

Benno Ndulu: Addressing the challenges of financial inclusion in Tanzania

Welcome and opening remarks by Mr Benno Ndulu, Governor of the Bank of Tanzania, at the official launch of the National Financial Inclusion Framework, Dar Es Salaam, 12 December 2013.

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Your Excellency, Dr. Mohamed Gharib Bilal, Vice President of the United Republic of Tanzania;

Your Majesty, Queen Máxima of the Netherlands;

Honorable Ministers of Agriculture Eng. Christopher Chiza and Minister for Finance Ms. Saada Mkuya,

Your Excellency Ambassador of Netherlands to Tanzania;

Ms. Ertharin Cousin, Executive Director, World Food Program (WFP),

Maria Helena Semodo, Deputy Director General, FAO

Mr. Adolfo Brizzi, Director, Policy and Technical Assistance, IFAD

Dr. Alfred Hannig, Executive Director Alliance for Financial Inclusion,

Heads of the UN Agencies

Members of the Diplomatic Corps;

Permanent Secretaries;

Deputy Governors;

Chief Executive Officers;

Distinguished Guests

Ladies and Gentlemen:

I am greatly pleased to welcome you all to this important event to officially launch the Tanzania National Financial Inclusion Framework. Please accept my profound appreciation for accepting our invitation to attend this event. In particular, I would like to thank your Excellency, Dr. Mohamed Gharib Bilal, the Vice President of the United Republic of Tanzania, for finding the time to grace and open this occasion. Special gratitude to your Majesty, Queen Maxima of the Netherlands who is the UN Secretary General's Special Advocate for Financial Inclusion for accepting to be the guest of honor to this event. I wish to recognize a great friend of financial inclusion Dr. Alfred Hannig, the Executive Director of Alliance for Financial Inclusion who has helped to establish and grow an initiative that has enabled to engender not only global peer learning but also peer pressure to achieve ambitious targets. Also for special recognition are the three guests, Executive Director of World Food Program (WFP), Ms. Ertharin Cousin, Deputy Director General, Ms. Maria Helena Semedo Food and Agriculture Organization (FAO) and Director, Policy and Technical Advisory Division of International Fund for Agriculture Development (IFAD) Mr. Adolfo Brizzi.

Your Excellency, Your Majesty, Ladies and Gentlemen:

The Framework has been developed through an elaborate process that involved all key financial inclusion stakeholders in the country with special support from Financial Sector Deepening Trust (FSDT); I thank FSDT for extended cooperation and assistance. We have together as stakeholders identified barriers to financial inclusion and their corresponding core enablers that will be implemented in a coordinated manner to overcome the

barriers. These have been put together in the document that you will today witness its launch.

Financial stakeholders realized that financial inclusion couldn't be achieved with everyone working in silos. Rather it requires a concerted cooperative approach that will be used to address the challenges of financial inclusion in Tanzania systematically and in a coordinated manner.

Ladies and Gentlemen:

Financial inclusion is important to the economy, it enables improving the welfare of the poor, – contribute to financial stability; and to growth of micro-business that ultimately stimulate growth of other sectors in the economy.

Tanzania has made significant strides to enhance the proportion of adult population who are formally included (adults with accounts in formal financial institutions). In 2006 the proportion stood at 9%, 12% in 2009 and in 2012 it was 17%, or 22% formal inclusion if we include SACCOS. Cognizance of this low rate of formal financial inclusion, we identified a number of barriers that account for such state of affairs. These include: supply side barriers ranging from, high interest rates, services that don't meet demand side needs, costs, to inefficiencies of service delivery. Demand side barriers include, information asymmetry, irregular income patterns, and financial literacy. Structural and regulatory barriers include, stringent or lack of proportionate requirements for client on-boarding, lack of regulatory framework for broad based micro-finance services, lack of centralized national identification system to mention but a few.

Ladies and Gentlemen:

In order to build impetus and push for acceleration of financial inclusion we made an international commitment under the AFI auspices (the Maya Declaration) to increase formal access of financial services to 50% by 2015. The AFI network, that has more than 100 countries' regulators and policy makers as its members, has enabled us to gain knowledge in financial inclusion through peer-learning and peer-pressure. It has also enabled us to host international forums for the establishment of Africa Mobile Phone Financial Service Policy Initiative (AMPI) in February 2013 in Zanzibar. AMPI has been instrumental as a platform to share experiences on how countries in Africa may scale up the use of mobile money for financial inclusion. Tanzania has been used as one of the success stories in using mobile telephony to deliver financial services. And we have already hosted some central banks in attachments to learn from our experiences of taking advantage of leveraging on the use of this mobile technology as a platform to facilitate payment services to the majority of the population far and wide, including those that were hitherto underserved or unbanked. The mobile financial services operated by non-banks and banks has now enabled by September 2013, 90% of the adult population in Tanzania to have access to a mobile money accounts with 43% (or 9.8 Million) adults being active users. Most of these, however, are still unbanked. Although mobile telephony financial service has its limitations as it is still widely used for payment based services only, current initiatives are being deployed to expand its use as a platform to deliver other financial products from mainstream banking.

