

TANZANIA'S FINANCIAL INCLUSION IMPLEMENTATION SUPPORT GUIDE (2023-2028): FUNDING & BUDGETING STRATEGIES



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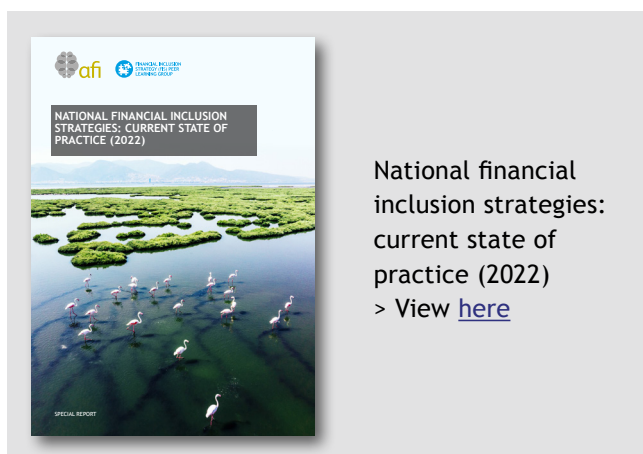
INTRODUCTION

The Special Report on the Current State of Practice of National Financial Inclusion Strategies (2022),¹ prepared by the AFI members, highlights key challenges faced by the AFI network in developing and implementing national financial inclusion strategies (NFIS).

One significant challenge is the “lack of a specific budget,” a common issue across several countries. Many NFIS are formulated without a dedicated budget, requiring government institutions to allocate part of their annual budget (internal resources) to fulfill NFIS responsibilities. This often results in a slow rollout of different phases or the cancellation of certain activities.

Several recurring issues compound this challenge, including insufficient budget allocation resulting from governments prioritizing competing needs. Despite the significant long-term benefits associated with financial inclusion, the upfront costs pose considerable challenges, particularly in countries with constrained resources.

Additionally, the accurate estimation of NFIS implementation costs proves intricate due to the complexity of logistical requirements, the diverse nature of target populations, and the dynamic landscape of evolving technologies. Underestimating these costs could result in project delays or compromises in program effectiveness.



National financial inclusion strategies: current state of practice (2022)
> View [here](https://www.afi-global.org/wp-content/uploads/2022/05/NFIS-Current-State-of-Practice-isbn.pdf)

The inherent mismatch between the typically short-term funding cycles of government budgets and the sustained investment requisite for long-term impact further complicates the funding landscape. Furthermore, the heavy reliance of many developing countries on unpredictable international aid for financial inclusion initiatives introduces uncertainties tied to the shifting priorities of aid agencies. Encouraging private sector investment faces hindrances, as perceived lower financial returns in serving low-income segments such as women, youth and persons with disabilities discourage participation, exacerbated by regulatory constraints and limited data availability for low-income populations.

Even in the presence of sufficient funding, inefficient resource allocation remains a significant impediment, stemming from poor coordination between stakeholders, a lack of transparency in funding decisions, and inadequate monitoring and evaluation mechanisms to assess investment impact. Additionally, achieving sustainability in funding long-term solutions, such as financial literacy programs or infrastructure development in remote areas, proves exceptionally challenging, necessitating the establishment of enduring funding models beyond initial grants or subsidies to ensure lasting impact.

Adequate financial resources are crucial to supporting activities across the three phases of the NFIS lifecycle and prioritizing objectives. To address this, the report recommends involving key stakeholders in the design and securing of NFIS budgets based on an agreed-upon funding framework, which plays an important role in the following:



RESOURCE ALLOCATION: A budget framework strategically allocates financial resources to different NFIS initiatives. This ensures funds are distributed efficiently to support activities like capacity-building, infrastructure development, research, and the implementation of specific financial inclusion programs and activities targeted at certain segments of the population.



NFIS ACTION PLAN: The budget is an integral part of the NFIS Action Plan, translating strategic goals into tangible activities with associated costs. This detailed planning is essential for the successful execution of the strategy.

