NATIONAL FINANCIAL INCLUSION FRAMEWORK 2018 – 2022

A Public – Private Stakeholders' Initiative

Savings

Credit

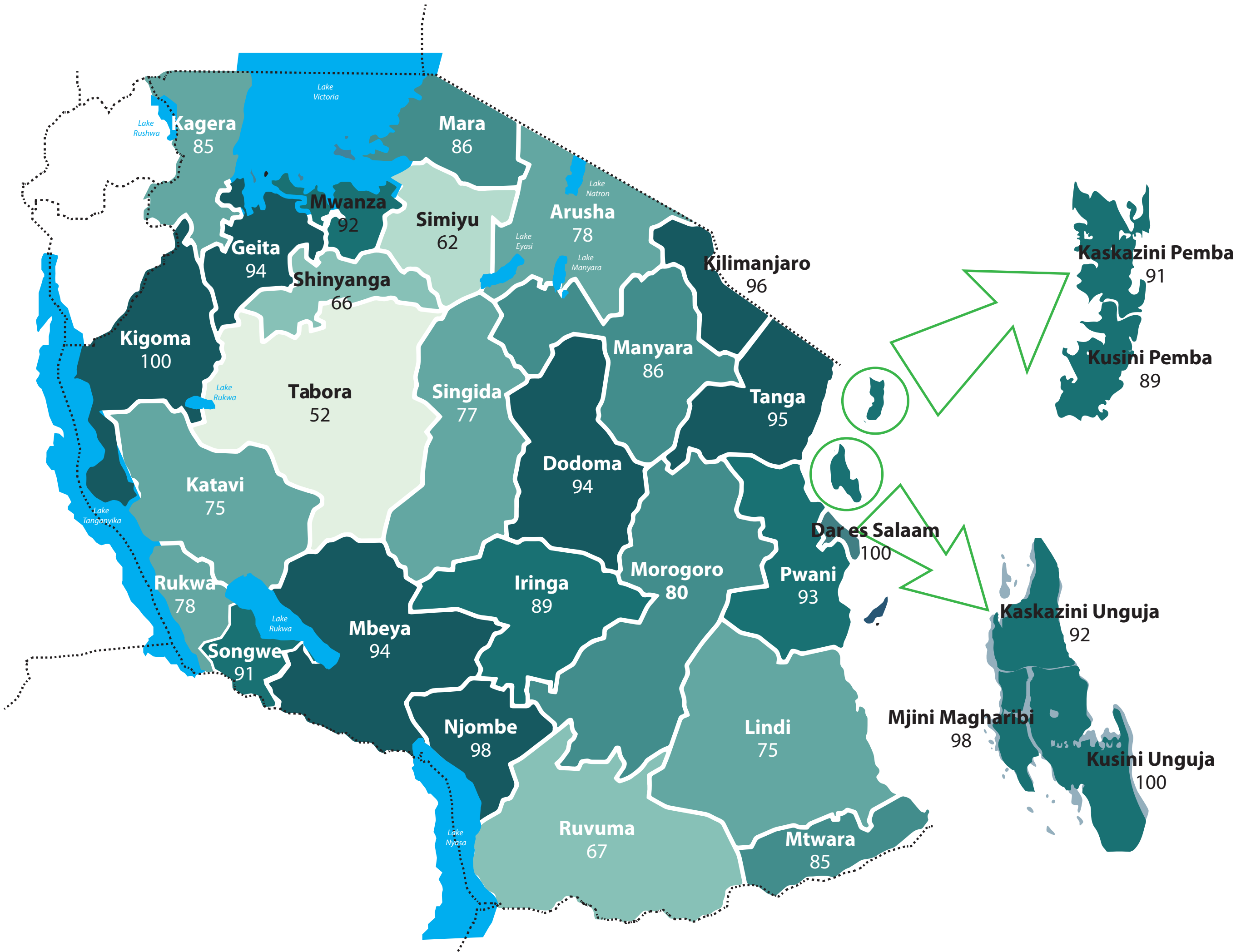
Payments

Insurance

Investment

NATIONAL FINANCIAL INCLUSION FRAMEWORK, 2018 – 2022

Tanzania at a Glance



Dark green: relatively high percentage of people living within 5km of a formal financial access point;

Light green: relatively low percentage of people living within 5km of a formal financial access point

Total Area:	945,087 km2
Population:	51.6 million
Adults:	27.9 million
Male:	49 %
Female:	51 %
Population growth rate:	2.7 %
Population density:	51 persons/km^2
Urban–rural distribution:	23.8 percent to 76.2 %

Source: FinScope Tanzania 2017 April-July

Abbreviations & Acronyms

AFI	Alliance for Financial Inclusion
ATI	Association of Tanzania Insurers
ATM	Automated Teller Machine
BOT	Bank of Tanzania
BPRA	Business and Property Registration Agency (Zanzibar)
BRELA	Business Registrations and Licensing Agency
CICO	Cash-In Cash-Out
CMSA	Capital Markets and Securities Authority
CRB	Credit Reference Bureau
DIB	Deposit Insurance Board
DSE	Dar es Salaam Stock Exchange
EFT	Electronic Fund Transfer
FCC	Fair Competition Commission
FIU	Financial Intelligence Unit
FSDT	Financial Sector Deepening Trust
FSPs	Financial Service Providers
FYDP	Five-Year Development Plan
IFC	International Finance Corporation
IIT	Institute of Insurance Tanzania
KYC	Know Your Customer
MFI	Microfinance Institution
MoA	Ministry of Agriculture
MOFP	Ministry of Finance and Planning
MoHCDGEC	Ministry of Health, Community Development, Gender, Elderly and Children

Abbreviations & Acronyms

MoPYLED	Ministry of Policy, Parliament, Youth, Labour, Employment and Disabled
MIVARF	Marketing Infrastructure, Value Addition and Rural Finance
MNO	Mobile Network Operator
MSMEs	Micro, Small and Medium Enterprises
NC	National Council
NEEC	National Economic Empowerment Council
NFEF	National Financial Education Framework
NFIF	National Financial Inclusion Framework
NIDA	National Identification Authority
NSC	National Steering Committee
NTC	National Technical Committee
OAPN	Operators Association of Postal Network
OECD	Organization for Economic Cooperation and Development
PBFP	Property and Business Formalization Programme
POS	Point of Sale
PO (RALG)	Presidents' Office, Regional Administration and Local Government
REA	Rural Energy Agency
SACAs	Saving and Credit Associations
SACCOS	Saving and Credit Cooperative Society
SCCULT	Savings and Credit Co-Operative Union League of Tanzania
SSRA	Social Security Regulatory Authority
TAC	Tanzania Automated Clearing House

Abbreviations & Acronyms

TAMFI	Tanzania Association of Microfinance Institutions
TANESCO	Tanzania Electric Supply Company Limited
TBA	Tanzania Bankers Association
TCAS	Tanzania Consumers Advocacy Society
TCDC	Tanzania Cooperative Development Commission
TCRA	Tanzania Communications Regulatory Authority
TIE	Tanzania Institute of Education
TIMAP	Tanzania Informal Microfinance Association of Practitioners
TIRA	Tanzania Insurance Regulatory Authority
TISS	Tanzania Interbank Settlement System
TMNOA	Tanzania Mobile Network Operators Association
TPSF	Tanzania Private Sector Foundation
UNCDF	United Nations Capital Development Fund
UNSGSA	United Nations Secretary Generals Special Advocate for Inclusive Finance for Development
VSLA	Village Saving and Loans Association
WACFI	Women Affairs Committee for Financial Inclusion
ZECO	Zanzibar Electricity Corporation
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty

Foreword

The National Financial Inclusion Framework 2018 - 2022 is the second framework to be implemented under the Financial Inclusion National Council, building up the first Framework, which ended in December 2016. The previous Framework focused on building infrastructure to facilitate access of financial services ready to be used by Tanzanians. Key achievements under the completed Framework include the increase of the percentage of adults who access formal financial services from 58% in 2013 to 65% in 2017, as well as a reduction of adults solely reliant on informal financial services from 16% to 7% in the same period. The outcome was possible through collaborative efforts, dedication and support of implementing agents.

Being the second Framework, its preparation was preceded by an assessment/evaluation of the previous Framework, which appraised the extent to which the set targets were achieved and identified the challenges encountered while implementing the Framework. Additionally, an assessment of the extent and quality of stakeholders' engagement, timeliness of the activities and appropriateness of resource mobilization and utilisation for implementing the prioritized actions. Inputs for this new Framework include findings from this assessment, The FinScope Survey 2017 and stakeholders' ideas collected through industry rethinking workshops. Therefore, the new Framework comprehensively utilizes the lessons learned from the implementation of previous Framework, insights from the country's development strategies, new dynamics in behaviour of consumers, sector or industry future aspirations and technological opportunities.

Unlike the previous Framework, this Framework's vision is to see that "Financial products and services meet the needs of individuals and business consistent with supporting livelihood, household resilience and creation of jobs. Financial inclusion as a means to an end is expected to take Tanzanians to a higher level of livelihood through using formal financial services.

The focus areas towards which this Framework will direct its actions include ensuring the existence of a robust electronic information infrastructure for individuals and business profiles, credit history and collateral; ensuring that consumers are informed and protected; and encouraging the design and development of demand-based solutions.

The Framework is a commitment from financial inclusion stakeholders in Tanzania from both the private and public sector, who want to see that the barriers to financial inclusion are eliminated through the implementation of the second financial inclusion Framework in Tanzania.

On behalf of the National Council for Financial inclusion, I wish to thank all key financial inclusion stakeholders in the country for their commitment and tireless efforts to produce this Framework. Equally important, I wish to thank the Financial Sector Deepening Trust (FSDT) for their extended cooperation and assistance.

I trust this Framework shall increase motivation to fulfil our objective of increasing the level of financial inclusion in reaching the "Last Mile in Financial Services Delivery".

Prof. Benno Ndulu
Chairman, National Financial Inclusion Council

Acknowledgements

The National Council for Financial Inclusion acknowledges all stakeholders including financial service providers, regulatory authorities, government, development partners and peers that contributed to the development of the second National Financial Inclusion Framework 2018 - 2022.

Specifically, the National Council acknowledges the contribution from the following development partners and peers: UNSGSA, CGAP, the Bill & Melinda Gates Foundation, AFI, UNCDF and the Omidyar Network. We thank them for reviewing this Framework and providing input and feedback.

Special thanks go to the Financial Sector Deepening Trust (FSDT) for financial and technical support they offered to us in developing the Framework. We also wish to thank our good friends, Dr. Ignacio Mas and Mr. Kennedy Komba, for their input and feedback.

Moreover, the National Council for Financial Inclusion would like to acknowledge with gratitude the Task Force Team members; Mrs. Nangi Massawe (Team Leader), Mr. David Kwimbere, Mr. Eliamringi Mandari, Mr. Mosses Mwizarubi, Mr. Melvin Kilemile, Mr. Amani Itatiro, Mr. Peter Mmari and Mr. Fabian Kasole who worked tirelessly with patience to consolidate all ideas and inputs, as well as providing their own technical insight to ensure that this Framework fulfils its aims.

In particular, we thank Mr. Charles Assey, the facilitator, for his technical guidance in developing this Framework.

This Framework would not be possible without the participation of public and private sector stakeholders from the financial sector and beyond. They devoted their precious time to provide contributions and feedback during consultation and rethinking workshops, as well as providing recommendations towards a flourishing financial sector in Tanzania.

Executive Summary

The National Financial Inclusion Framework 2018 - 2022 (NFIF2) builds on the first Framework (NFIF1), which was implemented over a period of three years from 2014 to 2016. The spirit of this Framework is to advance the vision of NFIF1 so that "Financial products and services meet the needs of individuals and businesses consistent with supporting livelihood improvement, household resilience and creation of jobs". Given the remarkable progress the country has made in expanding the opportunities for people to access financial service, this Framework puts thrust on usage of financial services as the next phase of Tanzania's financial inclusion journey. This Framework is a public-private stakeholder initiative, whose mission is to build an inclusive and effective financial system in a coordinated manner.

As part of its refocused agenda, this Framework provides details of its vision, by identifying and separating aspects related to the demand side from those of the supply side. On the demand side, the Framework emphasizes households and micro, small and medium enterprises in the financial inclusion space. It accordingly gives special focus to women. On the supply side, the Framework places emphasis on the requirements for a supply side ecosystem that implements solutions that are innovative, affordable and responsive to the needs of individuals and businesses. The Framework balances the role of public and private actors by implementing policies, regulations and solutions that are innovative and responsive to the needs of enterprises and households.

In order to realize its vision, the Framework draws on three principles that will guide its development and implementation, namely flexibility, innovation and collaboration.

