
A National Strategy in Progress: Tanzania

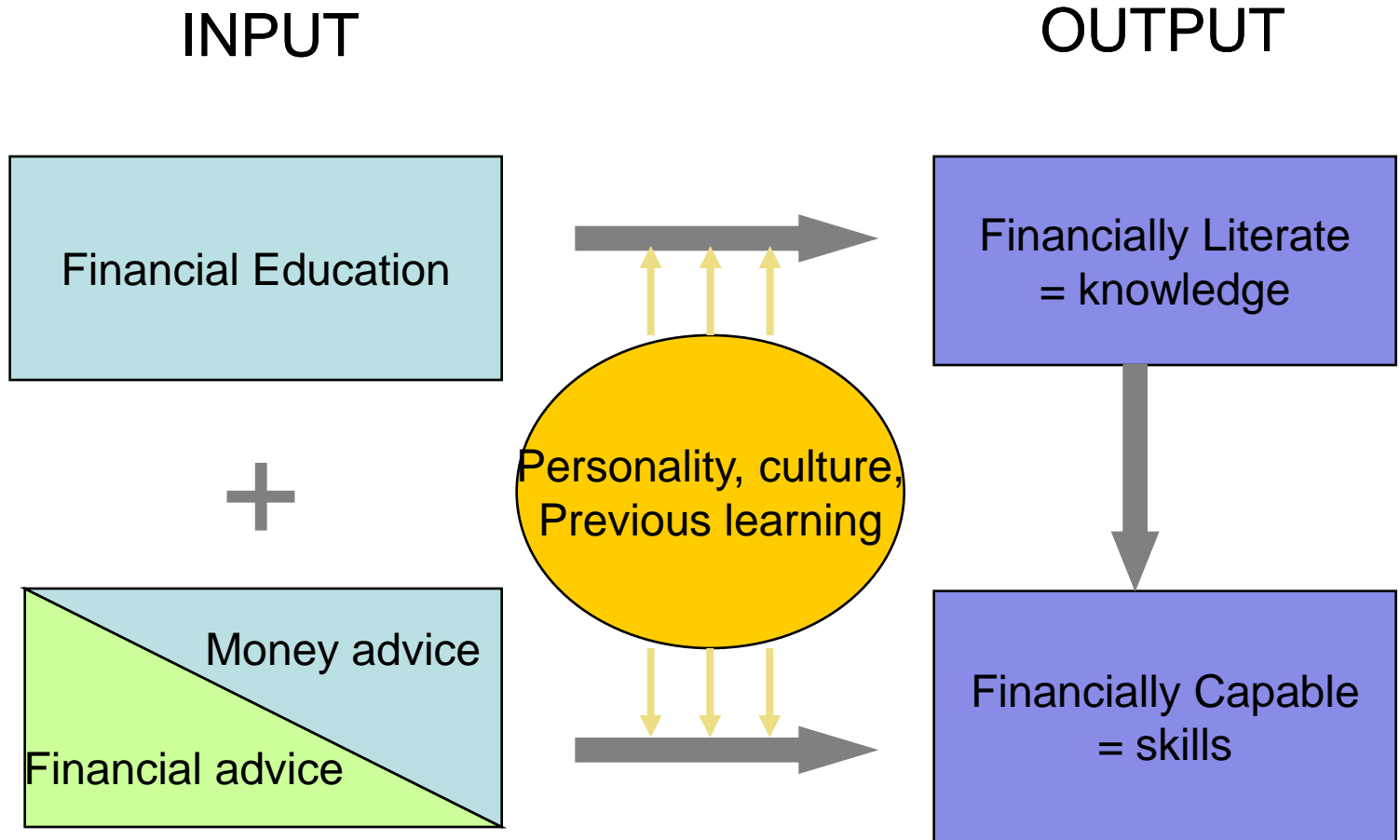
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Agenda

- ❑ Importance of financial capability
- ❑ Goals and objectives
- ❑ Process/methodology
- ❑ Progress to date
- ❑ High-level findings
- ❑ Challenges and risks
- ❑ Points to remember - general

