



ASSESSMENT OF SKILLS NEEDS IN THE FINANCIAL SECTOR IN TANZANIA

SUMMARY REPORT

Contents

- 1. Overview 4
- 2. The Project's Purpose 9
- 3. Strategic Vision & Obstacles to Achieving it 12
- 4. Where are the Gaps? 15
- 5. Deep Dive: Digital Finance 21
- 6. How the 2019 Recommendations Were Reached 24



1 Overview

The Financial Sector Deeping Trust (FSDT) commissioned IPC GmbH to assess the skills needs in its financial sector, where sustainability is crucial for economic growth and improving the livelihoods of millions. The research undertaken in 2018 aimed to identify gaps that should be closed if the financial sector is to deliver appropriate products and services that meet consumer needs and changing market trends.

The report, published in 2019, recommends increased collaboration and communication between regulators/policymakers, capacity builders and financial service practitioners. It calls for Tanzania to develop a National Financial Sector Skills Development Strategy and urges a funding strategy to ensure the capacity building needs of the sector are met.

The “Assessment of Skills Needs in the Financial Sector in Tanzania” report built on a 2013 assessment and 87% of respondents said the earlier report’s key findings were still relevant (see Box 1). Specifically, Tanzania’s financial sector lacks a structured implementation mechanism to enable communication, cooperation, collaboration and coordination between its critical stakeholders: policymakers and regulators, capacity building providers, and financial sector practitioners.

The new report recommends that stakeholders should implement a “Triple Helix” model of innovation and come together in a formal governance structure to plan, lead and implement a multi-dimensional and multi-stakeholder skills development strategy, the report recommends. To be effective, this complex strategy should include task forces under the formal governance structure to ensure that the skills being developed are those needed.

The report also recommends that regulators prescribe minimum skills requirements for financial services practitioners to maintain an appropriate standard, and that regular skills gap analyses are conducted to ensure any capacity building meets specific market demands.

Among these specific demands, are those in the emerging market of digital finance and so the report conducted a deep-dive study into this area. It found that middle, senior and board level management at financial service providers lack awareness of digital finance technology. In addition, financial organisation managers lack digital literacy and don’t fully understand the potential of digital financial services and products.

Key findings of the 2013 report

For ease of reference, these are categorized as findings pertinent to the Public Sector (Ministry of Finance, Ministry of Industry, Trade and Investment, BOT, CMSA, TIRA, SSRA), and findings relevant to the Private Sector.

For the Public Sector:

- Staffing levels are a major problem with most posts unfilled for middle management, officer level and below because of lack of skills required.
- High staff turnover in which four out of seven public institutions covered reported 28% and 60% remaining in a job for less than one year.
- Staff retention for financial analysts and economists is difficult because the skills are expensive to maintain and salaries are higher in the private sector. For example, actuaries are hard to recruit because they are rare and expensive on full time basis.
- Technical skills remain a problem and there are limited opportunities for skills improvement in specialist areas.
- Entry level skills particularly for graduates are very low.

For the Private Sector:

- Quality of education for staff at entry level is a major concern and organizational efforts are needed to select the right candidates in terms of skills and attitude. Graduates generally enter the sector with no appropriate or practical skills and require significant training to provide them with the skills required to carry out their roles effectively.
- High labour turnover with less than 50% in the private sector staying in the same post for more than two years.
- Except for large ones, most financial institutions lack a skilled HR person/team or primarily focus on basic HR operations.
- Significant skill gaps have been noted in general, professional and technical competencies. Additionally, in departmental roles to middle management, senior management and the board levels.

