 2023 ESAAMLG Task Force of Senior Officials' meeting, URT submitted a request for re-rating of 8 FATF recommendations as follows: Rec. 6 (originally rated NC and requested a re-rating for C), Rec. 7 (originally rated NC and requested a re-rating for C), Rec. 10 (originally rated PC and requested a re-rating for C), Rec. 12 (originally rated NC and requested a re-rating for C), Rec. 13 (originally rated PC and requested a re-rating for C), Rec. 17 (originally rated NC and requested a re-rating for C), Rec. 18 (originally rated NC and requested a re-rating for C) and Rec. 19 (originally rated PC and re-rating request for C). The meeting resolved to consider the application for re-rating during the next ESAAMLG Task Force and Council of Ministers Meeting that was set to be held on August/September 2023. This application was made after addressing shortcomings in various FATF key Recommendations.

Further, in July 2023, URT submitted its first progress report on implementing the FATF Action Plan. The report was discussed in the FATF meeting held in Paris in October 2023. From July 2023 to January 2024, the United Republic of Tanzania amended its Anti-Money Laundering and related legislation as follows:

(i) The Anti Money Laundering and Proceeds of Crime Act, No. 10 of 2009, was amended in November 2023 to incorporate a revised interpretation of terrorist financing and enhance due diligence requirements for reporting persons;
(ii) The Anti Money Laundering (Amendments) (No.2) Regulations, 2023 G.N. No: 853E of 2023;
(iii) The Anti Money Laundering and Proceeds of Crime (Amendments) (No.2) Regulations, 2023;
(iv) The Prevention of Terrorism (General) (Amendment) Regulations, 2023 G.N No. 8 53G of 2023;
(v) The Anti-Money Laundering Regulations 2022 (G.N No. 397 of 2022) through the Anti Money Laundering (Amendments Regulations) [G.N No. 853E of 2023];
(vi) The Anti Money Laundering and Proceeds of Crime (Amendments) Regulations 2023 of Zanzibar;
(vii) The Prevention of Terrorism (POT) Regulations through Government Notice No. 853G of 2023. The POT Regulations were further amended in January 2024 to streamline the

communication procedures of the consolidated UN list. With these amendments, Communication of UN designations to FIs and DNFBPs is as provided for under Regulation 4(3) of the POT Regulations 2023 as amended in January 2024, and

(viii) The Prevention of Terrorism (General) (Amendment) Regulations, 2024 G.N No.1A of 2024;

In addition, on June 2023, URT launched the National Counter Terrorist Financing Strategy 2023/24 to 2027/28, whose implementation AML/CFT/CPF stakeholders started in November 2023. Also, in November 2023, FIU issued a revised Targeted Financial Sanction Guideline that covers all types of Targeted Financial Sanctions, reflecting the procedures for implementing s in Tanzania and continued to provide training on various AML/CFT/CPF matters.

3.4.5. Social Security Developments

The social security sector still faces the challenge of low coverage as millions of Tanzanians are not members of social security schemes. This makes them dependent when they retire or when they are exposed to short-term and long-term risks such as diseases and disabilities. The main reason for low coverage is due to a large part of Tanzanians working in the informal sector and not having a regular income, which would enable them to contribute regularly. In continuing to improve the social security sector the following have been done in the sector:

(i) The Government has completed the preparation of the Social Security (Use of Members Benefit Entitlements as Collateral for Home Mortgage) Regulations, 2024. These Regulations will enable Pension Fund members who have made at least one hundred- and eighty-months contributions of which twelve-monthly contributions are made before the date of issuance of collateral, to assign a proportion of their benefit entitlements from the Fund to be used as collateral for home mortgage granted or to be granted by the institution.

The Regulations allow members of the Social Security Fund (the Fund) to assign a portion of their benefits from the Fund to be used as a collateral for home mortgage granted or to be granted by a bank or financial institution (an institution) for purposes of construction of a residential house on their immovable property; purchase a residential house; and/or improve, alter or carry out repairs to their house.

(ii) Also, the government has amended the Social Security Schemes (Benefits) Regulations, 2018 through the Social Security Schemes (Benefits) (Amendment) Regulations, 2024, which has been announced on March 8, 2024, through Government Notice No 140. The changes are aimed at making improvements on definitions of un-skilled members; widening the scope of qualifying conditions of a deferred pension and specifying the reasons that will cause members to be paid a special lump sum.

3.4.6. Insurance sector developments

During the period under review, the Tanzania Insurance Regulatory Authority (TIRA) issued various guidelines indicated herein as part of development in the insurance sector regulatory framework:

(i) Guidelines on Retention and Reinsurance Management, 2023 were issued in August, 2023 in response to the need to enhance retention and reinsurance practices within the industry, which include among others: enhancement of technical capacity on reinsurance matters, provision of guidance on appropriately risk externalization procedures, improvement of retention through participation of locally registered insurers and reinsurers in co-insurance and reinsurance arrangements.

