



The State of the Fintech Policy and Regulatory Environment in Tanzania



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Acknowledgements

This report evaluates the fintech policy, legal, and regulatory landscape in Tanzania with the goal of fostering an enabling environment that supports innovation, investment, and financial inclusion. It presents in-depth analysis of the fintech ecosystem across key categories—payments and remittance, credit and lending, accounts and savings, insurance, and investment facilitation. It also includes a review of Tanzania’s emerging digital infrastructure, the role of development partners, and the legal frameworks shaping fintech growth.

The report outlines regulatory gaps, highlights recent developments such as the introduction of the Fintech Regulatory Sandbox and the expansion of mobile money services, and provides actionable recommendations for regulators, policymakers, and ecosystem stakeholders. These include calls to introduce a startup policy, expand e-money licenses to fintechs, and strengthen investor protections.

Funded by the European Union through the Digital4Tanzania (D4T) Action, the report was developed by the United Nations Capital Development Fund (UNCDF) in close consultation with the Bank of Tanzania, the Capital Markets and Securities Authority, and other key stakeholders including fintech startups, investors, and financial institutions.

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Acronyms

AML	Anti-Money Laundering
AMLPOC	Anti-Money Laundering and Prevention of Corruption
AU	African Union
BNPL	Buy Now Pay Later
BNR	Bank of Rwanda
BOT	Bank of Tanzania
CAGR	Compound Annual Growth Rate
CBDC	Central Bank Digital Currency
CEO	Chief Executive Officer
CGT	Capital Gains Tax
CMG	Community Microfinance Group
CMSA	Capital Markets and Securities Authority
COFI	Conference of Financial Institutions
COVID	Coronavirus Disease
CPT	Consumer Protection Tax
CRB	Credit Reference Bureau
CSMA	Capital Markets and Security Authority
DPI	Digital Public Infrastructure
DTB	Diamond Trust Bank
EAC	East African Community
EAPS	East Africa Payment System
ECA	Export Credit Agency
EMI	Electronic Money Issuer
FAC	Financial Advisory Committee
FAFT	Financial Action Task Force
FAIS	Financial Advisory and Intermediary Services
FATF	Financial Action Task Force
FCC	Fair Competition Commission
FINCA	Foundation for International Community Assistance (Microfinance Institution)
FIU	Financial Intelligence Unit
FRA	Federal Risk and Authorization Management Program
FRW	Rwandan Franc
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
GWP	Gross Written Premium
ICT	Information and Communication Technology
IDP	Insurance Digital Providers
IFWG	Intergovernmental Fintech Working Group
IPR	Intellectual Property Rights
IT	Information Technology
KYC	Know Your Customer

MICT	Ministry of Communications, Innovation, and Technology
MNO	Mobile Network Operator
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
NBR	National Bank of Rwanda
NCBA	National Commercial Bank of Africa
NFIF	National Financial Inclusion Framework
NHIF	National Health Insurance Fund
NICTBB	National ICT Broadband Backbone
NIDA	National Identification Authority
NPS	National Payment System
PCC	Prevention and Combating of Corruption Bureau
PMO	Prime Minister's Office
POS	Point of Sale
PSI	Payment System Instrument
PSP	Payment Service Provider
QR	Quick Response (Code)
RTGS	Real-Time Gross Settlement
SACCO	Savings and Credit Cooperative Organization
SADC	Southern African Development Community
SFSA	Swedish Financial Supervisory Authority
SNPL	Save Now Pay Later
TACH	Tanzania Automated Clearing House
TANQR	Tanzania Quick Response Code
TCDC	Tanzania Cooperative Development Commission
TCRA	Tanzania Communications Regulatory Authority
TIPS	Tanzania Instant Payment System
TIRA	Tanzania Insurance Regulatory Authority
TISS	Tanzania Interbank Settlement System
TRA	Tanzania Revenue Authority
TSA	Tanzania Start-up Association
TZS	Tanzanian Shilling
USD	United States Dollar
UTT	Unit Trust of Tanzania
VICOBA	Village Community Banking

Executive Summary

Fintech is on the rise in Tanzania, with the number of fintech start-ups growing by approximately 140 percent between 2021 and 2024, from 33¹ to 79².

'Fintech' refers to the integration of technology in the finance sector to innovate and improve the delivery of financial services to consumers. The rise of Tanzanian fintech is driven by a rapid increase in mobile phone ownership, high mobile money penetration, and the ongoing expansion of mobile network infrastructure. Moreover, Tanzania's growing population of over 65 million makes it an attractive market for introducing tech-enabled financial services.³

The rapid rise of fintech in Tanzania presents a challenge for regulators as they attempt to adapt regulatory frameworks to accommodate new business models. Current regulations are primarily designed for traditional financial service providers, such as banks. This contrasts with fintech start-ups that often operate with innovative, asset-light business models that do not always align with these existing frameworks. This misalignment creates challenges for both regulators, who must oversee and assess the fintech, and for fintechs, which face difficulties in registering, complying, and formally participating in Tanzania's financial sector.

This report focuses on the policy and regulatory enabling environment landscape in Tanzania as it relates to fintech, e-commerce, and funding. It highlights recent regulatory developments in both Tanzania and Zanzibar over the past five years that have contributed to fintech growth. It also identifies gaps in existing legal and regulatory frameworks along with opportunities for further development. The report aims to outline a pathway for Tanzania to unlock new business models and economic opportunities presented by fintechs, while ensuring robust risk management and mitigation measures are in place.

Tanzania's fintech sub-sector can currently be divided into five sub-segments, which include: i) payments and remittance, ii) credit and lending, iii) accounts and savings, iv) investment facilitation, and v) insurance. The report also explores the performance of e-commerce companies in Tanzania, which operate closely with fintechs and are governed by similar regulations.

Lastly, this report examines the current funding landscape for fintech start-ups in Tanzania and opportunities to unlock further investment in the sector. In the first three quarters of 2024, Tanzanian startups ranked third in Africa in terms of fundraising, raising US\$53 million with Nala, a Tanzania fintech, accounting for US\$40 million.⁴ However, Tanzanian startups still lagged significantly in comparison to neighbouring startups in Kenya which raised US\$437 mil-

1 UNCDF, [Tanzania Fintech Mapping](#), 2021

2 Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

3 National Bureau of Statistics Tanzania, [Administrative Units Population Distribution report](#), 2022

4 TanzanialInvest, [Tanzania Start-Ups Attract US\\$ 43 Million in Funding in Q3 of 2024, Ranking 3rd in Africa](#), 2024

lion in the same period.⁵ While both international and domestic investors are increasingly active in Tanzania's fintech start-up ecosystem, concerns remain about the lack of clarity around Tanzania's regulatory framework for start-ups, weaknesses in intellectual property protection that expose fintechs to the risk of replication, and challenges safeguarding investor rights in court.⁶

Though each fintech segment faces its own unique inhibitors, four key challenges cut across the fintech subsector. These include:

1. A lack of policies determining the establishment and operations of start-ups in Tanzania, especially fintechs.
2. High early-stage costs incurred by start-ups and fintechs to meet tax and registration requirements.
3. Dollar scarcity, increasing the startup debt burden for foreign-backed startups.
4. Incomplete national ID uptake limiting the consumer base fintechs are able to target due to an inability to meet e-KYC requirements.

Recognizing these challenges, the UN Capital Development Fund (UNCDF), funded by the European Union and in consultation with the Bank of Tanzania, has developed this report to assess the policy and regulatory environment for the fintech subsector in Tanzania. The report identifies: i) opportunities presented by existing policies and regulations for fintechs, ii) the policy gaps and challenges fintechs are currently facing, and iii) segment specific as well as cross-cutting recommendations that could support and promote the growth and expansion of fintech innovation in Tanzania.

⁵ Tech Journal, [Kenya Surges as Africa's Startup Hub, Raising \\$437M in 2024](#), 2024

⁶ UNCDF Fintech Stakeholder Interviews, 2023

1. Introduction

Global and regional fintech overview

Fintech' refers to the integration of technology in the finance sector leveraged to innovate and enhance the delivery and use of financial services to consumers.

This includes mobile banking, digital investing, peer-to-peer lending, and crowdfunding, with new service areas introduced each year. This report focuses on fintech services related to payments and remittances, savings and accounts, lending and credit, insurance, and investment. It also covers e-commerce given its strong link to fintech, especially in payment processing and credit/financing solutions such as buy now, pay later (BNPL) and save now, pay later (SNPL) models.

The fintech subsector significantly contributed to the global financial sector and is poised for rapid growth over the next four years, driven by the swift adoption of technology and changes in banking models. In 2022, fintech companies accounted for five percent of global banking sector revenues, valued at an estimated US\$250 billion.^{7,8} By 2023, the fintech sub-sector earned revenues of US\$320 billion, increasing rapidly by 13% from the prior year.⁹ Fintech revenues are projected to double, reaching US\$400 billion by 2028, with Africa and the Middle East leading in estimated net value growth, highlighting the subsector's potential. With approximately 73 percent of the world's banking interactions now happening via digital channels,¹⁰ technology is reshaping how individuals and corporations interact with financial institutions, creating space for fintech start-ups to offer disruptive solutions tailored to the needs of an evolving financial landscape.¹¹

Africa is expected to become the second fastest growing fintech region in terms of revenue. In 2022, African fintech companies generated approximately US\$4 billion in net revenues, with this figure projected to increase by 30 percent CAGR¹² to US\$15 billion and US\$20 billion by 2028.¹³ Currently home to around 1,000 fintech firms, Africa's fintech ecosystem is set to thrive, particularly in the payments and lending categories (see Figure 11).¹⁴ This high growth forecast is driven by the continent's fast-growing population, expected GDP growth, and substantial opportunities for financial services penetration.¹⁵

7 McKinsey, [Fintechs: A New Paradigm of Growth](#), 2023

8 BCG, [Global Fintech Report](#), 2024

9 Ibid

10 McKinsey, [Fintechs: A new paradigm of growth](#), 2023

11 McKinsey, [Fintechs: A new paradigm of growth](#), 2023

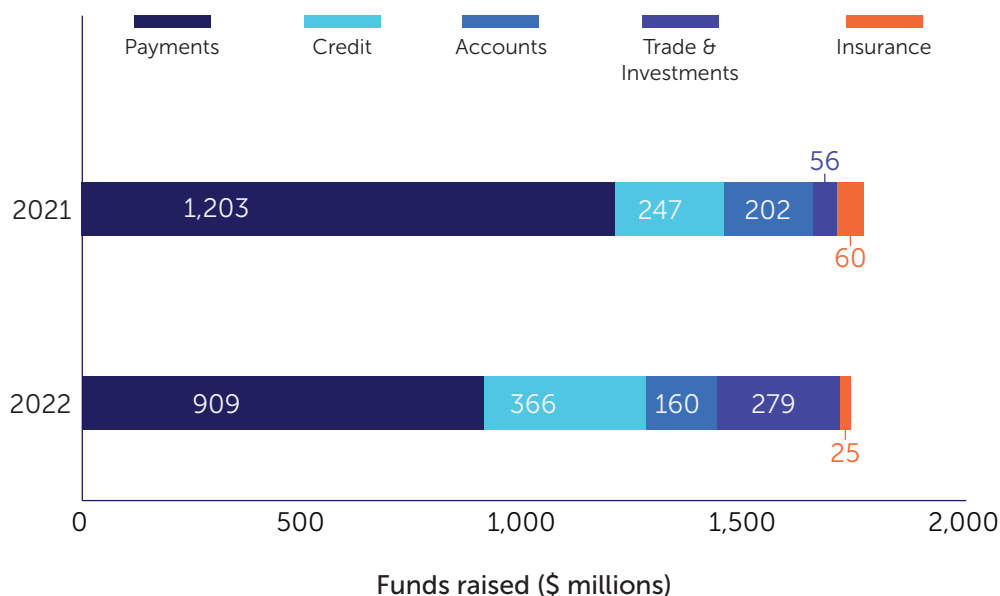
12 Compound Annual Growth Rate (CAGR): The mean annualised growth rate for compounding values over a given time period.

13 Ibid.

14 BCG, [Unlocking the Fintech Potential in Africa](#), 2024

15 BCG, [Unlocking the Fintech Potential in Africa](#), 2024

Figure 1: Equity funding raised in Africa, 2021 - 2023 (H1)



However, startup funding has been declining between 2021 and 2024 resulting in a constrained fundraising environment for fintechs globally and in Africa. Globally, fintech funding dropped significantly by 71% between 2021 and 2023 from US\$144 billion to US\$42 billion. African startups have not been spared from the global funding decline and have experienced a 51% funding decline from US\$3.9 billion in 2021 to US\$1.9 billion in the first half of 2024.¹⁶ Despite funding challenges, global fintech revenues have continued to grow, increasing by 14% annually over the past two years to reach US\$320 billion in 2023 demonstrating the resilience of the fintech sub-sector.¹⁷

Governments are increasingly recognising the need to harness the potential of fintech while mitigating the risks associated with the subsector. The rise of fintech has created opportunities to expand access to financial services and strengthen financial development, inclusion, and efficiency.¹⁸ However, it has also introduced significant risks due to the lack of oversight and regulation, especially when compared to the stringent risk mitigation measures and policies governing traditional financial institutions, which are designed to protect consumers and investors. Policy and regulations have not kept pace with the growth of financial technology globally, potentially hindering fintech innovation and eroding consumer trust in digital financial services.

¹⁶ Africa: The Big Deal, [November comes And November goes](#), 2024

¹⁷ BCG, [Unlocking the Fintech Potential in Africa](#), 2024

¹⁸ Bank for international Settlements, [Policy responses to fintech: a cross-country overview](#), 2020

1.1 Tanzania's Fintech Overview

Tanzania is a promising hub for Africa's fintech growth, currently home to around 79 fintech startups.¹⁹ The country's technological infrastructure offers significant opportunities for fintech entrants. These factors include i) 84 percent of Tanzanians own a mobile phone,²⁰ ii) 52 percent of Tanzanian adults have an account with a financial institution²¹, and iii) Tanzania boasts 49 percent internet penetration.²² Additionally, Tanzania's rapidly growing population of over 65 million²³, rising smartphone adoption, and high mobile money usage -- where 72 percent of adults owned a mobile money account in 2023 -- make the country an attractive market for fintech services.²⁴

However, Tanzania's fintech landscape remains relatively nascent, with most fintech startups in the early stages of development.²⁵ As the fintech sub-sector is poised for rapid growth, creating a supportive enabling environment will be critical for Tanzania to capitalize on the innovation and economic benefits fintech offers. The enabling environment typically comprises i) economic, ii) social, iii) environmental, and iv) legal and regulatory factors.

1.2 Methodology

Information on the policies and regulations affecting fintechs is spread across multiple regulatory authorities in Tanzania. As a result, in-depth research was conducted of all policies related to businesses operating in: i) payments and remittance, ii) credit and lending, iii) accounts and savings, iv) investments, and v) insurance to identify key policies and regulations relevant to fintechs. Additionally, a comparative analysis of policies and regulations in Tanzania and those in countries with an emerging fintech ecosystem such as South Africa, Rwanda, Singapore, and Egypt also took place. The objective of the comparative analysis was to draw insights from these countries' best practices rather than make a direct, like-to-like comparison.

The research methodology for this report employed a combination of approaches, including:

- A desktop review of Tanzanian and Zanzibari legislations and regulations, followed by a comparative analysis with those of EAC countries, South Africa, Egypt, Rwanda, and Singapore, as of 30 September 2023.
- Engagement with external stakeholders, such as private sector participants (including innovators, investors, facilitators -incubators, hubs, accelerators - and bankers), sectorial associations, and other private sector entities. Public stakeholders such as government agencies, regulators and policy makers were also interviewed as part of this body of research. These discussions aimed to gather various perspectives on the legal and regulatory

¹⁹ Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

²⁰ TCRA, [Communications Statistics 2023 – 2024](#), 2023

²¹ World Bank, [Global Findex Database 2021](#), 2021

²² Statista, [Voice telecom and internet penetration in Tanzania 2013-2021](#), 2023

²³ National Bureau of Statistics Tanzania, [Administrative Units Population Distribution report](#), 2022

²⁴ FSD Tanzania, [FinScope Tanzania](#), 2023

²⁵ UNCDF, [Tanzania Fintech Mapping](#), 2021

framework for fintech and digital commerce in Tanzania. Stakeholders had the option to provide on-record or anonymous interviews.

- Dialogues with government and regulatory agencies involved in overseeing fintech and digital commerce innovators and investors directly or indirectly. The goal was to gain insights into the current landscape and identify any forthcoming initiatives that could enhance the overall legal and regulatory environment for fintech and digital commerce in Tanzania.
- Literature reviews of the Tanzanian fintech and digital commerce ecosystem.

1.3 Emerging Innovations

In response to the rapid growth of the fintech sub-sector, Tanzanian regulators have taken steps to adopt policies and develop tools that usher in emerging innovations. Key examples include:

1. BOT Financial Deepening and Inclusion Directorate

BoT recently established a Financial Deepening and Inclusion Directorate which is responsible for researching and developing laws for fintech players who are regulated by BoT.²⁶ The Financial Deepening and Inclusion Directorate most notably published the Fintech Sandbox Regulations in 2024 and the National Financial Inclusion Framework, which play key roles in setting the foundation for an inclusive fintech enabling environment.

2. Regulatory Sandbox

In 2024, BOT launched the Fintech Regulatory Sandbox Regulations which aims to allow the testing and deployment of fintech solutions in a live environment under specific timeframes and parameters. The Regulatory Sandbox allows innovative solutions to be launched, while under the close supervision of BOT, allowing the bank to develop the appropriate regulatory framework to accommodate the fintech in question and minimizing regulatory hurdles.

However, the current BOT Regulatory Sandbox Scheme poses several challenges:

- a. BOT currently plans to apply a one-year cohort approach which would make access to the sandbox highly competitive as applicants apply for a spot in the Regulatory Sandbox cohort. The cohort-based approach has also been used in South Africa for the regulatory sandbox managed by the Intergovernmental Fintech Working Group (IFWG). This is different from the Kenyan Capital Markets Authority's regulatory sandbox where applications can be made at any time.²⁷

²⁶ The Citizen, [Fintech Sandbox to Boost Tanzania's Startup Ecosystem](#), 2024

²⁷ Regulation 7, Capital Markets Authority of Kenya, Regulatory Sandbox Policy Guidance Note, March 2021

- b. Successful applicants will get to test their product offerings for a period of up to nine months under conditions set by BOT. However, the draft guidelines do not expressly say whether BOT will be able to provide temporary regulatory reliefs from existing regulatory requirements for applicants in the sandbox. This is important because both the Tanzanian NPS Act, and the Tanzanian Microfinance Act do not expressly grant the Governor such powers. It would be beneficial if the BOT Regulatory Sandbox Scheme included a provision granting powers for the Governor to grant temporary relief from regulatory requirements like Article 20 of Regulation No 41/2022 of 13/04/2022, Governing the Regulatory Sandbox of Rwanda.
- c. BOT may, at its own discretion, opt to revoke participation without notice where necessary to protect the interest of the participant, customers, the financial system, or the public. This can be concerning for fintech founders, as it means participants will not be provided with an opportunity to be heard before revocation of admissions.
- d. There are no assurances provided to participants of a guarantee to protect their intellectual property rights (IPR) while they are in the sandbox. The protection of IPR is essential because details of the underlying invention may be shared with regulators and their service providers during participation in the Regulatory Sandbox Scheme, risking the publicization of essential IPR. For this reason, it is recommended that participants enter the sandbox after they have assured their IPRs are protected through a formal confidentiality agreement.
- e. The current Regulatory Sandbox scheme applies to all financial institutions regulated by BOT, excluding fintechs regulated by other governing bodies like TIRA and CMSA. Offering a regulatory sandbox for the entire financial sector, as is done in South Africa's Sandbox administered by the Intergovernmental Fintech Working Group, would be a better approach. Taking a sectoral approach would enable all fintechs to gain access and benefit from the regulatory sandbox.