This Framework specifies a Financial Inclusion Value Creation Model that provides the mechanisms and the critical steps that allow users to derive value from using financial solutions regularly. The blueprint depicts the process of gaining value from access to usage and specifies the core enablers for access and the drivers of usage. The blueprint also provides a value creation map, in the form of a visual representation of the Tanzania Financial Inclusion outcomes on a single page. The map provides a concise and visual presentation of strategic outcomes, in a way that shows the cause-effect relationships among the outcomes. Through this model, key outcomes are summarized in four dimensions: addressability, uptake, usage and satisfaction.

In relation to access and usage, the model identifies and presents two key access drivers, a conducive infrastructure and enabling legal and regulatory frameworks. It also diagnoses the barriers that are preventing those with accounts from using them more regularly and effectively. A single and more significant usage barrier is the "relevance gap" that arises both from inappropriate product design as well as from inappropriate communication of benefits. While "relevance" is considered a necessary condition for usage, it is not sufficient. The model advocates that even when a product or service is relevant, people may not use a service if it is too expensive, inappropriately sized, inconvenient or not well understood.

On the other hand, this model shows the cause-effect relationships among the outcomes and the way in which the outcomes influence the vision and the overall welfare effects for the entire society of Tanzania Mainland and Zanzibar.

The outcomes of this Framework are in alignment with the national goals of the Second Five-Year Development Plan (FYDP II) and the Third Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP III). The outcomes are designed to directly motivate the anticipated Framework's focus on expanding financial inclusion to women, youth and MSMEs. Specifically, this Framework will ensure that financial access points are closer to where people live; all adults own a mobile phone; all adults have unique and verifiable identification; all adults have their profiles in the integrated reference system; all adults have activity through their accounts; all adults use financial services to save, borrow, transact and mitigate financial risks; people and businesses have financial products and services which are relevant, appropriate, affordable and convenient; adults are confident in dealing with Financial Service Providers (FSPs) and that financial products and services meet consumers' expectations.

The priority areas towards which this Framework will direct its actions include ensuring the existence of a robust electronic information infrastructure for individual and business profiles, credit history and collateral ensuring that customers are informed and protected; and encouraging the design and development of demand-based solutions.

The following five key areas will be implemented and achieved by the end of the Framework plan period: the provision of digital IDs to all adult Tanzanians; a tiered Know Your Customer (KYC) regime to enable reduce KYC hurdles on opening low-value accounts; any-to-any digital payments to enable full interoperability between all bank accounts and mobile money wallets; driving 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 for market awareness of the need to drive relevance in financial offers.

This Framework also presents a list of unresolved issues that are critical to achieving full and meaningful financial inclusion in Tanzania. These issues require further scrutiny so that they are fully conceptualized by the end of the Framework period. The issues are: limits to financial inclusion; access to finance as a driver of business formalization; front-end interoperability; role of digital fiat currency; IDs for people under 18 years; and digitizing money and not simply payments for positive implications on both fiscal and monetary policy agenda. The Framework will also embark on building a deeper understanding on these critical aspects and may incorporate them in the actions plans or into subsequent Frameworks.

Table of Contents

1. Introduction

This is the second National Financial Inclusion Framework (NFIF 2), building on the first Framework, which was implemented over a period of three years from 2014 to 2016. The spirit of this Framework is to advance the vision of the previous framework. The Framework is a public-private stakeholder initiative whose mission is to build an inclusive and effective financial system in a coordinated manner.

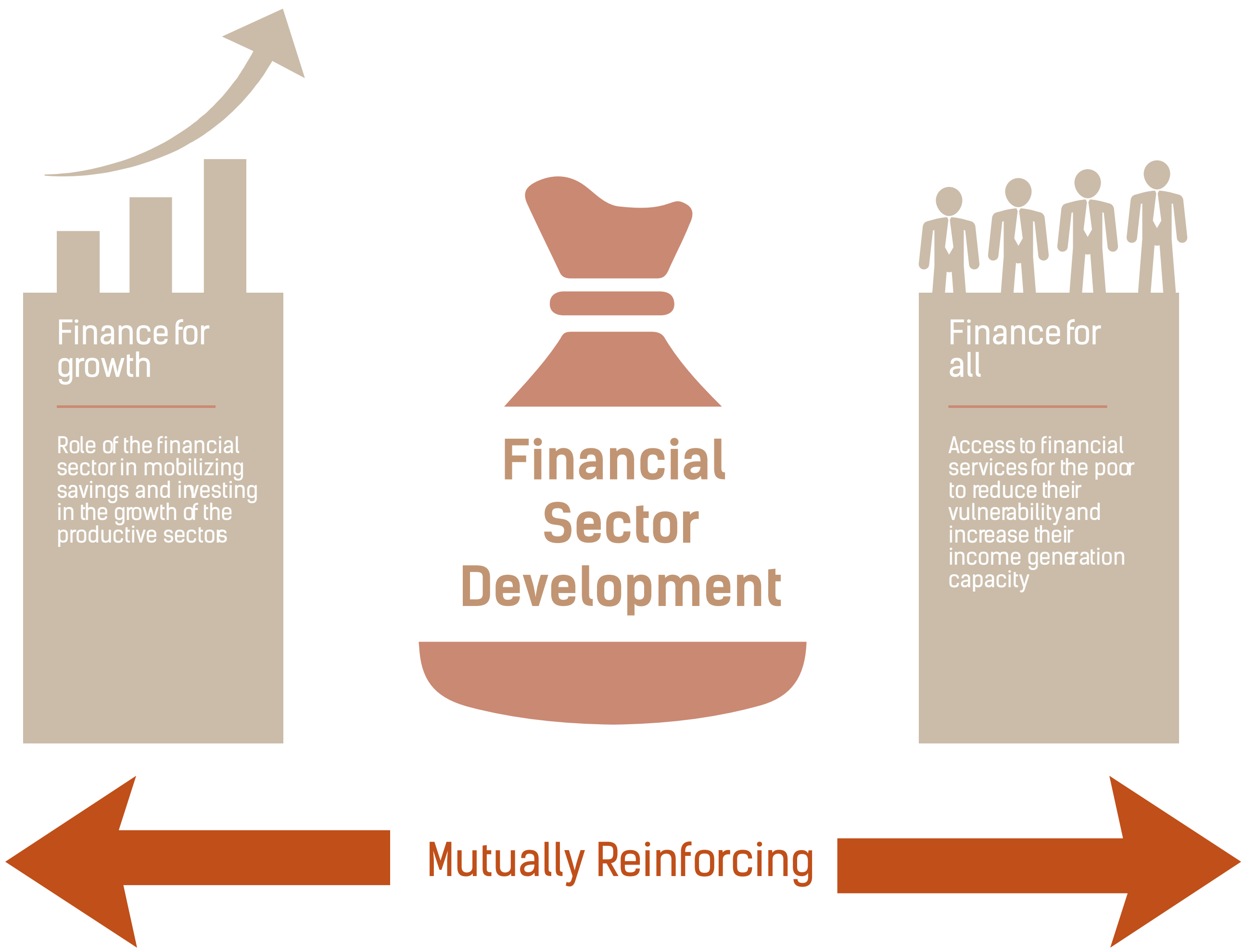
Unlike the previous Framework whose focus was to raise the level of access to formal financial services in the country, this Framework's thrust is on the usage of financial services as the next phase of Tanzania's financial inclusion journey. In this respect, the Framework builds on the achievements made in the core enablers through implementing planned actions, detailed in the NFIF 2014 - 16 as the foundation to drive usage.

Based on the coordinated efforts under the previous Framework, Tanzania has made remarkable progress in expanding the opportunities for people to access and use financial services. Uptake of formal financial services has reached 65% in 2017 compared to 57.7% in 2013. Accessibility, measured by the proportion of the population living within 5 kilometers from where financial services are provided, has grown from 45% to 86% nationally and is at 78% for those living in rural areas. Notable also is the growth in active mobile wallets reaching over 21 million which are held by 16.6 million Tanzanian adults as reported by FinScope Tanzania 2017. Following developments in the market, this Framework proposes a shift of emphasis from access to usage. It is only when people and businesses derive value from financial services that they will use them regularly as a matter of choice. A responsive, deeper and sustainable financial sector is one which offers choice for individuals, households and enterprises and can make meaningful contributions to economic growth. The Framework identifies core enablers and key drivers to support enhanced usage of financial services.

In view of the national development agenda, the Framework is designed to support FYDP II whose main objective is to boost industrialization through agricultural and enterprise transformation and contribute to economic development to become a middle-income country. The Framework also supports ZSGRP III, whose objective is to reduce poverty through the provision of financial services to low-income people. Recognizing the indispensable role that the financial sector plays in facilitating the delivery of these objectives, it is important that the prioritized initiatives in financial inclusion align with the blueprint provided by FYDP II and ZSGRP III.

The rationale for linking the thrust of this Framework to national development goals rests on the consensus that financial sector development makes two mutually reinforcing contributions to poverty reduction, through its impact on equitable economic growth and derived benefits from using appropriate financial products and services with dignity.

This diagram shows opportunities to leverage impact through finance, which can stimulate economies in which the livelihood of low-income people are embedded, household resilience is upheld and quality jobs are created in the economy.



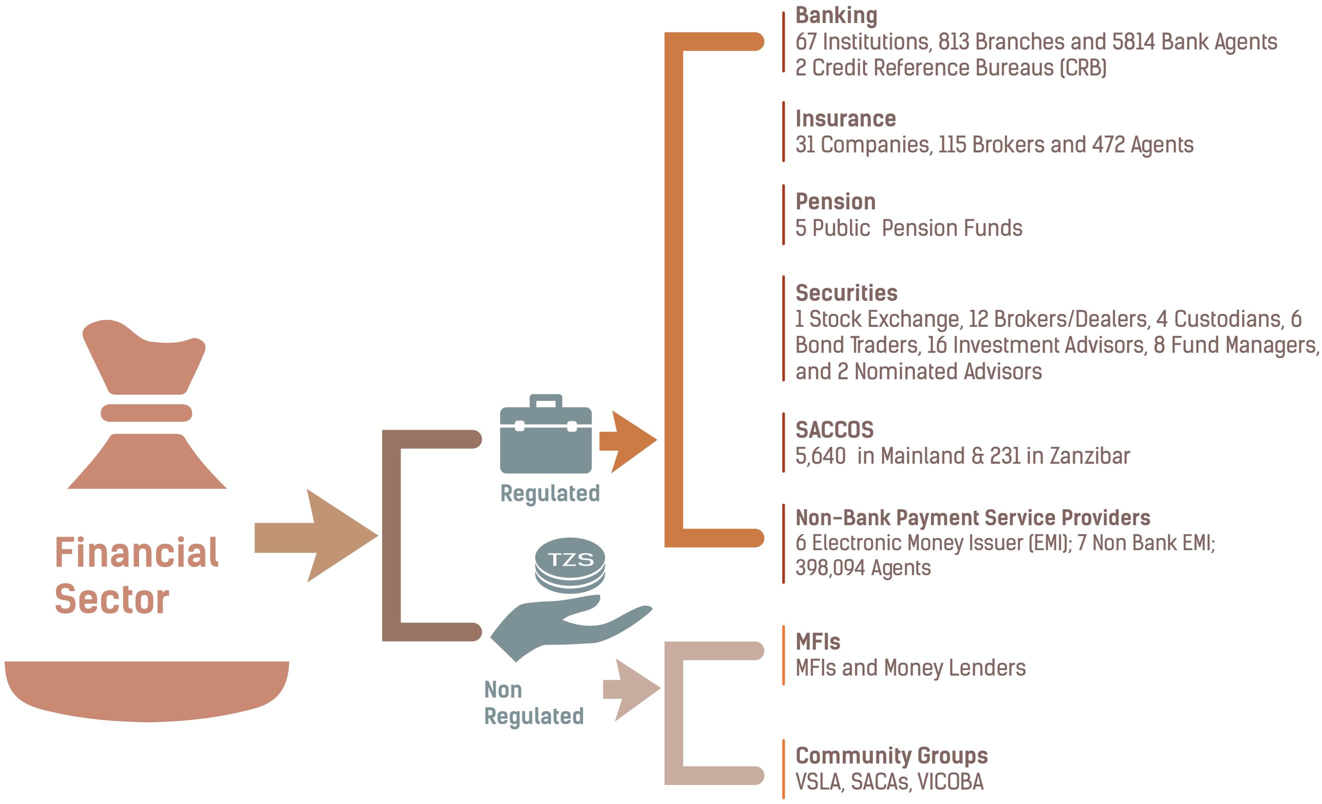
This Framework consists of a review of the landscape of existing financial services in the country; provides the vision, definition and guiding principles; provides the Financial Inclusion Value Creation Model; indicates the stakeholder coordination and accountability; identifies the means to finance initiatives; monitoring and evaluation guidelines, and finally key success factors as well as issues to be resolved.