Further, the Guidelines have provisions on the following: principles for retention of risks and conduct of reinsurance, accreditation requirements for reinsurers, reinsurance for specialized risks as well as prohibited practices. These Guidelines have taken into account the requirements of ICP 13 on Reinsurance and other forms of risks transfer issued by the International Association of Insurance Supervisors.

(ii) Guidelines on Accreditation of Automobile Repairers and Maintainers Servicing Insurance Sector, 2023 issued under the Insurance Act to address the need to ensure that insurers honor respective repair and maintenance charges timely as well as improvement of satisfaction for services offered. Purposely, the Guidelines were issued to safeguard the interest of policyholders, insurance companies, Automobile Repairers and Maintainers (ARMs) and the public in general, with the aim to establish a framework for accreditation of ARMs intending to transact with insurers and other related matters in the insurance industry.

These Guidelines provide for the following provisions among others; Accreditation criteria for applicants, roles and responsibilities of ARMs, Insurers and other registrants, reporting requirements, monitoring, and record keeping as part of supervision requirements as well as prohibited practices for ARMs, Insurers, policy holders, and other registrants; and

(iii) Guidelines for Medical Insurance and Registration of Health Service Providers (HSPs), 2023 were issued to address the need of ensuring that, scheme members receive quality health services from HSPs, and curbing fraudulent acts in health insurance system, protection of health insurance policyholders and beneficiaries rights, equity in pricing health insurance services according to the level of services offered and other related matters. Further, the Guidelines intend to address complaints relating to health insurance issues from HSPs, Health Insurance Schemes (HIS), policyholders and relevant stakeholders.

Towards attaining the objectives for the establishment and enforcement of these Guidelines, the following provisions have been incorporated: roles and responsibilities of HSPs and other health service providers, their registration criteria and additional registration requirements, reporting requirements, monitoring, and record-keeping as part of supervision requirements as well as prohibited practices for HSPs and HIS.

Thus, these developments in the insurance sector enhance compliance with regulatory frameworks and improve customer confidence in insurance services.

3.4.7. Developments in capital markets

The Capital Markets and Securities Authority (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 certified market professionals recognized internationally; and enhancement of financial literacy and public awareness.

With regard to thematic products and services, the CMSA has driven efforts on the development of new capital market products, including ethical shariah-compliant Sukuk bonds. To this end, the following products were approved:

(i) Application of Information Memorandum in respect of NMB Bank Plc’s Multicurrency Medium Term Note (MTN) Programme worth TZS 1,000,000,000,000 (Tanzania Shillings One Trillion); and issuance of the first tranche dubbed “Jamii Bond” worth TZS 75 billion for financing green, social and sustainability projects.

(ii) Application of Information Memorandum in respect of CRDB Bank Plc’s Multicurrency Medium Term Note (MTN) Programme worth TZS 780 billion, equivalent to United States Dollar 300 million to be issued in five tranches; and issuance of the first tranche dubbed “Kijani Bond” worth TZS 55 billion for financing green projects.

(iii) Application of Prospectus in respect of TCCIA Investment Plc to raise TZS 10.58 billion by way of rights issue of 72,957,660 ordinary shares at a price of TZS 145 per share at a ratio of one new ordinary share for every one share held.

(iv) Application for approval of Information Memorandum in respect of iTrust Finance Limited to raise TZS 5 billion with a green shoe option of raising additional TZS 5 billion through the issuance of Shariah Compliant Sukuk Bond on private placement basis.

CMSA promulgated guidelines to support thematic and innovative products. The Government, through CMSA, in collaboration with other stakeholders, developed Guidelines for Investment-based Crowdfunding and Guidelines for Corporate Sukuk Bonds in order to facilitate the issuance of thematic and innovative capital markets products of new products and services. These developments assist the Government in promoting access to finance for start-ups and small and medium enterprises (SMEs).

Issuance of Circular to all Capital Markets Licensees on the Targeted Financial Sanctions on Terrorism Financing and Proliferation Financing Guidelines. In its efforts to ensure that the Government of Tanzania is removed from the grey list by the Financial Action Task Force (FATF). CMSA circulated Guidelines on Targeted Financial Sanctions on Terrorism Financing and Proliferation Financing prepared by Financial Intelligence Unit, this will facilitate compliance with the Prevention of Terrorism Act (Cap 19) and the Prevention of Terrorism (General) Regulations 2022, as amended from time to time.