¹ AFI. 2022. National financial inclusion strategies: current state of practice (2022). Available at: <https://www.afi-global.org/wp-content/uploads/2022/05/NFIS-Current-State-of-Practice-isbn.pdf>.



COORDINATION AND COLLABORATION:

Financial resources from the budget facilitate coordination and collaboration among stakeholders. Funding for meetings, workshops, and collaborative activities is provided, fostering a unified effort toward achieving financial inclusion goals.



MONITORING AND EVALUATION:

The budget supports monitoring and evaluation mechanisms by allocating funds for regular data collection, analysis, and reporting. This enables stakeholders to track progress, identify challenges, and make informed decisions to enhance the effectiveness of the NFIS.



STAKEHOLDER ENGAGEMENT: Adequate budgetary provisions are essential for engaging diverse stakeholders, including government agencies, financial service providers (FSP), community organizations, and development partners. Financial resources support communication, partnership building, and sustained collaboration.



CAPACITY-BUILDING: Budgetary allocations for capacity-building initiatives, encompassing training programs, workshops, mentorship, and knowledge-sharing platforms enhance the skills and knowledge of implementing institutions and relevant stakeholders.



ADAPTABILITY TO CHANGE: The budget allows for adaptability to changes in economic and political environments. Implementing institutions can respond to shifts in policies, economic conditions, and government priorities, ensuring flexibility in their approach.

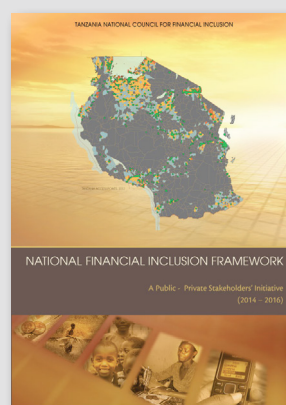


INCLUSIVITY: Budget allocations ensure that financial inclusion initiatives are designed to address the needs of specific target groups, such as women, youth, micro, small and medium enterprises, persons with disabilities, and smallholder farmers. This promotes inclusivity and addresses the diverse requirements of the population.

EXPANDING FINANCIAL INCLUSION IN TANZANIA

The road to financial inclusion in Tanzania has been an inspiring journey marked by continuous evolution and ambitious goals. While the first National Financial Inclusion Strategy² (NFIS-1 2014-2016)³ paved the way by pioneering access, subsequent strategies embarked on a deeper mission: transforming mere access into active and sustained usage for all segments of society. This evolution, however, necessitated a robust mechanism to translate vision into reality.

NFIS-1 planted the seeds of inclusion. With a vision to broaden access, NFIS-1 comprised a dedicated team of 19 members, forming the National Council. These individuals, drawn from various sectors, collaborated to shape the strategy and guide its implementation. The inaugural strategy laid the foundation for subsequent initiatives, setting the stage for a more inclusive and financially resilient Tanzanian society. The National Council overseeing NFIS-2 (2018-2022)⁴ expanded to include 22 members, reflecting a growing



NATIONAL FINANCIAL INCLUSION FRAMEWORK (2014-2016)
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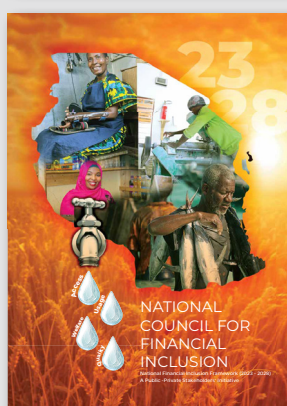
² Although Tanzania's guiding document is titled a National Financial Inclusion Framework, it functions similarly to a NFIS. For consistency with AFI publications, the authors will use the term NFIS throughout.

³ National Council for Financial Inclusion. 2014. National Financial Inclusion Framework: A Public-Private Stakeholder's Initiative (2014-2016). Available at: <https://www.afi-global.org/wp-content/uploads/publications/tanzania-national-financial-inclusion-framework-2014-2016.pdf>.