1.1 Key research findings from the 2019 Skills Assessment Report:

- Capacity building is recognized by all parties as an important and central element of skills development in the financial sector
- The process of building a culture of collaborative working between public and private sectors has started
- There is a lack of a structured implementation mechanism within the collaborative working process to enable communication, cooperation, collaboration and coordination between policy makers/ regulators, capacity building providers and financial sector practitioners
- The learning content of finance programs delivered by the capacity building providers does not meet the skills requirements of the market
- Skills levels in the financial sector in Tanzania do not match with the market demands
- There is lack of professional skills certification and accreditation programs in different financial sector categories, e.g. in digital finance and trainers' accreditation etc.
- There is low awareness amongst graduates of the range and levels of skills required for positions in finance sector organizations
- There is an opportunity to create formal partnership structures (the 'Triple Helix' collaboration model) to drive inter-sector collaboration
- There is an opportunity to stimulate skills development by creating and implementing policies and regulations to govern standards of skills development in both private and public sectors and mandating approved qualifications
- There is an established institutional architecture of development partners (like FSDT) who can initiate, support, follow-up and carry out further studies

1.2 Key research recommendations from the 2019 Skills Assessment Report:

- Bring key stakeholders into a formal governance structure to plan, lead and manage the skills development strategy
- Share research findings through a stakeholders' workshop to raise their engagement level
- Develop a coherent, realistic and grounded funding plan to implement the skills development strategy
- Regulators should set minimum skills requirements, and introduce common professional skills standards and curricula requirements for the financial sector at national level
- Task forces to specifically address the skills needed by the financial sector and the curricula and vocational training programs
- Regulators should implement a succession planning policy for staff in private, public sectors and capacity building providers at national level
- Conduct regular skills gap analyses and encourage more budget for skills development
- Incorporate human capacity development into the National Financial Sector Strategy
- Update the National Financial Sector Skills Development Strategy every two years
- Create awareness among students and graduates about the different skills requirements and levels necessary for different positions in different organizations in financial sector
- Introduce professionally accredited and mandatory 'Train the Trainer' programs for private and public capacity builders
- Develop international partnerships for skills accreditation and certification
- Introduce training programs in digital finance for the private and public sector
- Consolidate training in a single e-platform that serves as an information and educational resource accessible for public and private financial organizations
- FSDT should engage technical implementation support to develop the 'Triple Helix' coordination mechanism and successfully implement the strategy.

2 The Project's Purpose

The project aimed to review and analyze the findings and recommendations from the 2013 Skills Stock-Take Report and other recent studies, validating the findings and recommendations with key stakeholders. The research undertaken sought to update data collection on new and emerging skills areas such as digital finance, MNOs mobile financial services and agency banking.

Ultimately, the study wanted to determine areas of future skills needs, based on regional benchmarks and international best practice with the aim of developing strategy that would propose specific recommendations on how the skills gaps should be addressed.

2.1 Taking stock

FSDT previously initiated research on skills levels in the financial sector in Tanzania and this led to the 2013 Skills Stock-Take Report. According to IPC, the 2013 recommendations were high-level and conceptual, lacking specific targets and actionable steps which could be used by FSDT to direct and guide implementation. FSDT commissioned IPC to conduct fresh research in 2018 and this resulted in the 2019 report: Assessment of Skills Needs in the Financial Sector in Tanzania.

2.1.1 Key developments since 2013

Since the 2013 report, significant initiatives have been taken by the Ministry of Finance and Planning (MoF), Tanzania Institute of Banking (TIOB), Tanzania Banking Association (TBA) and Capital Markets and Securities Authority (CMSA).