2. Financial Inclusion Landscape in Tanzania

2.1 Financial Sector Landscape

The financial sector grew at an average of 13% during the past three years in terms of assets. The supportive legal and regulatory framework, conducive macro-economic environment and innovation in digital finance platforms contributed to this growth. The sector is dominated by the banking sub sector, which contributes about 70% of the total assets, while insurance, pensions and securities account for the remaining 30%. The sector comprises of regulated and non-regulated players as depicted in Figure 2.1. The microfinance sub sector is mostly unregulated, yet it has set out to serve most vulnerable groups, such as low-income women in rural areas. However, current FinScope Tanzania 2017 data suggests that the sector is yet to penetrate to their target audience, as so far mainly male urban segments are served. Efforts are underway to develop legal and regulatory framework for the currently unregulated segments of the microfinance sub sector, following the launch of the National Microfinance Policy 2017.

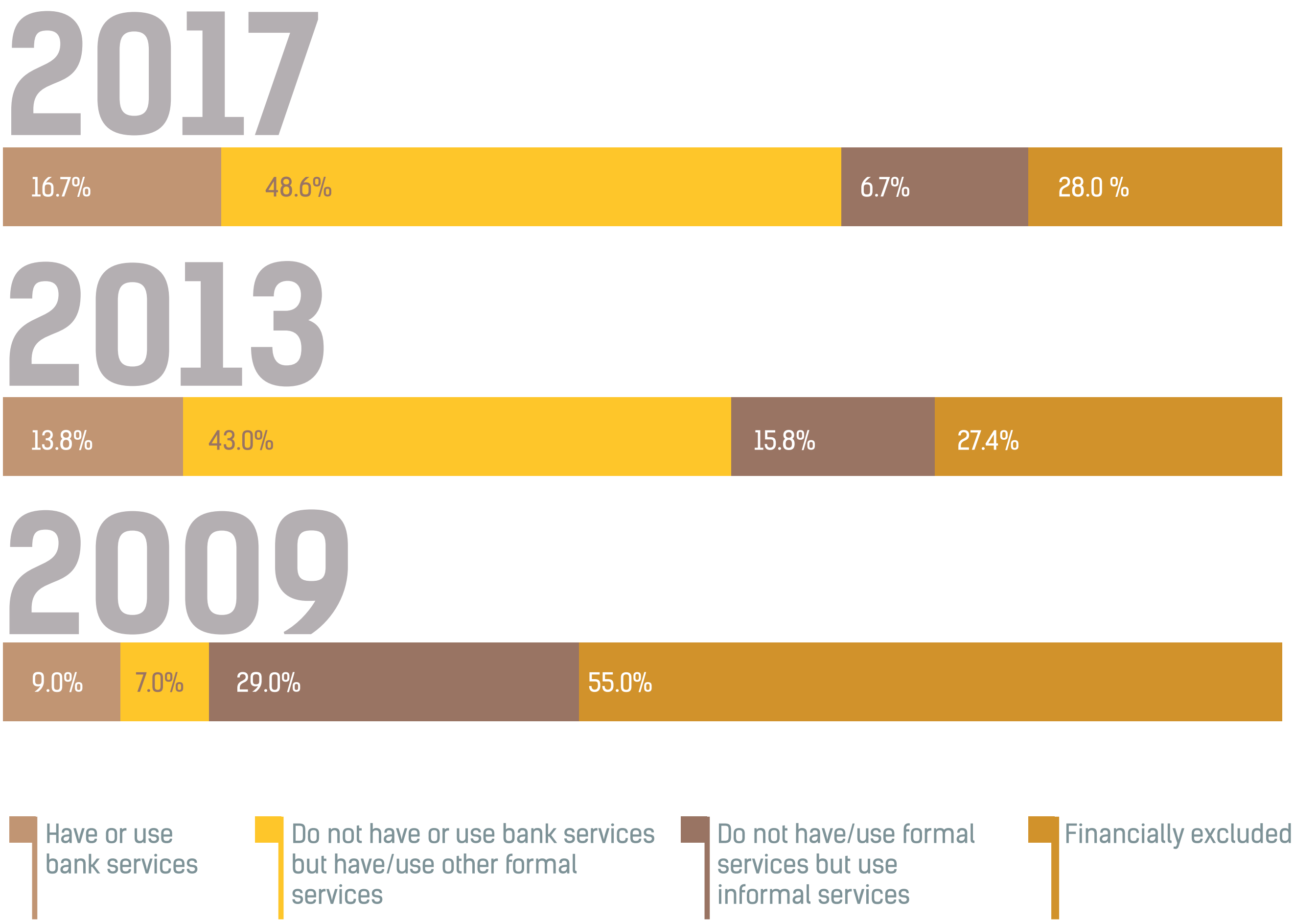
Figure 2.1 Financial Sector Landscape



2.2 Status of Financial Inclusion in Tanzania

Tanzania has recorded a significant growth in the level of financial inclusion in the last decade. As shown in Figure 2.2, the level of financial exclusionin 2017 is almost half that in 2009. The level of sole dependency on informal financial services narrowed from 29% to 7%, while the percentage of the adult population using formal financial services has quadrupled in the same period. These achievements are a result of the rapid adoption and usage of electronic platforms offering financial services, mostly mobile money services; a flexible regulatory environment and massive investments by the private sector in distribution ecosystems and promotion. Despite these achievements, the level of financial exclusion is still high, at 28%, with the majority of those excluded being people living in rural areas, smallholder farmers, youth and women. It has also been observed that there is a big gap in the demand and supply of financial services in the market, whereby the majority of the products offered by FSPs do not meet users' needs.

Figure 2.2 Access and Usage of Financial Services



2.3 Opportunities and Challenges

A scan of the trends and dialogue with stakeholders in the market has provided an understanding on the real opportunities for advancing quality financial inclusion in Tanzania. Together with analysis of available data, the dialogue has informed the challenges or constraints the country has to resolve to ensure the financial sector provides the deserved service to the economy and its people. Achieving the financial inclusion outcomes requires harnessing opportunities and addressing challenges presented by the current market (Table 2.1).

Table 2.1: Opportunities and Challenges

Opportunities	Challenges
Outcome 1: All adults can potentially be served by FSPs	
Committed and effective coordination mechanism as per the previous framework	Insufficient available information on client profiles and transaction histories for FSPs
Shared vision among stakeholders and commitment to seeing financial inclusion adding value to the lives of people and businesses	Cash-dominated economy (people may engage in digital payments but few keep their money in digital format)
High adoption of mobile phone technology and widespread acceptance of mobile financial services among the population, businesses and the government	Difficulties in verifying identity (lack of national IDs)
Revised National Microfinance Policy complimenting the efforts to reach and serve the low-income people especially women and those living in the rural areas	Uniform KYC regime, regardless of activity level
Availability of digital infrastructure for provision of financial services (i.e. expanded agency network providing Cash-In/Cash-Out (CICO) services and other related services)	Limited mobile phone ownership by women
Stable macroeconomic fundamentals to sustain economic growth into which the financial sector offers its services	Limited formal ownership of land
Implementation of the National Digital ID initiative	
Presence of the National Financial Education Framework	
Expanding rural electrification network	
Government commitment to financial inclusion and development of flexible regulatory framework (as exemplified by "Test and Learn Regulatory Approach")	

Opportunities	Challenges
Outcome 2: All adults have registered accounts with FSPs	
Growing number of people and businesses who are exposed to financial activities providing an opportunity to learn more about their financial behaviour and mechanisms to address their financial needs (i.e. businesses, individuals, women, smallholder farmers, etc.)	Limited availability of products and services that low-income people find relevant and intuitive, mainly caused by lack of innovation among FSPs and/or the ecosystem not providing space for non-traditional players (e.g. fintechs) to innovate
	Financial services is distribution still underdeveloped with a fragmented payments ecosystem that cannot offer low transaction costs commensurate with peoples' levels of incomes
Outcome 3: All adults regularly use financial services	
Unmet demand for financial services as informed by under tapped market for financial services especially for women, youth, enterprises, smallholder farmers in the rural areas	Lack of comprehensive financial consumer protection legal frameworks, especially when the majority of people are now being exposed to digital platforms, which may reduce levels of trust in digital models
	Low level of general literacy and numeracy leading to high financial incapability among the general population and business owners
	High cost of financial services and products as perceived by consumers
Outcome 4: Customers are satisfied with financial products and services	
Growing stock and mechanisms to generate, analyze, and package data to provide insights that lead to action and facilitate regular monitoring and evaluation of results (e.g. FinScope, Financial Services Registry, National ID System)	Limited analytical capacity and tools for analysis of financial inclusion data to help stakeholders to be better informed about the market dynamics that influence their strategies or businesses
	Lack of culture to proactively seek and use evidence to support both strategic and operational decisions by policy- makers, regulators and financial services providers
	Lack of mechanisms to generate feedback on user satisfaction from the use of financial services

Detailed analysis and synthesis of the financial inclusion opportunities and challenges is provided in Annex 1.

3. Vision, Definition and Guiding Principles

3.1 Vision and Definition of Financial Inclusion
Vision

Financial products and services that meet the needs of individuals and businesses consistent with supporting livelihood improvement, household resilience and creation of jobs.

Definition

Regular use of financial services by individuals and businesses through financial infrastructures to save, manage cash flows, invest in productive capacities and mitigate shocks, which are delivered by formal providers through a range of appropriate solutions with dignity and fairness.

3.1.1 Usage in relation to Demand Side

The benefits of finance stretch well beyond the individual domain. The Framework acknowledges the fact that the majority of the individuals living in rural areas generate revenues to meet their daily expenses through agricultural related activities. In fact, financial services can be particularly important in the success of households and business institutions that organize individual human activities into collective action and support mechanisms. The Framework approaches these two segments from the perspective of the key individuals namely: women, youth and micro, small and medium entrepreneurs with special emphasis on women as they bear the brunt of resolving competing financing needs and dealing with financial risks.

Youth

According to FinScope Tanzania 2017, there are high levels of dependency amongst the youth. In Tanzania, the youth account for 52% of the adult population (aged between 16 and 35 years). Opening up opportunities for young people to effectively engage in economic activities to earn a living and prosper is fundamental to development. The Framework acknowledges that there is a need to focus on this group by prioritizing initiatives that will have an impact on the lives of the youth through job opportunities, providing life skills to sustain themselves and harness their full potential to contribute to the national economy. This Framework will prioritize young adults aged below 25 years. Enabling this group with digital IDs, access to phones and life skills will allow them to fulfil their dreams and live productive lives. Failure to address the needs of the youth can be detrimental to both the economy and society in general.

Micro, Small & Medium Enterprises

Micro, Small, and Medium Enterprises (MSMEs)[1] play a crucial role in employment creation and income generation in Tanzania. MSMEs employ more than 5.2 million people, however, the majority have identified limited access to finance and effective use of financial products and services as major barriers to growth. The lack of access to finance by MSMEs is mainly a result of FSPs' strict requirements around KYC and formal registration, collateral, credit history and lack of MSME-tailored products. There is a need therefore to work with financial sector stakeholders to drive innovative solutions that will increase access and usage of financial products and services by the underserved MSMEs. The promise that MSMEs can be the engine of growth emanates from the fact that if the financial sector identifies and supports growth-oriented business as a matter of priority, it is expected that there will be higher benefits to the economy and improved household resilience.

Women

According to the 2012 Population and Housing Census, women account for 51.3% of the total population and 53.3% of the total workforce engaged in farming related activities or informal businesses. In the business arena, women owners of micro, small and medium enterprises (MSMEs) form about 54% of all MSMEs in Tanzania. In Tanzania's social setting, the role of women, in sustaining household resilience cannot be overemphasized. Unlike previous policies and practices, this Framework considers women as a pivotal market that deserves increased attention and not as a mere segment to be given preferential treatment. To participate in economic and social activities as equal and capable citizens, women require access to opportunities, information and capabilities.

In terms of limitations, high levels of illiteracy, poor infrastructure, cultural norms and beliefs lead to low levels of women engaging in social and economic activities. There is also a negative gender bias in access to social services (water, electricity and health services) . Poverty reduction remains an overarching challenge for extending outreach of financial services to most women especially those living in rural areas.

This Framework will focus on providing financial education and financial literacy programs for women, ensuring that all FSPs submit gender-disaggregated data for analysis, and integrate gender issues into policies and other related national strategies.

1. MSMEs are defined in the SME Policy of 2003 (currently under review)

Why are Women Left Behind?

Only 60% of Tanzania women have access to financial services, 9% access to informal financial services, while 30% remain without any access to financial services. Despite all efforts and initiatives to advance financial Inclusion in the country, women are still lagging behind compared to men. According to FinScope Tanzania 2017, 30% of women are still excluded against 26% of men. On the other hand, 70% of men have access to formal financial services, thus leaving a gender gap of 10 percentage points in accessing and using financial services. This Framework has taken the agenda of focusing on women as one of areas of emphasis and aims to narrow that gap by at least 90% by the end of implementation period for this Framework.