3. Digital assets and blockchain technology

Despite the 2023 Finscope Report showing that 1.7 percent of Tanzanian adults have invested in cryptocurrencies, Tanzania has no regulation governing cryptocurrencies and bitcoin.²⁸ In November 2019, BOT issued a public notice warning against *“trading, marketing and usage of virtual currency because doing so is contrary to existing foreign exchange regulations.”* It is important to note that the public warning applies to virtual currencies and not to using blockchain or other technologies for other services. Further, in issuing the public notice, BOT joined several African central banks who opted to issue warnings on the risk of cryptocurrencies and other virtual assets citing the need to enhance consumer protection, prevent market abuse and prevent money laundering.

On the 31 January 2023, the National Bank of Rwanda (NBR) issued a circular titled 'Warning against participating in crypto asset related activities'²⁹. The warning prohibited financial service providers from participating in crypto asset-related activities, including opening accounts for crypto asset service providers. They cited the lack of regulations governing crypto asset-relat-

28 FSD Tanzania, [FinScope Tanzania](#), 2023

29 NBR, Warning against participating in crypto asset related activities, referenced 2400/2023-07179/0010BNR [804.2.1] dated 31 January 2023.

ed activities, fraud risk, price volatility, anonymity and ability to make cross-border transfers as among the factors that were considered in making this decision.

The choice of a public notice rather than an outright prohibition or restriction on trading marketing and usage of cryptocurrencies and other virtual currencies reflects the lack of capacity to control cross-border transactions. Despite this, several African countries are regulating crypto asset-related activities. In South Africa, cryptocurrency is deemed a financial product, which falls under the Financial Sector Conduct Authority (FSCA) supervision. In October 2022, FSCA issued the 'Declaration of Crypto Assets as a Financial Product'. This introduced the requirement for crypto asset service providers to either be authorized as a Financial Service Provider under Section 8 of the Financial Advisory and Intermediary Services Act, no 37 of 2002 (Fais Act) or to appoint a representative of an authorized Financial Service Provider under Section 13 of the FAIS Act. A policy document was issued on the 19 October 2022 entitled 'Policy Document Supporting the Declaration of a Crypto Asset as a Financial Product under the Financial Advisory and Intermediary Services Act. This cited concerns about the increased use of cryptocurrency as an investment tool in South Africa as well as the risk of fraud and scams as some of the reasons for seeking to regulate crypto currency service providers.

Similarly, Tanzania is also considering regulating cryptocurrency-related activities. It has set up the National Cryptocurrency Technical Committee and the National Cryptocurrency Steering Committee to assess the risks associated with crypto related activities and how to regulate and monitor them. The Tanzanian Anti-Money Laundering Act, Chapter 342, Revised Edition 2022 (AML Act) also makes virtual asset service providers, including cryptocurrency service providers, subject to AML/CPT supervision. Registration of cryptocurrency service providers will make monitoring compliance with the AML Act easier. In the meantime, public notices have been issued to warn Tanzanians of the risk associated with crypto asset related activities. Recently, the BOT issued a Public Notice informing the public of its plans to issue the Central Bank Digital Currency (CBDC) in Tanzanian Shillings form, which will also be legal tender in Tanzania.

2. Fintech focus areas

2.1 Fintech in Tanzania

The fintech and digital commerce ecosystem in Tanzania is small but growing, with many of its early-stage start-ups having launched operations after 2016.³⁰

As of 2024, Tanzania counted 79 start-ups in the fintech category, just under half of which are in the payments category.³¹ Fintech start-ups in Tanzania have become more visible through support received from the public sector and development partners. This is complemented by the emergence of a strong ecosystem of associations and facilitations. The growth of the angel investor network in the country presents new opportunities to increase domestic sources of investment, improve investor confidence in Tanzania's startup ecosystem and crowd-in foreign investment.

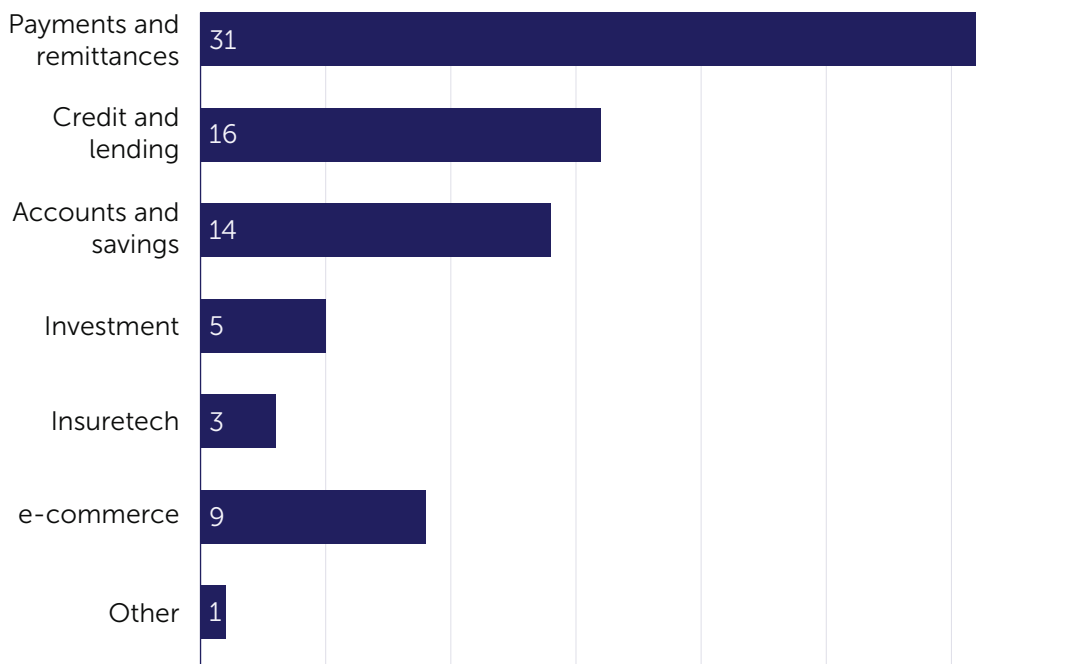
Fintechs in Tanzania deliver a wide variety of tech-enabled financial services, including lending, payments, savings, insurance, and investment services. In terms of service offerings, payment and lending services are the leading fintech segments, representing just under 60 percent of current fintech start-ups (as reflected in Figure 22).³² However, growth poses a challenge with approximately 12 percent of fintech start-ups moving into the growth stage beyond the pre-start-up and early-stage start-up stages.³³ To facilitate growth, there is a need to define the extent to which policy and regulations can improve the trajectory of pre and early-stage start-ups in Tanzania.

30 UNCDF, [Tanzania Fintech Mapping](#), 2021

31 Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

32 Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

33 UNCDF, [Tanzania Fintech Mapping](#), 2021

Figure 2: Number of Fintechs in Tanzania per Fintech Category, 2024³⁴

Ecosystem Stakeholders

Successful fintech funding rounds and novel solutions demonstrate the vibrancy of the fintech ecosystem in Tanzania. For example, in 2022, Ramani, a Tanzanian fintech in the lending category, raised US\$32 million in its Series A debt-equity round, and more recently Nala, a Tanzanian remittance fintech, successfully raised US\$40 million its Series A funding round in 2024. Developments like Ramani and Nala’s Series A funding rounds highlight the valuable growth opportunities emerging in Tanzania’s fintech ecosystem space, encouraging new entrants and investors alike. Both Nala and Ramani are registered outside of Tanzania, in the United Kingdom and United States, demonstrating the vital role access to foreign markets plays in raising funds.

The fintech ecosystem is made up of six key stakeholder groups that play a role in facilitating the enabling environment for fintech start-ups. These stakeholders are mapped in Figure 3 and contribute to the fintech ecosystem in the following ways:

1. **Fintech companies/start-ups:** Fintech start-ups are responsible for integrating innovative technology in delivering financial services and developing novel business models.
2. **Investors:** Investors play the crucial role of providing capital injections to fintech start-ups, including debt and equity-based financing, and non-financial resources like mentorship and training. Grants currently form most investments, funded primarily through development partners, although venture capital firms (VCs) and angel investors are beginning to provide financing in exchange for equity in fintech start-ups. Similarly, incubators and ac-

³⁴ Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

celerators that provide mentorship and training in exchange for debt or equity financing are gradually entering Tanzania's start-up ecosystem.

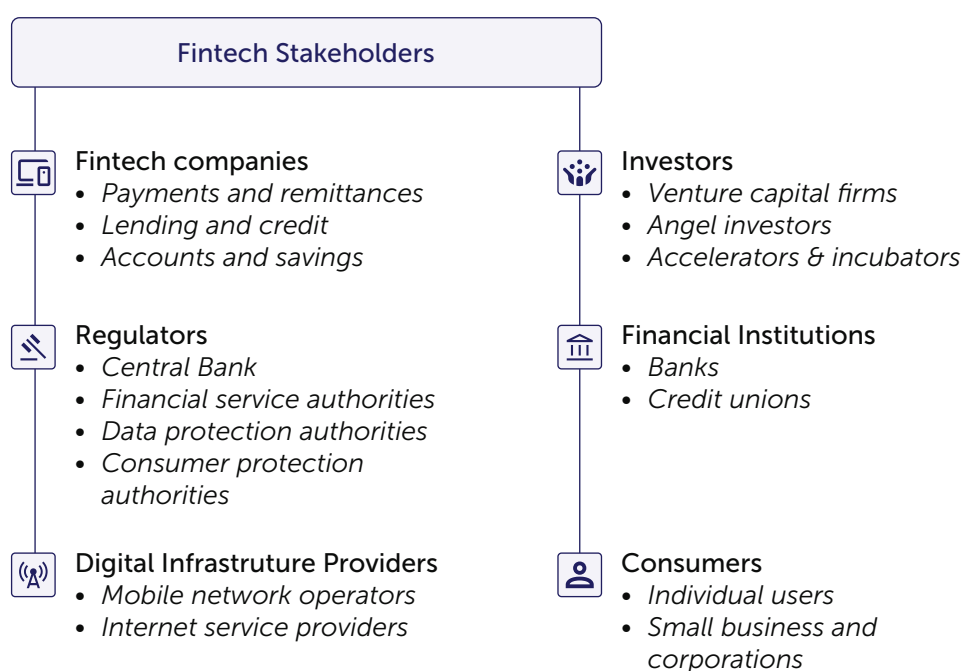
3. **Regulators:** Regulatory bodies create and enforce the regulatory and policy framework, ensuring legal compliance, risk mitigation, and risk reduction for all fintech stakeholders. Fintech regulations are often overseen by stakeholders across the financial and technological sectors, including financial service authorities, data protection and ICT authorities, and consumer protection authorities. Six key regulators currently manage Tanzania's fintech policy and regulation:
 - a. Bank of Tanzania (BOT) regulates activities related to banks and other financial institutions. The BoT also oversees and facilitates the operation of national payment systems to ensure their safety, efficiency, and reliability.
 - b. Tanzania Insurance Regulatory Authority (TIRA) oversees the insurance service sub-sector.
 - c. Capital Markets and Security Authority (CMSA) regulates activities relating to capital markets in Tanzania.
 - d. Prime Minister's Office (PMO) oversees activities conducted by social security providers in Tanzania.
 - e. Tanzania Communications Regulatory Authority (TCRA) is responsible for the regulation and oversight of telecommunications infrastructure.
 - f. Personal Data Protection Commission is responsible for safeguarding and protecting the personal data and privacy rights of Tanzanian citizens.
4. **Financial Institutions:** Financial institutions play a significant role in facilitating the relationship between fintech firms and legacy financial systems. They support the integration of fintech with digital public infrastructure and facilitate service delivery and business models through strategic partnerships, particularly in navigating complex regulatory environments. Financial institutions primarily include banks, insurance companies, brokerage firms, investment dealers, savings and credit cooperative organizations (SACCOs), and microfinance institutions (MFIs).
5. **Digital Infrastructure Providers:** Digital infrastructure providers create and maintain the digital infrastructure that fintechs and their customers rely on, particularly the reliability and accessibility of internet connections. These providers include internet service providers (ISPs), mobile network operators (MNOs), and government entities responsible for the development of digital public infrastructure (DPI). The DPI in place includes BoT's recently launched Tanzania Instant Payments Systems (TIPS) and the National Identification Authority (NIDA), which issue Tanzanian citizen and resident identification cards. TIPS has created a payment infrastructure that helps fintech companies streamline their payment processes. Additionally, NIDA's identification cards provide a basis for collaboration between the MICT and NIDA. Announced on 08 March 2024 at the Conference of Financial Institutions (COFI), the partnership aims to assign a unique identity number, known as 'Jamii Namba,' to every Tanzanian citizen from birth and to foreigners upon entry.³⁵ Tanzania's 2022 e-Government

³⁵ The Chanzo, [Work to Develop the Tanzania Universal Identity Number Jamii Namba has Started](#), 2024

Strategy also outlines the planned implementation of the high-capacity fibre optic national ICT broadband backbone (NICTBB), which will enable high-speed internet access and improve the quality of internet infrastructure available to fintechs.³⁶

6. **Customers:** Lastly, fintech customers are the primary beneficiaries of fintech services. Depending on a fintech's business model, these can be individuals, small businesses, or corporations. Through their use of fintech services, customers generate essential data that is used to shape continuous innovation and change in the fintech and broader technological ecosystem.

Figure 3: Key Fintech ecosystem stakeholders



However, limited information exists on the formal and informal linkages between stakeholders in Tanzania's fintech ecosystem. Fintech founders have expressed difficulties connecting locally with investors and identifying the right points of contact to engage with regulators and financial institutions.³⁷ Given the nascence of Tanzania's fintech ecosystem, there is a growing need to formalise the relationship between stakeholders to create a clear pathway for more Tanzanian fintech start-ups to benefit from the subsector's anticipated growth.

Fintech Policy and Regulatory Framework in Tanzania

Tanzania does not currently have a fintech policy or regulatory framework that defines operational parameters for fintech firms, though policymakers are recognising the growing need for it. Fintech businesses are governed by traditional financial sector regulatory frame-

³⁶ President's Office, [Tanzania e-Government Strategy 2022](#), 2022

³⁷ Stakeholder insight, TAA Business Angels Accelerator Closing Ceremony, 2024

works, with some applications of ICT regulatory frameworks for matters such as data protection. Technology and innovation have been identified as one of the four key enablers of achieving Tanzania's financial inclusion goals in the third National Financial Inclusion Framework (NFIF). This inclusion highlights policymakers' increasing awareness on the growing role of technology in the delivery of financial services.³⁸

The lack of fintech-specific regulations poses a risk as people are increasingly engaging in fintech services with limited consumer or corporate risk management options. In 2024, 1.9 percent of Tanzanian adults are estimated to have invested in cryptocurrencies, which are digital currencies operating on decentralised digital platforms. With an absence of global regulation on cryptocurrency exchanges, these investments come with high financial risk.³⁹ Interest in the cryptocurrency market is still on the rise in Tanzania, with Tanzanian cryptocurrency market revenues projected to reach over EUR 3 million in 2024.⁴⁰

The absence of fintech-related regulatory safeguards can leave investors vulnerable to market manipulation and loss of funds without recourse. Unregulated cryptocurrencies pose significant risks, including the potential for fraud and scams. The BoT is attempting to mitigate cryptocurrency-related risks with the issuance of a public notice warning against the purchase, trade, and use of virtual currencies in 2019.⁴¹ Additionally, the BoT established the National Cryptocurrency Steering Committee to assess the risks associated with crypto-related activities. Continued cryptocurrency trade in Tanzania demonstrates the need for formal cryptocurrency and fintech-related policies, regulations, and oversight.

New policies are being developed to bridge fintech policy gaps on topics including crowdfunding, central bank digital currency (CBDC), and the establishment of a fintech regulatory sandbox. In 2023, the Capital Markets and Security Authority (CMSA) issued a draft crowdfunding guideline,⁴² mandating that the CMSA license, supervise, and monitor operators of crowdfunding platforms to protect both investors and fintechs providing crowdfunding services.⁴³ Moreover, in 2023, the BoT announced plans to explore the creation of a central bank digital currency (CBDC) in Tanzanian Shillings, which will also be legal tender in Tanzania. A technical committee is in place to research the risks and benefits of having a CBDC.⁴⁴ If launched, the CBDC will promote financial inclusion by reducing reliance on cash for payments and other transactions, which can ease access to financial services. Lastly, the BoT established a Financial Deepening and Inclusion Directorate responsible for coordinating the national financial inclusion agenda, conducting research on financial inclusion, supervising, monitoring market conduct, and setting up the Fintech Regulatory Sandbox. The regulatory sandbox will create opportunities for fintechs that offer innovative solutions to deliver financial services in a controlled environment prior to regulations being in place.⁴⁵

38 National Council for Financial Inclusion, [National Financial Inclusion Framework \(2023 – 2028\)](#), 2023

39 Statista, [Cryptocurrencies – Tanzania](#), 2024

40 Ibid

41 Bank of Tanzania, [Public Notice on Cryptocurrencies](#), 2019

42 Capital Markets and Securities Authority, [CMSA Crowdfunding Guidelines](#), 2022

43 Tanzania Startup Association, [Towards regulating crowdfunding in Tanzania, prospects for reshaping the funding landscape for Startups and SMEs](#), 2023

44 Bank of Tanzania, [Bank of Tanzania Progress on Central Bank Digital Currency](#), 2023

45 Bank of Tanzania, [The Bank of Tanzania \(Fintech Regulatory Sandbox\) Regulations](#), 2023

2.2 Priority fintech categories

Payments and remittances, lending and credit, and savings are the three leading fintech segments in Tanzania, collectively representing approximately 90 per cent of fintech start-ups as of 2021.⁴⁶ This dominance underscores the categories' crucial role in enhancing financial inclusion in the broader financial sector. The section examines the performance of these five fintech segments, including i) payments and remittance, ii) credit and lending, and iii) accounts and savings, as well as the smaller iv) investment facilitation and v) insurance segments.