- The Second National Financial Inclusion Framework 2018 - 2022 incorporates capacity-building in the financial sector. It targets: digital ID for all adult Tanzanians; a Know Your Customer (KYC) regime to lower KYC hurdles on opening low-value accounts; any-to-any digital payments; rural agent growth to serve the cash in/cash out needs of all customers in their community regardless of who their provider is; and driving service innovation.
- Tanzania is implementing electronic government and multiple E-government initiatives, e.g. the new electronic tax collection system in 2017.
- A new competency-based education system is being introduced by the Dutch government and coordinated by NACTE.
- Entrepreneurship programs have increased access to finance knowledge. These include: the Kijana Jijiri program (Youth, employ yourself!) introduced in 2014 by Youth Business International, the National Economic Empowerment Council (NEEC) and the Tanzania Entrepreneurship and Competitiveness Centre (TECC). In 2016, the University of Dar es Salaam also introduced an entrepreneurship course, and the World Bank's Agribusiness Entrepreneurship Program set up an Agribusiness Entrepreneurship Centre (AEC).
- The Institute of Directors in Tanzania is offering executive programmes addressing leadership gaps among senior managers.
- An ambitious, new management team of the Tanzania Institute of Bankers started in 2017 and has very targeted, short-term training programs meeting market demand, e.g. non-performing loans management, agriculture lending.
- The TIOB and TBA have worked together in identifying skills gaps / training needs and plan to design tailored courses.

- The TBA, in partnership with CRDB bank, is establishing a dummy branch at the University of Dar es Salaam for practical training of banking students.
- The CMSA, together with the Chartered Institute of Securities and Investment (CISI), UK, has introduced the Securities Industry Certification program for capital market professionals.
- The Launch Pad mentors and coaches youth to help them connect youth with business funding opportunities. It is also working with the government through the Prime Minister's office to rollout nationwide employability/soft skills training in mid-2019.
- Significant changes have been made in the regulation of appointments to auditing positions in the financial sector as the National Board of Accountants and Auditors strengthened its control.

Table 1: Skills crucial for the future (OECD)

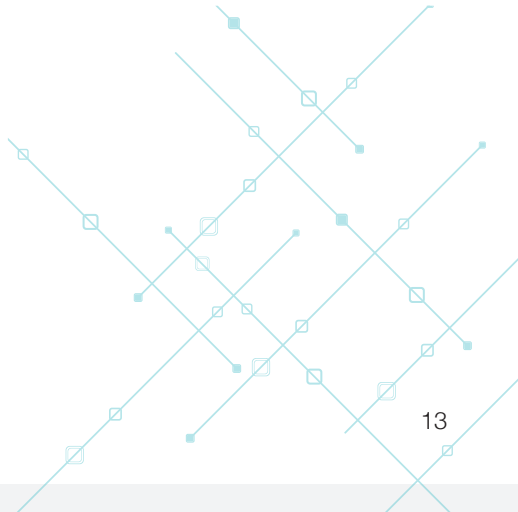
LEARNING & INNOVATION SKILLS	INFORMATION, MEDIA & TECHNOLOGY SKILLS	LIFE & CAREER SKILLS
<ul style="list-style-type: none"> ▪ Critical thinking & problem-solving skills ▪ Creativity & innovation skills ▪ Communication & collaboration skills 	<ul style="list-style-type: none"> ▪ Information literacy ▪ ICT (Information, communications & Technology) / digital literacy 	<ul style="list-style-type: none"> ▪ Flexibility & adaptability skills ▪ Initiative & self-direction skills ▪ Social & cross-cultural skills ▪ Productivity & accountability ▪ Leadership & responsibility

The *Tanzania Development Vision 2025*, developed by the Ministry of Finance and Planning, aims to build a resilient economy while advancing social development. The government sees industrialization as the main catalyst for transforming the economy, generating sustainable growth and reducing poverty. The target is for the country to become semi-industrialized by 2025. The government and private sector have also developed the Private Sector Development Strategy to develop an inclusive, diversified, competitive and vibrant private sector that contributes into the national development goals.

Human capability in the form of knowledge, skills and talents is critical for the above objectives to be achieved. The financial sector is an integral part of the economy but evidence shows that the financial sector is not currently ready to drive the strategy implementation and consequent economic growth to the levels aspired to by the government.

3 Strategic Vision & Obstacles to Achieving it

Governments need to ensure graduates are equipped with the skills to navigate successfully through an ever-changing, technology-rich work environment, which requires high quality education and training. In 2018, the Organization for Economic Co-operation and Development (OECD) designed The Learning Framework 2030, which identifies the skills crucial for the future.