Below is the summary of the challenges that women face in accessing and using financial services. These are not necessarily exclusive to women but experience shows that women are affected more by these constraints:

- High level of financial illiteracy
- Inappropriate services that do not meet women's needs
- Lack of collateral registry for movable collaterals
- Poor infrastructure to reach many women especially those in rural areas
- High cost of financial services due to inefficiencies in delivery channels
- Stringent or lack of proportionate requirements for client on-boarding
- High lending rates in the financial sector
- Predominance of cash-based economy and informal sector across the country
- Absence of specific law for microfinance sub sector
- Cultural norms and beliefs
- Limited ownership of mobile phones

High-Impact Policy Areas to Advance Women's Financial Inclusion

- Explicit policy objectives and quantitative targets for women
- Gender-disaggregated data
- Women-inclusive policy and legal and regulatory framework reforms
- Financial education and financial literacy programs for women
- Addressing unfavorable social norms

Initiatives to support Policy Areas to advance women in financial Inclusion

- Design products and services which target women
- Develop mechanism for financial service providers to submit gender-disaggregated data for gender analysis
- Review, develop and implement policy, legal and regulatory strategies that address women's issues
- Identify indicators and targets to monitor financial inclusion progress among women
- Integrate issues for women's financial Inclusion into financial subsector strategies and other related national strategies
- Develop appropriate financial infrastructures, such as interoperable payment systems, credit bureaux, electronic collateral registries and warehouse receipts to enable women's financial inclusion

Coordination Mechanism

Develop mechanism to coordinate initiatives and programs targeting women for greater impact. This calls for the formulation of a special Women's Affairs Committee. This Committee will oversee implementation of and provide recommendations of the National Council on women's financial inclusion initiatives. The Chairperson shall be a member to the National Council.

defined as: (i) the definition of clear rules or standards, through legal and regulatory frameworks that establish clear roles and responsibilities; (ii) the promotion of interoperability at all levels of the value chain; and (iii) the direct provision of certain technical standards and shared service infrastructures that create industry-wide efficiencies without undermining the competitive and innovative nature of players.

The purpose therefore is to build a financial sector grid in which stakeholders implement policies, regulations and solutions which are innovative and responsive to the needs of enterprises, individuals and households. The grid should offer a path.

3.2 Guiding Principles

In order to realize the overall vision outlined above, we draw out some guiding principles that ought to drive the development and implementation of this Framework:

Flexibility:
Provide enabling and flexible legal and regulatory frameworks for financial inclusion.

Innovation:
Use of technology-driven channels and other innovations to reach the underserved and unserved markets. Decisions on solutions design or improvements should be informed by evidence and knowledge on users' needs.

Collaboration:
The magnitude of the financial challenge is such that no single player can address all the issues. We can only achieve our goals if there is collaboration between public and private players, as well a healthy balance between collaboration and competition among private providers. This can be structured around clear interoperability frameworks, industry standards and partnerships.

4. National Financial Inclusion Blueprint, 2018 –2022

This section covers four important aspects of the National Financial Inclusion Blueprint, 2018 – 2022:

Access to Usage:
Describes the mechanisms and the critical steps that will allow users to derive value from regularly using financial solutions. Accordingly identifies and depicts the necessary core enablers of access and the drivers that would provide sufficient condition for usage of financial products and services.

NFIF Process:
Illustrates and portrays important events or steps that are necessary in delivering NFIF outcomes. It depicts how various parts of the NFIF process interact in producing the intended outcomes of NFIF.

NFIF Dimensions, Outcomes and the Value Map:
Outlines and describes the main outcomes of the Framework, specifies the causal-effect among outcomes and their interactions in creating value for stakeholders. Outcomes are presented in four dimensions: addressability, uptake, usage and satisfaction.

Scorecard, Initiatives and Key Actors:
Summarizes the outcomes and their associated performance measures, baseline, targets and high-level initiatives in a scorecard. Clearly outlines initiatives and states responsible institutions.

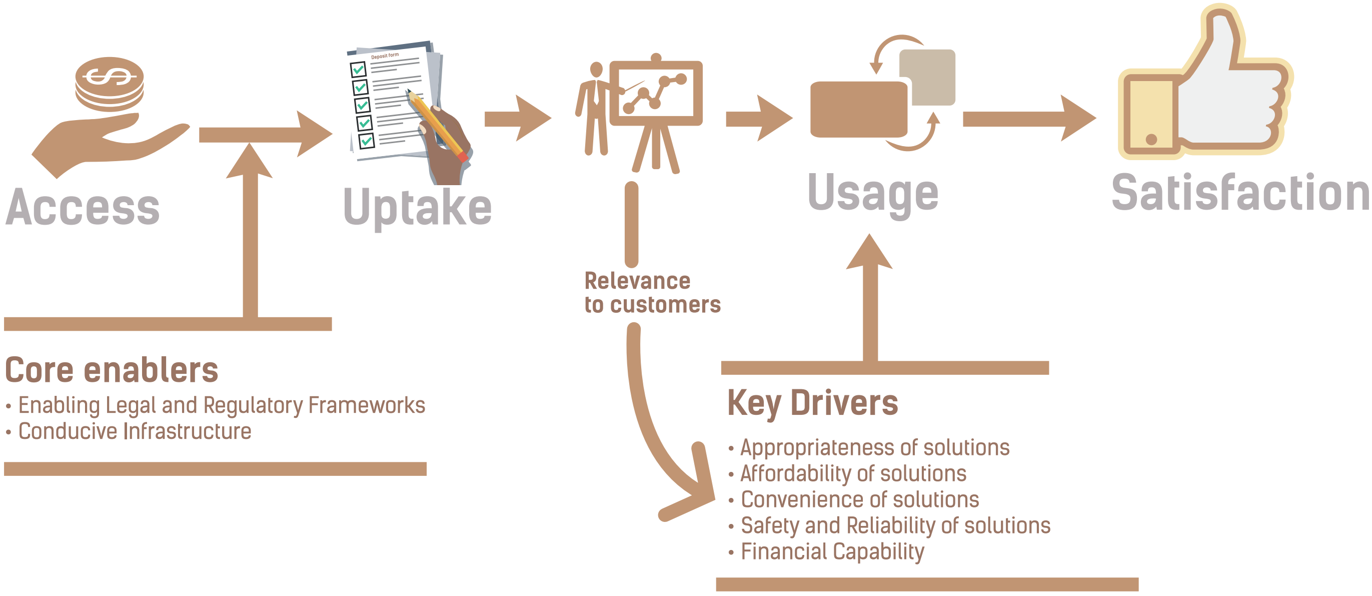
4.1 Shifting the emphasis to Usage

The benefits of financial inclusion will be realized when people regularly use a wide range of financial products and services with confidence. Unlike the previous framework which put more emphasis on the access dimension, this Framework focuses on achieving the financial inclusion vision through the usage of financial products and services without losing sight of access.

In the same way that the access agenda was tackled from the perspective of access barriers, it is important to properly diagnose the barriers that are preventing those with accounts from effectively using them on a more regular basis. The main usage barrier is the perceived relevance of the products and services at the customers' disposal. The relevance gap arises both from inappropriate product design (e.g. savings products that do not allow for money separation by origin and purpose) as well as from inappropriate communication of benefits (e.g. savings products that address safekeeping of unused money rather than building savings towards future expenses).

Beyond relevance, there are important drivers that can cause people not to use a service: affordability, inappropriately sized, inconvenient or not well understood. Figure 4.1 summarizes the key enablers for access to financial services that allow customers to use financial services and the key drivers for usage.

Figure 4.1 Shifting the Emphasis to Usage



4.1.1 Core Enablers of Financial Access

To achieve access, the core enablers identified are conducive infrastructures and enabling legal and regulatory frameworks. The infrastructures identified include information, payments and physical infrastructures.

Conducive Infrastructure

A conducive infrastructure is critical to enabling access to financial services through closing the information asymmetry gap by using unique and verifiable identification, credit reference system and collateral registry. In addition, there is a need for an effective and efficient payments ecosystem by improving digital payment platforms and enabling full interoperability among service providers. Furthermore, it is important to acknowledge the need for physical infrastructure including telecommunications networks, electricity and roads.

Enabling Legal and Regulatory Frameworks

Enabling legal and regulatory frameworks promote the increase of financial access points and widen outreach of financial services to the excluded population. This Framework emphasizes the need for an enabling regulatory environment to ease business licensing requirements, promote innovations in the financial sector, develop proportional prudential requirements while maintaining an appropriate balance between financial inclusion objectives and other policies, such as financial stability and consumer protection. A more balanced regulatory framework is a requisite for building a deeper and sustainable financial system that supports the economic and social agenda of the country.

4.1.2 Key Drivers of Usage of Financial Services

Learning from the gap analysis between the demand and supply of financial services reported by FinScope Tanzania 2017, the decision was made to shift the focus from access to usage and build on the relevance question. The Framework identifies five drivers that will promote usage of financial solutions: appropriateness, affordability, convenience, safety and reliability and financial capability.

Appropriateness of Solutions

To encourage usage, FSPs have to offer financial products and services that address different business and individual needs. Service providers should take steps to ensure that their products and services create value for clients. They should take active steps during the design process, to consider the characteristics of target clients. Moreover, product terms and conditions have to be easy for clients to understand and compare, with infrequent changes.

Affordability of Solutions

For the majority of people, the degree of usage of financial solutions depends on how much a consumer has to sacrifice in monetary terms in exchange for a service or product and whether such cost is manageable. High transaction costs are often cited as one of the main barriers to the frequent use of financial solutions . Innovations should lead to improving or creating new solutions that are tailored according to the purchasing power of consumers. If financial products and services are affordable, people will be able to transact to a degree that is commensurate to their needs and means.

Convenience of Solutions

FSPs have a responsibility to ensure that delivery channels are close to where people live and transact, do not cause harm to the clients, and that products are delivered at convenient times for their clients. In addition, FSPs have a role to ensure that their products are not complex.

Safety and Reliability of Solutions

A growing body of evidence shows that safety and reliability determine the uptake and usage of financial products and services (FinScope Tanzania 2017). From the consumer behavior perspective, both the regulators and FSPs have the obligation to ensure that the channels, models and technologies deployed to serve individuals and businesses are adequately secured and resilient.

Financial Capability

FinCap Tanzania 2014 cites lack of confidence in dealing with financial services providers as one of the critical factors that limits people from engaging with financial systems. Going forward, we need to instill confidence in customers to take up and use the solutions. To achieve this, there is a need for financial education among users of the financial services. There is also a need for transparency where providers have to communicate clear, sufficient and timely information in a manner and language that will enable clients to make informed decisions. In addition, there should be fair and respectful treatment of clients, privacy of clients' data and proper mechanisms of handling and resolving complaints .

4.2 NFIF Process and Expected Outcomes

The NFIF process (see Annex 2) portrays important events or steps that are necessary in delivering NFIF outcomes. It depicts how various parts of NFIF process interact in producing the intended outcomes of NFIF.

The starting point of the process is for the Government to provide the necessary policy environment for the smooth operation of financial inclusion stakeholders. Legal and regulatory tools are then developed by respective government and regulatory authorities, with a view to make the operating environment conducive for both financial services providers and consumers. In order to bring financial access points closer to people, both regulatory bodies and FSPs have the obligation of investing in infrastructure and appropriate products.

While investment in infrastructure is a necessary condition for access, it is not sufficient and does not automatically lead to the usage of financial services. Consumers must be attracted to open accounts and maintain them through awareness, simplified uptake processes and customer-centric products and services. To sustain a long-term relationship between FSPs and their customers, and encourage usage of financial services, the government and regulatory agencies should develop and implement customer protection mechanisms.

The process identifies the following main outcomes:

- All adults have their profiles in the integrated reference system
- All adults have unique and verifiable identification
- All Tanzanian adults own mobile phone
- Financial access points are closer to where people live
- All adults have an activity through their account
- Financial products and services which are appropriate, affordable and convenient
- All adults are confident in dealing with FSPs
- All adults save, borrow, transact and mitigate financial risks
- Financial products and services meet consumers' expectations

4.3 Expected Outcomes and Value Creation Map

This section outlines the main outcomes of the Framework. The outcomes are in alignment with the national goals of FYDP II and ZSGRP III to which the Framework intends to contribute. The outcomes are designed to directly motivate the anticipated focus on expanding financial inclusion to MSMEs, women and youth. The outcomes are also based on the causal effect and value creation approach and are presented in four dimensions: addressability, uptake, usage and satisfaction. Annex 2 depicts how various parts of the Framework process interact in producing the intended outcomes.

