

**KEYNOTE SPEECH BY:  
MINISTER FOR FINANCE, HON. ZAKIA H. MEGHJI (MP)  
AT THE LAUNCH OF FINSCOPE TANZANIA AT  
MOVENPICK ROYAL PALM HOTEL, 3<sup>RD</sup> APRIL 2007**

***Your Excellency, Canadian High Commissioner,  
Distinguished Guests,  
Ladies and Gentlemen:***

I am pleased to have been invited to officiate this important occasion of launching the FinScope survey findings in Tanzania. I understand that we all have tight schedules in our offices and that attending this seminar shows how we have accorded this event a high priority. I would also like to congratulate the Financial Sector Deepening Trust (FSDT) for making this official launch of FinScope Tanzania a reality.

### **Distinguished Guests,**

For the past decade and half, the Government of Tanzania has been implementing a wide range of reforms aimed at improving the economy. Among these reforms, was the financial sector reforms aimed at creating an effective and efficient financial system. To respond to the growing demand for financial services by the majority of Tanzanians that has resulted from these reforms, the Government decided to promote microfinance, among initiatives, as part of an integrated broad-based financial system.

### **Distinguished Guests,**

You will agree with me that the reforms have changed the direction and the manner in which financial institutions in Tanzania used to operate and deliver services to their customers. Entry of new banks and financial institutions has enhanced competition, resulting in improvement of the quality and quantity of financial services and products offered. However, even the competition the provision of services is

still confined largely to the formal sectors and the banks have now well established operations in Dar-es-Salaam and the major regional centres. Thus, the gap in the provision of financial services to the micro-and-small enterprises persisted.

In recognition of this financial service gap, in 1997, on behalf of the Government, the Bank of Tanzania contracted a consulting firm to carry out the financial services demand survey of which its outcome and other microfinance activities, formed the basis for the formulation of a national strategy that put in place an industry wide National Microfinance Policy in May 2000.

### **Distinguished Guests,**

The National Microfinance Policy is guided by a vision of achieving widespread access to microfinance services throughout the country. It is, therefore, the responsibility of other Government entities and key stakeholders as well as the private sector to ensure that the design and

implementation of their programs are in accordance with best practices and with the National Microfinance Policy.

I'm very much aware that establishment of the FSDT that was officially launched on 11th October 2005 is the cooperating partners' response to the Government's National Microfinance Policy and the National Strategy for Growth and Reduction of Poverty (NSGRP) or "MKUKUTA" in the Swahili language.

### **Distinguished Guests,**

I presume we all know that the FSDT is a consortium of five development partners namely CIDA, DANIDA, DFID, SIDA, and the Royal Netherlands Embassy established to channel development partner resources to support the development of pro-poor financial markets. I, therefore, urge the Trust to leverage their limited funds by, amongst other initiatives, supporting the development of more promising microfinance providers; those with the greatest potential to

reach large numbers profitably or those institutions pushing hardest to reach disadvantaged population.

By creating the Trust to do this, the five cooperating partners have ensured that they harmonise their efforts towards financial sector deepening and provide a single partner for the Government of Tanzania, beneficiaries of FSDT funding and other donors. Thus, the Trust provides greater efficiency in supporting financial deepening and a much wider outreach.

### **Distinguished Guests,**

We all agree that organized data, adequate and reliable information is important for developing appropriate policies and interventions for microfinance sector. Availability of adequate and reliable information will assist the Government, the cooperating partners and the private sector to determine the direction of microfinance sector development. In recognition of the above fact and outcome of similar studies, the Government

and FSDT agreed that there still remain substantial gaps in knowledge and information about the financial sector in Tanzania, a situation that paved way for FSDT to take the lead to design a project that would carry out a reliable SURVEY.

### **Distinguished Guests,**

I understand FinScope is a national survey that aims at identifying demand for financial services and the current barriers to access. It is funded by the FSDT with crucial support from FinMark Trust, a donor-funded organization based in South Africa that developed the original methodology and helped to adapt it in Kenya, Uganda, Zambia and Tanzania in implementing the survey.

Prior to this, similar efforts had been undertaken in Tanzania to take stock of the nature of demand; but it is the first time such an exercise has been undertaken with such comprehensive coverage and complexity as FinScope has done.

I would like, therefore, on behalf of my Government, to extend our sincere thanks and congratulations to the Trust for funding and organizing this important initiative.

To ensure that the survey had local ownership and tailored to suit the Tanzanian environment, culture and financial services, I understand FSDT in collaboration with the Bank of Tanzania set up a Stakeholder Taskforce whose representatives were drawn from a wide range of organizations in both the public and private sectors. Given the comprehensiveness and inclusiveness of the planning process, survey and its results, and the physical and social challenges of our country, I would also like to thank sincerely all individuals and institutions that contributed to this important national endeavour.