3.1 Workforce supply

Since 2013, 79% of respondents believe workforce supply exceeds market demand in Tanzania. There are more than nine million unemployed young people in the country and this is expected to grow to 15 million by 2030, according to the World Bank.

Many graduates volunteer in different organizations where they can be trained on-the-job to gain practical skills and experience. The government has set limits on minimum number of internships per year in the banks. Some banks said there was low awareness about this internship requirement. Smaller banks also face constraints in regard to the internship programs, i.e. not enough space to accommodate the required number of interns or not enough experienced personnel to act as mentors.

Financial organizations are also concerned that the East African Common Market Protocol, which became effective in July 2010 and allows the free movement of workers across six partner-countries, might see Tanzanians lose positions to other nationals.

3.2 Collaboration missing

The face-to-face and focus-group interviews identified a lack of communication, cooperation, collaboration and coordination between the three critical stakeholder segments – policy makers/regulators, capacity builders and financial practitioners. Stakeholders were vague about what actions to take to address the skills gaps in the financial sector, how to sustain the workforce development, and who should be responsible for those actions.

While the academic sector involves the private sector in providing feedback on its curricula, the extent of involvement is superficial and the academic representatives' knowledge about financial sector trends and demand is vague.

There is also a low level of graduates' awareness of the skill level requirements for different positions in different organizations in the financial sector. This results in graduates being unjustifiably confident of their skills and decreases their motivation to improve.



The assessment identified the specific needs of each sector stakeholder. Stakeholder specific needs assessments are provided as separate accompanying documents, which should be read in parallel with this broader summary.

Overall, current and future skills needs can be categorized as follows:

- Personal effectiveness (generic self- management)
- Technical knowledge
- Executive and strategic management (organizational leadership)

Table 2: Personal, technical and management skills needs (current and future)

PERSONAL EFFECTIVENESS SKILLS	TECHNICAL KNOWLEDGE / SKILLS	EXECUTIVE AND STRATEGIC MANAGEMENT SKILLS
<ul style="list-style-type: none"> ▪ Interpersonal ▪ Communication ▪ Negotiation ▪ Persuasion ▪ Presentation ▪ Creative and innovative thinking ▪ Decision making 	<ul style="list-style-type: none"> ▪ General basic financial ▪ Digital literacy (digital finance concept understanding) ▪ ICT ▪ Reporting ▪ Financial analysis ▪ Computer programming ▪ Digital services sales ▪ Customer care ▪ Digital marketing ▪ Product development ▪ Risk management ▪ Policy formulation ▪ Research ▪ Training and academic program design and program delivery 	<ul style="list-style-type: none"> ▪ Business acumen ▪ Technological competence ▪ Corporate governance ▪ Organizational leadership ▪ Team leadership and management ▪ Contextual and entrepreneurial thinking ▪ Data and business analytics ▪ Strategic planning ▪ Change management

4.1 Financial Practitioners

During the desk review, face-to-face and focus-group interviews, skills gaps were identified at different levels in the financial service providers segment. As most of the respondents did not distinguish between senior and board levels due to their organizational structures, senior and board levels were combined into one category.

Table 3: Skills gaps at entry level, middle management and senior management levels in the financial service providers segment

ENTRY LEVEL	MIDDLE MANAGEMENT LEVEL	SENIOR AND BOARD MANAGEMENT LEVEL
<ul style="list-style-type: none"> ▪ Understanding of financial sector operations & industry knowledge ▪ General basic financial ▪ Customer care ▪ Interpersonal ▪ ICT skills ▪ Reporting skills ▪ Digital finance technology awareness 	<ul style="list-style-type: none"> ▪ Risk management ▪ Product development ▪ Team management and team motivation ▪ Leadership ▪ Analytical ▪ Decision making ▪ Strategic planning ▪ Sales ▪ Negotiation ▪ Communication ▪ Persuasion ▪ Digital finance technology awareness 	<ul style="list-style-type: none"> ▪ Business acumen ▪ Contextual and entrepreneurial thinking ▪ Risk management ▪ Corporate governance ▪ Financial analysis ▪ Strategic planning ▪ Decision-making ▪ Creative and innovative thinking ▪ Leadership ▪ Negotiation ▪ Presentation ▪ Communication ▪ Digital finance technology awareness

The above-mentioned skills gaps are relevant for all sub-sectors within the financial sector.