Addressability: To excel in financial inclusion, what capacities and capabilities must the Framework improve for adults to be potentially served by FSPs?

Uptake: What capacities and capabilities must the Framework improve for all adults to open accounts with FSPs which remain active (i.e. the account can transact)?

Usage: In which areas must the FSPs and regulators excel in order for consumers to effectively and regularly utilize their solutions and tools?

Satisfaction: In which areas should regulators and financial services providers excel in order to meet consumer expectations through the improved quality of products and services?

4.3.1 Expected Outcomes of Financial Inclusion

Outcomes under Addressability Dimension

Financial access points are closer to where people live

A financial access point is the place where people can make financial transactions. The availability of points where one can exchange cash for transferable or storable electronic value is a key driver of financial access. Financial access points include bank branches, ATMs, Point of sale (POS), bank agents, mobile money agents, insurance agents, securities brokers, microfinance institutions and post offices. It is crucial that there is an enabling environment for FSPs to serve rural areas, widen agent networks, create an ecosystem among FSPs through fintechs and harmonize legal and regulatory frameworks for financial services.

All adults own mobile phone

Ownership of a mobile phone is key for Tanzanians take up mobile financial services as phone owners are significantly more likely to take up mobile money services than those who don't own their own phone. Though 16% of Tanzanians accessing mobile money services do so indirectly, through an agent or somebody else's mobile money account, in the long run these models will not yield the high frequency and barrier-free usage patterns desired. Mobile money services have been the main driver in the provision of financial services to the under and un-served especially women and people living in rural areas. Mobile phone ownership provides further opportunity to reach the unserved and underserved. In order to increase mobile phone ownership, there is a need to improve public awareness on products, services offered and existing opportunities.

All adults have unique and verifiable identification

Unique and verifiable identification is the foundation of onboarding people into the financial system. An ID is required for registration, verification and authentication of all adults in a centralized electronic information database. Identification is highly relevant to fast track access of financial services to the underserved and unserved, especially women by closing information asymmetry in the financial system including addressing existing KYC challenges. This entails expediting registration and issuance of national IDs and creating the interface between the national ID database and FSPs and other service providers like health, education and business registry etc.

All adults have their profiles in the integrated reference system

The integrated reference system refers to the centralized electronic information database that captures, stores, retrieves and communicates clients' information. This infrastructure is considered relevant to fast track access of financial services to most Tanzanians by closing information asymmetry in the financial system. It covers critical components linked to individual and business profiles, including credit history and collateral information. This outcome will be achieved through the development and review of legal and regulatory frameworks for mandatory use of the credit reference system; expanding the remit of the reference bureaux by allowing other players to share, as well as use the system for decision-making; designing and delivering of awareness programs to FSPs on credit information sharing; developing legal and regulatory frameworks for secured transaction and establishing the collateral registry that will register interest on movable and immovable assets pledged as collaterals. The most critical part will be how to make these databases talk to each other to minimize the cost of accessing information.

Outcomes under Uptake Dimension

All adults have registered accounts with FSPs

An adult is considered financially included by opening an account with Financial Service Provider and keeping it active. This outcome will be achieved through the introduction of products and services that meet customer needs, the facilitation of interoperability of agents, imparting knowledge and awareness on financial products and services being offered, enhancing capacity building to Financial Service Provider staff, and creating an attractive environment for companies to list in the stock market.

Outcomes under Usage Dimension

All adults save, borrow, transact and mitigate financial risks

Usage of financial services is the key driver to deepen uptake and adoption of formal financial services. in the main, adults use financial services through savings, borrowing, transacting and mitigation of financial risks. Savings are money put aside for a specific purpose; borrowing is for smoothing cash flow or investing, while mitigation of financial risks is through insurance and pensions. Investments are largely made for a return in the future. The role of FSPs in attracting customers and instilling confidence in them is critical. To achieve this outcome, there is a need to promote and encourage quality customer engagement, improve market conduct to ensure providers are trusted, most of which is achieved through developing and implementing the consumer protection framework.

People and businesses have financial products and services which are relevant, appropriate, affordable and convenient

One of the key drivers of usage is the relevance of the financial products and services that are being offered to customers. FSPs need to develop responsive solutions that meet customer expectations. The appropriateness, affordability, and convenience of solutions are key aspects in encouraging regular use of financial services. Instead of offering a nicely rounded finished product, FSPs should give customers room to define what is being offered and thereby, make them their own. To achieve these results, FSPs need to invest more in research and development, and embrace innovative and affordable technology in delivering financial services.

Adults are confident in dealing with FSPs

Financial service users' level of confidence in dealing with FSPs is paramount in accepting and using the financial services and products offered. FSPs need to treat customers with dignity and fairness to attain customer confidence. To achieve this, there is a need to improve customer care services and digital customer service platforms to address consumers' concerns; to develop responsive and inclusive policies; encourage and support innovations; and establish a consumer protection framework.

Outcomes under Satisfaction Dimension

Financial products and services meet consumers' needs

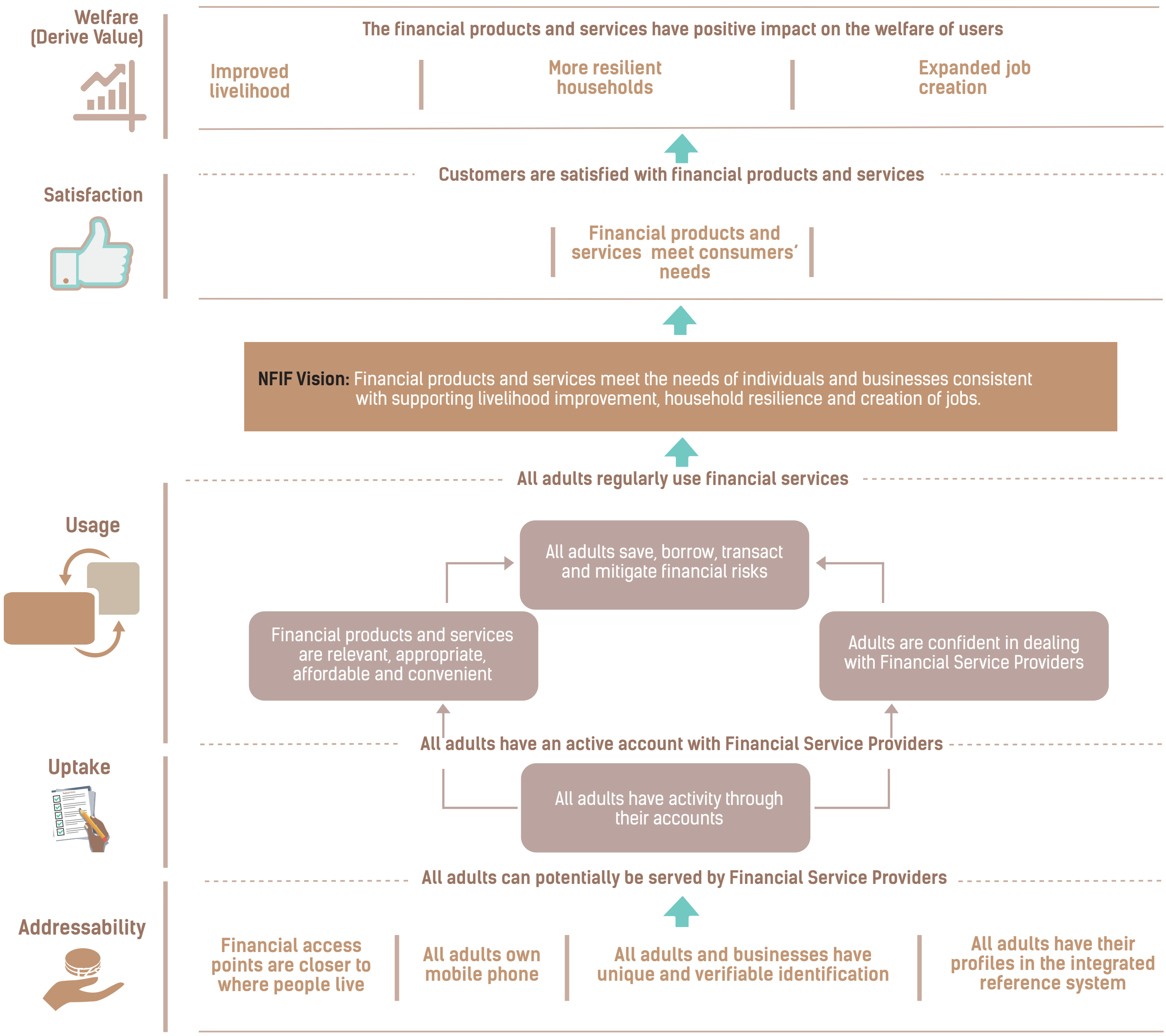
Consumer expectations are considered met when potential and existing users of financial products and services are attracted and retained. This is reflected in the consistent uptake of new financial products and services, and a declining level of consumer complaints. Achieving this would require encouraging a variety of strong, sound and duly authorized FSPs to utilize innovative delivery channels, encouraging design and development of demand-based products, enhancement of customer care, and improvement of systems and products security against real and perceived threats or risks. There is a need to devise a mechanism to solicit feedback from users on their levels of satisfaction of financial products and services.

4.3.2 The Financial Inclusion Value Creation Map

The Framework's Value Creation Map is a visual representation of the Tanzania Financial Inclusion Blueprint on a single page. It is based on the famous Balanced Scorecard "Strategy Map". The power of this map lies in its concise and visual presentation of strategic outcomes in a way that shows the cause-effect relationships among the outcomes. In this map, results are summarized in four dimensions: addressability, uptake, usage and satisfaction, as described in Figure 4.2.

It also shows the way in which the outcomes influence the vision and overall welfare effects for the entire society of Tanzania Mainland and Zanzibar.

Figure 4.2 Financial Inclusion Value Creation Map



4.4 National Financial Inclusion Scorecard and Initiatives

4.4.1 Individual outcome measures and targets

The scorecard for the Framework summarizes the outcomes and their associated performance measures, baseline, targets and high-level initiatives. Indicators will be collected and reported on the bases of Gender, Business (MSMEs) and Age Structure (including Youth).

Addressability is measured by proximity, phone ownership, unique and verifiable identification and clients' profiles; **Uptake** is measured by registered accounts with FSPs that can transact; **Usage** is measured by the frequency, time of usage and range of products.

Dimensions	Key Outcome	Specific Outcomes	Measure	Baseline	Targets	Data Source	Initiatives
Addressability	All adults can potentially be served by FSPs	Financial access points are closer to where people live	% of adults living within 5km from financial access points (physical proximity).	86% nationally and 78% in rural areas	90% nationally and 85% in rural areas	Financial Services Registry, FinScope	• Provide enabling environment for FSPs to reach the underserved and unserved • Widen financial services agent networks • Enhance collaboration among FSPs through Fintech • Expand FSPs' coverage
		All adults own a mobile phone	% of adults owning a mobile phone	63%	75%	TCRA, FinScope, MNOs	• Conduct research on barriers to owning a mobile phone • Implement recommendations from the research on barriers to owning a mobile phone
		All adults have unique and verifiable identification	% of adult population registered in the National Identification database	23%	90%	NIDA	• Expedite registration and issuance of National IDs • Interface of NIDA database with FSPs • Monitor implementation of the postal code and address system • Increase business formalization and registration through public and private sector partnership
		All borrowers have their profiles in the integrated credit reference system	% of borrowers with credit history in the Credit Reference Bureaux (CRBs)	30%	85%	BOT, CRBs	• Increase scope and coverage in the use of Credit Reference System • Establish centralized collateral registration database to collect and keep records for movable and immovable collaterals
			% of borrowers with collaterals/assets registered and accessible in the registry	0%	50%	Collateral Registry,	
Uptake	All adults have registered accounts with FSPs	All adults have a registered account which can transact	% of adults with registered accounts that can transact	76%	85%	Supply side,	• Introduce customer centric products and services • Facilitate implementation of interoperability of agents • Create attractive environment for companies to list on the stock market • Simplify KYC for client onboarding

Dimensions	Key Outcome	Specific Outcomes	Measure	Baseline	Targets	Data Source	Initiatives
Usage	All adults regularly use financial services	All adults save, borrow, transact and mitigate financial risks	% of adults using formal financial services	65%	75%	FinScope, Supply side	• Develop and implement responsive and inclusive policies • Encourage and support innovations • Implementation of the National Financial Education Framework
			% of adults who have used financial services within the past 30 days	60%	70%	FinScope, Supply side	
			% of adults with businesses (MSMEs) who have used financial services within the past 30 days	80%	90%	FinScope, MSME Study, Supply side	
			% of women who have used financial services within the past one year	61%	73%	FinScope, Supply side	
			% of formally included youth who have used financial services within the past 30 days	66%		FinScope, Supply side	
		Financial products and services which are relevant	% of adults with savings	43%	60%	FinScope, Supply side	▪Invest in Research and Development (R&D) for innovative and affordable products and services ▪ Invest in Research and Development (R&D) for innovative and affordable products and services
			% of adults using digital payment services	60%	70%	FinScope, Supply side	
			% of adults using insurance products	15%	50%	FinScope, Supply side	
			% of adults that borrowed	44%	55%	FinScope, Supply side	
			% of adults with investments in capital markets	2%	5%	Supply side	
		Adults are confident in dealing with FSPs	% of adults with confidence in engaging with FSPs	49%	60%	FinScope, Financial Capability Study	Develop and implement Consumer Protection Framework

Aggregate Outcome Measures and Targets

We have developed aggregate measures of inclusion for three basic dimensions: access, take-up and usage. The definition of these measures is necessarily abstract and arbitrary, and they are only intended for tracking broad progress under this Framework over time.