Payments and Remittance

Payments and Remittance is the leading fintech category in Tanzania, with 31 fintech start-ups operating in the category.⁴⁷ Fintech companies in the payments and remittances space enable people to quickly send money at a lower cost, without needing to engage banks directly. In total, 52 percent of BoT's 92 licensed payment systems providers (PSPs) are non-banks (see Figure 4), reflecting the growing role of non-traditional financial service providers in the payments segment, especially fintech start-ups.⁴⁸ The non-bank payment system providers were led by six electronic money issuers (EMIs) that deliver payment system products as well as electronic money services, and 19 fintechs licensed by BoT to provide payment services.⁴⁹ Payment system service providers are regulated, monitored, and supervised by BoT via the National Payment System Directorate.⁵⁰

Figure 4: BOT licensed payment system providers by type, 2023⁵¹



Remittance payments in Tanzania are gradually increasing, with the value of inflows growing by 68% percent to Tsh1,405 billion between 2021 and 2023.⁵² Between 2020 and 2021, the value of remittance inflows decreased by 6% percent, from TSh894 billion to TSh837 billion, coinciding with the COVID-19 pandemic. These remittance inflows promptly increased by 60%

46 UNCDF, [Tanzania Fintech Mapping](#), 2021

47 Fintech Africa, [First Startup Map of Tanzania: The Ultimate List of Fintech Startups in Tanzania](#), 2024

48 Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

49 Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

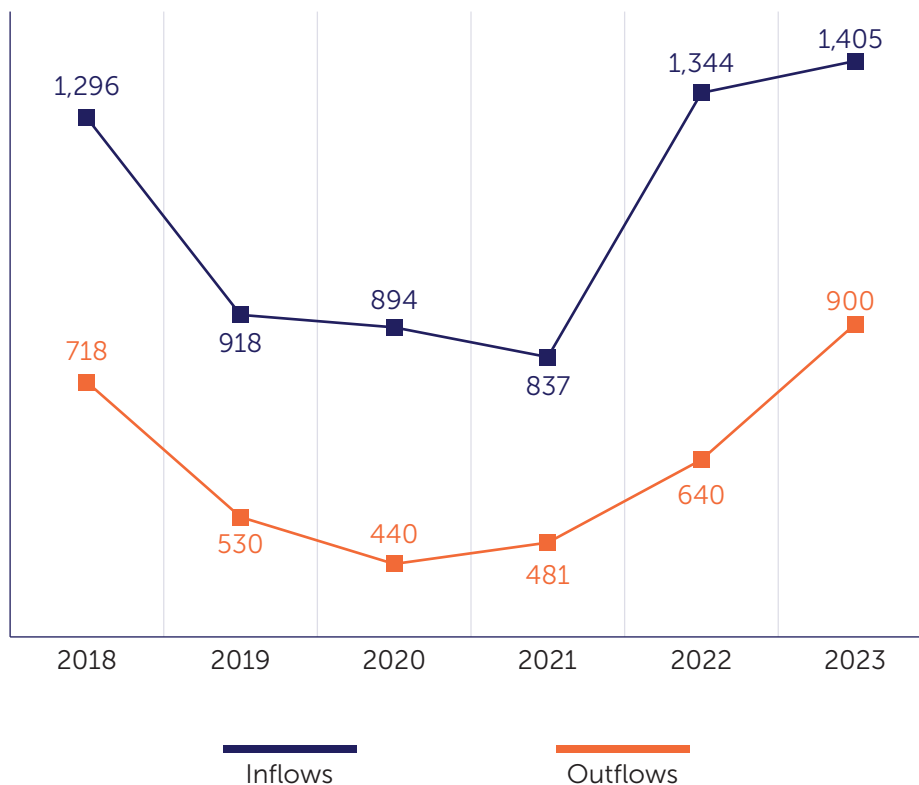
50 Bank of Tanzania, [The National Payment Systems Act](#), 2015

51 Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

52 Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

in 2022 to TSh1344 billion, rapid recovery and growth following the pandemic (see Figure 5).⁵³ Outflows demonstrated a similar trend, with the value of remittance outflows increasing by about 70 percent between 2019 and 2023 to TSh900 billion.⁵⁴

Figure 5: Tanzania's Remittance Value Inflows and Outflows, 2018 - 2023⁵⁵



Tanzania's largest remittance inflows frequently originate in the Global North from countries such as the United States, the United Kingdom, and the broader European region. A representative from a bank offering remittance solutions in Tanzania noted that "Tanzania's remittance inflows are typically for immediate use", meaning that money sent is immediately dispersed to an individual sender or to make a purchase as opposed to being used to invest in financial instruments, such as government bonds. In comparison, the East African Community (EAC) countries are the dominant corridor for Tanzania's remittance outflows due to legislation in Tanzania allowing outflows to EAC and Southern Africa Development Community (SADC) countries.⁵⁶

Key Players: Payments and Remittance

The payment and remittance fintech category in Tanzania comprise EMIs, merchant payment service providers, and remittance and cross-border transfer services. In Tanzania, MNOs and

⁵³ Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

⁵⁴ Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

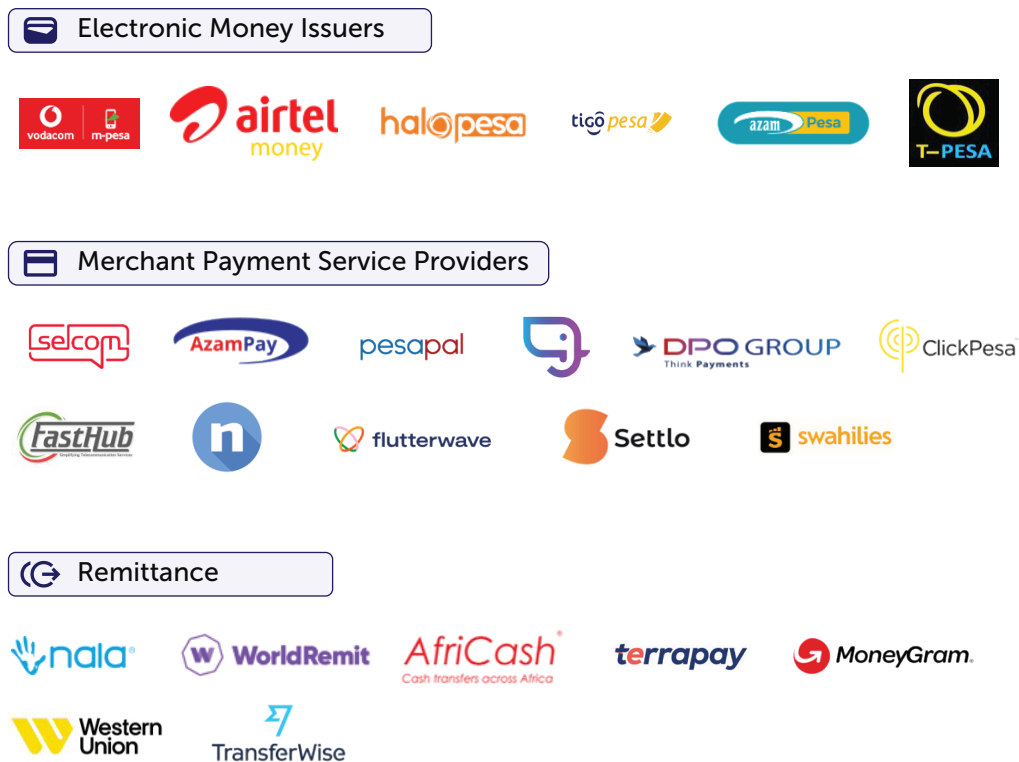
⁵⁵ Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

⁵⁶ UNCDF, Remittance Stakeholder Interviews, 2024

banks collaborate to provide electronic money issuance (EMI) services in the form of mobile money services. EMI's facilitate digital money transfers and payments domestically between users. Merchant payment service providers facilitate digital payments between businesses and customers through websites or by providing point-of-sale system software to process card transactions. Lastly, remittance services facilitate the transfer of money across borders with a focus on money transferred internationally to Tanzania.

Table 1 below provides a snapshot of key players whose services are available in Tanzania in each of these categories, while Table 2 indicates the list of payment fintechs formally licensed by the Bank of Tanzania as of 2023.⁵⁷

Table 1: Snapshot of fintechs operating in Tanzania's payments category^{58,59}



⁵⁷ Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

⁵⁸ UNCDF Analysis, 2024

⁵⁹ IPF Softwares, [Tanzania Online Payment Service Providers and Gateways Guide](#), 2021

Table 2: List of payment fintechs licensed by BoT, 2023⁶⁰

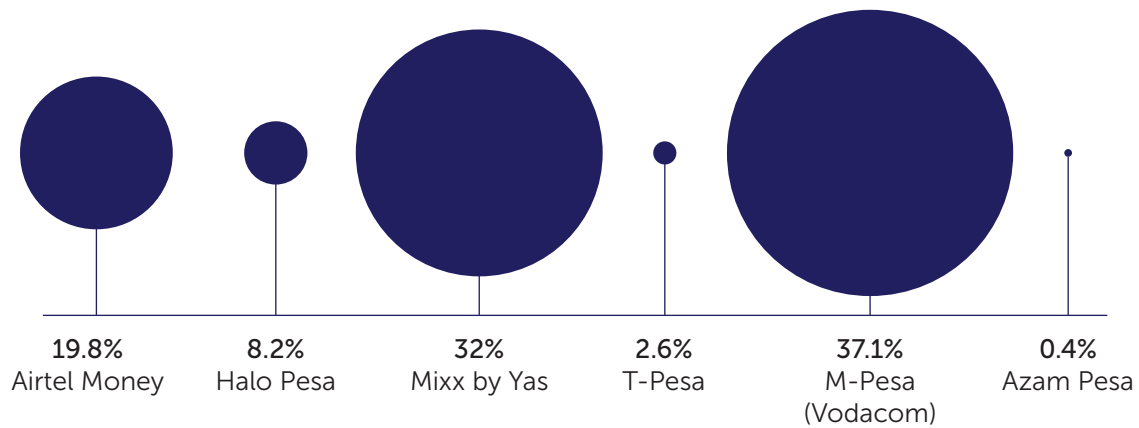
No.	Licensed Payment Fintechs
1	Oma Emirates Tanzania Limited
2	DLT CP Tanzania Company Limited
3	Nlolo Company Limited
4	Elipa (TZ) Limited
5	Payguard Limited
6	One Payment Tanzania Limited
7	PayBy Click Limited
8	Oya Fintech Limited
9	Brij Fintech Tanzania Limited
10	Mytalulu Tanzania Limited
11	TempoPlus Company Limited
12	Airpay Tanzania Limited
13	Instant Payment Solution Limited
14	Tunzaa Digital Holdings Limited
15	EvMak (T) Limited
16	UOB Global Capital Finance Limited
17	Kuda Tanzania Limited
18	Aron Group Tanzania Limited
19	Paylon Tanzania Limited

Most EMIs are owned by MNOs, with AzamPesa being one of few exceptions as a non-MNO-owned EMI. These EMIs primarily offer mobile money services built on MNO infrastructure due to MNOs' high subscription rates. As of June 2024, telecom companies reported over 73 million active subscribers and a total of 55 million mobile money subscribers.⁶¹ Vodacom M-Pesa is a category leader, holding about 37 percent of the EMI market share in mobile payments (see Figure 6).⁶² Though initially focused on peer-to-peer payments, EMIs are steadily implementing merchant payment offerings as part of their mobile money schemes, which is creating overlap between the service types.

60 Bank of Tanzania, [National Payments Systems Annual Report, 2023](#)

61 Tanzania Communications Regulatory Authority, [Communication Statistics, 2024](#)

62 Tanzania Communications Regulatory Authority, [Communication Statistics, 2024](#)

Figure 6: Mobile Money subscription market share per MNO, 2024⁶³

Selcom Paytech Limited (Selcom) and AzamPay Tanzania Limited (AzamPay) are leading Tanzanian fintech businesses offering merchant payment services in Tanzania. Selcom is a Tanzanian merchant payment services company offering issuance, acquisition, aggregation and payment services in Tanzania and across sub-Saharan Africa. In Tanzania, it has connected more than 40 banks to mobile banking, including 100,000 merchants for Selcom Pay card and/or cardless payments and 25,000 active agents for agency banking and bill payments.⁶⁴ Similarly, the Bakhresa group's AzamPesa and AzamPay products have been able to offer a comprehensive payments service suite through inter-connected services that meet both merchant and user needs. AzamPay offers digital payment solutions across East Africa, including collection and disbursement services, card services, checkout solutions, and market data.⁶⁵

⁶³ Tanzania Communications Regulatory Authority, [Communication Statistics](#), 2024

⁶⁴ Selcom, [About Us](#), 2024

⁶⁵ UNCDF Fintech Stakeholder Interviews, 2024

Figure 7: Spotlight on Selcom and its acquisition of Access Microfinance Bank^{66,67}

Selcom Microfinance Bank Tanzania Chief Executive, Julius Ruwaichi shaking hands with Selcom CEO, Samir Hirji

Fintech Spotlight: Selcom's Acquisition

Selcom is a financial payment service provider based in Tanzania that was founded in 2001. Selcom was initially founded as a prepaid airtime distributed for Celtel (now Airtel) and has since ventured into digital payments, operating Tanzania's largest independent point-of-sale (POS) network. Selcom has more than 25,000 terminals nationwide for bill pay, mobile money cash-in and cash-out, and agency banking. It has also successfully integrated with Tanzania's MNOs.

In June 2024, Selcom entered Tanzania's banking sector by acquiring Access Microfinance Bank Tanzania, rebranding it as Selcom Microfinance Bank Tanzania Limited. Selcom's acquisition represents the first time a fintech in Tanzania has acquired a bank, demonstrating impressive growth potential of Tanzania's fintech sub-sector.

NALA is the only remittance service founded in Tanzania. NALA is an African payments company and money transfer app that makes secure and reliable payments from the US, Europe, and the United Kingdom to Africa. Remittance inflows are growing rapidly in Tanzania, with the value of inflows rising by approximately 57 percent between 2020 and 2023 and reaching around Tsh1,405 billion.⁶⁸ The growth in remittance inflows is driven by the expansion of digital remittance services and Tanzania's growing diaspora, with over 300,000 Tanzanians estimated to be living abroad.⁶⁹ In 2023, NALA received its license to operate payments in Tanzania. Combined with being the only Tanzania-founded remittance platform, NALA has the unique opportunity to further integrate its service offering in Tanzania's broader payment ecosystem.

Tanzanians also use payment services and products that are not regulated by the BoT, such as Amazon, and PayPal. Global merchant payment services such as Amazon Pay, GPay by Google, and PayPal are accessible online and used by Tanzanians to complete internation-

66 Selcom, [About Us](#), 2024

67 The Citizen, [Selcom Microfinance Bank Tanzania eyes growth of capital after rebranding](#), 2024

68 Bank of Tanzania, [National Payments Systems Annual Report](#), 2023

69 Statista, [Number of Tanzanians living abroad 2000-2020](#), 2024

al digital transactions. Tanzanian users can process payments on international payment platforms, usually by connecting a Visa debit or credit card to the service and issuing payments using the card. However, as BoT does not license these services, Tanzanians are unable to withdraw money from these wallets or receive payments in local currency. The use of international payment services demonstrates the importance of maintaining a comprehensive and adaptive policy framework to quickly adapt novel fintech solutions.

Policy and Regulatory Considerations

Fintech firms in the payments and remittance category fall under BoT oversight as part of its mandate to license, manage, and regulate payment systems. The National Payments Systems Act of 2015 (NPS Act) and the Bank of Tanzania Act of 2006 are the foundational legal frameworks for regulating payment systems in Tanzania.⁷⁰ The NPS Act defines BoT responsibility in settling bank transactions, government payments, card schemes, and capital markets involving domestic and independent payments.⁷¹ Additionally, firms providing payment services, including fintechs, are required to obtain a payment instrument license for each product or service offered.⁷²

In addition to BoT, the Financial Intelligence Unit (FIU), the Fair Competition Commission (FCC), and the Prevention and Combating of Corruption Bureau (PCC) play vital roles in regulating fintechs. As a result, Tanzania currently has five laws that directly regulate fintech firms in the payments and remittance category. Table 32 highlights policies that play a role in fintech service delivery in the payments and remittance category, while a comprehensive list of fintech policies is available in **Annex I: Laws and policies regulating fintech in Tanzania.**

Table 3: Notable laws and regulations related to payments and remittance fintech firms

Policy Name	Description
National Payments System Act, 2015	The NPS Act provides the legal basis for the Bank of Tanzania to regulate, monitor, and supervise payment, clearing, and settlement systems, including all products and services related to them. It aims to ensure the payment systems in Tanzania are safe, efficient, stable, and reliable.
The Payment Systems Licensing and Approval Regulations, 2015 ⁷³	The Payment Systems Licensing and Approval Regulations, 2015 outlines comprehensive guidelines and legal requirements for fintechs providing payments solutions. It defines the licensing requirements, eligibility and application process for payment system providers and the compliance and governance requirements.

⁷⁰ Bank of Tanzania, [National Payments Systems Annual Report](#), 2022

⁷¹ Bank of Tanzania, [The National Payment Systems Act](#), 2015

⁷² Bank of Tanzania, [National Payments Systems Annual Report](#), 2022

⁷³ Bank of Tanzania, [The Payment Systems Licensing and Approval Regulations](#), 2015

Policy Name	Description
NPS Electronic Money Regulations, 2015 ⁷⁴	The Electronic Money Regulations defines a comprehensive legal framework for the issuance and management of electronic money in Tanzania. Primarily it defines the licensing and approval process for companies providing e-money solutions, as well as the operational requirements, consumer protection guidelines and technical and security standards.
The Electronic and Postal Communications (Consumer Protection) Regulations, 2018 ⁷⁵	The Electronic and Postal Communications (Consumer Protection) Regulations establish guidelines for electronic communications in Tanzania and the protection of consumer transactions. For fintechs, they ensure that companies provide clear service-related information to customers, manage consumer data integrity, and efficiently handle customer complaints. They also define requirements for fair billing practices and dispute resolutions.
Anti-Money Laundering (Electronic Funds Transfer and Cash Transaction Reporting) Regulations, 2019 ⁷⁶	The AML Electronic Funds Transfer and Cash Transaction Reporting Regulations prevent payment and remittance platforms from being used for money laundering or terrorist financing activities. It does so by setting mandatory reporting requirements around transaction sizes, information on transaction beneficiaries and recipients, and the implementation of risk-based policies (e.g., policies concerning account restrictions and suspensions).
Foreign Exchange Regulations, 2022	The Foreign Exchange Regulations allows mobile money operators to make outward remittances to the East African Community (EAC) and Southern African Development Community (SADC) regions for retail transactions without the need for supporting documents. This regulation represents a significant easing of restrictions, facilitating cross-border payments and remittances.