Ladies and Gentlemen:

Overall, the level of access to formal financial inclusion in Tanzania is relatively low. According to 2012 World Bank survey 24% of adults in Africa have an account at a formal financial institution as of 2012. As pointed out earlier, in Tanzania 17% of adults have accounts with a formal financial institution. In 2006 this proportion was significantly lower at 9%. Including SACCOS this proportion in Tanzania rises to 22%.

The provision of SME and Agribusiness finance likewise has been lower than necessary to support significant growth in this important sector of the economy. Based on National Baseline Survey Report (2012) only 10.6 % of MSMEs have access to finance from

formal institutions. And based on AgFims Tanzania Headline Findings (2011) 32.4% of agri-businesses have access to formal credit.

We believe that strategies to address challenges behind these low levels of financial inclusion are articulated in the National Financial Inclusion Framework that will be launched today. In preparing this framework we have the advice and challenges that His Excellency Dr. Jakaya Mrisho Kikwete, the President of United Republic of Tanzania raised in Arusha in November 2012 in the Conference for Financial Institutions and in Dar es Salaam in July 2013 at the Smart Partnership Global Dialogue. In both events, financial inclusion was the central theme; and the President challenged us to increase the level of financial inclusion within the shortest time possible. This Framework is the results of that advice and we are pleased that Her Majesty and His Excellency the Vice President are here to witness its launch.

Your Excellency, Your Majesty; Ladies and Gentlemen:

The Framework is a commitment voice from financial inclusion stakeholders in Tanzania from the private and public sector, who are here present today. They have documented the barriers and key core enablers to be implemented with the objective of spurring financial inclusion in Tanzania. An Action Plan that articulates key priority areas will be implemented by each stakeholder. The priorities areas for implementation include:

- ***Proximity:*** Enhancing and implementing access channels, such as Agent banking, mobile telephony financial services, point of sales, stand alone ATMs, POS and a regulatory framework that creates conducive environment for growth of financial inclusion;
- ***Robust Electronic Platforms:*** Improving, developing ICT payment platforms that facilitate cost effective and secure access to financial services;
- ***Robust information and easy client on-boarding:*** Implementing, monitoring and enhancing use of credit bureaus, proportionate Know Your Customer requirements and improved ID system that is linked to financial systems; and
- ***Informed customers and consumer protection:*** Implement financial consumer protection mechanism and national financial education framework.

Your Excellency, Your Majesty; Ladies and Gentlemen:

In order to ensure that we achieve results, the Framework has set targets for financial access of 50% by 2016, echoing our international commitment that we made in Riviera Maya, Mexico in 2011 under the AFI initiative-Maya Declaration. Specific targets are also made for specific core enablers that stakeholders are required to implement and achieve within a span of 3 years from today. It is worth noting that some barriers are planned to be addressed within six months from the launch of the Framework, while others are being addressed as I speak for example the regulatory frameworks for the cyber laws and national payment systems law.

The Framework also provides an elaborate measurement mechanism that will be used in the assessment of the level of financial inclusion in Tanzania. Based on an all encompassing working definition of financial inclusion key indicators that include usage of financial services have been developed. This is important to ensure that the efforts that stakeholders are making towards implementing the Action Plan have an impact on the ground.

Your Majesty, Your Excellencies, Ladies and Gentlemen:

A coordinating structure is also established to oversee and supervise the implementation process; where an apex organ: the Financial Inclusion National Council comprising eleven member institutions, from various ministries at Permanent Secretary level and heads of other financial regulatory authorities. This National Council has responsibilities of

ensuring that stakeholders implement the Action Plan as articulated in the Framework. The coordinating structure upholds accountability and applies tools such as periodic reporting and assessments. An Impact Assessment will also be conducted after the 3 years target: mid- term review shall be conducted to assess impact of the interventions of the financial inclusion initiatives included in the Framework and inform the National Council on the appropriate directives to issue to the key stakeholders for implementation.

Your Excellency, Your Majesty; Ladies and Gentlemen:

Development of the Framework has been a very fruitful process; we have witnessed, from the members of the Council and other national technical committees, great enthusiasm, commitment, energy and desire to increase the level of financial inclusion in Tanzania. We therefore expect that the official launch of the Framework shall build more impetus to fulfill our objective of improving the level of financial inclusion in Tanzania.

With this remarks, I now have the honor to welcome Honorable, Ms. Saada Mkuya, Acting Minister for Finance to deliver her remarks and welcome His Excellency, Dr. Mohamed Gharib Bilal, the Vice President of the United Republic of Tanzania, to deliver his opening speech and thereafter welcome the guest of honor her Majesty Queen Máxima of the Netherlands to deliver the keynote address.

Honorable Minister; Ms. Saada Mkuya, welcome.