4.4.1 Plan Initiatives to Reach Target Outcomes

This section provides a brief description of each of the initiatives that will be undertaken in driving identified measures and achieving expected outcomes. The aim is to make sure that all stakeholders understand what needs to be done and how the initiative will close the identified gaps. It also shows how this initiative is linked to planned outcomes.

Initiatives under Addressability Dimension

This dimension aims to develop policies, legal and regulatory frameworks as well as a supportive infrastructure. The principal expected results include ensuring financial access points are closer to where people live, all adults own a mobile phone, all adults and businesses have unique and verifiable identification and all adults have their profiles in the integrated reference system.

Specific initiatives under this dimension and respective initiative owner are detailed below:

Nationwide Initiatives	Description	Initiative Lead	Other relevant parties/ Implementers
Provide enabling environment to FSPs to reach the under-served and un-served (including creating incentives that drive usage of digital financial services especially in rural areas)	• Implement Tiered KYC • Harmonise legal and regulatory frameworks for the financial sector to ensure all are consistent with the goal to drive usage of financial services across channels and sectors	MOFP	TCRA, BOT, FIU, SSRA, TIRA, CMSA, DIB, FCC, TCDC
	Enhance rural electrification	REA	TANESCO, ZECO
	Widen telecommunication network coverage	TMNOA	BOT, TCRA
	Develop financial access point mapping and reporting platform	BOT	TBA, TMNOA, Pension Funds, ATI
	Extend outreach of the national fibre optic cable network	TCRA	TTCL
	Implement the new Microfinance Policy	MOFP	BOT, TAMFI
Widen and re-model financial services distribution ecosystem (i.e. democratise Cash-In/Cash-Out (CICO) agent networks)	• Assess the desirability, feasibility and viability of democratising the CICO agent networks • Test the new CICO models and assess the suitability for Tanzania • Monitor and measure progress on Financial Services Providers' implementation of financial services agent network initiatives	BOT	TMNOA, TBA, TCRA
	Capacity building for FSPs' and regulators' staff on agent model	BOT	TBA, TMNOA

Nationwide Initiatives	Description	Initiative Lead	Other relevant parties/ Implementers
Enhance collaboration among Financial Services Providers through Fintech	• Assess the desirability, feasibility and viability of front-end interoperability (horizontalization of the national money grid) • Expand the remit of Test and Learn approach (i.e. FinDisrupt/sandboxes) in support of innovations • Create the framework/standards to guide the process to full interoperability {e.g. open platforms, Application Protocol Interface (APIs), use cases} • Assess the feasibility of establishing an innovation fund under the Framework	BOT	TCRA, TIRA, CMSA, SSRA TBA, TMNOA, Pension Funds, ATI, TCDC
Expand FSPs' coverage	Review physical security requirements including introduction of tiered up classes of branches	BOT	TBA
	Support government effort in expanding pension coverage	SSRA	Pension Funds
	Expand insurance supply chain through application of technology	TIRA	ATI
	Introduce mobile platform for trading securities	CMSA	DSE
Conduct research on barriers to owning a mobile phone and M-wallet	Conduct research on barriers to owning mobile phone and M-wallet	BOT	TCRA
	Implement recommendations from the research	BOT	TMNOA, TCRA
Digital Identification: Issuance of National ID Numbers followed by National ID cards	• Expedite the issuance of National ID numbers • Complete the mass registration of all residents • Consider registering residents below 18 years	NIDA	MOFP, RITA, PO (RALG), TRA, MIA
Interface the National ID database with FSPs databases	Interface the NIDA database with those of FSPs, BRELA, BPRA and Credit Reference Bureaux	NIDA	TBA, TCRA, TMNOA, ATI, Pension Funds, TAMFI, BRELA, BPRA, CRBs, TCDC
Implementation of the postal code and address system	Support implementation of postal code and address systems	PO (RALG)	TCRA, TPC
Review the incentives, approach and expedite business formalization through public and private sector partnership	Speed up business formalization	PO (RALG), PBFP	MITI, BOT, MOFP, MAFSC, TRA
	Revamp and simplify business registration process	PO (RALG), BRELA	MITI

Nationwide Initiatives	Description	Initiative Lead	Other relevant parties/ Implementers
Increase scope and coverage in the use of Credit Reference System	Review the legal and regulatory frameworks to require mandatory use of Credit Report	BOT	TBA, TAMFI
	Incorporate the use of credit reference system in the microfinance law	MOFP	BOT, TAMFI
	Include alternative data in the scope of the credit reference system	BOT	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA, ATI, Pension Funds, TCDC
Establish centralized collateral registration database to collect and keep records for movable and immovable collaterals	Develop legal and regulatory framework for secured transaction	MOFP	BOT
	Establish Collateral Registry	MOFP	BOT

Initiatives under Uptake Dimension

The main result that initiatives under this dimension are expected to drive is that all adults have a registered account that can transact.

Nationwide Initiatives	Description	Initiative Owner	Other Implementers
Introduce customer centric products and services	Develop customer centric products and services	BOT	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA, CMSA, ATI, Pension Funds
Facilitate implementation of agent interoperability	Develop guidelines for agent interoperability	BOT	TBA, TMNOA, ATI, Pension Funds
	Configure FSPs' systems to allow for agents interoperability	TMNOA	BOT, TCRA
Create enabling environment for companies to list on the stock market	Review legal and regulatory frameworks related to stock market	CMSA	DSE
	Improve clearing and settlement infrastructure for secondary market transactions	DSE	CMSA
Simplify KYC for client on boarding	Introduce tiered up KYC in line with NRA results	BOT	FIU, TBA, Pension Funds, ATI, TMNOA, TAMFI, TCDC

Initiatives under Usage Dimension

The initiatives under this dimension will drive all adults to save, borrow, transact and mitigate financial risks by ensuring that financial products and services are appropriate, affordable and convenient and that adults are confident in dealing with FSPs.

Nationwide Initiatives	Description	Initiative Owner	Other Implementers
Develop and implement responsive and inclusive policies	Develop and implement responsive and inclusive policies related to financial inclusion	BOT	TCRA, CMSA, SSRA, MOFP (RGZ), TCDC, TIRA, FSPs
Encourage and support innovations	Establish a development fund to support innovations through R&D	BOT	TCRA, CMSA, SSRA, MOFP (RGZ), TIRA, FSPs
Invest in Research and Development (R&D) for innovative and affordable products and services	Conduct R&D on financial consumer needs	FSPs	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA
	Develop innovative and affordable financial products and services	FSPs	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA
	Develop affordable delivery channels	FSPs	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA
	Review digital customer service platform to address consumers' concerns	FSPs	TBA, TMNOA, TCRA, SSRA, MOFP (RGZ), TIRA
Develop and implement Consumer Protection Framework	Develop and implement Consumer Protection Framework	BOT	TCRA, CMSA, SSRA, MOFP (RGZ), TIRA, FCC, FSPs
	Implement the Financial Education Framework	BOT	TCRA, CMSA, SSRA, MOFP (RGZ), TIRA, FSPs
	Expand scope and coverage of deposit insurance	DIB	BOT

Initiatives under Satisfaction Dimension

This dimension aims at ensuring customers are satisfied with products and services offered. The initiatives under this dimension intend to ensure financial products and services meet consumers' expectation to drive satisfaction.

Nationwide Initiatives	Description	Initiative Owner	Other Implementers
Identify, analyze and evaluate real and perceived risks related to the use of financial products and services	Develop risk identification, analysis and evaluation mechanisms to address real and perceived risks related to the use of financial products and services	BOT	TCRA, CMSA, TIRA, SSRA, MOFP (RGZ), TCDC
	Automate mechanism for financial inclusion data collection, analysis and reporting for monitoring and decision making	BOT	TCRA, CMSA, TIRA, TBA, SSRA, MOFP (RGZ), TCDC
	Develop risk management guidelines for digital financial services	BOT	TCRA, CMSA, TIRA, SSRA, MOFP (RGZ), TCDC

4.4.3 Priority Areas

The Framework identifies three broad priority areas for action, based on their influence on facilitating access and usage of financial services and products. These are:

Ensure robust electronic information infrastructure for individual and business profiles, credit history and collateral

Information asymmetries in the financial service market affect the provision and access of financial services in the country. They also affect risk profiling and effective controls on fraud, money laundering and terrorist financing. They slow down the process of client on boarding and, as a result block the uptake and usage of financial services. It is thus imperative to ensure the following:

Digital Identity Platforms

Establishment of an effective Know Your Customer (KYC) process - This should be through the implementation of a national identification database for individuals and businesses, and the implementation of risk-based KYC requirements. This priority area contributes to improving access in terms of both eligibility and affordability.

Digital Payment Platforms

Facilitating the fulfilment of customers' payment needs through a national interoperable platform by harnessing market-level network effects in payments. This priority area contributes to improving usage by making digital accounts more useful (payments to anyone) and affordable.

Digital Information Platforms

Increase engagement of the credit reference bureau and establishment of a central collateral database - Effective use of the credit reference bureau to address information asymmetries in the credit market. Financial service regulators need to ensure that a robust central database is put in place, working effectively and that all relevant providers, not only banks, provide routine information. The market needs a centralized electronic collateral database that will create efficiency in registration of collateral to be accessed by all FSPs. This priority area contributes to improving access through information, linked to the availability of additional products.

Ensure that customers are informed and protected

Be informed and protected. Therefore, FSPs must be transparent and fair, and they must put effort into enhancing client understanding and usability. Stating the financial services regulator's responsibility and regulatory oversight more clearly may improve trust and perception of safety and data privacy. To address this priority, financial service regulators should implement initiatives to improve financial literacy and market conduct to protect consumers by:

- Developing and implementing the Consumer Protection Framework
- Implementing the existing Financial Education Framework

This priority is also a key driver for customer confidence to deal with FSPs.

Encourage design and development of demand-based solutions

These include the provision of a conducive regulatory environment and implementation of tailored made financial products and services that are appropriate, affordable and convenient to customers, especially to targeted groups such as women, youth, smallholders and entrepreneurs. This priority contributes to drive appropriateness and affordability of products and services.

To address this, the following will be done:

- Developing, reviewing and implementing relevant, policy, legal and regulatory frameworks
- Embracing innovation and technology-development and use of digital financial services and innovative service delivery models.

5. Stakeholders' Accountability and Coordination

5.1 Roles and Responsibilities

Key stakeholders for financial inclusion include ministries, regulatory authorities, associations and development partners, all playing different roles and with different expectations during implementation of the Framework. Ministries will develop policies and a supporting environment to allow financial deepening while regulators will develop and enforce regulatory frameworks to support financial inclusion. Associations will represent and coordinate their members in implementation of Framework activities while development partners will provide financial and technical support for implementation of the Framework.

Table 5.1: Key Stakeholders Roles and Responsibilities

Category	Institution	Roles & Responsibilities
Ministries and Government Bodies/ Agencies	MOFP (URT) MOFP (RGZ) PO (RALG) NEEC MITI MLYE MEVT AGC FCC TIE MoHCDGEC MoPPYLED MoA PBFP FIU NIDA	• Develop policies and ensure enabling environment to support Financial Inclusion initiatives • Coordination of initiatives falling in their mandate • Set aside budget for initiatives • Ensure that the implementation of initiatives within their ministries complies with the policy statements and is in accordance with best practice
Regulatory Authorities	BOT[1] TIRA TCRA SSRA CMSA TCDC	• Ensure that regulatory and supervisory frameworks are in place to support Financial Inclusion initiatives • Provide advice to the government on issues related to Financial Inclusion initiatives • Provide advice and guidance to institutions they regulate on achieving Financial Inclusion goals
Associations & Networks	TAMFI TBA TIMAP TMNOA OAPN TCAS IIT TPSF SCCULT	• Represent their members in Financial Inclusion committees • Coordinate Financial Inclusion activities among member institutions • Facilitate sharing of information between members and other stakeholders • Encourage compliance with best practice among their members on matters related to Financial Inclusion

[1] BOT is also the Secretariat in the Coordination Structure

Category	Institution	Roles & Responsibilities
Development Partners	FSDT World Bank IFC AFI Bilateral Donors Philanthropists UNCDF UN-Inclusive Finance Initiative UNSGSA OECD- Financial Literacy Forum Child and Youth Finance International MIVARF	• Provide Financial and Technical support • Ensure compliance to the Development Partners Support Guidelines on Financial Inclusion

5.2 Coordination Structure

The design of the Framework is a result of public-private stakeholder initiatives, sharing a common vision to achieve Financial Inclusion goals. This Framework involves multiple stakeholders. The formation of a national coordinating mechanism with relevant stakeholders is thus imperative. To that effect, three levels of committees comprising members from government ministries and agencies, regulatory authorities and associations as well as networks have been formed as reflected in Figure 5.2. These committees are the National Council (NC), the National Steering Committee (NSC) and the National Technical Committee (NTC). Bank of Tanzania provides the role of Secretariat to the Committees.