Infrastructure

Mobile money payment schemes are the primary digital payment systems in Tanzania, reflecting the critical role mobile network infrastructure plays in the country's fintech payments segment. Tanzania is estimated to have about 55 million active mobile money subscribers⁷⁷ processing over 5 billion transactions in 2024.⁷⁸ Tanzania's payment segment includes electronic fund transfer systems, automated cheque clearing systems, internet banking, cross-border remittance schemes, and payment card switches that process transactions through automated teller machines and point-of-sale devices. All of these systems rely heavily on a Tanzania's internet infrastructure.

MNOs and ISPs play critical roles in providing and maintaining the digital infrastructure that most fintech rely on, especially payment products. Mobile money transactions are primarily

⁷⁴ Bank of Tanzania, [The Electronic Money Regulations](#), 2015

⁷⁵ TCRA, [The Electronic and Postal Communications \(Consumer Protection\) Regulations](#), 2018

⁷⁶ Bank of Tanzania, [The Anti-Money Laundering \(Electronic Funds Transfer and Cash Transaction Reporting\) Regulations](#), 2019

⁷⁷ Tanzania Communications Regulatory Authority, [Communication Statistics](#), 2024

⁷⁸ Tanzania Communications Regulatory Authority, [Communication Statistics](#), 2024

supplied by MNOs through mobile money services such as Vodacom's M-Pesa, Airtel Money, and Mixx by Yas (previously Tigo Pesa) (see Figure 6). MNOs own almost all mobile money services in Tanzania as they can leverage their cellular networks and effectively reach users relying on their infrastructure. In practice, users regularly transfer money and make payments across platforms and financial institutions. In 2022, the BoT developed the Tanzania Instant Payment System (TIPS) to promote payment efficiency between banks and MNOs, reduce transaction costs, and ensure interoperability across all financial service providers.⁷⁹ Even prior to the introduction of TIPS, Tanzania was one of the first markets in the world to establish full interoperability across mobile money services, demonstrating the country's recognition of the critical role MNOs and mobile money play in the payments segment.⁸⁰

The TIPS platform enables users to transfer funds between banks and licensed non-bank digital financial service providers. Officially launched in 2024, TIPS is still in the early stages of integration with financial service providers (FSPs). Through TIPS, payments are made in real-time to and from mobile accounts and bank accounts. The TIPS platform provides the foundational digital infrastructure to optimize fintech payment activities by removing the need for bilateral agreements between financial service providers to process payments. This creates a vital link between payment service providers. The complete rollout of TIPS is expected to reduce transaction costs, improve the fluidity of transactions, and expand the reach of digital financial services to underserved communities.⁸¹ Lastly, banks and EMI-licensed organizations are expected to integrate with TIPS in the first phase, however fintechs not requiring an EMI license are not currently being considered.

In addition to TIPS, government-run digital payment platforms provide a strong foundation for digital infrastructure for fintechs to facilitate different types of electronic payments and cross-border transactions. Tanzania's Interbank Settlement System (TISS), Automated Clearing House (TACH), and Quick Response Code (TANQR) systems provide a strong digital infrastructure foundation for fintechs in the payment segment to build services. TISS enables real-time large-value payments between banks, while TACH supports cheque and electronic funds transfer processing, and TANQR standardizes the use of payment QR codes in alignment with international guidelines.⁸² TISS, TACH, and TANQR are all facilitated by BoT, along with the East Africa Payment System (EAPS) and the Southern Africa Development Community Regional Settlements Service (SADC RTGS).

79 Ibid

80 Alliance for Financial Inclusion, [Interoperability of Digital Financial Services in Tanzania](#), 2016

81 Bank of Tanzania, [National Payments Systems Annual Report](#), 2022

82 Bank of Tanzania, [National Payments Systems Annual Report](#), 2022

Payment & Remittance: Enablers, Inhibitors, & Recommendations

Enablers	Inhibitors	Recommendations
<p>BOT serves as a primary regulator in the payments space and is proactively updating policies and infrastructure to support fintech.</p> <p>BOT has full regulatory oversight over fintech payment activities as indicated in the Bank of Tanzania Act 2006 as well the Payments Act 2015. BOT been proactive in developing fintech-related regulations such as the Financial Consumer Protection Regulations 2019 and building an interoperable payments system (TIPS) to facilitate fintech payment activities, and the Fintech Regulatory Sandbox to test and learn approaches to deploying digital financial products and services.</p>	<p>1) Lack of guidelines for critical payment services such as merchant acquisition and remittances:</p> <p>Current payment systems regulations do not cover operational requirements that must be followed for license holders performing remittances and diverse merchant acquisition services. For example, there are no guidelines for international money transfer operators, who are permitted to do inbound and outbound foreign exchange transfers, and cross-border merchant payments providers. This creates a barrier to market entry and limits consumer choice as service provider options are limited.</p> <p>2) Risk of insolvency: Creating a trust entity to manage funds held in a trust account does not guarantee protection for e-money holders against an issuer's insolvency. In an insolvency scenario, e-money holders will be considered unsecured creditors and rank behind government payments, employees, and secured creditors. Currently, e-money funds are held under single trust accounts in banks meaning that in the instance of insolvency, e-money holders are not individually insured but their collective funds are insured in a single set of accounts decreasing the amount each e-money account user is entitled to.</p>	<p>1) Establish guidelines for remittance services, merchants, and digital payment providers that clearly define operational and compliance requirements. These guidelines should match the level of risk associated with each type of business.</p> <p>For instance, Rwanda's Regulation no. 77/2023 details provisions for payment initiation, aggregation, and account information services. This includes operational and licensing requirements, as well as responsibilities for key stakeholders in digital payments. Additionally, Rwanda differentiates between large and small e-money issuer licenses, tailoring oversight to the scale of the operation.</p> <p>2) Develop differentiated e-money licenses for providers, categorizing them as either small or large, based on the wallet values they handle. For instance, in Rwanda, a small e-money issuer license allows providers to offer a limited range of payment services.</p> <p>The limits for these providers include a maximum customer e-wallet value of RWF50,000 (approximately US\$41) and outstanding electronic money liabilities not exceeding RWF1 million (approximately US\$826,515) over six consecutive months. Additionally, they must adhere to any other conditions imposed by regulatory authorities. This tiered licensing approach can be tailored to the scale and scope of the providers' operations, enhancing regulatory oversight and market stability.</p>

Enablers	Inhibitors	Recommendations
		<p>3) Allow payment solutions developed in partnership with banks licensed by BOT to be exempt from the standard payment licensing process. Despite this exemption, these solutions must still comply with all applicable payment systems regulations.</p> <p>Rwanda for example, has exempted banks, microfinance institutions (MFIs) and other entities approved by the National Bank of Rwanda (BNR) from getting a payment system license. Whereas in Tanzania, both banks are required to apply for Payment System Instrument (PSI) licenses and Payment System Providers (PSP) licenses.</p>
<p>Tanzania's robust mobile network infrastructure enables fintechs to reach users in urban and rural communities</p>	<p>Requirement for a TCRA licenses: Fintechs looking to provide services using Tanzania's telecommunications infrastructure must acquire a network services license with Tanzania's Communication Regulatory Authority (TCRA), developed for MNOs, despite not providing MNO services. The licensing process can delay fintech market entry for up to 6 months and can be challenging to obtain for non-MNOs.</p>	<p>Simplify TCRA licensing: Limit TCRA license requirements to MNO-related services only or develop a specific TCRA license tailored for fintechs that utilize MNO infrastructure without providing MNO services. This could be done by amending the System (Licensing and Approval) Regulations to remove the TCRA license requirement for payment system operators where it is not relevant. Alternatively, introduce a streamlined MNO Infrastructure-Use license, which would be more accessible for fintechs.</p>

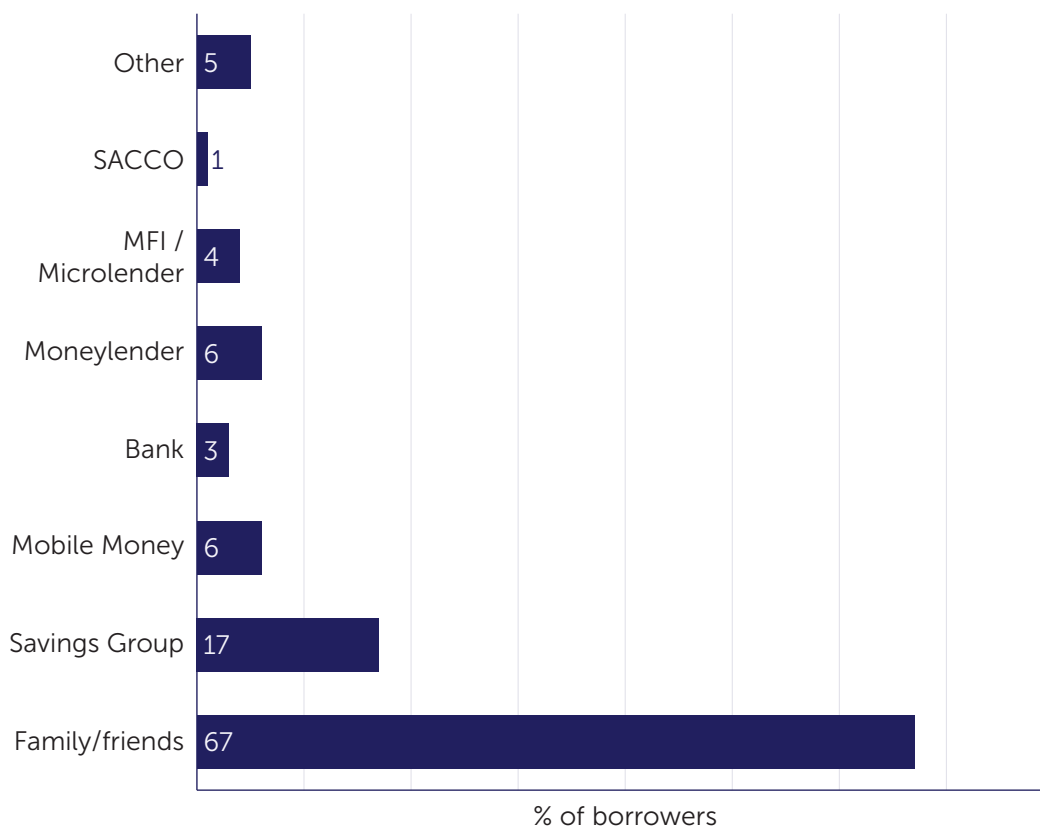
Enablers	Inhibitors	Recommendations
<p>Tanzania’s Electronic-Money regulations provide an in-depth legal framework for the management of electronic payment systems</p>	<p>Restrictive e-money licensing policies limit fintech capabilities: In 2020, BOT restricted the issuance of e-money licenses and approvals primarily to mobile network operators (MNOs), banks, and non-banks already authorised to issue e-money. Consequently, standalone fintech companies are now unable to acquire e-money issuer licenses independently. Instead, they must form partnerships with banks or MNOs that hold these licenses if they wish to incorporate e-money into their services. This requirement often leads to revenue sharing, increasing the cost of services for consumers and potentially stifling innovation, as fintechs’ capacity to innovate is tied to their partners’ willingness to do the same.</p> <p>For comparative context, South Africa’s regulation aligns e-money issuers with traditional banking laws, which also preclude non-banks, including MNOs and other businesses, from obtaining e-money issuer licenses. In contrast, Rwanda’s regulatory framework is more accommodating, allowing non-banks to secure e-money issuer licenses.</p>	<p>1) Establish dual e-money issuer licensing: To protect e-money holders, it is recommended that BOT introduce two categories of e-money issuer licenses: large and small e-money issuer licenses. Large e-money issuer licenses should be reserved for banks, deposit taking financial institutions and MNOs, ensuring they have the capacity to manage large transactions safely. On the other hand, small e-money issuer licenses should be issued to non-deposit taking institutions. These institutions would be subject to specific limits on the amount of e-money they can issue at any one time to maintain financial stability. This tiered licensing approach mirrors the model used in Rwanda, where licenses are differentiated by the scale of operations. In Rwanda, small e-money issuers can offer limited payment services, with customer e-wallets capped at RWF50,000 (US\$41) and a ceiling on outstanding electronic money liabilities of RWF1 million (US\$826,514) over six months. These issuers must also comply with any other condition imposed by regulators.</p>
<p>Tanzania’s Instant Payment System (TIPS) streamlines transactions, removing the need to establish MOUs with numerous financial institutions</p>	<p>Limited membership of TIPS: TIPS membership is currently only open to payment systems license holders provided they are either a bank or a licensed e-money issuer. This means fintech companies cannot join TIPS and benefit from the interoperability it provides. They can only benefit from TIPS by partnering with an existing TIPS member.</p>	<p>Expand TIPS membership: Allow regulated fintech companies who are licensed to operate payment systems but are not e-money issuers to become members of TIPS so there can be full interoperability among all payment system players.</p>

Credit and Lending

Credit and lending is a critical fintech category in Tanzania, primarily facilitated by digital financial service providers (DFSPs), typically in partnership with MNOs and microfinance institutions (MFIs). According to the 2023 FinScope survey, 36 percent of adults borrowed money primarily to smooth their cashflows to cover living expenses, medical expenses, and non-medical emergencies.⁸³ The same survey found that borrowers’ primary sources of credit were family and friends followed by savings groups, and mobile money (see Figure 77).⁸⁴

⁸³ FSD Tanzania, [FinScope Tanzania](#), 2023

⁸⁴ FSD Tanzania, [FinScope Tanzania](#), 2023

Figure 8: Sources of Credit in Tanzania, 2023⁸⁵

DFSPs have begun introducing digital lending services that enable users to apply, qualify for, and receive instant loans and leverage alternative credit scoring models. Fintechs in this category are regulated by BoT as per the Microfinance Act, 2018 along with its accompanying regulations. Specifically, the Financial Sector Supervision Directorate at BoT is responsible for overseeing market players in this segment and collaborating closely with banks and fintechs providing credit to deliver their services. DFSPs facilitate several offerings, including peer-to-peer lending (P2P), credit assessments, credit portfolio management, loan disbursement and repayment, and management of delinquent accounts. Fintech-driven credit and lending solutions are a source of rapid credit. They are increasingly developed in collaboration with MNOs and banks, leveraging the MNOs' large customer base and digital infrastructure and the banks' financial infrastructure and alignment with BoT guidelines.

Key Players: Credit and Lending

Many licensed DFSPs providing lending services are either partnered with a bank or have a Tier II lending license. Currently, there is no separate set of regulation for DFSPs. Fintechs looking to provide credit must acquire a Tier II license for non-deposit taking institutions and comply with related regulations or partner with a Tier II licensed financial service provider (FSP). As such, many non-MNO fintechs partner with banks to deliver credit services through

⁸⁵ FSD Tanzania, [FinScope Tanzania](#), 2023

their partnership. Fintechs operating outside of these partnerships providing credit without a Tier II license or a partnership with a bank are considered unlicensed and operate outside of Tanzania’s financial services regulatory framework. To curb unlicensed lending activities, BoT launched the Financial Consumer Alert (FAC) system for consumers to formally report unregistered financial service providers including unlicensed digital financial service providers.⁸⁶

MNO-owned credit and lending solutions are established through partnerships with banks and MFIs and serve as reliable credit sources for personal cashflow gaps. The collaboration between banks and MNOs is in part due to the rise of agent banking, where banks leverage the large network of MNO agents to deliver financial services to a broader customer base. This in turn played a key role in the development of MNO credit and lending solutions, in partnerships with banks and MFIs, as they identified the gap in short-term credit solutions.⁸⁷ Vodacom was the first MNO to provide a microloan product in partnership with NCBA Bank called M-PAWA, allowing users to take out digital microloans and earn interest for saving money on their M-Pesa accounts.⁸⁸ Similarly, to address the cost of mobile money transactions, Vodacom partnered with FINCA Microfinance Bank to offer Songesha loans, an over-draft facility that allows users to complete M-Pesa transactions if they have an insufficient balance.⁸⁹ Songesha and M-Pawa serve as examples of how digital microfinance can bridge personal cashflow gaps (see Table 43).

Table 4: MNO-owned digital credit services^{90,91,92,93}

	M - Pawa	Mgodi	Songesha	Timiza	Tigo Nivushe
Providers	Vodacom & NCBA Bank	Vodacom & Diamond Trust Bank (DTB)	Vodacom & Tanzania Commercial Bank	Airtel & Jumo	Yas (previously Tigo), Absa, Jumo
Service offering	Loans & savings	Loans & Savings	Loans	Loans	Loans
Loan period	30-days	30-days	1 day to 30 days	7 days to 28 days	7 days to 21 days
Fees	9 percent of loan facilitation fee	9 percent to 19 percent loan interest	1 percent to 17 percent processing fee	Initiation and service fees	Fees vary per customer
Loan amount	TSh1,000 to TSh500,000	TSh1,000 to TSh1,000,000	TSh1,000 to TSh900,000	Up to TSh500,000	From TSh10,000

86 Bank of Tanzania, [Unregistered Financial Service Providers](#), 2024

87 AFI, [Digital Credit Regulation in Tanzania](#), 2020

88 Vodacom, [M-Pawa](#), 2023

89 Vodacom, [Songesha na M-Pesa](#), 2023

90 FSD Tanzania, [FinScope Tanzania](#), 2023

91 LinkedIn, [Airtel Offer Loans to Airtel Money Agents](#), 2015

92 Jumo, [Absa, Tigo and Jumo Join Forces to Accelerate Financial Inclusion in Tanzania](#), 2021

93 Tigo, [Tigo Tanzania Launches Innovative Nano Lending Scheme To Its Customers](#), 2016

Buy-Now-Pay-Later (BNPL) fintech services are also on the rise, especially in the realm of device financing. In 2020, Laina Finance Limited, a Tanzanian fintech with operations in Tanzania and Rwanda, forged a strategic alliance with Vodacom to offer shariah-compliant device funding.⁹⁴ Laina has established partnerships with all five major MNOs in Tanzania, insurance firms, banks, and the Tanzanian government, focusing on enhancing internet accessibility and digital financial services. Laina continues to roll out innovative products using the BNPL model, such as PATA DAWA. In February 2024, PATA DAWA was launched by Laina in Zanzibar in partnership with Yas (previously Tigo). It is a platform that allows users to purchase essential medications and pay later.⁹⁵

Figure 9: Laina Finance Ltd. Spotlight



Tony Missokia, Director of Business Development at Laina Finance Ltd.

Fintech Spotlight: Laina Finance Ltd.

Laina Finance is an award-winning digital finance provider specialising in device financing. It allows MNO subscribers and government and private sector employees to purchase digital devices (e.g., smartphones) on credit, using a 3 – 6 month payment plan.

More recently, Laina has expanded its portfolio of lending products to:

1. Checkout Loans
2. Insurance Premium Financing
3. Instant Cash Loans (Conventional and Sharia Compliant)

Since its establishment in 2018, Laina has served over 20,000 customers, demonstrating the increasing demand for digital micro-credit in Tanzania.