4.2 Findings applicable for Capacity Building Providers

The following are key shortages identified in the capacity building providers' segment:

- There are no common standards and skills requirements among all universities and institutes in Tanzania for financial academic programs.
- There is a limited number of lecturers and trainers who teach based on practical experience and add value to learners' development. This means that the curriculum used is more knowledge based as opposed to competence based.
- There are budget constraints for upgrading the lecturers' skills.

Skills gaps identified in the capacity building providers' segment at all levels also included:

- Presentation
- Training and academic program design and program delivery
- Hands-on risk management

4.3 Findings applicable for Financial Sector Regulators and Apex Bodies

The following skills gaps were identified in the financial sector regulators and apex bodies segment at all levels:

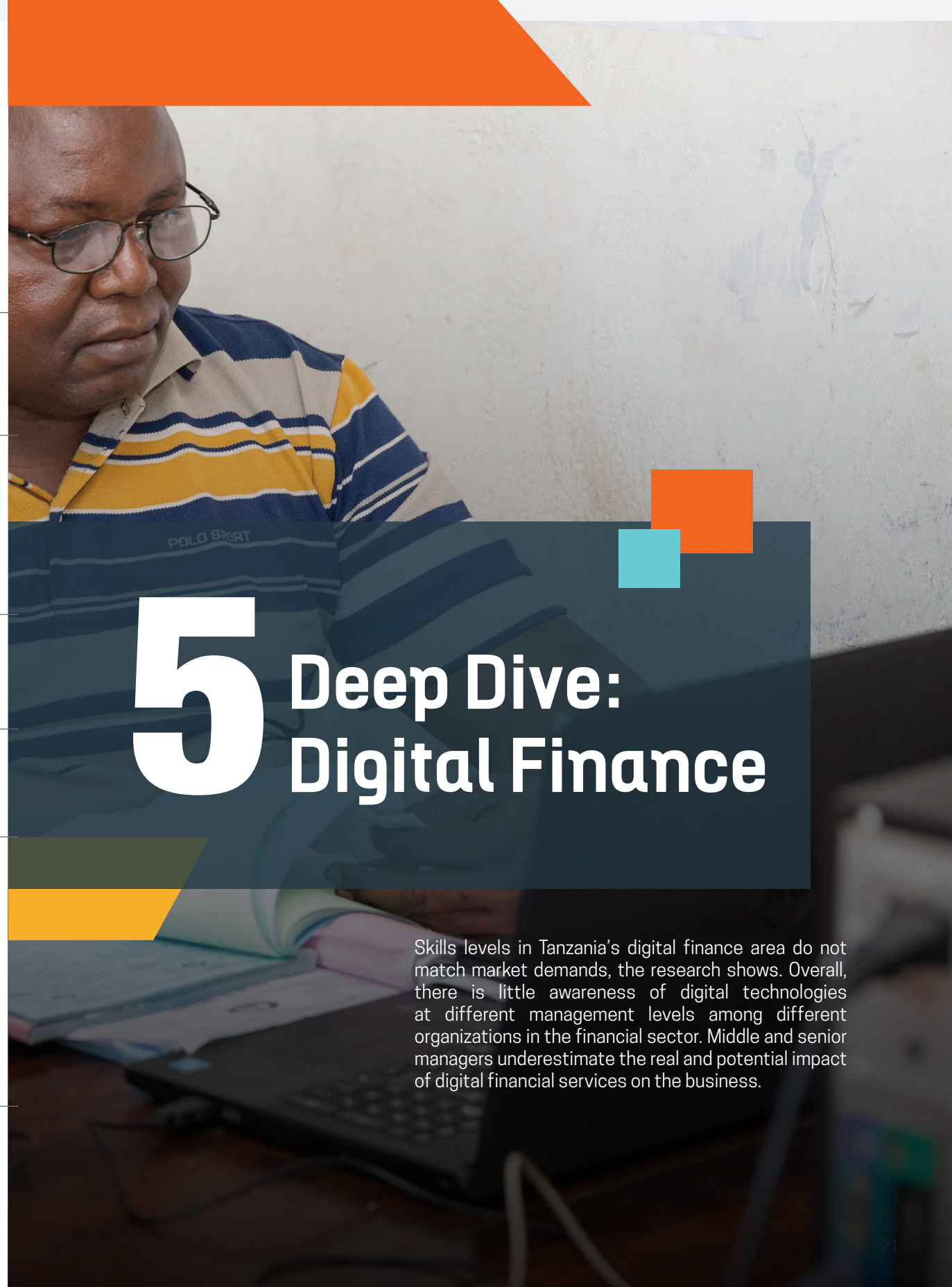
- Policy formulation
- Negotiation
- Analytical
- Decision making
- Research