Importance of financial capability

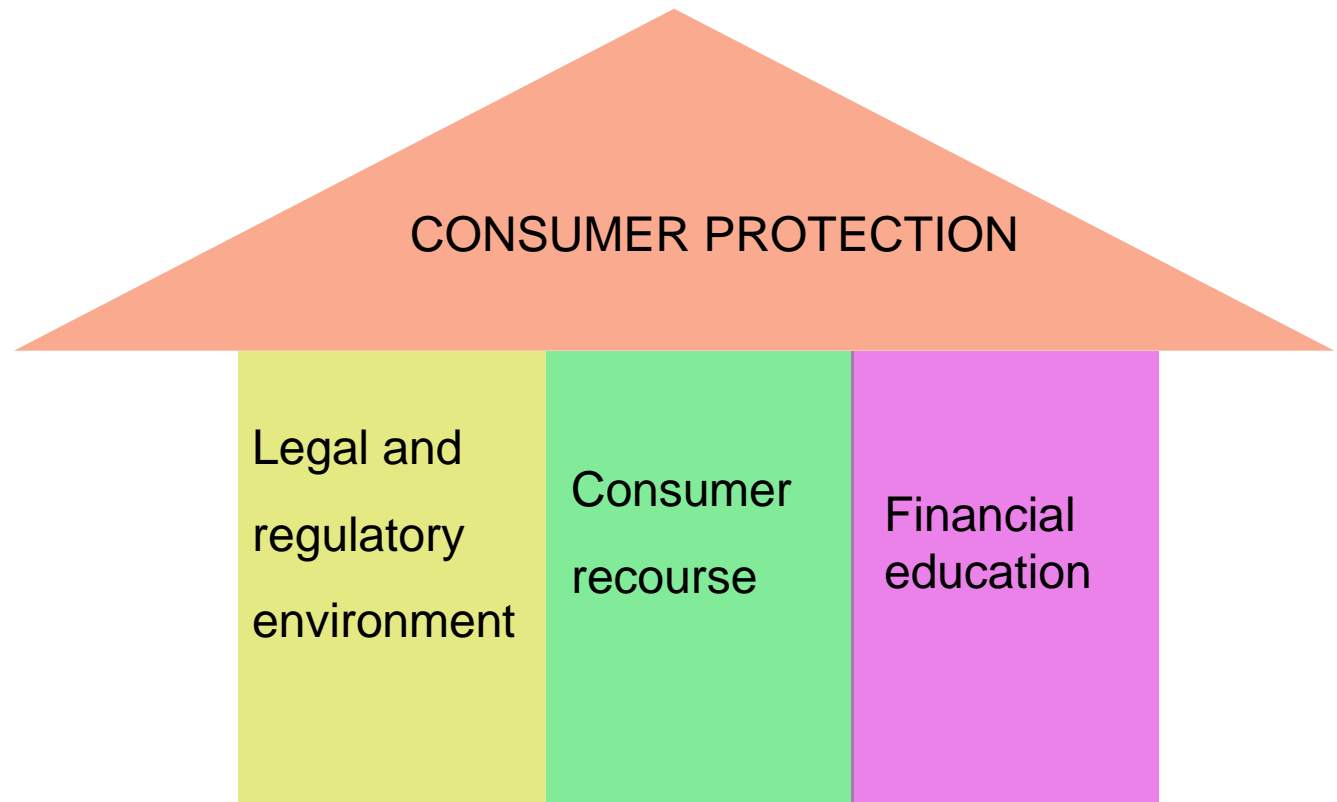
Building financial capability



Why financial education?

- ❑ Facilitates accumulation of assets – economic growth (individual through to macro level)
- ❑ Lack of financial capability manifests on several levels:
 - Individual – household - community
 - Institutional (micro) - sector (meso) - national (macro)

Component of enabling environment



Tanzanian financial education strategic process

Goals

- ❑ Strengthen financial sector and increase participation/access through improved financial capability
- ❑ Complements various other activities, e.g.:
 - Review of microfinance policy environment;
 - Rural Finance Strategy;
 - ‘Truth in lending’/disclosure

Outputs

1. National framework:
 - Ownership and institutional arrangements
 - Funding arrangements
2. Consumer strategy:
 - Target, content, channels
 - Consider knowledge, skills and behavioural change
3. Implementation plan for above, including:
4. M&E framework

Strategy development process and framework

INPUT

International examples

National agenda
Policy framework

Scoping exercise

Research:
Finscope
HH Survey
Baseline

STRATEGY

National framework:
• Vision
• Ownership/champion
• Institutional arrangements
• Roles
• Stakeholder interaction

