

# Challenges in the Development of Government Securities Market in Tanzania

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The Bank of Tanzania and the Ministry of Finance face the following challenges:-

- ⌚ Government connectivity to the Real Time Gross Settlement called Tanzania Interbank Settlement System is not yet implemented. Once done, it will ensure that tax revenue collections are fully remitted to the Bank of Tanzania within one day.

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- ⌚ Domestic Financial Markets in Tanzania are still at a nascent stage, secondary market trading in Government Securities is not vibrant. This retards price discovery.
  - ⌚ Lack of electronic connectivity between the domestic debt data base at the Bank of Tanzania with the debt database at the Ministry of Finance

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- ⌚ Government lacks capacity in performing Cash Management in the area of liquidity forecasting and Treasury Management in order to foster accountability and decision making.
  - ⌚ High turnover at the Ministry of Finance retards continuity. As a consequence MOF relies on staff from the Bank of Tanzania.

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⌚ Government tracking of the implementation of the National Debt Strategy not done consistently.

⌚ The Primary Dealership System in Tanzania has not achieved the intended goals. A study by the IMF on the system is ongoing.

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⌚ Excess liquidity continues to characterize the market leading to high cost of mopping up the excess liquidity. Introduction of new tradable instruments may alleviate the problem and enable diversification.

⌚ Absence of the Credit Information Bureau deprives lenders the ability to make informed decisions on borrowers.

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- ⌚ Minimal bank lending to the private sector due to economic rigidities retards growth.
  - ⌚ Capital account is partially liberalized such that foreign investors are allowed to invest at the Dar-es-Salaam Stock Exchange but not allowed to invest in Treasury bills and bonds.

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⌚ Commercial banks continue to monopolize the market by holding about 80% of treasury bills while the pension funds which are not regulated dominate the treasury bonds market.



**“THANK YOU”**