4. FINANCIAL STABILITY OUTLOOK

The outlook of the global economy remains exposed to short-term risks and structural vulnerabilities, with the global economic growth projection for 2024 revised downwards to 2.9 percent from 3.1 percent projected earlier by the IMF. The downgrading of the growth outlook is due to the continued tightening of monetary policy to achieve price stability, spillovers from China's slowing economy, intensification of the war in Ukraine, geopolitical tensions in the Middle East, and climate shocks.

The domestic financial system is expected to remain strong to withstand internal and external shocks and continue to provide credit and other financial services to support the economy. The financial system's enduring growth, resilience and stability are supported by a conducive macroeconomic environment, characterised by prudential monetary and fiscal policies that have contributed to positive economic growth prospects despite global financial and economic vulnerabilities. This is also on account of the improved debt servicing capacity of households and corporates as attested by the survey findings from the household financial conditions survey and the corporate sectors financial condition survey.

The corporate sector remains vulnerable to uncertainty in global growth and fears of a recession in some advanced economies, currency exposure risks that might affect the performance of some companies that are exposed to foreign currency, climate-related risks, and supply chain disruptions from the war in Ukraine and the ongoing geopolitical tensions in the Middle East.

Risks emanating from households are expected to remain low owing to a slowdown in borrowing costs and an increase in disposable income and creditworthiness. In addition, the improvements in household income due to improved domestic economic activities, increase in employment opportunities and employees' salaries are expected to further contribute to a decrease in the level of non-performing loans, sustaining the financial sector's stability.

However, the domestic financial system still faces risks from the global environment, such as subdued and fragile global growth, tight global financial conditions and persistent geopolitical tensions. Further, the increasing interconnectedness among the players in the financial system presents a challenge for regulators in developing effective oversight frameworks for the sector. Climate-related financial risks are also rising due to climate change and its potential to impact the safety and soundness of individual financial institutions and the broader financial systems. As a result, there is increased pressure on institutions and countries to green their financial systems. This may hamper the growth of some economic activities considered harmful to the environment but open other opportunities for green solutions and climate change mitigation as well as adaptation measures. Similarly, improving data quality would greatly enhance the identification and assessment of climate-related risks and the costs of greening the financial system.

APPENDICES

Appendix 1: Global real GDP growth and projections

Percent

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Projections 2023	Projections 2024
World	3.4	3.4	3.3	3.8	3.6	2.8	-3.1	6.2	3.5	3.1	3.1
Advanced Economies	2.0	2.3	1.8	2.5	2.3	1.7	-4.5	5.4	2.6	1.6	1.5
United States	2.7	3.6	1.9	2.6	3.1	2.6	-3.4	5.9	1.9	2.5	2.1
Euro Area	1.4	2.0	1.9	2.6	1.8	1.6	-6.4	5.3	3.4	0.5	0.9
United Kingdom	2.9	2.3	1.8	1.8	1.4	1.2	-9.4	7.6	4.3	0.5	0.6
Japan	4.0	0.8	0.0	1.4	0.5	1.2	-4.5	2.1	1.0	1.9	0.9
Emerging Markets and Developing Economies	4.7	4.3	4.4	4.8	4.6	3.6	-2.0	6.7	4.1	4.1	4.1
China	7.2	7.3	6.7	6.8	6.8	6.1	2.3	8.4	3.0	5.2	4.6
Subsaharan Africa	5.0	3.2	1.5	3.0	3.3	3.2	-1.7	4.7	4.0	3.3	3.8
South Africa	1.7	1.3	0.3	0.7	0.8	0.4	-6.7	4.9	1.9	0.6	1.0

Source: IMF, World Economic Outlook, January 2023

Appendix 2: Banks capital adequacy rating

Particulars	Dec-20		Dec-21		Dec-22		Dec-23	
	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital	Core Capital	Total Capital
All Banks								
<8	2	2	1	1	2	2	0	0
8-10	2	2	0	0	1	1	0	0
10-12	4	2	3	3	0	0	0	0
12-14	5	6	8	6	7	3	9	9
>14	34	35	35	37	35	39	35	35
Total	47	47	47	47	45	45	44	44
Commercial Banks								
<8	1	1	0	0	0	0	0	0
8-10	2	2	1	1	1	1	0	0
10-12	4	2	0	0	0	0	0	0
12-14	4	5	5	1	5	1	7	7
>14	25	26	28	32	28	32	27	27
Total	36	36	34	34	34	34	34	34
Community Banks								
<8	0	0	0	0	0	0	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	5	5	5	5	5	5	5	5
Total	5	5	5	5	5	5	5	5
Development Finance Institutions								
<8	1	1	1	1	1	1	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	1	1	1	1	1	1	2	2
Total	2	2	2	2	2	2	2	2
Microfinance Banks								
<8	0	0	0	0	1	1	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	1	1	1	1	2	2	2	2
>14	2	2	2	2	1	1	1	1
Total	3	3	3	3	4	4	3	3
Mortgage Refinance Companies								
<8	0	0	0	0	0	0	0	0
8-10	0	0	0	0	0	0	0	0
10-12	0	0	0	0	0	0	0	0
12-14	0	0	0	0	0	0	0	0
>14	1	1	1	1	1	1	1	1
Total	1	1	1	1	1	1	1	1