Micro, small, and medium-sized enterprises (MSMEs) also benefit from fintech finance and credit services in Tanzania, with fintechs offering digital operational financing services. Ramani and Mtaji Wetu are two fintechs that have developed fintech lending solutions for MSMEs. Ramani has disbursed over US\$100 million in loans to micro-distribution centres in Tanzania.⁹⁶

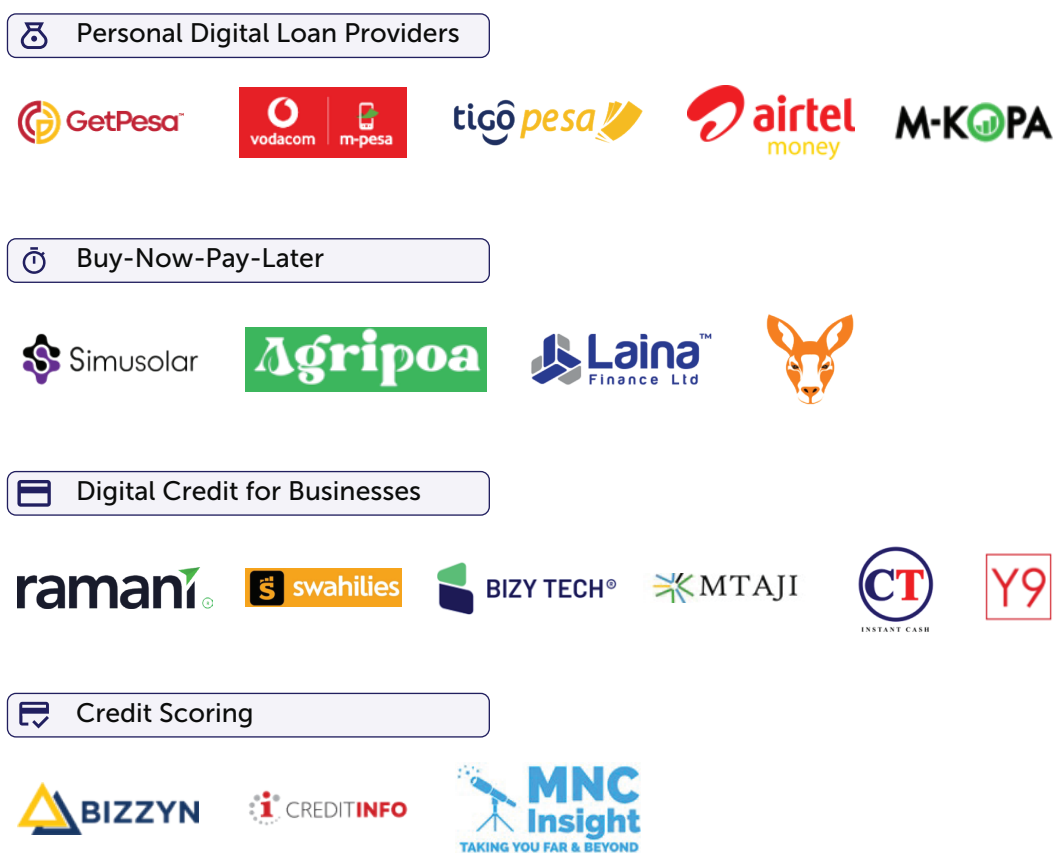
⁹⁴ Laina Finance Ltd, [Award winning digital financier](#), 2021

⁹⁵ Timesmajira TV, [Patadawa ya Tigopesa yazinduliwa](#), 2024

⁹⁶ The Citizen, [Startup Offers Loans to Distribution Centres](#), 2023

The start-up initially developed supply chain tracking and business-to-business (B2B) point-of-sale (POS) software for micro-distribution centres to increase their efficiency. They recognised the need for operational loans in Tanzania’s supply chain and began providing 30-day loans to its clients.⁹⁷ Similarly, Mtaji Wetu offers a B2B payment solution and two MSME financing services: Uza Utulipe, a pay-as-you-sell service supporting suppliers experiencing cashflow shortages, and A/R Kua Pesa, a line of credit that provides working capital for suppliers based on their outstanding invoices.⁹⁸ Table 54 provides a snapshot of Tanzanian fintechs in the credit and lending category.

Table 5: Snapshot of Tanzanian Fintechs in Credit and Lending^{99,100,101}



Policy and regulations

Fintechs, like other non-banks engaged in lending, are regulated by BoT’s Financial Sector Supervision Directorate. They are required to obtain either a Tier 1 (deposit-taking micro-finance institution) license issued under the Banking and Financial Institutions Act, 2016 or a Tier

97 Ramani, [Financing](#), 2023

98 Mtaji Wetu, [Our Services](#), 2023

99 PesaTech Accelerator, [Start-ups](#), 2024

100 PesaTech Accelerator, [Alumni](#), 2024

101 Fast6, [15 top FinTech companies and startups in Tanzania in August 2024](#), 2024

2 (non-deposit-taking microfinance service providers) license issued under the Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations, 2019. Alternatively, fintechs can offer digital solutions to holders of other BOT lending licenses, including Tier 1, Tier 2, and Tier 3 (SACCO) licenses issued by the Tanzania Cooperative Development Commission (TCDC) and Tier 4 (community microfinance group) licenses.

Table 65 highlights key policies for fintech credit and lending providers to follow.

Table 6: Notable policies to be followed by credit and lending fintechs

Policy Name	Description
Microfinance Act, 2019 ¹⁰²	The Microfinance Act defines digital microfinance lenders as providers carrying out lending activities including loan applications, approvals, disbursement, and repayment through digital channels. It outlines the requirements to obtain a lending license from the Bank of Tanzania, including demonstrating robust financial capacity and management. The act permits service providers to issue loans and provide financial advice but does not allow them to take deposits or manage foreign exchange without authorization.
Microfinance Act Licensing Regulation, 2019 ^{103,104}	The Microfinance Act requires that Microfinance Service Providers (MSPs), which are also known as MFIs, to register for a BOT Tier II Microfinance Service Provider license. To obtain the license they'll be required to pay a non-refundable fee of TSh500,000 along with information concerning staff training and success plan, suitability of senior management, and other key documents.
Microfinance Act Management of Microfinance Service Providers Regulation, 2019 ¹⁰⁵	MSPs are required to have a board of directors, except for individual money lenders. The board is responsible for appointing the CEO and ensuring compliance with laws and must include at least two Tanzanian citizens.
Microfinance Act Lending Regulation, 2019 ¹⁰⁶	MSPs are required to develop a lending policy that will be reviewed every three years in compliance with the Microfinance Act. Loan applications must include comprehensive personal and financial details and consent for credit information sharing. Loan agreements should detail terms such as interest rates, repayment schedules, fees, and collateral requirements. If a loan is refused, reasons must be communicated within seven days.

102 Bank of Tanzania, [The Microfinance Act](#), 2019

103 Bank of Tanzania, [The Microfinance Act](#), 2019

104 Bank of Tanzania, [Guidance on Application for License to Carry Out Non-Deposit Taking Microfinance Business \(Tier 2\) By Entities/Companies](#), 2020

105 Bank of Tanzania, [The Microfinance Act](#), 2019

106 Bank of Tanzania, [The Microfinance Act](#), 2019

Policy Name	Description
Microfinance Act Consumer Protection Regulation, 2019 ¹⁰⁷	The consumer protection regulations for Tier 2 microfinance service providers focus on ensuring transparency and fairness in lending operations. Loan agreements must be clear and written in simple language, with terms that protect borrower rights. Providers are required to have a robust complaint handling and dispute resolution system, which includes a method for submitting complaints, a designated officer or desk for handling them, and a clear timeframe for resolution. Contact information for complaints must be prominently displayed in Kiswahili or both Kiswahili and English, ensuring accessibility to all customers, amongst other key requirements.
Microfinance Act Supplement, 2018 ¹⁰⁸	The Supplement to the Microfinance Act defines the role and guidelines for four tiers of microfinance service providers: i) Tier 1, Deposit Taking Microfinance Service Institutions, ii) Tier 2 Non-Deposit Taking Microfinance Service Providers such as individual money lenders, iii) Tier 3 SACCOs, and iv) Tier 4 Community Microfinance Groups. The supplement defines the criteria for each tier, licensing requirements, and compliance guidelines.
Financial Consumer Protection Regulations, 2019 ¹⁰⁹	BoT's Financial Consumer Protection Regulations aim to ensure the fair treatment, transparency, and protection of consumers using financial services. Key requirements of the regulations include establishing robust governance structures to oversee consumer protection compliance, ensuring non-discrimination, and avoiding unfair practices such as unsolicited loan offers. Fintechs must provide clear and comprehensive information on their products and services, including all fees and charges, and implement strong data protection measures to secure consumer information, sharing it only with consent. The regulations emphasize maintaining open market operations, allowing consumer mobility between service providers without restrictive practices. Fintechs should also develop effective complaint handling mechanisms, ensuring timely resolution and fair redress for consumer grievances.

Infrastructure

The Credit Reference Bureau (CRB) regulations in Tanzania established a robust foundational infrastructure for credit and lending fintechs. BoT developed the CRB regulations in 2012 which outlined the licensing, operation, and governance framework for credit reference bureaus in Tanzania.¹¹⁰ Since then, two companies, Dunn & Bradstreet and CreditInfo have been licensed to create Credit Reference Databanks.¹¹¹ The CRBs provide lenders with information on individuals' and companies' credit history to assess their default risk. Fintechs providing

107 Bank of Tanzania, [The Microfinance Act](#), 2019

108 Bank of Tanzania, [Microfinance Act Supplement](#), 2018

109 Bank of Tanzania, [Financial Consumer Protection Regulations](#), 2019

110 The Bank of Tanzania, [Credit Reference Bureau Regulations](#), 2012

111 Clyde & Co, [Progress to establishment of Tanzania's Credit Reference System](#), 2013

credit and lending services can incorporate data from existing CRBs into their customer credit scoring systems to enhance their ability to make risk-informed lending decisions, based on the applicant's credit history. To date, 118 non-regulated institutions have shared information with CRBs, and credit inquiries have increased by over 180 percent; however, the extent of CRB coverage of individual borrowers is still unclear.¹¹² The role of CRBs in Tanzania's digital lending space is emerging and proving to be a key growth area.

However, CRBs rely on lending information generated by formal banking institutions, which largely excludes digital loans placed via MNOs and lending fintechs and suffers from information lags as it is only shared with financial institutions monthly. Moreover, individual borrowers still need to be made aware of their credit scores and the role CRBs can play in determining their lending terms. In 2023, only seven percent of Finscope survey respondents were aware of a CRB.¹¹³ Without adequate reach or awareness, CRBs face an information gap as fintechs (and formal banking institutions) are unable to consider the loan default rate of digital/mobile loans, and borrowers are missing incentives to maintain a favourable credit score.

Enablers, Inhibitors, & Recommendations

Enablers	Inhibitors	Recommendations
Tanzania's data protection laws look to protect personal sensitive information of Tanzanian customers	<p>1) Costly data localization requirements for payment service providers in Tanzania: Regulation 42 of the Payment (Licensing and Approval) Regulations 2015 mandates that payment service providers locate their primary data centres within Tanzania. This regulation prevents fintech and digital commerce businesses from reducing costs through shared data infrastructure with their group companies. Instead, their options are limited to establishing standalone data centres in Tanzania or renting space in existing data centres. Creating a standalone data centre is expensive. Also, the capacity of existing data centres in Tanzania often fails to meet the high demand from financial institutions, including fintech companies, making this a challenging requirement to fulfil.</p>	<p>1) Expand data centre locations for Tanzania licensees: Tanzania could revise its regulations to permit financial service licensees to use data centres located in EAC and SADC countries. This change would only apply to data centres that comply with the standards and guidelines in the AU Data Policy Framework. Such a policy adjustment would facilitate greater flexibility and efficiency in data management for Tanzanian companies. Once successfully implemented within the EAC and SADC regions, this policy could potentially be expanded to include other African states, further enhancing regional integration and cooperation in digital services and reduce data centre costs by increasing location choice for Tanzanian licensees.</p>

¹¹² Bank of Tanzania, [Annual Report 2022 – 2023](#), 2023

¹¹³ FSD Tanzania, [FinScope Tanzania](#), 2023

Enablers	Inhibitors	Recommendations
	<p>2) Restrictions on cloud computing for financial services in Tanzania: In December 2023, the Cloud Computing Guidelines were introduced, affecting all financial service providers licensed by BOT that utilize cloud computing. These guidelines mandate that "mission critical systems"- defined as any IT component crucial to business operations, whether software, hardware, database, process, application, etc.- must be hosted within Tanzania. This includes data centres for such systems. As result, these guidelines prevent the hosting of essential financial systems and their data centres on international cloud servers typically operated by third parties. Consequently, fintech companies are compelled to invest additional resources into local IT infrastructure for services that could otherwise be outsourced, increasing operational costs.</p>	<p>2) Permit cloud computing for critical systems with robust local business recovery plans: Encourage the use of cloud computing for mission-critical systems by revising current restrictions. This approach could include a stipulation that all financial service providers using cloud solutions must implement comprehensive business recovery plans. These plans would ensure that operations can be rapidly restored without loss of data or functionality in the event of a system outage or other disruptions. By adopting this policy, regulators can enhance the flexibility and efficiency of financial services while maintaining system integrity and resilience.</p>
<p>Tanzania has strong regulatory oversight and policies covering retail lending, commercial credit, and microfinance</p>	<p>1) Lack of laws on the operation and management of DFSPs: There is a regulatory gap concerning digital-only banks and other types of DFSPs. This lack of specific laws and regulations curtails fintech innovation in the lending space, which could otherwise promote financial inclusion. Establishing clear laws/regulations would help encourage responsible innovation in digital lending.</p>	<p>1) Introduce regulations for digital-only credit providers: BOT could consider the adoption of specific regulations for digital-only credit providers, distinct from banks and other traditional financial institutions. These regulations should include licensing requirements to ensure all operators in the space are formally recognized and monitored. This regulatory framework will encourage investment into digital credit solutions, such as fintech platforms offering mobile and online credit. These platforms often provide 24 hours access to financing at more competitive rates than conventional banking services. By formally identifying and regulating digital lenders, the guidelines will enhance consumer protection by preventing abusive practices such as over pricing and issuance of unsolicited loans, thereby building a safer financial environment for consumers.</p>

Enablers	Inhibitors	Recommendations
	<p>2) Lack of regulations governing digital peer to peer lending: Peer-to-peer lending is currently regulated under the Microfinance (Community Microfinance Group) Regulations, 2019, which are designed for traditional, brick-and-mortar community groups such as VICOBA. These regulations do not address digital operations of such groups. While some regulated community groups and banks, such as Diamond Trust Bank, have successfully digitized processes like onboarding VICOBA and managing loans, the regulatory framework has not kept pace. In January 2024, Diamond Trust Bank announced it had digitized the complete cycle of VICOBA loan management, from application to disbursement, eliminating the need for physical bank visits. However, this digital shift brings attention to unregulated digital platforms that offer loans to community groups. Without appropriate regulations, these platforms pose risks of fraud and abusive practices, potentially harming users.</p>	<p>2) Establish clear guidelines for registered VICOBA groups utilising digital platform: These guidelines could mandate that digital platforms either receive direct approval from regulatory bodies before they can serve VICOBA products, or that registered VICOBA products obtain approval before using a digital platform provider. This approach ensures that digital interactions align with regulatory standards, promoting transparency and protecting member data while leveraging technology for financial operations.</p>
	<p>3) Stringent operational and licensing requirements for non-deposit taking institution: Current regulations impose a uniform licensing requirement for all non-deposit taking microfinance service providers. This approach does not differentiate between institutions that lend to consumers and those that lend to businesses, despite the distinct risk profiles associated with business-to-business (B2B) versus business-to-consumer (B2C) lending. Treating these diverse lending activities identically under the same operational and licensing framework overlooks the unique challenges and risks inherent to each sector.</p>	<p>3) Adjust risk management controls for B2B lenders to reflect lower consumer risk: There is an opportunity to learn from the Swedish Financial Supervisory Authority (SFSA), which has adopted less stringent management controls for B2B lenders, given the inherently lower consumer risk in their business model compared to B2C lenders. Currently, the SFSA imposes rigorous regulatory requirements on banks, deposit-taking institutions (credit institutions) and consumer lending institutions – entities that directly affect individual consumers. In contrast, B2B lending institutions are only required to register with the SFSA and are subject to inspection. By adjusting the regulatory framework to reflect the reduced consumer risk in B2B lending, the regulator could better align oversight with the nature of the risk while potentially encouraging more streamlined operations and innovation in the B2B lending sector.</p>

Enablers	Inhibitors	Recommendations
		<p>4) Clarify payment system licensing eligibility for Tier 2 MFIs: BOT could issue guidelines clarifying the circumstances under which non-deposit taking institutions, specifically Tier 2 MFIs, can obtain a payment system license. This clarification will help these institutions understand the specific criteria and requirements they must meet to be eligible for such licenses. Clear guidelines will ensure that Tier 2 MFIs can effectively plan and implement the necessary processes to comply with regulatory standards, thereby facilitating smoother entry into the payment systems market.</p>
		<p>5) Streamline licensing process and enhance public education: BOT could focus on optimizing and streamlining the licensing process to reduce the time required to grant licenses. This effort can include simplifying application procedures, leveraging digital submission processes, and setting clear timelines for each stage of the licensing process. Also, BOT could increase its public education efforts regarding licensing requirements and procedures. This would help to minimize delays by ensuring applicants are well-informed about the necessary documents and application standards, thus reducing the frequency of submissions that are inadequate or incomplete. By improving understanding and compliance, BOT can facilitate a smoother and faster licensing process for all parties involved.</p>

Accounts and savings

Saving as a practice is on the rise in Tanzania, with 47 percent of Tanzanians reporting having saved in 2023, a three percent increase over six years. According to Finscope, Tanzanians most frequently saved to manage living expenses, emergencies, and medical fees. These are all risk-mitigating reasons rather than efforts to invest in wealth generation and asset building.¹¹⁴ Tanzanians report saving their money both formally and informally. Of those saving money formally, more than half rely on their mobile phones to save through the use of mobile money and dedicated mobile savings wallets. Of the Tanzanians saving their money informally, 47% reported keeping their savings in their home in cash.¹¹⁵

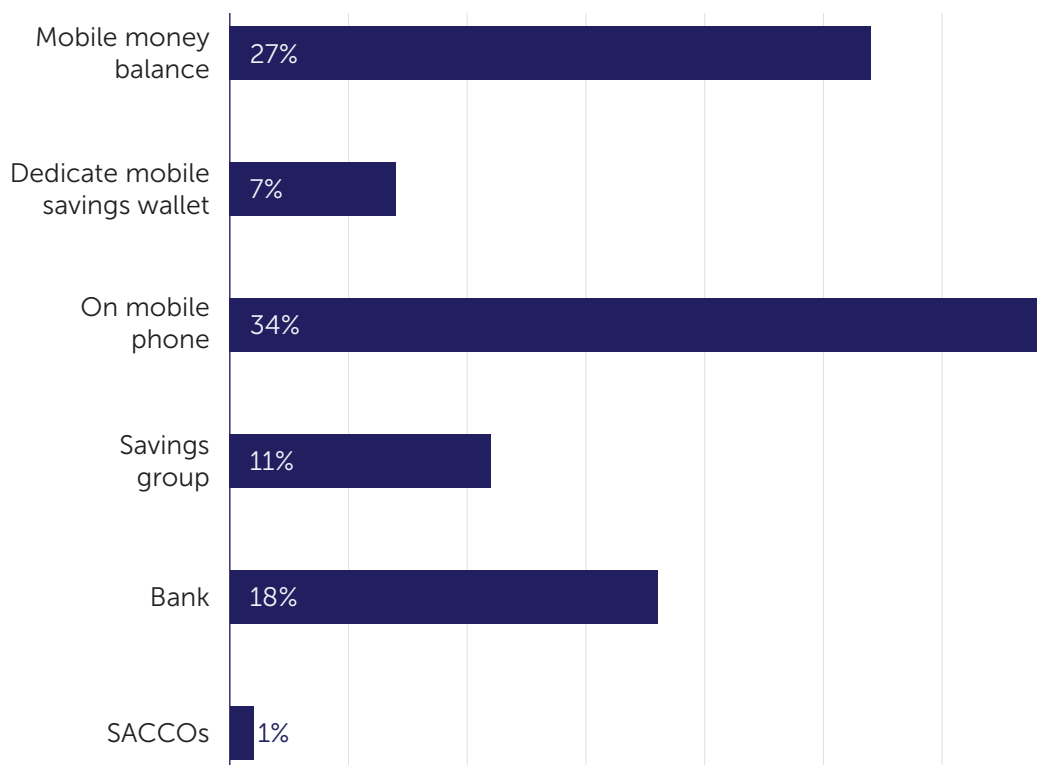
Fintechs providing account and savings solutions are concentrated in the mobile money space and play a crucial role in improving saving opportunities for Tanzanians. Mobile wallets and mobile phones were identified as the preferred means of saving (see Figure 99), demonstrating the powerful role mobile money and digital solutions are playing in enabling Tanzanians to

¹¹⁴ FSD Tanzania, [FinScope Tanzania](#), 2023

¹¹⁵ FSD Tanzania, [FinScope Tanzania](#), 2023

save. Village Community Banks (VICOBA) or Community Microfinance Groups (CMGs) have also been identified as an essential savings solution, with 52 percent of surveyed Tanzanians relying on CMGs to save their money. CMGs and VICOBA are sources of both credit and savings services that are increasingly represented in fintech products, reflecting the unique ability of fintechs to deliver services that incorporate informal financial models.