Consumer strategy
• Market segments – prioritise
• Content focus
• Channels
• Resources

IMPLEMENTATION

Implementation plan:
• Institutionalise
• Stakeholder communication plan

Implementation plan:
• Media plan
• Creative strategy
• Timeframe

Implementation

Monitoring & Evaluation

Initial findings in Tanzania

Context

- ❑ Vast country, with highly dispersed rural population (about 70%)
- ❑ Growing urbanisation
- ❑ Growing 'young' population
- ❑ Low formal income
- ❑ Multiple stakeholders with much fragmentation and duplication with respect to various programmes (e.g. entrepreneurship support)

Financial Sector

- ❑ Low (but growing) financial access and usage
- ❑ Financial sector in ‘infant phase’:
 - Some strong commercial banks, but still ltd footprint (particularly in rural areas) and competitions
 - Weak semi-formal institutions (entry point), e.g. proliferation of mostly weak SACCOs
- ❑ Not ‘consumer orientated’ (e.g. Islamic banking, banking costs, service levels)

Financial Sector (2)

- ❑ Increasing market sophistication:
 - ATM banking
 - Virtual banking
 - Leasing
 - Housing finance
 - Insurance/risk management
- ❑ Credit reference bureau in the making
- ❑ Growth in VSLAs & VICOBAAs – important educational impact
- ❑ ‘Investment’ requirements of maturing VSLAs and SACCOs
- ❑ Zanzibar: govt employees soon to be paid through banks (rather than cash) – while mainland experience shows limited use of banks

Financial sector (3)

- ❑ Fraud (e.g. pyramid schemes) and failure of institutions
- ❑ Weak legal/regulatory environment with respect to consumer protection and consumer recourse

Consumer

- ❑ Decreasing general functional literacy levels (although increase in educational outreach)
- ❑ Low levels of economic literacy (knowledge of markets)
- ❑ Low levels of entrepreneurship/business financial skills (SMME) – NB: Points to issues on livelihoods

Consumer (2)

- ❑ Concepts 'never heard of':
 - Loans = 9%
 - Savings = 27%
- ❑ Would 'like to know more about':
 - How to calculate interest rates: 84%
 - How to save more: 84%
- ❑ Savings-orientated, but lack of options
- ❑ Sharing – good, but also share poverty and problems

Consumer (3)

- ❑ Limited trust in financial sector (and broader systems) – failure of SACCOs, pyramid schemes
- ❑ Lack of understanding/awareness of rights and responsibilities – not ‘assertive’
- ❑ ‘Too poor to bank’

Consumer (4)

- ❑ Banks viewed as expensive with poor service
- ❑ High 'transactional costs' (limited geographic outreach)
- ❑ Want to save, but where?
- ❑ Result: many under-banked –
“Save with bank, borrow from SACCO, transact in cash.”

Stakeholders' perceptions

- ❑ Limited knowledge/understanding of financial education
- ❑ Very interested & supportive
- ❑ Few existing programmes:
 - CRDB: Focus on SACCOs and communities – theatre
 - CMSA/BoT: Media, seminars, etc
 - VSLAs, VICOBAAs (well organised and trained)
 - SACCOs' mobilisation and training programmes

Channels

- ❑ Multiple programmes e.g. entrepreneurship, SACCO support, VSLAs/VICOBAs – potential vehicles for financial education
- ❑ Media:
 - Limited media channels and high media cost
 - Limited access to mainstream media
 - Low access to cost-effective electronic media (1% internet access)

Proposed national strategic framework

Key considerations

- ❑ Limited resources, but various existing related activities - attach/imbed financial education in existing structures/programmes where possible
- ❑ Require strategic partnerships:
 - Public-private partnership
 - Civil society
- ❑ Coordinate highly fragmented market - work through 'interest groups'

Critical success factors

- National level - coordination:
 - Information portal (e.g. actively managed websight)
 - Shared resources (content, national baseline study, etc)
 - Facilitate strategic partnerships
- **Sector/institutional level – implementation:**
 - Understand clients, content
 - Channels in place
 - Resourcing