In addition, the research response indicates that:

- One of the recruitment requirements for financial sector regulators and apex bodies is a high-level degree, preferably internationally recognized. There are numerous staff who possess degrees from worldwide recognized universities, but they are unable to fully apply their knowledge and skills due to system constraints in the public sector (e.g. job functions limits).
- Public organizations focus on investing in upgrading their staff's technical skills but they usually overlook 'soft' skills.
- A skills development levy is collected by the Tanzania Revenue Authority with the purpose to invest in employees' skills development, but no trainings have been provided. This issue is being advocated in the Association of Tanzania Employers (ATE).

Table 4. Skills gaps by all sector stakeholders

FINANCIAL PRACTITIONERS	Banking	<ul style="list-style-type: none"> Financial analysis Credit risk assessment NPL management Agriculture lending SME banking
	Mobile banking and MFI skills	<ul style="list-style-type: none"> Financial analysis Credit risk assessment Loan recovery Collateral evaluation
	Insurance providers and brokers skills	<ul style="list-style-type: none"> Actuarial Insurance marketing Claims assessment Underwriting Specialized insurance, e.g. agricultural insurance, construction insurance etc. Research
	Capital markets	<ul style="list-style-type: none"> Project management Investment banking Trading flow analysis Research
	Pension funds	<ul style="list-style-type: none"> Actuarial Pension investment Asset valuation Policy development and policy evaluation
CAPACITY BUILDERS	Universities, colleges, institutes and training organisations	<ul style="list-style-type: none"> Presentation Training and academic program design and program delivery Hands-on risk management No common standards and skills requirements for financial academic programs Curriculum used is more knowledge based as opposed to competence based Limited number of lecturers and trainers who teach based on practical experience Budget constraints for upgrading the lecturers' skills.
FINANCIAL SECTOR REGULATORS		<ul style="list-style-type: none"> Policy formulation Negotiation Analytical Decision making Research Job function limitations Lack of soft skills



5 Deep Dive: Digital Finance

Skills levels in Tanzania's digital finance area do not match market demands, the research shows. Overall, there is little awareness of digital technologies at different management levels among different organizations in the financial sector. Middle and senior managers underestimate the real and potential impact of digital financial services on the business.

Table 5: Skills gaps in Digital Finance

ENTRY LEVEL	MIDDLE MANAGEMENT LEVEL	SENIOR AND BOARD MANAGEMENT LEVEL
<ul style="list-style-type: none"> Digital literacy (digital finance concept understanding) Computer programming Data analytic Digital services sales Interpersonal Communication 	<ul style="list-style-type: none"> Computer programming Digital marketing Product development Leadership Business analytic Risk management Decision making Change management 	<ul style="list-style-type: none"> Technology acumen Leadership Entrepreneurship Strategic planning Decision making Change management

5.1 Scarce human resources

The research indicates that the Computer Programmers or Technical Engineers are in high demand in the digital finance market in Tanzania but there is a lack of highly qualified graduates in Computer Programming.