⁴ National Council for Financial Inclusion. 2018. National Financial Inclusion Framework: A Public-Private Stakeholder Initiative (2018-2022). Available at: <https://www.afi-global.org/wp-content/uploads/publications/2017-12/NFIF%202018-2022.pdf>.



NATIONAL FINANCIAL
INCLUSION FRAMEWORK
(2018-2022)
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NATIONAL FINANCIAL
INCLUSION FRAMEWORK
(2023-2028)
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recognition of the multidimensional nature of financial inclusion. The strategy embraced inclusivity not only as a moral imperative but as a strategic driver of economic prosperity. It recognized the crucial role of specific demographics like women, youth, and small and medium enterprises and aimed to foster their financial empowerment. The National Council, now comprising 27 members, reflects an expanding coalition of stakeholders committed to the cause. NFIS-3 (2023-2028)⁵ takes a holistic approach, extending its emphasis beyond traditional demographics to encompass women, youth, micro, small and medium enterprises, persons with disabilities, and smallholder farmers and fishers. This all-encompassing strategy envisions a financial landscape that leaves no one behind, embracing diversity and ensuring that every segment of the population can harness the power of financial inclusion. As such, scaling up ambition necessitated meticulous planning and coordinated efforts.

⁵ National Council for Financial Inclusion. 2023. National Financial Inclusion Framework: A Public-Private Stakeholder Initiative (2023-2028). Available at: <https://www.afii-global.org/wp-content/uploads/2023/08/National-Council-for-Financial-Inclusion.pdf>.

1. THE IMPLEMENTATION SUPPORT GUIDE (2023-2028)

The Implementation Support Guide 2023-2028,⁶ developed by Tanzania's National Council for Financial Inclusion, is an essential tool for institutions working to achieve the goals of their NFIS Action Plans. This guide streamlines the complexities of funding and executing financial inclusion strategies. It offers best practices, budgeting guidance, and fosters collaboration to help countries mobilize resources effectively.⁷ The guide emphasizes transparency and provides a framework for securing the financial, technical, and material support needed to realize transformative financial inclusion initiatives.



Implementation
Support Guide
2023-2028
> View [here](#)

Given the scarcity of resources, the guide emphasizes efficient utilization financial and human resources⁸ by establishing a framework for responsible mobilization, allocation, and utilization within a set timeframe. By establishing a clear communication mechanism and a proactive review process, the Implementation Support Guide promotes the ethical, transparent, and effective use of resources dedicated to financial inclusion initiatives. Accountability, transparency, and coordination are prioritized, ultimately supporting the successful implementation of Tanzania's financial inclusion goals.

⁶ National Council for Financial Inclusion. 2023. Implementation Support Guide 2023-2028. Available at: <https://www.bot.go.tz/Adverts/PressRelease/en/2023080515473809.pdf>.

⁷ The Implementation Support Guide is subject to review at least every five years or when necessary to maintain its relevance and efficacy in resource mobilization, allocation, and utilization for financial inclusion initiatives. This review includes a comprehensive assessment of the guide's principles, objectives, and processes (engagement, coordination, monitoring, and communication), aiming to identify areas for improvement and ensure alignment with evolving NFIS strategic goals.

⁸ This aspect should adhere to the principles of accountability, transparency, and good governance practices.

To ensure ethical, transparent, and accountable practices, the guide outlines guiding principles, engagement processes, coordination and monitoring mechanisms (CMM), communication channels, and review processes. By leveraging this valuable resource, institutions can effectively collaborate with partners and access essential support, ultimately contributing to the achievement of the NFIS's targets.

2. GUIDING PRINCIPLES

The guiding principles ensure that resources are mobilized, allocated, and used strategically to maximize the impact of financial inclusion initiatives. They include:



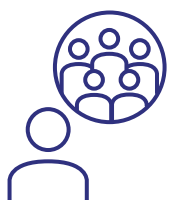
ACCOUNTABILITY:

Implementing institutions should adhere to ethical resource mobilization, comply with the governmental directives on the receipt of external funding, and prudently utilize the mobilized resources to achieve performance goals in the NFIS.