Source: Bank of Tanzania

Appendix 3: DSE market capitalization of individual companies

No;	Cross Listed Companies(CLC)	Jun-14	Dec-14	Jun-15	Dec-15	Jun-16	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23
1	EABL	23.2	20.0	20.7	22.0	21.8	21.6	21.4	18.2	17.4	31.0	28.9	17.2	18.7	16.8	13.5	16.0	13.5	9.8
2	JHL	2.4	2.3	2.9	3.0	3.0	3.5	3.3	3.2	3.7	6.7	3.9	2.8	3.3	3.0	2.3	1.7	1.4	1.5
3	KA	1.6	1.1	0.9	0.7	0.6	1.0	1.2	9.6	6.1	11.4	3.4	3.0	2.8	2.9	2.9	2.9	3.0	3.1
4	KCB	14.8	14.5	14.2	12.1	10.0	10.4	13.2	12.0	14.0	25.0	23.5	15.9	16.4	17.3	14.4	13.5	9.5	7.1
5	NMG	5.8	4.2	2.9	3.4	2.9	1.8	2.2	2.1	1.7	2.9	0.6	0.4	0.6	0.4	0.4	0.4	0.4	0.4
6	USL	-	0.3	0.3	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	CLC Market share as percent of Total Market Capitalization	**47.8**	**42.4**	**41.9**	**41.6**	**38.4**	**38.6**	**41.5**	**45.2**	**43.1**	**77.0**	**60.3**	**39.3**	**41.8**	**40.4**	**33.6**	**34.5**	**27.9**	**22.0**
No;	Domestic Listed Companies (DLC)																		
8	CRDB	3.7	4.2	3.6	5.1	3.7	3.4	2.4	1.8	1.9	3.9	3.8	3.4	4.7	4.6	6.7	6.6	8.2	8.2
9	DCB	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1
10	DSE	-	-	-	-	-	0.1	0.1	0.1	0.2	0.3	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3
11	MBP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
12	MCB	-	-	-	0.2	0.2	0.2	0.2	0.1	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1
13	MKCB	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
14	MUCOBA	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
15	NICO	-	-	-	-	-	-	-	-	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
16	NMB	10.6	7.7	7.3	6.1	3.7	7.2	7.1	6.0	6.3	11.7	11.7	7.8	7.1	6.3	10.0	9.6	11.6	15.4
17	PAL	0.4	0.3	0.3	0.4	0.3	0.4	0.4	0.3	0.3	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
18	SWALA	-	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
19	SWIS	-	0.8	1.1	1.3	1.1	1.0	0.7	0.5	0.6	1.0	0.5	0.3	0.2	0.2	0.3	0.3	0.4	0.3
20	TBL	15.1	18.8	17.9	21.2	18.6	18.5	20.5	17.9	22.1	38.1	32.2	21.3	19.5	20.4	20.6	20.5	21.4	22.0
21	TCC	5.9	7.6	6.9	7.7	5.5	6.0	5.7	7.3	7.7	17.0	17.0	11.3	10.3	10.8	10.9	10.8	11.3	11.6
22	TCCL	0.8	1.3	1.0	0.8	0.5	0.5	0.5	0.3	0.3	0.4	0.4	0.2	0.2	0.4	0.6	0.4	0.8	0.9
23	TICL	0.5	-	-	-	-	-	-	-	0.1	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.2
24	TOL	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.2	0.2	0.2	0.2	0.3	0.2	0.3
25	TPCC	2.2	3.3	2.6	2.6	2.0	2.2	1.7	1.1	1.3	3.7	4.0	3.0	3.9	3.9	4.3	4.2	4.8	5.4
26	TTP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
27	VODA	-	-	-	-	-	-	-	8.3	8.2	17.9	19.0	11.4	10.4	10.9	11.0	11.0	11.5	11.8
28	YETU	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	OTHERS											3.9	2.6	2.4	2.7	3.0	2.7	3.3	3.6
	DLC Market share as percent of Total Market Capitalization	**39.6**	**44.9**	**41.6**	**46.3**	**36.4**	**40.4**	**40.2**	**44.5**	**50.0**	**97.0**	**91.6**	**60.7**	**58.3**	**59.6**	**66.4**	**65.5**	**72.1**	**78.0**

Source: Dar es Salaam Stock Exchange

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