Figure 5.2 Financial Inclusion Coordination Structure

	National Council (NC) PS/CEO/Chairperson of MOFP (URT & RGZ), PO (RALG), MITI, MEVT, MoA, FIU, MoHCDGEC, TIRA, TCRA, SSRA, CMSA, TCDC, DIB, IIT, TMNOA, TAMFI, TBA, SCCULT, TCAS, WACFI, BOT	**Overall Strategic Direction and Oversight**
	National Steering Committee (NSC) Relevant Directors/Commissioners from MOFP (URT & RGZ), PO (RALG), NEEC, MITI, MoA, MoPPYLED, MEVT, FCC, TIE, MoHCDGEC, PBFP, FIU, TIRA TCRA, SSRA, CMSA, TCDC, DIB, IIT, TMNOA, TAMFI, TBA,TPSF, NIDA, OAPN, SCCULT, TCAS, BOT	**Management and Quality Control**
	National Technical Committee (NTC) Relevant Senior Officers from MOFP (URT & RGZ), PO (RALG), NEEC, MITI, MoA, MoPPYLED, MEVT, FCC, TIE, MoHCDGEC, PBFP, FIU, TIRA TCRA, SSRA, CMSA, TCDC, DIB, IIT, TMNOA, TAMFI, TBA,TPSF, NIDA, OAPN, SCCULT, TCAS, BOT	**Initiating, Implementing, and Reporting Progress**
	Secretariat (BOT)	**Coordination & Secretarial Support to all Committees**

5.2.1 National Council (NC)

This is the overall decision-making body for the national agenda promoting financial inclusion in the country. It has the responsibility for overall strategic direction and oversight of the financial inclusion agenda. The Governor of Bank of Tanzania, chairs the NC. Specifically, the NC will:

- Set the strategic direction for financial inclusion
- Review and approve the Action Plan to achieve financial inclusion goals
- Oversee financial inclusion implementation progress and monitor outcomes
- Review and make decisions on proposals from the National Steering Committee
- Add to the voice and influence of financial inclusion in broader development policies, strategies or programs of national interest
- Provide direction on any other issues related to the implementation of the financial inclusion initiatives as needed, with a view to advising the government on the best way forward.

The NC comprises of 22 members including Permanent Secretaries from relevant government ministries, heads of regulatory authorities and government agencies, and chairpersons of practitioners' associations. The NC will meet twice a year and when there is any urgent matter that requires policy guidance or decision.

5.2.2 National Steering Committee (NSC)

The NSC will report to the NC. The NSC is responsible for quality control of the NTC deliverables. Specifically, the NSC has the role to:

- Review reports and proposals submitted by the NTC
- Provide guidance to NTC activities and make recommendations to the NC on matters related to financial inclusion development
- Prepare and vet reports before submission to the National Council for decision-making and endorsement

The NSC is made up of 29 members at director and commissioner levels from government ministries and agencies, regulatory authorities, and practitioners' associations. It shall meet twice a year and/or more frequently where deemed necessary.

5.2.3 National Technical Committee (NTC)

The NTC will report to the NSC. The NTC is responsible for providing technical advice/input and reporting progress on the implementation of financial inclusion initiatives in the country. The NTC forms a link between institutions and the Committees as members share experiences on initiatives and challenges faced by their institutions in the efforts to implement the Framework. Specifically, the NTC will have the following role:

- Report progress on implementation of the Framework activities on quarterly basis
- Prepare progress report and recommendations on implementation of the Framework activities for submission to the NSC on a semi-annual basis
- Provide technical advice to the NSC
- Support implementing institutions on financial inclusion technical issues
- Review Action Plan and provide technical advice to the NSC

The committee is made up of 29 senior officers from relevant government ministries and agencies, regulatory authorities, and practitioners' associations. The NTC will meet quarterly.

5.2.4 National Secretariat (NS)

The NS will coordinate the implementation of the Framework on behalf of the NC on a day-to-day basis. Specifically, the NS will have the following roles:

- Organize all meetings for the various teams and committees aimed at advancing the financial inclusion agenda
- Provide secretarial support to the committees
- Collect and compile financial inclusion information and distribute this information when required
- Maintain the financial inclusion database
- Mobilise external financial resources under the Framework activities on behalf of the NC
- Coordinate monitoring and evaluation of the Framework on behalf of the NC

6. Financing Strategy of Financial Inclusion Initiatives

The key purpose of the financing strategy is to ensure that the Framework is well implemented and that effective use is made of all financial support received. The financing strategy looks at how the activities in this Framework will be financed in the coming period of five years of the implementation, sources of funding and prioritization of activities to be supported.

The financing will consider the following:

- Coordination of the Framework
- Implementation of the Action Plan
- The sources of financing
- Internal Sources
- External Sources

6.1 Coordination of the Framework

This is the role of the Secretariat. It entails bringing together all implementers by organizing meetings for all levels of committees and all activities for the Secretariat. Therefore, funds to cover and facilitate all meetings and other related activities for the Secretariat will be borne by the Secretariat.

6.2 Implementation of the Action Plan

The implementation of the Action Plan for the Framework will be financed through budget from internal sources or from national and international development partners who will have interest in supporting activities in the Action Plan in a coordinated manner.

It is therefore important that the development partners are well coordinated to ensure that they effectively support the intended and identified activities by maximizing resources or technical capacity building for respective implementing institutions to avoid duplication of efforts. The coordination shall include:

- Identification of development partners,
- Engaging development partners to select areas of interest for support, and
- Linking development partners with implementing stakeholders.

7. Monitoring and Evaluation Guidelines

The NC is responsible for the monitoring and evaluation of the National Financial Inclusion performance to ensure that developments are consistent with expectations and have followed the agreed framework. In addition, monitoring and evaluation will track the performance in accordance with the implementation plans and set targets for financial inclusion.

The National Secretariat, as an implementing organ of the NC, will coordinate the monitoring and evaluation framework, including the requisite performance indicators and targets.

For effective monitoring and evaluation, each responsible institution or participating institution will need to establish a reliable internal monitoring system and ensure capacity is available to assess their organizational efficiency and effectiveness in relation to financial inclusion. This will be achieved through:

- Ensuring that senior management in each FSP has a clear vision of financial inclusion and is fully committed. Management should then provide strategic leadership for the monitoring progress within the organization;

- Involving the intended beneficiaries of the program in the monitoring process. These could be feedback from customers of a financial institution receiving financial services on the appropriateness of services and the impact from using financial services;

- Ensuring that products and services are adequate and appropriate for the target group by analyzing client data and monitoring participants; and

- Aligning with government monitoring systems wherever feasible, especially linking with services provided by the public sector.

A powerful and effective monitoring and evaluation system must be well-resourced, well-coordinated and broadly accepted among the full range of stakeholders. To support that, the following tools will serve this system:

- Performance measurement and reporting framework
- Database to collect, compile and analyze data
- Periodic reports on identified initiatives from implementers
- Research, studies and surveys
- Communication strategy
- Development Partners Support Guidelines

The Secretariat will work with all the key stakeholders to develop a detailed action plan to operationalize this Framework. The NC will review the plan on a continuous basis in line with new developments in the financial sector.

8. Key Success Factors and Issues to Resolve

8.1 Key Success Factors

The following are key success factors, which we have taken as givens from the point of view of the development of this framework:

- Education
- Improving the business environment
- Continued government commitment to financial inclusion
- Continued support to the agriculture sector

8.2 Key Actions to be taken during the Framework Period

By way of summary, this section highlights five key actions that we plan to achieve by the end of the Framework period:

Digital ID: All Tanzanians to have a unique identity number which can be verified instantly online at minimal or no cost.

Tiered KYC regime: Regulatory change to enable lower KYC hurdles on opening low-value accounts, with the possibility of upgrading KYC levels to expand account activity (more transactions, higher balances).

Any-to-any digital payments: Full interoperability between all bank accounts and mobile money wallets.

Driving rural agent growth: Creating incentives for deployment of new agent networks, in a way that allows them to serve the cash-in/cash-out needs of all customers in their community, regardless of who their provider is.

Driving service innovation: Market awareness of the need to drive relevance in financial offers, so as to increase the perception of value of accounts among customers and their intuitive understanding of how they can incorporate them into their daily lives and livelihoods.

8.3 Key Uncertainties to Resolve During the Framework Period

There are unresolved issues that are critical to achieving full and meaningful financial inclusion in Tanzania. It is anticipated that a full view of these issues can be conceptualized by the end of the Framework period, so that they can be incorporated into subsequent frameworks:

Limits to financial inclusion: FinScope Tanzania 2017 revealed no progress in the share of the population that was excluded from access to financial services. Are there natural limits of who can benefit from access to finance, or are there other initiatives outside of the financial inclusion domain that can be taken to enhance the opportunities from access to finance for them?

Access to finance as a driver of business formalization: How can access to digital identity, markets, new opportunities and financial services be used as a way to incentivize informal businesses to formalize?

Forcibly Displaced Persons: Forcibly displaced persons' access to a broad range of financial services offers opportunities to improve their lives and unlock their potential to contribute to their host communities and countries in general. However, efforts to improve access to finance need a multi-sector and multi-dimensional approach. Will the on-going innovative financial inclusion initiatives address constraints to financial access and improve the lives of forcibly displaced persons?

Front-end interoperability: Creating fertile grounds for service innovation requires allowing more specialized players and developers to contest the mobile app space without necessarily having to become a bank or e-money provider. There are policy initiatives in some countries to separate the banking layer from the service presentation (app) layer, such as the Unified Payments Interface (UPI) in India and the European experience with the access to account (XS2A) initiative under the second Payments Service Directive. What is the right timing and approach for introducing these in Tanzania?

Role of Digital Fiat Currency: In global policy circles, there is a growing discussion about whether central banks themselves should be issuing currency in digital format, alongside the notes and coins they issue. The Bank of Tanzania will need to develop a position on this issue. What are the benefits and risks of doing so, and what steps need to be taken in that direction?

ID for people at birth: Experience from FinScope Tanzania 2017 shows that majority of those excluded from financial services do have an ID required at the registration stage. Since the majority are using the Voter ID which are issued to adults once every five years (following election cycles), those who became adults in between do not have a Voters Card for a period of at most five years. This scenario limits young people from accessing financial services. The only hope is in the National ID, provided the relevant authorities can start enrolling people who are younger than 18 years so that by the time a person becomes an adult, she/he can be served. The question remains as to whether this is feasible within the next five years. Assessing the rationale for enrolling residents under 18 years (possibly including school-going children) can help shed light on the economic and social benefits to the country in the short and long term. Otherwise, SDGs require countries to report from the age of 15 years. A National ID system that captures data below such an age would greatly assist in achieving this agenda.

Digitizing money and not simply payments as both a core enabler and driver of usage of financial services in the long-run with positive implications on both the fiscal and monetary policy agenda: Despite recent advancements in mobile money in Tanzania, cash continues to be the most used payment method for transactions among individuals and small enterprises. This is because the majority receive their income primarily in cash so cash transactions are the most convenient. Even when some value is in electronic form, we observe the common practice of people withdrawing the digitally received money immediately and in full. The majority of accounts are empty (zero balance or outright dormant), or have a low average balance. The reality is that while we have been successful at digitizing payments (money in the move), we have not been successful at digitizing money itself (money in its stationary state). Digital money is not yet fundamentally a tool for people and businesses to manage their plans and resources in an inter-temporal setting. Are there fundamental economic and operational gains that we need to demonstrate for full commitment to digitizing money from both the fiscal and monetary policy perspective? How should Tanzania approach this agenda? How should this Framework be used as a foundation towards building an ideal digital money grid for Tanzania?

Annex 1: Analysis of Financial Inclusion Opportunities and Challenges

The following sections amplify and provide a detailed explanation of the opportunities and key challenges.