**Distinguished Guests,**

I'm pleased to see that, for the first time in the history of financial sector development in Tanzania, we have tangible evidence on demand, indicating what our people are saying

about financial services, in particular what they want from financial services and why, all too often, they cannot get it. I recognize that the FinScope survey provides important baseline data and information. So, I welcome the FSDT's commitment to see this survey is regularly repeated so that its impact on both public sector policies and private sector initiatives is monitored over time. For all this work I want to express, on my own and on behalf of Government our appreciation to our cooperating partners.

### **Distinguished Guests,**

As you will all understand from the coming presentations, the FinScope highlights several key challenges to increasing finance services that are better tailored to demand and to deepening the financial system. One key challenge is, despite all policy efforts that have been undertaken during the last decade and increase in the number of microfinance institutions, access has remained limited. Ten years ago, only 9 percent of a working population of over 21 million people has bank accounts,

and only 6 to 8 percent have access to credit from the formal financial institutions, according to the 1997 financial services demand survey I mentioned earlier. This surely represented a serious challenge to the Government and our development partners in implementing the second generation financial sector reforms that are in line with the National Strategy for Growth and Reduction of Poverty.

### **Distinguished Guests,**

One obvious implication of FinScope, as we learn more about what is and is not happening in the financial sector, is the urgent need for my Ministry, the Bank of Tanzania and other key microfinance stakeholders, to review the National Microfinance Policy in light with the hard reality on the ground.

A second important aspect of the picture painted by FinScope relates to the weak linkages between different sub-sectors of the financial system and rural outreach in Tanzania. If there were a more widespread and effective links between the

formal and semi-formal financial institutions, and the semi-formal and informal sectors, then the low proportion of people accessing formal financial institutions might not be as important. Links between the financial sub-sectors allow for both broadening and deepening the financial sector by giving people access to cheaper and a wider range of financial products. I am aware that some banks and SACCOS networks have already gone well down this path. However, this process has a long way to go before we can say that the financial sector has deepened to the point where the majority of people have, in effect, access to banks, even if they are not directly account holders.

I am aware that NMB and CRDB have pioneered among commercial banks to provide microfinance. I hope that the FinScope data and subsequent analyses will help to fill the information gap and encourage other large commercial banks to venture into microfinance in urban areas as well as in the rural areas and small communities.

## **Distinguished Guests,**

The Government will continue to ensure that the links we are aspiring to grow between the formal banking system and MFIs. We would also like to see links evolve spontaneously between commercial banks and the rest of the service providers in the microfinance industry. This is the most crucial ingredient required by the Government in the course of performing its promotional role in Government/ donor programs focused on microfinance and poverty reduction.

## **Distinguished Guests,**

Another aspect to note is capacity building. It is perhaps obvious to say that information and analyses that we are getting and will continue to get from FinScope are necessary but not sufficient conditions to promote greater access and to deepen financial system. If we want to encourage greater and more effective links between different segments of the financial sector, the issue of capacity building has to be a priority. I

noted, in opening a workshop on SACCOS governance in Dar es Salaam last month, that except for a very limited number of larger institutions, the critical weakness in developing so many of our economic sectors in Tanzania is the lack of adequately trained human capital to provide technical and management expertise.

Unless SACCOs and other MFIs are seen as credible and creditworthy counterparts to commercial banks and other formal financial institutions, the latter are going to be reluctant to engage with the former, especially in providing credit. Therefore, capacity building needs a much more concerted effort that should cover the whole country.

I know that the FSDT has capacity building for SACCOS and MFIs as one of its top priorities and that plans are underway for the initiative in collaboration with a number of other stakeholders. No doubt these efforts would be further shaped by the results of the FinScope survey.

### **Distinguished Guests,**

The term “capacity-building” covers more than training staff in any particular financial institution. I am well aware that there is a need to educate and sensitize potential members of SACCOS and clients of other microfinance institutions. Partly, this calls for urgent need to improve financial literacy across the country. I understand some of the results from FinScope will highlight this issue. Only when savers and borrowers can fully understand what financial institutions offer and the trade-offs in any financial decision, only then will we have a population that can actively engage in the financial system to improve their livelihood. I would like to see that FSDT and other stakeholders focus on improving financial literacy and its constraints.

### **Distinguished Guests,**

As for the next steps, the FinScope survey seems to hold considerable promise of being a valuable tool for public policy-makers and private sector institutions alike. We will no doubt

seek to use the results in different ways and I understand that the FSDT in the coming presentations will explain how it will accommodate the different requirements of various stakeholders. I would, therefore, urge all stakeholders to take advantage of this unique set of data and learn a great deal more about how it could add value to each of our areas of operation.

The Government is still faced with the task of improving rural infrastructure to allow access to remote areas; building a healthy credit culture through public awareness programs; providing high-quality and independent banking supervision; improving a legal framework supportive of financial institutions' operations; and building institutional capacity.

**Distinguished Guests,**

Let me end by thanking specifically FSDT, FinMark Trust, the Steadman Group, the Bank of Tanzania and the National Bureau of Statistics that all played essential roles in making this

survey happen and for the organizers for organizing this seminar.

With these words it is now my honour and pleasure to declare FinScope Tanzania is officially launched.

**THANK YOU FOR YOUR ATTENTION**