There is also a lack of specialists in Business Analytics, where responsibility is taken by staff members with conventional general banking and ICT skills. The market faces challenges in delivering the right requirements to the IT teams and transferring the business needs into IT implementation. When employers make decisions about employment where such combined skills are needed, priority is afforded to the ICT skills, and then the organizations train such recruits in the general banking area.

Data analytics is another scarce human resource in the digital finance sector. Specialists who can interpret data, apply critical thinking and use the results for strategic business planning and digital finance products development are in high demand and in short supply in the market.

5.2 Agency banking

Agency banking very active in Tanzania, and banks and MFIs who haven't yet adopted this business model are considering doing so. Agents represent the frontline of the digital financial services. They play a critical role in customer acquisition, digital transactions, customer education and the provision of exceptional customer service.

Unfortunately, the providers (banks, MFIs, MNOs) do not provide adequate training for their agents. This impacts on the level of agents' knowledge, skills and their engagement in the business. Digital finance literacy, customer care, cash and float management and entrepreneurship are the most requested training needs for the agents.

5.3 Regulators' role

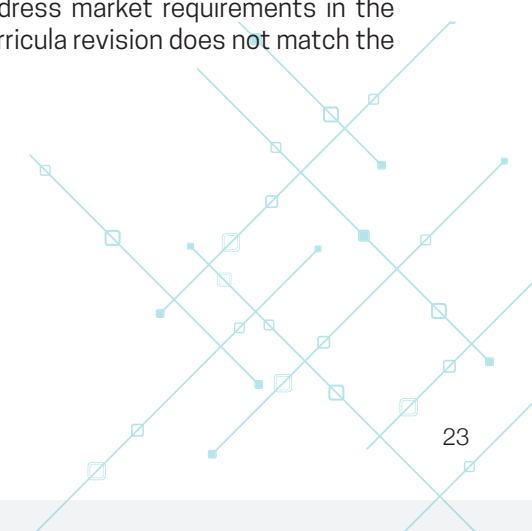
With the rapid evolution of the digital finance space, the private sector has ever-increasing expectations of the public sector to contribute more in the skills developments in this area.

The Commission of Science and Technology (COSTECH) collaborates with a variety of governmental and non-governmental authorities. These collaborations provide a great opportunity for organizations and individuals to participate in the technology development process in the financial sector.

The 'national switch' project is ongoing in Tanzania, led by the Bank of Tanzania. The project involves creating a new payment mode that will enable customers to access payment in any bank regardless of where their accounts are registered. This initiative is a good example of the interoperability process market-wide in Tanzania.

5.4 Capacity building

There is a lack of training providers that address the skills gaps in digital finance. The curricula of the universities and educational institutes do not address market requirements in the digital finance area. Furthermore, the frequency of the curricula revision does not match the pace of development of digital technologies.