Unmet Demand for Financial Services and Relevant Financial Products

While the majority of adult Tanzanians do have access to financial services as reported by FinScope Tanzania 2017, there is still a gap between supply and demand, which requires attention. In rural areas, where low population density is a common phenomenon with challenges in infrastructure and low incomes, demand is not sufficient to meet the operating costs for FSPs. There is a growing body of evidence in Tanzania, and research has repeatedly found that people on low incomes, living in remote areas, do save proportionately significant amounts. This is particularly common among rural women who save in informal groups and need access to credit to finance their small farms, help smooth incomes, meet predictable expenses and reduce shocks in emergencies. Quick access to appropriate credit or to accumulated savings or tools/platforms, for example, can enable a farmer to defer selling or pre-selling his/her harvest to a time when prices are higher, in some cases substantially, to increase income. With more stability in their cash flow, rural households can make better choices on health, education and nutrition, and invest in income-generating activities. Since the spirit of this Framework is to ensure that businesses and individuals derive value from the use of financial tools, an appreciation of how these target markets wish to derive benefits, should guide the prioritization of interventions.

In order to respond to the needs of the market as defined in this Framework, there are opportunities for FSPs and other players outside the financial sector (i.e. fintechs), to continue to innovate to create customer-responsive solutions (products and services) that can work at sufficiently low cost[2] to further meet their customers' needs. The recent growth and usage of mobile money in Tanzania suggests that there are viable business and use cases for FSPs to reach the people on low incomes (i.e. those at the bottom of the wealth pyramid). Initiatives that seek to revolutionize customer experience with value creation in the entire financial ecosystem should be encouraged. The drive for innovation should take into consideration capacity, as well as issues of governance, management and cost which threaten their viability and ability to reach underserved parts of the market. This is where defining areas of collaboration and competition, based on the market needs, is essential.

Gaps in the Legal, Policy and Regulatory Framework and Need for Relevant Information

The legal and regulatory environment is an enabler of financial inclusion, defining incentives for financial and non-FSPs to invest in delivery capacities that eventually promote financial inclusion. The review of the implementation of the NFIF 2014 - 16 confirms that Tanzania has adopted an enabling regulatory regime for financial services that has resulted in the increase in the number and size of commercial banks, insurance firms, investment schemes, strengthened capital markets operations, introduction of mobile telecom industry players, and recently, the rapid penetration of mobile financial services. The impact of these policy and regulatory actions is confirmed by the recent growth in formal financial inclusion to 65% (and 72%, if you consider the 6% who rely on informal financial products only). This progress however, is despite certain persistent regulatory constraints that continue to affect the speed and cost of serving individuals and businesses in Tanzania today.

2. The National Council will commission a cost of transaction study to set the baseline and appropriate targets

Tanzania has not delivered on the appropriate national identification system. This complicates the effective operation of the financial system and FSPs in particular, that rely on quick and easy identification of the unique identity of every customer. This challenge is particularly acute, as both FSP's and mobile network operators (MNO's) have to abide by Know-Your-Customer (KYC) regulations. Fortunately, Tanzania's "Test and Learn" approach allowed MNOs to launch and scale mobile money services, based on the guidance provided by the BOT's letters of 'no objection' prior to enactment of the National Payment Systems Act, 2015. However, as the mobile money market matures, with the emergence of multiple players and aggregators, BOT and other regulators need to shift their focus towards adopting balanced proportionate KYC requirements applicable to all providers, which reflect the increasing complexity of permissible financial transactions. Allowing tiered KYC for MNOs alone has caused concerns with other providers, particularly banks, who have wanted to introduce instant account opening but are subject to onerous KYC rules. The efforts to complete National Risk Assessment is expected to allow for the rationalization of KYC approaches, including providing the basis for a more structured tiered KYC that will be adopted by all the providers.

The absence of explicit consumer protection regulations in Tanzania, as in most developing countries across Sub-Saharan Africa, leaves consumers open to abuse from aggressive financial practices. Consumer protection plays a role in increasing responsible access to financial services, while ensuring that increased usage benefits consumers and the economy as a whole. The current approach is characterized by fragmented institutional arrangements, complex dated legislation, as well as limited requirements and guidelines on disclosure, dispute resolution and fair business practices.[3] In order to drive usage of financial services going forward, there is a significant need for properly defined and sound financial consumer protection in Tanzania. Over and above addressing these challenges, it is important that efforts to strengthen consumer protection be accompanied by efforts to improve the level of consumer education among vulnerable groups that are most prone to abuse, particularly rural populations, SMEs, youth and women. Therefore, ongoing initiatives, like the implementation of the NFEF 2016 - 2020 and the development and implementation the National Consumer Protection Framework, are required to bear results. Furthermore, there is consensus that financially capable consumers are likely to demand better solutions from providers, discipline the conduct of providers and promote competition in the market. Tanzania needs healthy competition to drive innovation in the financial sector.

The challenge of adequate data to support decision making by policy-makers and private sector players, has been cited as of one the bottlenecks that limits their responsiveness and effectiveness. Lack of effective tools for the monitoring and evaluating progress have not provided financial sector industries with sufficient advantage to shape the future.

There is simply, low uptake and underutilization of quality evidence. In part, this is an issue of quality and relevance of information and concerns on whether the knowledge that is created is useful and packaged in a manner that will support product development or innovation. This is also an issue of capability and lack of capacity among smaller and informal FSPs in particular, to effectively act on information created in the market. The need to track user satisfaction for financial services requires a change in behaviour towards proactively generating evidence that will inform whether strategy implementation is on track and that the desired results are achieved. Regular reporting across all levels of the financial system requires the development of a requisite monitoring and evaluation plan that should be used to track and report progress on a periodic basis. One important task will be designing an approach to define and measure customer satisfaction with financial services. At the moment, usage can be used as a proxy to determine whether consumers are generating satisfaction by observing patterns, frequency and choice.

3. The World Bank, 2013, Diagnostic Review of Consumer Protection and Financial Literacy in Tanzania

Information Asymmetry between Customers and FSPs

Information asymmetries in the financial service market that affect the provision and access to financial service are particularly acute in Tanzania. They also affect solutions targeting, risk profiling and effective controls on fraud, money laundering and the potential financing of terrorism. These slow down the process of client onboarding and keep the majority of Tanzanians out of the formal financial system.

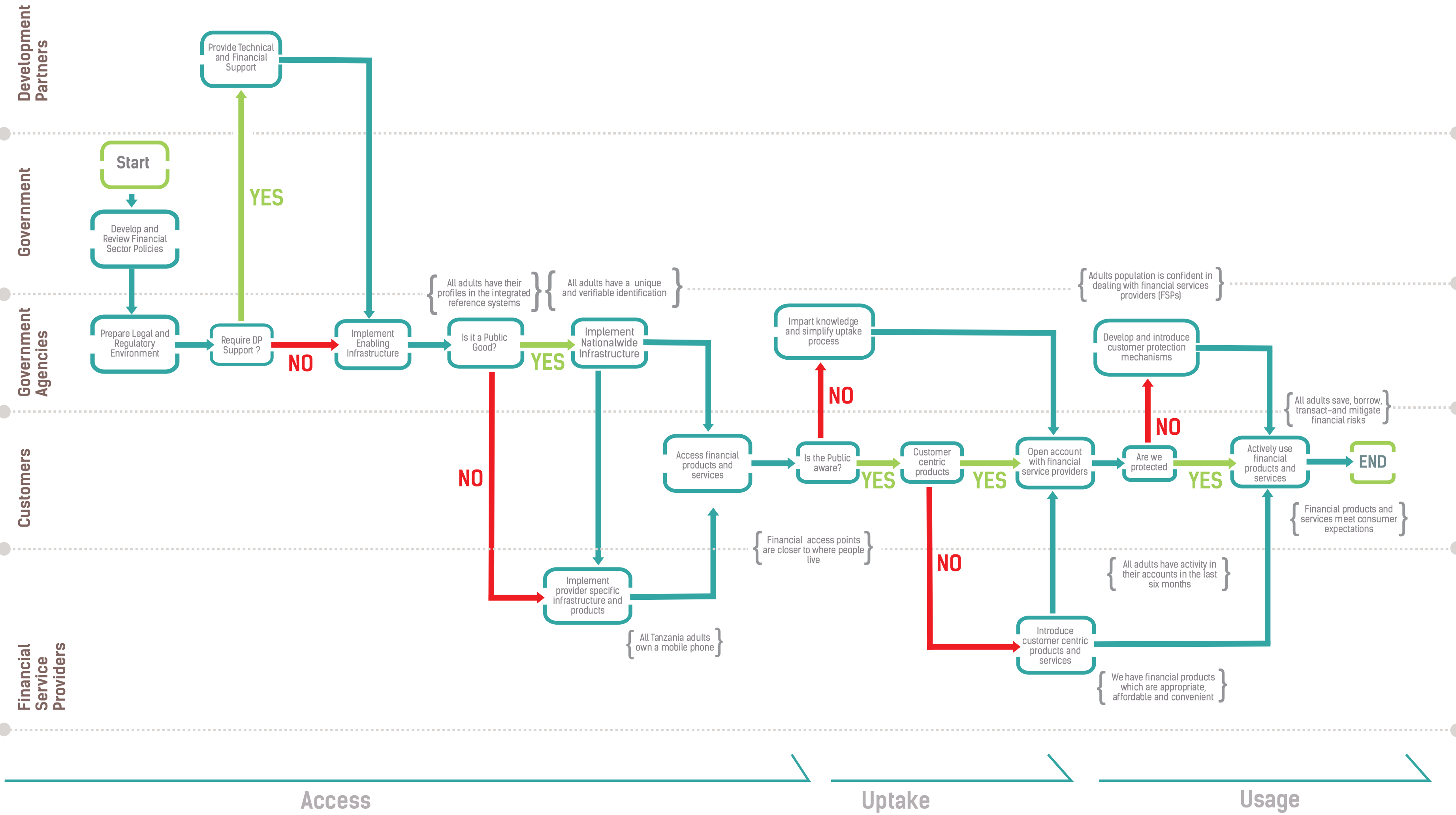
The implementation of integrated data management systems, with the national identification database as a foundation, will enable other data initiatives to work better, such as expanding the remit of reference bureaux, collateral registries, etc. The essence here is to be able to drive innovations and manage risks with rich customer profiles. Once fully implemented, the linking of the national database with other service providers is expected to enable more use cases in education, health and agriculture. From the enterprise perspective (both agricultural and non-agricultural based), the focus should be to rethink the formalization approach to ensure the incentives are advocated and benefits communicated effectively. Ideally, formalization should benefit businesses first, and businesses should be educated about the opportunities of formalization in relation to business expansion, access to finance or capital and new market opportunities. Whilst the Framework fully supports government efforts to generate revenues for financing the government budget, working with stakeholders and businesses to ensure businesses formalize themselves will reap long-term benefits to the economy. In broad terms, the formalization of businesses will be achieved by availing digital ID, digitizing money, digitizing payments, deploying user-friendly technologies that allow for data on all the business transactions to be captured, analyzed and used to manage business better, and thereby increase productivity.

The Need for Appropriate Market Infrastructure

Over the past four years, Tanzania has seen tremendous growth in proximity to financial access points to 86% countrywide, hoever the majority of people and businesses still transact in cash. Tanzania does not have a fully developed and inclusive national payment system, despite having a mature market for mobile financial services. Although there are payments law and related regulations, Tanzania currently does not have an all-encompassing national payment system that covers all payment streams. The payments ecosystem is not only needed for businesses and individuals, but is also very crucial for government efforts to increase efficiency in revenue collection, manage expenditure and also reduce corruption through modern and digital mechanisms. However, digitizing payments alone is not sufficient. The long-term view should be taken to digitize money in its stationary form. Initial steps include; the development of merchant solutions, national switch, payment clearing house agreements across various payment streams and the establishment of a payments association to coordinate pricing and standards in the market. The presence of a fragmented payment system means that there is little use of modern payment instruments by customers and a continued use of cash and cheques which are costly and risky. In addition, the lack of full interoperability between financial products and channels, both inter-bank and between banks and non-bank FSPs increases the costs to all market participants and hinders greater usage of non-cash financial products. Another emerging opportunity is for Tanzania to democratize CICO, drive the digitization of money and promote full interoperability. This new thinking should drive the new payments strategy for Tanzania.

In summary, Tanzania has been successful in coordinating the actions of policy-makers, regulators and the private sector through the implementation of the previous Framework. This is a commendable foundation to be utilized in promoting the shared vision and soliciting commitment from all the stakeholders to realize the outcomes articulated in this Framework. This is to ensure alignment of priorities for financial inclusion and financial sector development in general.

Annex 2: The Process from Access to Usage



NATIONAL FINANCIAL INCLUSION FRAMEWORK 2018 - 2022

A Public – Private Stakeholders' Initiative