TRANSPARENCY AND COORDINATION:

Implementing institutions should report to the National Council, highlighting the mobilized resources received from supporting partners, to enhance transparency and coordination in resource mobilization.



INDEPENDENCE:

Supporting partners should refrain from directly participating in the day-to-day implementation of NFIS initiatives they support.

By adhering to these guiding principles, implementing institutions can ensure that the mobilization, allocation, and utilization of resources for the implementation of financial inclusion initiatives are conducted in an ethical, transparent, and effective manner.

3. FORMS OF SUPPORT

Implementation support may be in the form of financial, material, or technical support. The financial support may include grants and donations, while the technical support may include hands-on training, research, exchange programs, consultancy, and any other form of capacity-building.



GENERAL GOVERNMENT BUDGET:

Allocations from the national budget signify a foundational source of financial backing for implementing institutions. This sustained support underscores the government's commitment to fostering financial inclusion as a core element of national development.

LOANS FROM DEVELOPMENT BANKS AND AGENCIES:

Collaboration with local and international development banks, development finance institutions, and other agencies provides access to loans, expanding the financial arsenal available for NFIS implementation.

GRANTS AND DONATIONS:

Foreign government departments, FSPs, civil and social organizations, and development partners contribute through grants and donations. This financial influx bolsters activities such as capacity-building, research, and the execution of specific financial inclusion programs targeted at certain segments or programs such as women, MSMEs, youth and green finance.



TECHNICAL SUPPORT

RESEARCH AND STUDIES:

Rigorous research and studies serve as the bedrock for informed decision-making. Implementing institutions benefit from research collaborations, fostering innovation and evidence-based interventions.

EXCHANGE PROGRAMS:

International exchange programs facilitate the exchange of expertise, fostering cross-cultural learning and knowledge transfer essential for shaping effective financial inclusion strategies.

CONSULTANCY AND CAPACITY-BUILDING:

Engaging in consultancy services enhances specialized knowledge. Capacity-building initiatives, including training programs and workshops, fortify the skill set of implementing institutions.



OTHER FORMS OF SUPPORT

FSPS ALLOCATIONS:

FSPs demonstrate commitment by allocating a portion of their profits. This financial commitment extends to financial education and consumer protection activities, emphasizing their role in nurturing a financially literate and protected population.

GOVERNMENT INTEGRATION:

The government's proactive integration of financial inclusion initiatives into existing programs aligns seamlessly with broader socio-economic strategies. This integration ensures a cohesive and synergistic approach, amplifying the impact of financial inclusion efforts.



OTHER FORMS OF SUPPORT

CIVIL AND SOCIAL ORGANIZATIONS' INTEGRATION:

Encouraging civil and social organizations to embed financial inclusion into their programs fosters collaboration beyond traditional sectors. These organizations contribute diverse perspectives, enriching the multifaceted nature of financial inclusion.

Regardless of the form (loans, grants, or donations), all financial support adheres to stringent national procedures. This commitment ensures transparency, accountability, and alignment with overarching national development goals. This harmonized support framework, ranging from financial and technical assistance to collaborative integration, reflects Tanzania's commitment to weaving a comprehensive tapestry of initiatives. Each thread, whether financial, technical, or collaborative, plays a pivotal role in crafting a financially inclusive Tanzania in line with the NFIS vision.

4. ENGAGEMENT PROCESS

The engagement process describes the approaches through which implementing institutions and supporting partners can interact and collaborate to facilitate the implementation of financial inclusion initiatives. The engagement process is crucial for establishing effective partnerships and securing the necessary support for the successful execution of the NFIS Action Plan.

The direct engagement approach involves direct interaction and negotiation between the implementing institution and supporting partners. Under this approach, both parties directly engage in and agree on the specific activities stipulated in the NFIS Action Plan that require implementation support. This direct interaction allows for a tailored and focused discussion on the support needed for particular initiatives, enabling implementing institutions to articulate their requirements and expectations directly to supporting partners.