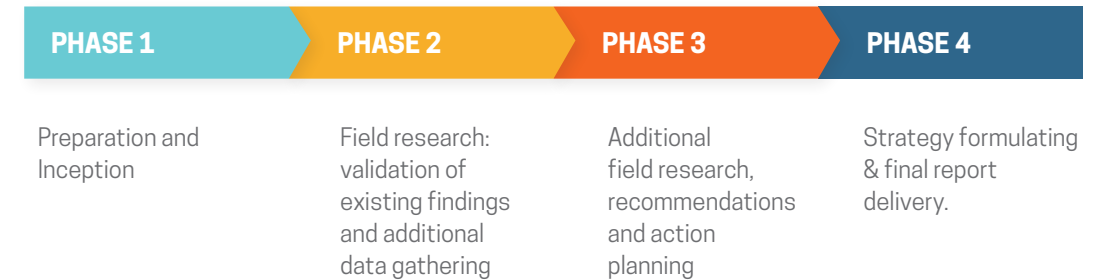


6 How the 2019 Recommendations Were Reached

The research for this report was conducted in 2018 via: a combination of: a) literature review, b) on-site face-to-face interviews and focus-group discussions, c) a 'deep-dive' study of digital financial services, d) a sector survey – questionnaire, and e) consultations with experts and FSDT. The data was analyzed from a qualitative and quantitative perspective.

Four stakeholder groups participated: regulators, policymakers, financial practitioners (including banks, MFIs, MNOs, insurers, pension funds and financial associations), and capacity builders (universities, institutes, colleges, training providers). A detailed list of those participating can be found in Appendix 3.

The project was structured across four phases:



Different approaches and methodologies were used for different phases to ensure diversity and objectivity:

- Preliminary desk review during Phase I
- Deep desk review, on-location face-to-face and focus-group interviews during Phases II and III
- Workshop and one-to-one meetings with the key stakeholders during Phase IV.

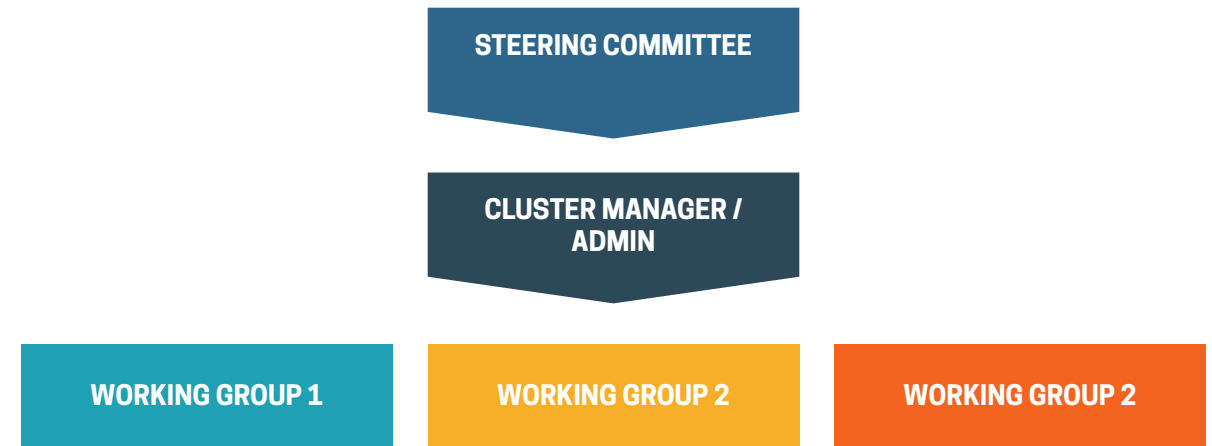
6.1 National Financial Sector Skills Development Strategy

The proposed strategy focuses on the skills gaps identified in the financial sector at the entry, middle, senior and board levels in Tanzania. It provides a framework for strategic actions and is comprised of the following essential elements:

- The strategy itself
- An action plan to implement the strategy
- A Special Purpose Vehicle (SPV) for strategy implementation – the ‘Triple Helix’
- An implementation progress monitoring and evaluation framework
- Cost estimates for implementing the listed actions
- A funding strategy to resource the actions
- Critical success factors for strategy implementation.

The strategy should involve communication, collaboration, cooperation and coordination among all three key stakeholders: regulators/policymakers, capacity builders and financial practitioners. It should be implemented using the ‘Triple Helix’ collaboration Model¹ – in a formal governance structure to plan, lead and manage the implementation of the strategy.

Structure of a typical ‘Triple Helix’ collaboration model



¹ Adapted from Triple Helix Model of Innovation by Etzkowitz and Leydesdorff (1995)



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