Figure 10: Where Tanzanians are saving their money, 2023¹¹⁶



Key Players: Accounts and Savings

Fintechs can offer innovative saving solutions, which can be coupled with lending and payment solutions. Typically, fintech savings solutions include the provision of digital savings accounts, digital access to traditional bank savings accounts or electronic money wallet accounts, personal finance management systems, wealth management systems for advisors and digital access to specialized savings products for pensions, education, children, or groups such as SACCOs. Like most fintech segments, MNOs and banks are key to providing and enabling digital accounts and savings solutions.

Table 76 reflects a snapshot of digital accounts and savings solutions currently available in Tanzania:

116 FSD Tanzania, [FinScope Tanzania](#), 2023

Table 7: Key fintech players in Accounts and Savings^{117,118,119,120,121}

Fintech Name	Financial Institution	Platform Provider	Description
Saving			
Timiza Akiba	Bank of Africa	Jumo & Airtel	A savings solution for airtel customers to save up to TSh 5 million and earn monthly rewards for saving
Halal Pesa	Amana Bank		A Sharia law abiding saving platform interfacing Amana Bank and M-PESA customers
Tunzaa		Tunzaa Vodacom	Allows unbanked users to save and pay for purchases in a curated marketplace
Community Microfinance Group (Saving & Lending)			
M-Koba	Tanzania Commercial Bank	Vodacom	A platform allowing CMG members to save, lend, and share earnings remotely.
Halo Yako	FINCA Micro-finance Bank Limited	Halotel	Allows FINCA customers to save and access small instant loans
Timiza Vikoba	Maendeleo Bank	Airtel	A digital CMG credit and savings solution that allows groups between five people and 50 people participate and take loans on a four-week rotational basis
Wakandi Tanzania Limited	Wakandi	Yas	A digital payment, savings, and lending platform for SACCOs members

Policy and regulations

Currently, Tanzania does not have policies unique to fintechs operating in the accounts and savings space. Since fintech payment and lending providers often offer services that overlap with the accounts and savings segment, the policies governing their operations also extend to the oversight of accounts and savings.

Accounts and savings solutions focusing on digital VICOBA/CMG microfinance services are required to operate within the 2019 Microfinance Act.¹²² VICOBA is a microfinance model predominantly found in East Africa, particularly Tanzania. These community-based groups pool

117 African Economic Research Consortium, [Financial Technology in Tanzania: Assessment of Growth Drivers](#), 2023

118 Wakandi, [Partnerships](#), 2023

119 Jumo, [Timiza Akiba's Growth Demonstrates How Rewarding Saving Can Be for all Tanzanians](#), 2020

120 FINCA, [New Mobile Savings Product Launches in Tanzania](#), 2017

121 The Citizen, [Tunzaa Fintech Launches Platform that Develops Positive Financial Habits in Young People](#), 2021

122 AFI, [Digital Credit Regulation in Tanzania](#), 2020

resources to create a collective fund from which members can borrow, sometimes on a rotating basis, allowing them to serve as a tool to pool savings. Digital microfinance providers offering tools such as digital VICOBA platforms and services are required to be licensed by BoT as microfinance providers in accordance with the Microfinance Act. This ensures that they adhere to consumer protection, reporting and compliance guidelines stipulated in the Act, including regularly submitting credit data to the credit reference bureaux.¹²³

Enablers, Inhibitors, & Recommendations

Enablers	Inhibitors	Recommendations
<p>Tanzania has a growing savings and microfinance ecosystem providing a strong policy foundation for fintechs</p>	<p>Lack of policy for non-bank digital savings providers: There is a gap in fintech policy, especially related to digital savings solutions. Currently, such services are only possible through partnerships between MNOs and traditional financial institutions. This arrangement restricts the potential for innovative, standalone digital savings products to enter the market, limiting the development of new financial technologies that could benefit consumers directly.</p>	<p>Introduce digital savings guidelines as part of a broader fintech policy: Consider the inclusion of Digital Savings Guidelines in Tanzania's fintech policy, inspired by Rwanda's draft 2023 Fintech Policy, which aim to delineate the role of digital platforms focused on savings and wealth-planning. By formally acknowledging and defining the role of savings-focused fintechs within the broader fintech ecosystem, Tanzania could foster a regulatory environment that encourages innovation. This structured approach will not only attract new market entrants but also enhance the development of digital solutions that facilitate personal savings and financial planning, contributing to financial inclusion, and thereafter financial health and economic growth.</p>

Investment Facilitation Channels

Tanzanians are increasingly aware of the importance of different types of investment vehicles, with three in ten adults knowing about an investment vehicle and half of those understanding how to invest their assets. They are most familiar with pension funds, with 30 percent of survey respondents aware of them as an investment vehicle. However, livestock, which remains informal as an investment vehicle, has the most uptake, with 16 percent of respondents invested in livestock. Awareness and uptake of more formal investment vehicles such as T-bills, bonds, and Unit Trust of Tanzania (UTT) shares remain low, with one in ten Tanzanians aware of them and less than two percent of respondents reporting uptake in each of the investment vehicles.¹²⁴

Fintechs in investment facilitation support customers looking to invest in assets and investment vehicles directly, without the support of an investment professional or advisor. These platforms offer a range of digital tools to assist users in making investment decisions and man-

¹²³ Bank of Tanzania, [The Microfinance \(Non-Deposit Taking Microfinance Service Providers\) Regulations](#), 2019

¹²⁴ FSD Tanzania, [FinScope Tanzania](#), 2023

aging their portfolios.¹²⁵ With user-friendly interfaces and investment accessibility, fintechs aim to encourage more Tanzanians to diversify their investment strategies beyond traditional assets like livestock and real estate.

Key Players: Investment

Tanzania's investment facilitation fintech space is nascent, with two types of services emerging: digital stock and capital market trading platforms and crowdfunding platforms. Tanzania currently has three stock and capital market trading platforms that enable users to trade stocks, bonds, and other collective investment schemes in Tanzania and across several African stock exchanges. Crowdfunding platforms are emerging as an alternative investment vehicle for investors seeking a new asset class. Wengi and CashMe, the two crowdfunding platforms, allow MSMEs to raise debt or equity-based funds in the near and long-term allowing these to serve as small-scale investments for the platform users contributing to the MSMEs.

Figure 11: Spotlight of CashMe Tanzania's crowdfunding and invoice financing platform¹²⁶



The CashMe Tanzania team

Fintech Spotlight: CashMe Tanzania

CashMe Tanzania is an invoice discounting platform founded in 2021. CashMe allows borrowers to finance their working capital for invoices that range between 3 – 6 months. It also aims to leverage the borrower's invoice as an alternative investment security. Through its peer-to-peer lending model, investors can connect with SMEs in need of working capital on the CashMe platform and serve as short-term investors by providing the SMEs with the necessary finance.

SMEs seeking working capital through CashMe are able to acquire cash against their invoices within 48 hours of submitting a request. Moreover, the CashMe platform has facilitated over Tsh 3 billion in loans to SMEs in Tanzania and projects that investors will extend more Tsh 5 billion by the end of 2024.

125 UNCDF, [Tanzania Fintech Mapping](#), 2021

126 The Citizen, [CashMe Tanzania the new way to lend and borrow money](#), 2024

Table 8: Notable digital investment facilitation services in Tanzania, 2024

Platform Type	Name	Description
Stocks and Capital Market Trading	Simu Invest	Simu Invest is the mobile trading platform supporting UTT Asset Management and Investor Services (UTT AMIS). UTT AMIS is responsible for the management of collective investment schemes in Tanzania, attracting over 90,000 investors in Tanzania to its five collective investment schemes. The Simu Invest platform allows investors to access their trade information remotely from their mobile phones and computer. ¹²⁷
	Hisa Kiganjani	Hisa Kiganjani is a mobile trading platform developed by the Dar Es Salaam Stock Exchange (DSE), enabling retail investors to engage in Tanzania's equity markets from their mobile phones. ¹²⁸ The DSE is Tanzania's only stock exchange that currently lists 28 publicly traded companies in Tanzania. ¹²⁹
	A-Trader	A-Trader is an AI-powered investment platform that allows investors to buy and sell shares on the DSE as well as other African stock exchanges. Its AI-powered platform provides automated advisory and trading services and money management tools. ¹³⁰
Crowdfunding	Wengi	Wengi is a Tanzanian crowd-funding platform that provides access to finance for early-stage businesses. The platform aims to directly link potential investors with small businesses in need of finance. ¹³¹
	CashMe	CashMe is a crowdfunding platform for invoice-discounting MSMEs. It allows MSMEs to raise funds in order to meet their invoices that don't exceed 3 – 6-month tenders, from individual investors. Since 2022, CashMe has discounted more than TZS 3 billion. CashMe sees invoice as both a means of accessing short-term credit or investment for the MSME and an alternative source of return for investors in Tanzania. ¹³²

127 UTT Asset Management and Investor Services, [Simu Invest](#), 2024

128 Daily News, ["Hisa kiganjani" and beyond: How the DSE is reshaping market access](#), 2024

129 Dar es Salaam Stock Exchange, [Listed Company Profiles](#), 2024

130 A-Trader, [About Us](#), 2022

131 Wengi, [How does it work?](#), 2020

132 UNCDF Fintech Stakeholder Interviews, 2024

Policy and regulations

Investment facilitation services fall under the Capital Markets and Securities Authority (CMSA) mandate. The CMSA is responsible for supervising and regulating the security industry where equity and debt securities are issued and traded in accordance with the CMSA Act.¹³³ The CMSA is responsible for issuing several licenses for investment advisory, fund management and dealer services.

In 2022, CMSA released a draft crowdfunding guideline defining the operations of digital crowdsourcing and investment platforms. The guideline defines crowdfunding as a digital investment service, acknowledging it as a type of fintech. The draft crowdfunding guideline has the potential to reshape start-up investment opportunities. The Tanzania National Financial Inclusion Framework III reports that only 2.4 percent of Tanzanian adults invest in capital markets. The crowdfunding guidelines can increase individual capital market participation and engagement, therefore exposing more Tanzanians to investment vehicles.¹³⁴

Figure 12: Plans to establish a National Venture Capital Fund^{135,136,137}



Zahoro Muhaji, CEO Tanzania Startup Association (TSA)

Plans to establish a National Venture Capital (VC) Fund were announced during Tanzania's 2024/2025 financial budget presentation. Tanzania's Capital Market and Securities Authority (CMSA) has been tasked with developing the regulatory framework that will inform the creation of the National VC Fund. Additionally, with the support of the EU's Finance4Growth program, CMSA is developing venture capital guidelines that will clarify the role of VC firms in Tanzania's start-up ecosystem.

The National Venture Capital Fund is expected to cater to the unique finance needs of Tanzania's start-ups. In particular, this involves addressing Tanzanian start-ups' "Missing Middle" challenge, whereby most start-ups need funds in the USD 25,000 – USD 200,000 range. However, many international investors are looking to invest in start-ups capable of absorbing USD 500,000 and higher.

133 Capital Markets and Securities Authority, [CMSA Overview](#), 2016

134 Bank of Tanzania, [National Financial Inclusion Framework \(2023 – 2028\)](#), 2023

135 The Guardian, [TSA and Alpha Capital Host a Web Seminar on National Venture Fund](#), 2024

136 Twitter, [Tanzania Start-up Association: Tanzania Poised for Start-up Boom as Government Commits to National Venture Capital Fund](#), 2024

137 Stakeholder Interview, CMSA, 2024

Enablers, Inhibitors & Recommendations

Enablers	Inhibitors	Recommendations
<p>The CMSA recognizes the growing role of fintech in the investment space and is beginning to draft policies, such as the draft Crowdfunding Guidelines 2023</p>	<p>Restrictions on dividend repatriation discourage foreign investment in early stage fintech: The regulatory requirement that dividends can only be repatriated from Tanzania after a company declares distributable profits hinders foreign investment in early-stage and growth-orientated fintech startups. Foreign investors are required to wait until these profits are formally declared and dividends are issued before they can transfer funds abroad.</p> <p>Additionally, the repatriation process is through a bank and involves rigorous documentation, including audited financial statements, a dividend declaration, resolutions from the board of directors or shareholders approving the dividend payment, and proof of tax compliance.¹³⁸ This lengthy and complex process acts as a deterrent to potential foreign investors looking for more immediate returns on investment.</p>	<p>Streamline tax verification for equity investors with digital proof through GePG: Tanzania could streamline the tax verification process for remittances to equity investors by requiring only digital proof of tax payment and relevant supporting documents. This could be facilitated through the Government Electronic Payment Gateway (GePG), which is designed to allow the Tanzania Revenue Authority (TRA) to promptly validate tax payments. This approach will simplify the process for investors and ensure efficient and transparent transactions.</p>

Insurance

Fintechs in insurance, also known as ‘Insurtechs’, provide digital solutions that deliver insurance plans and services at more affordable and flexible terms, such as micro-insurance.¹³⁹

In 2023, only ten percent of Tanzanian adults reported using some type of insurance product, reflecting low uptake of insurance services.¹⁴⁰ Tanzanian fintechs in insurance have leveraged technology to reach underserved populations with insurance plans that are often more affordable and flexible than conventional insurance plans. Microinsurance services for life, hospital, and simple funeral coverage are key offerings in the insurtech space and in Tanzania’s broader insurance landscape.¹⁴¹

Medical insurance is currently the leading type of insurance used in Tanzania, though most Tanzanians remain uninsured. According to the 2024 Finscope report, only 16 percent of Tanzanian adults were insured; however, the number of people insured is steadily increasing, with the National Health Insurance Fund (NHIF) experiencing a 33 percent increase in beneficiaries.¹⁴² In 2022, the insurance subsector’s contribution to Tanzania’s financial sector GDP increased by seven percent between 2017 and 2022, representing approximately TSh5.3 billion.¹⁴³ Moreover, in 2022, Tanzania’s Gross Written Premium (GWP), which refers to the total premium collected by insurers, rose by 25 percent to TSh1.1 billion from the previous year’s TSh912 million.¹⁴⁴ This

138 Bank of Tanzania, [Foreign Exchange Regulations](#), 2022

139 UNCDF, [Tanzania Fintech Mapping](#), 2021

140 FSD Tanzania, [FinScope Tanzania](#), 2023

141 FSD, [Microinsurance landscape](#), 2017

142 FSD Tanzania, [FinScope Tanzania](#), 2023

143 TanzanianInvest, [Tanzania Insurance Sector Market Report](#), 2024

144 TanzanianInvest, [Tanzania Insurance Sector Market Report](#), 2024

growth highlights an opportunity for insurtechs to reach a significant proportion of previously insured Tanzanians with accessible digital offerings.

Key players: Insurtech

Currently, there are ten insurance digital providers (IDPs) in Tanzania that are registered with the Tanzania Insurance Regulatory Authority (TIRA). Many Tanzanian IDPs are comprised of partnerships between MNOs, conventional insurance providers, and IT service providers. Table 97 summarises the eight registered IDPs in Tanzania (information on two of the registered IDPs' insurance services is not available online).

Table 9: TIRA registered Digital Insurance Providers, 2023^{145,146,147,148,149,150,151,152,153}

Product Name	Insurers	Platform Provider	Description
Afya Poa/Afya Supa/Afya Dhabu	Jubilee Health Insurance	Axieva Afri-ca Lab, Airtel Money	A digital insurance product trio of mobile health insurance services that provide affordable health insurance coverage
Bima Time	Sanlam, Jubilee, Dawa Mkononi	TanManagement, Selcom	A digital insurance platform hosting travel, health, and agriculture insurance covers
Lipa Bima	Zanzibar Insurance Corporation	Honora Tanzania Mobile Solutions (Yas)	A digital insurance product allowing Yas customers to purchase motor insurance coverage
iLink Digital		I-Link Ltd.	Builds digital insurance solutions for conventional insurance firms including platforms, personalized digital policy software, and virtual agent support
VodaBima	SanLam, Alliance, Britam, Jubilee, etc.	M-Pesa Ltd.	Allows Vodacom customers to purchase motor, life, group life and health insurance policies as well as initiative and follow-up on claims.