Proposed national framework

- ❑ Coordinating agency: institutionalise unit at national level - reflect PPP
- ❑ Organise groups stakeholders (govt, private and civic society) in 'interest groups':
 - Reflect market segments/target groups
 - Representative/inclusive of public, private sector and civic society

Consumer strategy

□ Main streams:

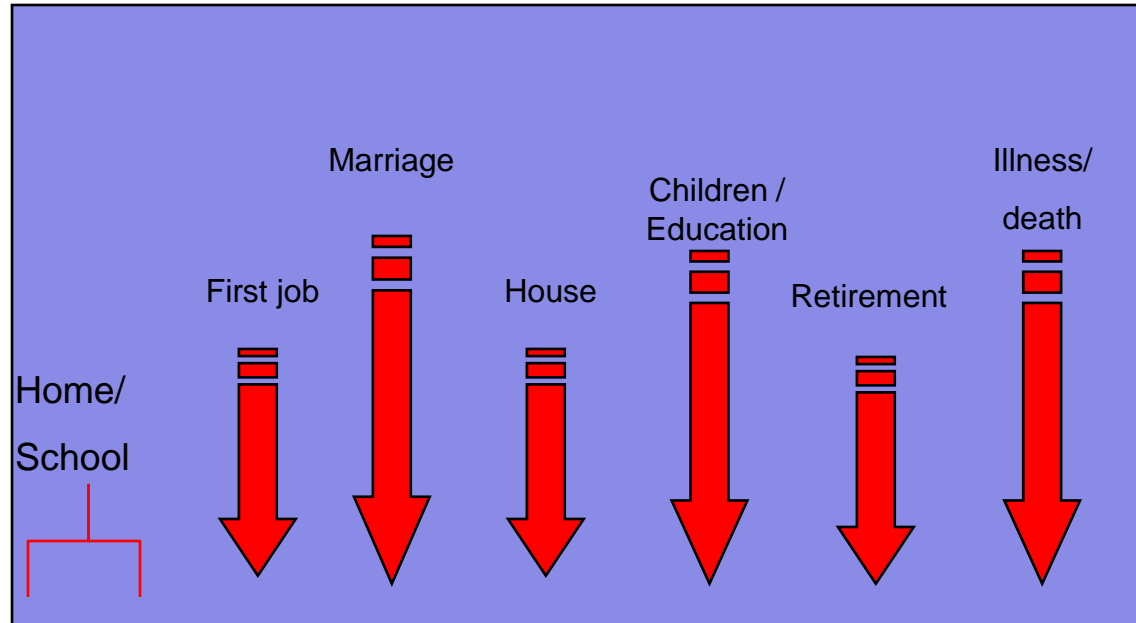
- 'Occupation':
 - in educational system
 - SMME or farming
 - formally employed
- Urban vs rural communities:
 - Urban: bias towards formal financial institutions, formally employed, media access
 - Rural: semi-informal (SACCOs, VSLAs), lower incomes, agriculture

Consumer strategy: Life Stage Approach

Life Stage

Discrete /
Product
Specific
(on as-need
basis)