In the facilitated engagement approach, the National Financial Inclusion Secretariat, acting on behalf of the National Council, plays a facilitative role in linking the implementing institution and supporting partners. The Secretariat supports the engagement process by facilitating the connection between the two parties to secure support for specific activities outlined in the NFIS Action Plan. This facilitative role enhances coordination and ensures that the engagement aligns with the principles and objectives of the Implementation Support Guide.

In both engagement processes, the implementing institutions and supporting partners agree on funding support terms and conditions aligned with the principles of the Implementation Support Guide. This alignment ensures that the mobilization and allocation of resources adhere to ethical, transparent, and accountable practices, as outlined in the guiding principles.

The engagement process offers a well-defined structure for implementing institutions to secure support from contributing partners. It prioritizes open communication, teamwork, and adherence to best practices in resource management, thereby boosting the likelihood of successfully carrying out financial inclusion initiatives in Tanzania.

5. COORDINATION AND MONITORING MECHANISM

The Coordination and Monitoring Mechanism (CMM) establishes a system to effectively coordinate and track the use of resources dedicated to implementing financial inclusion initiatives. The CMM is essential in ensuring that the execution of the NFIS Action Plan stays true to the principles and goals outlined in the Implementation Support Guide.

The National Council for Financial Inclusion provides overall oversight on matters related to resource mobilization, allocation, and the implementation of the Implementation Support Guide. It is responsible for ensuring that the mobilization and allocation of resources adhere to the guiding principles and that the implementation of the NFIS Action Plan is aligned with the strategic objectives of the NFIS.

The National Steering Committee performs rigorous quality reviews of deliverables produced by the National Technical Committee. Their primary goal is to guarantee that the implementation of the NFIS Action Plan remains tightly aligned with core NFIS strategic objectives and adheres to stringent quality standards.

FIGURE 1. COORDINATION STRUCTURE OF THE NFIS-3



The National Technical Committee prepares insightful implementation reports, pinpointing both successes and challenges faced during the execution of the NFIS Action Plan. Beyond reporting, they offer expert technical support to the National Steering Committee, ensuring strategic alignment throughout the implementation process.

The National Financial Inclusion Secretariat provides essential administrative support to the National Council and its committees and is responsible for communication between implementing stakeholders. The Secretariat serves as a vital communication hub, fostering dialogue between implementing institutions and supporting partners. They ensure all communication

adheres to the guiding principles and objectives outlined in the Implementation Support Guide. Additionally, the Secretariat acts as a crucial liaison, connecting supporting partners with implementing institutions. To ensure accountability, implementing institutions submit reports detailing the support received from partners directly to the Secretariat.





By providing a clear CMM, the Implementation Support Guide ensures that the mobilization, allocation, and utilization of resources for the implementation of financial inclusion initiatives are conducted in an ethical, transparent, and effective manner.

6. MITIGATING RISKS AND CHALLENGES

RISKS

Various risks may emerge, each carrying distinct levels of risk. The most critical risk, marked “high,” involves an excessive dependence on a limited number of guaranteed supporting partners. The medium-risk scenario of insufficient resources is following closely. A set of lower-risk factors, including negative publicity, resource mismanagement, initiative duplication, unresolved government-supporting partner issues, and a lack of government support, is the last. The ensuing implications and corresponding mitigation strategies for each of these risks are detailed below.