145 Tanzania Insurance Regulatory Authority, [Insurance Digital Platform \(IDPs\)](#), 2024

146 Vodacom, [Motor Insurance](#), 2024

147 iLink Digital, [Insurance Outcomes](#), 2024

148 The MoneyPedia, [ZIC and Tigo Pesa Launch Motor Vehicle Insurance Service](#), 2022

149 TanManagement, [Bima Time](#), 2024

150 Jubilee insurance, [Jubilee Health, Airtel Money and Axieva partner to offer affordable Mobile Health Insurance](#), 2024

151 Bima Sokoni, [Products](#), 2024

152 Macho Adjusters, [About Us](#), 2024

153 Wakandi, [Wakandi launches life insurance with Sanlam for SACCOs in Tanzania](#), 2023

Product Name	Insurers	Platform Provider	Description
Thamani	Macho Adjusters	Macho Technologies Ltd.	A digital appraisal service for motor vehicles, allowing users to purchase, sell and insure vehicles
BimaSokoni	Strategis, Sanlam, Heritage, etc.	Smartx Ltd.	A web insurance aggregator for motor, life, health, and other insurance products
Life Insurance with Loan Protection	Sanlam	Wakandi Tanzania Ltd.	A digital insurance facility for SACCOs members that provides life insurance and loan repayment in the case of death

Policy and regulations

TIRA, the regulator responsible for overseeing all insurance service providers, released guidelines for IDPs in 2022. TIRA is responsible for regulating the 36 insurance companies, 1,019 insurance agents, 110 brokers, 46 loss adjusters' assessors, 28 bank assurance agents, and ten IDPs currently providing insurance services. Table 10 identifies key policies related to the operations of fintechs providing insurance-related services.

Table 10: Notable policies related to insurance fintechs

Policy Name	Description
Anti-Money Laundering and Counter-Terrorist Financing Guidelines for Insurers, 2021 ¹⁵⁴	The Anti-Money Laundering and Counter-Terrorist Financing Guidelines for Insurers mandates rigorous compliance for fintechs providing insurance services. The guideline outlines the requirements for customer due diligence, enhanced due diligence for high-risk category customers, and protocols for the use of technology for non-in-person customer interactions.
Guidelines for Insurance Digital Platforms, 2022 ¹⁵⁵	The Insurance Digital Platform (IDP) guidelines introduced a licensing requirement for IDPs providing digital services to registered insurers. Notably, the regulations prohibit IDPs from partnering with unregistered insurers, tying Tanzanian insurtech closely with conventional insurance firms. The guidelines, therefore, define IDPs' role in Tanzania's broader insurance sector as facilitators of access to insurance information instead of providers of novel insurance products.
Takaful Operational Guidelines, 2022 ¹⁵⁶	Takaful is an insurance system in which the contributions are invested by the Takaful operator in accordance with Shariah principles. The Takaful Guidelines, issued by TIRA, regulate, monitor, and supervise Takaful businesses in Tanzania but also provide guidance for faith-informed digital solutions in the insurtech space.

¹⁵⁴ Tanzania Ministry of Finance and Planning, [Anti-Money Laundering and Counter-Terrorist Financing Guidelines for Insurers, Guideline No 4](#), 2021

¹⁵⁵ Tanzania Insurance Regulatory Authority, [Guidelines for Insurance Digital Platforms](#), 2022

¹⁵⁶ Tanzania Insurance Regulatory Authority, [Takaful Operational Guidelines](#), 2022

Enablers, Inhibitors, & Recommendations

Enablers	Inhibitors	Recommendations
<p>Introduction of the Takaful and IDP guidelines reflect a dynamic policy environment incorporating new business models in the insurance sector</p>	<p>Restrictions on digital insurance business models: The IDP guidelines limit the provision of digital insurance services to traditional insurance companies only, with digital platform merely hosting these products. This constraint also limits the scope of insurtech applications primarily to conventional insurance services, such as health insurance.</p>	<p>Utilize TIRA’s IDP guidelines or BOT’s recently launched Fintech Sandbox to fully test digital insurance services</p> <p>The sandbox could aim to partner with digital insurance providers not operating in sectors covered by existing insurance providers to trial the provision of fully digitized insurance services and enable the introduction of innovative insurance services.</p> <p>Encourage financial institutions to establish fintech and insurtech innovation labs: Taking a cue from Singapore, where 39 fintech innovation labs established by financial institutions and consulting firms have played a key role in nurturing fintech innovation especially in the Insurtech, Tanzania could adopt a similar strategy. By incentivizing financial institutions to host innovation labs that offer technical, financial, and social capital,¹⁵⁷ Tanzania can foster a more vibrant fintech and insurtech ecosystem. Incentives could include special status for emerging fintechs, offering benefits such as expedited licensing processes, fee exemptions, and early-stage tax waivers for the first one year to two years. Such measures would not only boost innovation but also help alleviate the restrictive digital insurance business model currently imposed by the IDP guidelines.</p>

¹⁵⁷ Monetary Authority of Singapore, [FinTech Innovation Labs](#), 2024

3. E-Commerce

E-commerce refers to the purchase and sale of goods and services and the transmission of funds and data over the internet.¹⁵⁸

In 2023, global, e-commerce sales reached US\$5.8 trillion, with sales projected to grow by approximately nine percent in 2024 to US\$6.3 trillion. Amazon, AliExpress, and eBay are three of the most visited e-commerce sites, receiving 2.8 billion views, 953 million views, and 872 million views respectively.¹⁵⁹ The rapid growth of e-commerce is fuelled by the global expansion of high-speed internet, widespread mobile phone ownership, and the integration of e-commerce with social media platforms. This combination has significantly enhanced the convenience and accessibility of online shopping.

In contrast with global trends, Tanzania's e-commerce adoption is on the decline, demonstrated by the fact that just six percent of Tanzanian adults had made an online purchase by 2021.¹⁶⁰ Between 2017 and 2020 Tanzania's e-commerce marketplace visits decreased by 60 percent from 25 million visitors in 2017 to 10 million visitors in 2020.¹⁶¹ Moreover Jumia, Africa's largest e-commerce platform, exited Tanzania in 2021 after operating for five years. Tanzania's developing digital payments, delivery, and logistics infrastructure is said to have played a role in Jumia's exit decision.¹⁶² Additionally, consumer trust has been cited as a driver of low e-commerce participation in Tanzania as customers are uncertain of the quality of the product or service they'll receive.¹⁶³

Despite Jumia's exit, new e-commerce platforms are emerging in Tanzania and customers are turning to social media-based shops. Founded in 2021, Piki Tanzania, an on-demand food and grocery delivery platform, has expanded operations to three cities in Tanzania: Dar es Salaam, Dodoma, and Arusha.¹⁶⁴ Moreover, more digital sales are taking place on social media platforms such as Facebook, Instagram, and WhatsApp. In this format, sellers create social media pages and post photos of their inventory; customers reach out to the shops through the platform's messaging service, payments are made using mobile money, and motorbike taxis (boda bodas) deliver the product to customers.

Key Players

Tanzania's e-commerce platform is small but growing, with most services still in their early stages. The current e-commerce landscape consists of marketplace platforms for consumer goods, wholesale marketplaces, and specialized marketplace platforms focused on a specific type of good or service (e.g., food, clothing, etc.). Figure 11 provides a snapshot of the key actors in each of the Tanzanian e-commerce segments.

158 Forbes, [What is E-Commerce?](#), 2023

159 Forbes, [35 E-Commerce Statistics of 2024](#), 2024

160 World Bank, [Global Findex](#), 2021

161 GSMA, Tanzania's, [Digitalisation Journey: Opportunities for value creation](#), 2023

162 Quartz, [Jumia has Shut Down Operations in a Second African Country Within One Week](#), 2024

163 The Citizen, [Why E-Commerce Giants Exit Tanzanian Market](#), 2020

164 Piki, [About us](#), 2024

Figure 13: Snapshot of e-commerce platforms currently operating in Tanzania



Policy and Regulations

Tanzania does not have any policies specific to e-commerce platforms, creating a complex path to compliance for e-commerce providers. However, in July 2023, the EAC Council of Ministers adopted an e-commerce strategy with key objectives of ‘enhancing growth capacities, improving legal and regulatory frameworks, increasing trust in digital trade,’ and ‘strengthening cross-sectoral and public-private collaboration in developing regional approaches to cross-border e-commerce.’ At the national level, the Ministry of Investment, Industry and Trade is also developing a national e-commerce strategy that would further clarify the policy framework for e-commerce businesses in Tanzania and promote market entry. Additionally, the Ministry of Communications and Information Technology (MICT), with the support of the Prime Minister’s Office (PMO), is implementing a digital national addressing and postcode system, which will provide physical residential and business addresses across the country.

Currently, Tanzania’s Electronic Transactions Act and the Electronic and Postal Communications Regulations on Consumer Protection provide frameworks for managing electronic transactions and protecting consumer data. Table 11 summarizes the key elements of each policy that relate to the operations of e-commerce businesses in Tanzania.

Table 11: Policies that provide oversight on e-commerce platform activities

Policy Name	Description
Electronic Transactions Act Revised 2022 ¹⁶⁵	The Electronic Transactions Act defines the legal framework for electronic transactions, e-commerce consumer protection, and sets standards for electronic contracts and signatures.
The Electronic and Postal Communications (Consumer Protection) Regulations 2018 ¹⁶⁶	The Electronic and Postal Communications Regulation aims to safeguard consumer rights. Notably it upholds consumer rights to information transparency, accurate billing and charges, and the protection of consumer data and privacy. Additionally, it outlines protocols for the processing of consumer complaints, customer support management (e.g., call centres), and protection of customers with disabilities.

Infrastructure

Since 2022, TCRA has been regulating, supervising, and monitoring e-commerce businesses. All e-commerce platform operators, including those offering service platforms, aggregating or integrating services, or facilitating transactions for other service providers, sellers, buyers or consumers of regulated or un-regulated services are now required to obtain an application Services (e-commerce) license from TCRA. The supervision of e-commerce platforms, through TCRA, provides guidance measures for consumer protection, anti-fraud, and IT security to reduce risks to consumers. In this role, TCRA aims to increase consumer trust in e-commerce and drive e-commerce growth.

E-Commerce: Enablers, Inhibitors, and Recommendations

Enablers	Inhibitors	Recommendations
The Data Protection Commission's office is operational, and registration of data processors and controllers began in early 2024	Low consumer trust hinders growth of e-commerce in Tanzania: The growth of e-commerce platforms in Tanzania is being stifled by low consumer trust in the quality and reliability of the goods and services offered. This lack of confidence has contributed to a decline in the adoption of e-commerce across the market.	Establish a digital consumer protection taskforce: Inspired by the success of the United States' Digital Consumer Protection Commission, ¹⁶⁷ Tanzania could create a similar body dedicated to overseeing and safeguarding consumer interests on e-commerce platforms. This taskforce would ensure that digital transactions are secure and trustworthy, thereby boosting consumer confidence. As a result, Tanzanian customers would be more willing to engage with e-commerce platforms, potentially catalyzing growth in this sector.

¹⁶⁵ Ministry of Finance Tanzania, [The Electronic Transactions Act Revised Edition](#), 2022

¹⁶⁶ TCRA, [The Electronic and Postal Communications Act](#), 2018

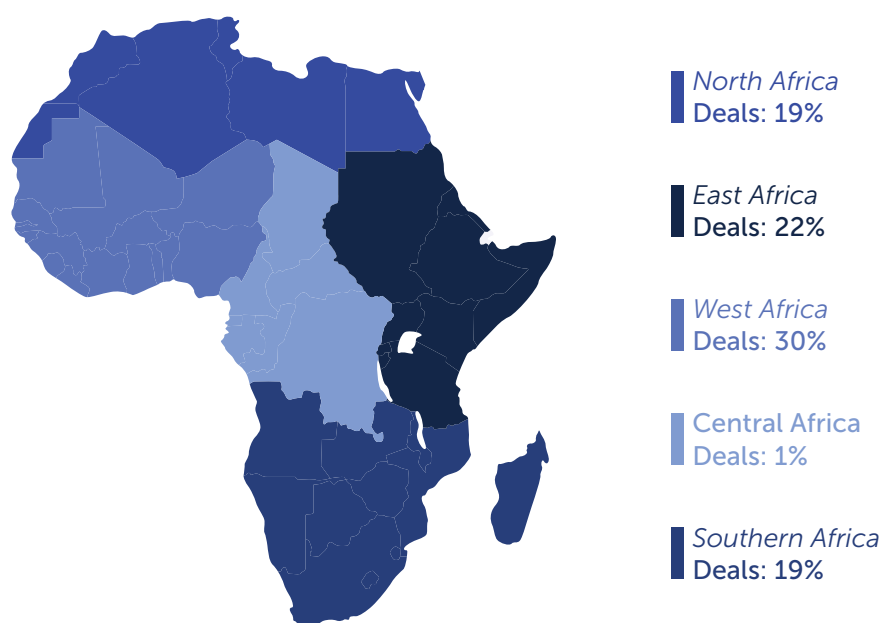
¹⁶⁷ United States Congress, [Digital Consumer Protection Commission Act](#), 2023

4. Investors and fintech funding in Tanzania

By the third quarter of 2024, Tanzanian startups ranked 3rd in start-up fundraising, lagging behind Kenya and Egypt.

Tanzania's Q1 – Q3 2024 startup funding amounted to US\$53 million, largely driven by Nala raising US\$ 40 million in its most recent funding round.¹⁶⁸ Tanzania trails behind Egypt and Kenya which raised US\$272 million and US\$201million, respectively.¹⁶⁹ Collectively, African start-ups raised approximately US\$636 million from Q1 – Q3, 2024¹⁷⁰ which is a significant decrease from the US\$2.9 billion raised in 2023 reflecting the impact of the funding slump startups have experienced globally since 2023.¹⁷¹

Figure 14: The Share of VC deals in Africa by region, 2024¹⁷²



Africa's continent start-up investment slump is attributed to higher central bank interest rates across western countries. Interest rate increases in western countries such as the United States have made credit more expensive, constraining the investment environment for the venture capital sector. Venture capitalists have therefore been more focused on profitability

¹⁶⁸ Tanzania Invest, [Tanzania Start-Ups Attract US\\$ 43 Million in Funding in Q3 of 2024](#), 2024

¹⁶⁹ Tanzania Invest, [Tanzania Start-Ups Attract US\\$ 43 Million in Funding in Q3 of 2024](#), 2024

¹⁷⁰ Tanzania Invest, [Tanzania Start-Ups Attract US\\$ 43 Million in Funding in Q3 of 2024](#), 2024

¹⁷¹ The Africa Report, [Why Is There A Slump In African Start-Up Investment?](#), 2024

¹⁷² The African Private Capital Association, [Venture Capital Activity in Africa Q2, 2024](#), 2024

rather than growth-stage start-ups, excluding a significant proportion of Africa's start-ups.¹⁷³ This is particularly impactful in Tanzania's fintech sub-sector where most start-ups are in the early and growth stages.

Investors are hesitant to invest in Tanzanian start-ups due to concerns about the favourability of the country's enabling environment.¹⁷⁴ An investment professional at a US-based venture capital firm, active in Tanzania's fintech ecosystem, highlighted a preference among VCs investing in Africa for start-ups registered in the United States and Mauritius.¹⁷⁵ They cited the following four reasons for this preference:

1. Lack of clarity on Tanzania's regulatory framework for start-ups and fintechs, risking their investment being unintentionally non-compliant.
2. Limited intellectual property protection meaning fintechs risk having their solutions replicated.
3. Challenges in navigating the complexity of the Tanzanian justice system particularly around the enforcement of investor rights in court.
4. Difficulties recovering dividends for international investors due to limiting foreign exchange regulations.¹⁷⁶

Tanzania's government is addressing investor concerns by establishing a fintech sandbox and drafting a start-up policy. In addition to clarifying the regulatory pathway for start-ups, the sandbox signals to investors the government's commitment to formalizing fintech policies and regulations. It also demonstrates the government's willingness to adopt a flexible approach to incorporating innovative technology-driven business models into the financial sector. The Ministry of Information, Communication and Information Technology (MIC&IT) signed an MOU with the Tanzania Start-up Association (TSA) to co-create a start-up policy that would address key questions for start-ups.¹⁷⁷ Given the constraints surrounding the management of start-up funds and facing international investors, there is an expectation for the start-up policy to tackle several key components of existing start-up funding challenges.