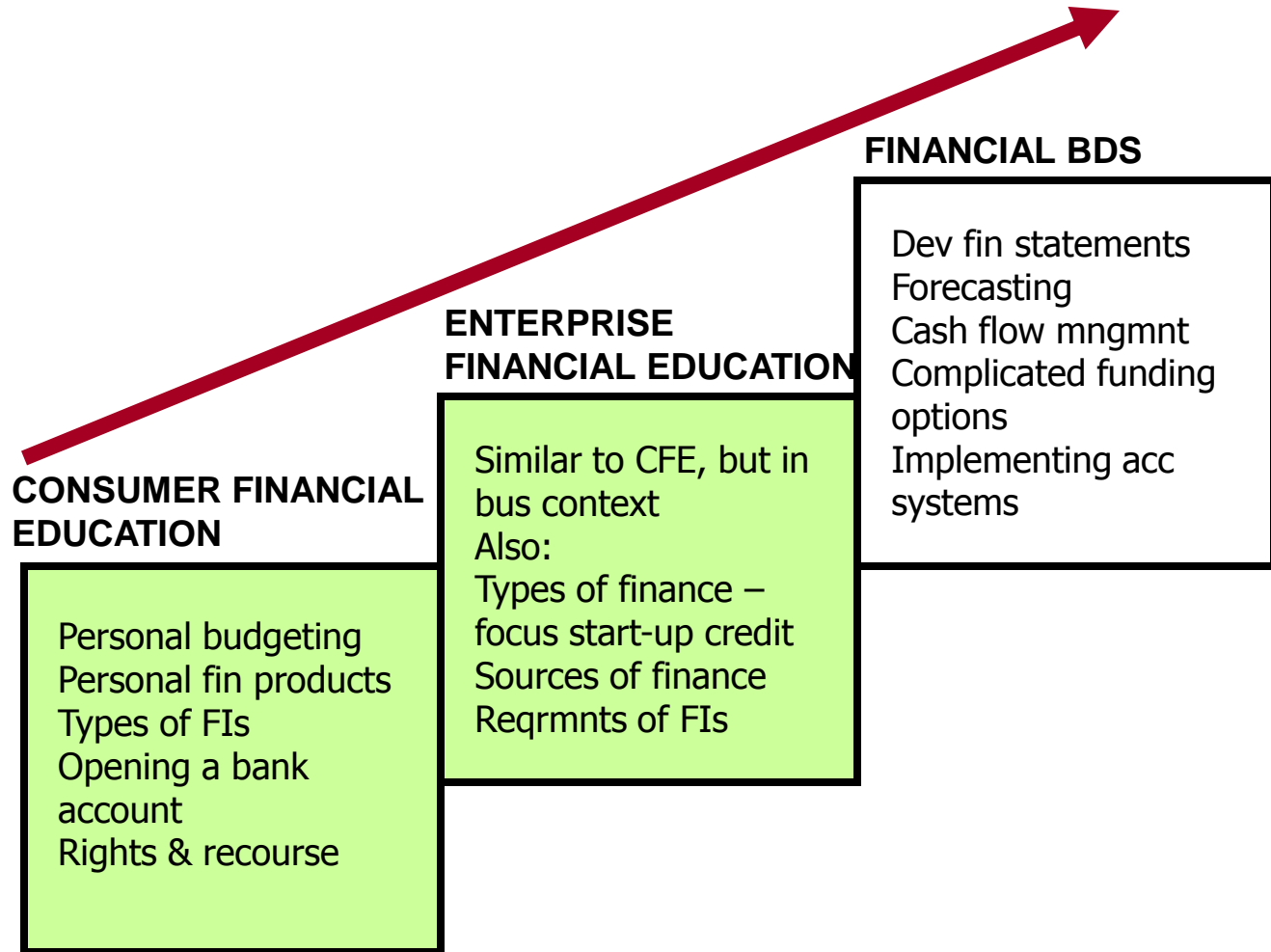
Receptive
Awareness
Know own needs



Generic -
Behavioural
change
(on-going)

Broad-based Financial Education: Budgeting,
Savings, Retirement Planning, Rights and recourse

Enterprise perspective



Implementation

Risks/challenges of strategy

- ❑ Fragmentation
- ❑ Lack of focus – spreading resources to thin
- ❑ Loss/lack of interest from stakeholders
- ❑ Lack of resources
- ❑ **Creating dependency on external funds – could undermine long-term sustainability**

Implementation – key considerations

- ❑ Implementation at market/institutional level
- ❑ Requires buy-in and ‘ownership’ from stakeholders
- ❑ Stakeholder communication strategy:
 - ‘Educate’: inform, why financial education important, why stakeholders’ responsibility
 - Buy-in
 - Resources: where can assistance be obtained in implementation

Implementation process

❑ National framework:

- Institutionalise – temporary structure to ensure momentum
- Implement stakeholder strategy/communication

❑ Consumer strategy:

- Develop core financial education skills in market
- Projects: ‘Low hanging fruit’ – demonstrate evidence of success
- Start initiation of larger long-term programmes
- Research – pilot – improve

❑ Monitor, evaluate, improve

Closing: guidelines in developing a national strategy

Guidelines

- ❑ In public domain:
 - Everyone benefits
 - Everyone's responsibility
- ❑ Long-term vision required
- ❑ 'Push down' implementation:
 - Huge resource requirements on national levels;
 - Grassroots understanding of consumers
- ❑ Require high-level support & champion
- ❑ Key strategic partnerships
- ❑ Attach to/imbed in existing structures where possible

Thank you

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