FIGURE 2: POTENTIAL RISKS, IMPACTS, AND MITIGATION STRATEGIES

 RISK	 RISK LEVEL	 IMPACT	 MITIGATION MEASURES
Over-reliance on a few assured	High	Stalled initiatives due to abrupt end of required implementation resources	Agressive diversification of Supporting Partners and make NPI's Initiatives sustainable
Inadequate resources	Medium	Inability to implement initiative at the preferred pace and scale	Prioritize high impact initiatives
Negative publicity	Low	Damage National Council's reputation and discourage Supporting Partners participation	Implement appropriate Communications and Engagement Strategy
Mismanaging resources	Low	Suspend resources contributions	Implement adequate financial management controls
Lack of Government support	Low	Slow or stalled progress in implementing initiatives	Establish good relations with key decision makers within Government
Unnecessary duplication of initiatives	Low	Poor/low scale-up of initiatives and resources deployed sub-optimally	Review implementing Institution's Action Plan before disbursing resource
Unresolved issues between Government and Supporting Partners	Low	Withdrawal or delayed support	National Council to intervention through mediation

CHALLENGES

Tanzania's unique political and economic landscape presents potential challenges to the NFIS Action Plan. The mitigation strategies developed in response can serve as valuable lessons for other countries facing similar uncertainties.

TABLE 1: NFIS ACTION PLAN CHALLENGES AND MITIGATION MEASURES

 CHALLENGE	 EXPLANATION	 MITIGATION MEASURES
Changes in government	Shifts in priorities, policies, and leadership can disrupt financial inclusion efforts	<ul style="list-style-type: none"> ● Build and maintain strong relationships with new decision-makers ● Adapt the NFIS Action Plan to align with shifting priorities and demonstrate the ongoing value of financial inclusion
Partner priorities	Changes in partners' strategic focus can affect their commitment to financial inclusion	<ul style="list-style-type: none"> ● Formalize relationships through memoranda of understanding outlining mutual expectations ● Maintain open communication to manage any shifts in partner priorities
Limited resources	Insufficient funding, technology, or expertise can hinder implementation	<ul style="list-style-type: none"> ● Proactively diversify funding sources (public, private, development partners) ● Prioritize the most impactful NFIS activities ● Leverage technology for efficiency and outreach ● Transparently communicate the value of financial inclusion
Coordination challenges	Ineffective communication and collaboration among stakeholders can lead to delays and inefficiencies	<ul style="list-style-type: none"> ● Establish clear communication channels and information-sharing protocols, balancing transparency with data security
Technical capacity gaps	A lack of skills among stakeholders can hamper effective implementation	<ul style="list-style-type: none"> ● Provide training, workshops, and mentorship on financial inclusion, digital services, and governance ● Create online knowledge-sharing platforms for best practices and resources
Monitoring and evaluation	Weak monitoring and evaluation systems make it difficult to track progress and adapt the NFIS Action Plan	<ul style="list-style-type: none"> ● Define clear, measurable performance indicators tied to NFIS goals ● Collect data regularly using real-time tools ● Engage diverse stakeholders in monitoring and evaluation processes ● Use evaluation results to make informed adjustments to strategies

CONCLUSION

Tanzania's Implementation Support Guide for the NFIS offers a roadmap for countries seeking to secure impactful funding and budgeting approaches that drive inclusive financial systems. Key takeaways for other countries include:

- 1 **STRATEGIC PARTNERSHIP CULTIVATION**
The guide stresses the value of strong, collaborative relationships with diverse stakeholders. Forging relationships with governments, financial institutions, civil society, and development partners maximizes resource potential and enhances implementation effectiveness.
- 2 **PRIORITIZING ACCOUNTABILITY AND TRANSPARENCY**
Embedding these principles throughout the resource mobilization, allocation, and utilization process attracts the support of international and private sector partners by building trust and confidence.
- 3 **EMBRACING DIVERSE SUPPORT**
Beyond solely financial resources, the guide illuminates the need to recognize the significance of technical assistance, expertise, and capacity-building, encouraging other countries to adopt a holistic funding perspective.
- 4 **CLEAR COORDINATION AND MONITORING**
The creation of an oversight body, aligned with the principles outlined in the guide, fosters transparent, effective resource management aligned directly with NFIS goals.

Tanzania's NFIS budgeting/funding guidance sets a benchmark for establishing resilient national financial inclusion strategies. We encourage other countries to actively study Tanzania's success, adapting these invaluable lessons to their contexts.

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