173 The Africa Report, [Why Is There A Slump In African Start-Up Investment?](#), 2024

174 The Citizen, [Why Tanzania is Lagging Behind in Startup Funding](#), 2023

175 UNCDF Fintech Stakeholder Interviews, 2023

176 UNCDF Fintech Stakeholder Interviews, 2023

177 Startup Act, [South Africa Progress Report](#), 2023

Investment: Enablers, Inhibitors and Recommendations

Enablers	Inhibitors	Recommendations
<p>Ease of remittance of dividend for equity investors only once a company is profitable</p> <p>Profit-making companies in Tanzania are able to remit dividends to foreign investors with no restrictions on the transfers of capital, profits derived from business activities, debt and interest on foreign loans, proceeds from investment liquidation, or any other assets of an investor.</p>	<p>1) Dividends can only be distributed outside of Tanzania once a company turns a profit</p> <p>Foreign investors are discouraged from providing equity financing to early-stage and growth fintech start-ups because dividend can only be taken out of Tanzania once the company has distributable profits, and it has declared dividends. The transfer must be done through a bank who will need to see a copy of the audited financial statements or a dividend payment notice indicating declared dividends or profit to be repatriated, a board of directors or shareholders resolution approving dividend payment, and proof of payment of all relevant taxes. Regulation 17 of the Tanzanian Foreign Exchange Regulations, 2022</p>	<p>1) Establish a trusted foreign investor program rewarding investors for long-term and reliable investment in Tanzania's private sector</p> <p>The program would identify key long-term foreign investors that have consistently invested in Tanzanian businesses and grant them a special status. The special status would enable them access benefits such as receiving dividends at the same time as local investors. This program would incentivize long-term consistent investment in Tanzanian start-ups and businesses more broadly.</p>
	<p>2) Tanzania's 'grey' risk rating by the Financial Action Task Force deters investment</p> <p>The Financial Action Task Force (FATF) conducts extensive global research and leads efforts to tackle money laundering, terrorism, and proliferation financing. The FATF's 'grey' and 'black' lists contain identify countries that the FATF considers to have serious deficiencies in their measures to combat money laundering. These lists are also used by investors to inform their decisions to invest in emerging markets. Tanzania has been included in a list of 24 'grey' rated countries, meaning that it is actively working with the FATF to address any deficiencies to counter money laundering, terrorist financing, and proliferation financing. However, countries on the 'grey list' are still under increased monitoring by the FATF as their deficiencies are not yet considered to be resolved. Tanzania's inclusion on the grey list can discourage foreign investment due to the perceived increased risk of investing in a country on the grey list.¹⁷⁸</p> <p>At least one investor who was interviewed cited the grey rating in the Mutual Evaluation Report,¹⁷⁹ as a reason for some multinational fintech companies not seeking licenses in Tanzania.</p>	<p>2) Ministry of Finance's Financial Intelligence Unit (FIU) agency should continue to implement the FATF recommendations until Tanzania is removed from the grey list</p> <p>Since the 2021 Mutual Evaluation Report was issued, Tanzania and Zanzibar have adopted a comprehensive legal framework for Money Laundering, Counter Terrorist Financing and Counter Proliferation Financing in line with FATF standards. The legal framework consists of the Anti-Money Laundering Act, Chapter 432, Revised Edition 2022 (AML Act) in Tanzania and the Zanzibari Anti-Money Laundering and Proceeds of Crime Act, 2022 (AMLPOC Act). It is expected to boost foreign investor confidence in Tanzania. The FIU should continue to implement the FATF recommendations until Tanzania gets off the grey list as Tanzania's current inclusion on the grey list may dampen foreign investor interest.</p>

¹⁷⁸ Financial Action Task Force (FATF), [Black and Grey Lists](#), 2024

¹⁷⁹ Eastern and Southern Africa Anti-Money Laundering Group, [Anti-money laundering and counter-terrorist financing measures Tanzania mutual evaluation report](#), 2021

Enablers	Inhibitors	Recommendations
<p>Liberalization of capital account restrictions</p> <p>BOT has been conducting the liberalization of foreign exchange restrictions in phases. The restrictions on outward portfolio investment were relaxed for the EAC countries then SADC countries in 2022. It is expected that they will be removed for other countries in due course. In the meantime, fintech players can seek a no objection from BOT for outward portfolio investment outside the EAC and SADC.</p>	<p>1) Tanzania's restrictions on outward portfolio investment</p> <p>Fintech investors are often interested in businesses that are highly scalable, regionally and globally. They look for scalability in the business model, and regulatory flexibility that enables regional and international growth.</p> <p>However, there are inhibitors for Tanzanian fintechs looking to grow offshore, beyond the EAC and SADC. Tanzanians are prohibited from engaging in outward portfolio investment. Outward portfolio investment is defined to include owning shares in companies outside Tanzania.</p>	<p>1) Accelerate the easing of restrictions as part of BOT's liberalization of foreign exchange exercise</p> <p>BOT should expedite its current liberalization of foreign exchange restrictions in phases. Therefore, the expectation is that these restrictions will be removed in due course. In the meantime, fintech players can seek a no objection from BOT for outward portfolio investment outside the EAC and SADC.</p>
	<p>2) Lack of limited liability registration and specific incentives for angel investors, private equity and venture capitalists focusing on fintech in Tanzania and Zanzibar</p> <p>No specific incentive packages offered to angel investors, Private Equity or Venture Capitalist. Additionally, Angel and Private Equity investors and Venture Capitalists are unable to register limited liability partnerships (LLPs) making the individual investors and founders legally liable for any losses realized by the firm. This makes Tanzania a less attractive option for investors as compared to other EAC countries like Rwanda which offers incentives specifically targeting fintech innovators and investors.</p>	

Enablers	Inhibitors	Recommendations
	<p>3) Misalignment between Tanzanian fintech investment requirements and investor preferences</p> <p>Funding remains a key challenge for Tanzanian fintech. They struggle to access loans from local banks because they face challenges furnishing the collateral to meet BOT prudential guidelines. At the same time, debt funding from foreign investors is limited. Foreign lenders are deterred from issuing loans to Tanzanian fintech due to the requirement for registration of inward foreign loans with a tenure of more than 365 days with BOT. Registration is done by the borrower's banker to obtain a debt service number which is required for the remittance of loan repayments. Furthermore, the registration process can take three to six months. BOT can also refuse to register a loan with unfair terms of trade, which includes loans with interest rates which are above the market rate for the applicable currency. Loans which require the borrower to set up an offshore account are also rejected. As registration can be done before and after disbursement, foreign investors face the risk that disbursed loans will not be repaid.</p>	<p>3) Improve the process of registration of foreign loans</p> <p>Registration of foreign loans is necessary to collect data for compiling statistics on the balance of payments and international investment position. However, it is advised that the regulations be changed to require registration before disbursement to streamline the loan disbursement process and decrease delays. The process also can be further improved through automation as is the case in South Africa. In South Africa all inward foreign loans are recorded in the Loan Management System and approved by Authorized Dealers (licensed banks) in accordance with stringent guidelines set by the Financial Surveillance Department of the South Africa Reserve Bank. Automation has made the process more efficient and removed delays.</p>

5. Cross-cutting challenges affecting the fintech enabling environment in Tanzania

The Tanzania fintech sub-sector is growing rapidly, yet four key areas present challenges to its continued growth:

(i) a lack of policies guiding the operations of startups and fintechs, (ii) high early-stage costs for establishing fintechs, (iii) dollar scarcity, and (iv) gaps in Electronic Know Your Customer (e-KYC) infrastructure.

1. Lack of policies determining the establishment and operations of fintechs and startups

While the Tanzanian fintech sub-sector is still in its early stages, its growth has outpaced current legislation. Fintech startups entering the Tanzanian market face a complex regulatory environment and some ambiguity around the steps and licenses required. Existing policies and compliance requirements do not cover the unique needs of start-ups providing digital services, especially fintechs and similar digital financial service providers. This leads to challenges in registration, compliance, and engagement with financial sector regulators.

To address this, Tanzania would benefit from developing a comprehensive Startup Act with a supporting Fintech Policy. A Startup Act could outline the registration process, key regulatory bodies, operational requirements, and tax regime applicable to start-ups. Meanwhile, a Fintech Policy would clarify the policies and regulatory requirements for various fintech segments. The Bank of Tanzania's recently launched Fintech Regulatory Sandbox marks a positive step forward. It enables the BOT to gather data on emerging fintech models, assess their interactions with existing regulatory frameworks, and respond with evidence-based policies.¹⁸⁰

2. High early-stage costs incurred by fintechs to meet tax and registration requirements

Startups in Tanzania are subject to taxes from their first year of operation, despite many requiring three to five years to achieve profitability.¹⁸¹ Taxation at the early stages of business operations poses a significant challenge for startups as they often lack the revenue to cover all operational costs needed to for growth. Moreover, some fintechs must acquire licenses misaligned with their core business, which delays market entry and increases costs. For instance, fintechs leveraging mobile network services may need a TCRA License, originally intended for telecommunication service providers.¹⁸² While partnership agreements with licensed mobile network operators can circumvent this requirement, such partnerships can be financially burdensome for resource-limited fintechs, due to associated fees and profit-sharing terms. The table below highlights some of the regulatory and tax-related inhibitors fintechs face and potential recommendations.

¹⁸⁰ Bank of Tanzania, [Fintech Regulatory Sandbox](#), 2023

¹⁸¹ Nine Two Three, [How Long Do Startups Take to Become Profitable?](#), 2024

¹⁸² TCRA, [Guidelines and Procedures for Licensing Electronic and Postal Communications in Tanzania](#), 2003

Countries like Singapore and India offer startup tax exemption schemes that provide eligible startups with initial financial relief. For Singapore, startups receive a 75 percent tax exemption on the first US\$100,00 of chargeable income, and a 50 percent exemption on the next US\$100,000 of chargeable income.¹⁸³ Singapore's approach gives start-ups the room to formally establish their operations before charging corporate income tax. Similarly, the United States offers the Federal Research & Development Tax Credit, allowing startups to deduct up to US\$250,000 per year from payroll tax provided that a business has generated revenue for less than five years and that the revenue generated has been less than US\$5 million without profits.¹⁸⁴

3. Dollar scarcity

Since mid-2023, Tanzania has experienced a dollar shortage, weakening the Tanzanian shilling and increasing import costs.¹⁸⁵ The shortage has been driven partly by the Russia-Ukraine war, which disrupted Russian oil supplies and elevated global oil prices.¹⁸⁶ As a result, Tanzania and many other African countries have faced a US dollar shortage due to the dollar's high utilization in oil importation which has led to the devaluation of local currency and increased the cost of imports.¹⁸⁷

For Tanzanian fintechs and startups with foreign investment, the dollar scarcity intensifies their debt burdens. A growing number of Tanzanian startups have received debt and equity-based foreign investment in US dollars, yet generate revenue in Tanzanian shillings. As the shilling depreciates, meeting dollar-denominated debt obligations becomes increasingly difficult, posing financial challenges for these companies.

4. Incomplete national ID uptake limiting e-KYC capabilities

The recognition of infrastructure gaps, particularly in the e-KYC domain, is a step towards addressing one of the main challenges faced by the financial sector. Expanding Tanzania's identity coverage -- which stood at around 57 percent in 2023 -- will play a key role enabling e-KYC capabilities toward increasing access to digital financial services and onboarding new clients.¹⁸⁸ Investment in this infrastructure is vital for streamlining verification processes, which can foster greater financial inclusion and expedite the delivery of financial services.

183 Inland Revenue Authority of Singapore, [Tax Exemption for New Start-up Companies](#), 2020

184 Hubspot, [A Guide to US Tax Credits for Startups](#), 2023

185 The Chanzo, [Features Tanzania Responds to the Dollar Shortage Crisis](#), 2023

186 Ibid

187 Ibid

188 FSD Tanzania, [FinScope Tanzania](#), 2023

Table 12: Cross-cutting Tax and Compliance Fintech Inhibitors and Recommendations

Cross-cutting Inhibitors	Recommendation
<p>Tax Compliance Costs</p> <p>Tanzania's current tax system is considered high by fintech founders in comparison to neighbouring countries and deters domestic and foreign investors as follows:</p> <p>(i) Corporate Tax is payable by resident investors on all taxable income (profits) which reduces the amount of dividend payable to equity investors. The current rates in Tanzania and Zanzibar are 30 percent.¹⁸⁹</p> <p>(ii) Capital gains tax (CGT) is payable by resident and non-resident investors on the net gains from the sale of securities such as equity shares, debt securities, and derivatives. The current rates in Tanzania and Zanzibar are 30 percent. This is higher than the five percent CGT charged for the transfer of shares in Kenya and Rwanda, for example. Tanzania does not provide roll-over relief or relief from CGT during business restructuring, while South Africa offers roll-over relief from the sale of shares when the gain is reinvested in the business. Similarly, Rwanda offers exemptions from CGT during corporate restructuring.</p> <p>(iii) Withholding tax applies to both Zanzibar and Tanzania. The withholding tax on dividends paid to local investors is five percent, and for non-resident investors, the rate is ten percent. Interest on loans paid to non-residents is subject to a ten percent withholding tax, and royalties on rentals for the acquisition of software under a license agreement is 15 percent for residents and ten percent for non-residents.</p> <p>(iv) Stamp Duty is a tax imposed on instruments executed in Tanzania and Zanzibar, such as transfers of equity shares, derivatives, and debt instruments. The current rate for transfers of shares of incorporated companies in Tanzania is one percent of the value of the shares approved by the Board.</p> <p>Collectively these tax structures create a costly and complex tax compliance environment, which can be difficult to navigate, especially for fintech investors navigating a dynamic regulatory environment</p>	<p>Two ways in which the tax compliance pressure could be reduced to encourage investment in fintech include:</p> <p>(i) Lower capital gains taxes for the transfer of shares to five percent to be able to compete with other EAC countries.</p> <p>(ii) Provide fiscal incentives for investors who invest in fintech. Incentives should be granted to institutional investors, credit guarantee schemes, angel investment funds and impact investors offering funding to fintech innovators or credit enhancers to lenders who are lending to fintech. The fiscal incentives could be in the form of preferential withholding taxes on interest on foreign loans to reduce the cost of borrowing for fintech founders and investors, preferential withholding taxes on dividends to increase the profit margin for investors and preferential corporate taxes or tax holidays for other investors.</p>

189 PWC, [Corporate - Taxes on Corporate Income](#), 2024

Cross-cutting Inhibitors	Recommendation									
<p data-bbox="233 275 568 297">Merger Notification Requirements</p> <p data-bbox="233 338 847 488">Tanzania and Zanzibar’s merger notification and clearance threshold is very low in comparison to other African countries with active fintech ecosystems such as South Africa. Moreover, the cost of filing merger notifications is high, ranging from US\$10,000 to US\$40,000.</p> <p data-bbox="233 528 871 775">In Tanzania and Zanzibar investors are obliged to notify and get clearance from the Fair Competition Commission (FCC) and the Zanzibar Fair Competition Commission before implementing any acquisition of shares, a business, or an asset between qualifying parties above the notification threshold. Merger notifications are important for preventing the development non-competitive business environments such the creation of monopolies and oligopolies.</p> <p data-bbox="233 815 855 965">Most countries have a merger notification requirement as a means of assessing mergers to ensure they do not jeopardize competition in the relevant market. In fact, all investors who were interviewed were willing to file the notification. However, investors are concerned about the following:</p> <p data-bbox="233 1005 871 1155">Notification threshold of combined assets or turnover of the target and acquirer of TSh3.5 billion (US\$1,404,348) in Tanzania and TSh500 million (US\$200,642) in Zanzibar were perceived as being too low, compared to South Africa. The table below shows the thresholds in South Africa.</p> <table border="1" data-bbox="236 1196 778 1402"> <thead> <tr> <th>Thresholds</th> <th>Combined turnover or asset value</th> <th>Target turnover / Asset value</th> </tr> </thead> <tbody> <tr> <td>Lower</td> <td>ZAR600 million (US\$31,870,817)</td> <td>ZAR100 million (US\$ 5,311,803)</td> </tr> <tr> <td>Higher</td> <td>ZAR6.6 billion (US\$ 350,578,987)</td> <td>ZAR190 million (US\$10,092,425)</td> </tr> </tbody> </table> <p data-bbox="233 1442 871 1525">There are no exemptions under Tanzanian law for mergers which have been notified in other EAC countries forcing investors to file multiple applications.</p> <p data-bbox="233 1565 847 1621">There are no exemptions for banks and other regulated institutions.</p> <p data-bbox="233 1662 855 1783">Filing fees ranging from TSh25 million (US\$10,032) to TSh100 million (US\$40,128) in Tanzania which are high and don’t factor the ticket size. This reduces the attractiveness of investments of less than US\$1 million to investors.</p>	Thresholds	Combined turnover or asset value	Target turnover / Asset value	Lower	ZAR600 million (US\$31,870,817)	ZAR100 million (US\$ 5,311,803)	Higher	ZAR6.6 billion (US\$ 350,578,987)	ZAR190 million (US\$10,092,425)	<p data-bbox="895 275 1342 358">Increase the merger notification threshold to reflect the present state of the economy as well as to align with the EAC countries.</p> <p data-bbox="895 398 1350 481">Exempt merger notifications when a notification has already been submitted to the East African Community Competition Commission.</p> <p data-bbox="895 521 1342 806">Exempt regulated entities from the merger notification requirement. In Egypt, banks regulated by the Central Bank of Egypt and financial institutions regulated by the Financial Regulatory Authority (FRA) are required to seek prior approval for the mergers from their respective regulators who consult with the Egyptian Competition Authority (ECA) before clearing the merger.</p> <p data-bbox="895 846 1318 902">Reduce the merger notification application fees.</p>
Thresholds	Combined turnover or asset value	Target turnover / Asset value								
Lower	ZAR600 million (US\$31,870,817)	ZAR100 million (US\$ 5,311,803)								
Higher	ZAR6.6 billion (US\$ 350,578,987)	ZAR190 million (US\$10,092,425)								

Cross-cutting Inhibitors	Recommendation
<p>Costly data localization requirements for payment service providers in Tanzania: Regulation 42 of the Payment (Licensing and Approval) Regulations 2015 mandates that payment service providers locate their primary data centres within Tanzania. This regulation prevents fintech and digital commerce businesses from reducing costs through shared data infrastructure with their group companies. Instead, their options are limited to establishing standalone data centres in Tanzania or renting space in existing data centres. Creating a standalone data centre is expensive. Also, the capacity of existing data centres in Tanzania often fails to meet the high demand from financial institutions, including fintech companies, making this a challenging requirement to fulfil.</p>	<p>Expand data centre locations for Tanzania licensees: Tanzania could revise its regulations to permit financial service licensee to use data centres located in EAC and SADC countries. This change would only apply to data centres that comply with the standards and guidelines in the AU Data Policy Framework. Such a policy adjustment would facilitate greater flexibility and efficiency in data management for Tanzanian companies. Once successfully implemented with the EAC and SADC regions, this policy could potentially be expanded to include other African states, further enhancing regional integration and cooperation in digital services and reduce data centre costs by increasing location choice for Tanzanian licensees.</p>
<p>Restrictions on cloud computing for financial services in Tanzania: In December 2023, the Cloud Computing Guidelines were introduced, affecting all financial service providers licensed by BOT that utilize cloud computing. These guidelines mandate that "mission critical systems"- defined as any IT component crucial to business operations, whether software, hardware, database, process, application, etc.- must be hosted within Tanzania. This includes data centres for such systems. As result, these guidelines prevent the hosting of essential financial systems and their data centres on international cloud servers typically operated by third parties. Consequently, fintech companies are compelled to invest additional resources into local IT infrastructure for services that could otherwise be outsourced, increasing operational costs.</p>	<p>Allow cloud computing for critical systems with robust local business recovery plans: Encourage the use of cloud computing for mission-critical systems by revising current restrictions. This approach could include a stipulation that all financial service providers using cloud solutions must implement comprehensive business recovery plans. These plans would ensure that operations can be rapidly restored without loss of data or functionality in the event of a system outage or other disruptions. By adopting this policy, regulators can enhance the flexibility and efficiency of financial services while maintaining system integrity and resilience.</p>

6. Cross-cutting recommendations to strengthen the fintech ecosystem

Tanzania's five fintech segments, e-commerce businesses, and start-up investors face unique challenges. However, there are cross-cutting challenges that affect all players within Tanzania's fintech sub-sector and broader innovation ecosystem. The following recommendations aim to address these challenges to strengthen the fintech sub-sector and drive growth in Tanzania's startup and innovation ecosystem.

1. Introduce a national startup act and fintech guidelines

A national startup act and fintech guidelines would play a vital role in improving the fintech policy and regulatory environment. The national startup act could introduce tax incentives, intellectual property support and protections, guidelines for startups in key sectors like fintech, and clear exit strategies for founders and investors. Tax incentives and exemptions would foster startup growth, giving companies the space to fully establish operations and reach profitability before corporate income taxes are applied. Robust intellectual protection rights and resources specifically for startups would build confidence among founders and investors, offering assurance of regulatory protections for business activities in Tanzania. Lastly, defining a clear and efficient exit strategy for founders and investors in the event of business insolvency would encourage new ventures, offering founders and investors a clear and simple process for winding down operations if necessary. India's startup act and supporting startup kit, which covers each of these areas, serve as strong examples of how startup policies can help build confidence in the innovation ecosystem and drive growth.¹⁹⁰

2. Grow and expand local sources of investment

Tanzania's fintech subsector needs investment to fuel growth, and crowding-in both local and foreign capital is crucial. The government of Tanzania has taken proactive steps to explore the creation of a National Venture Capital firm, which would serve as a vital source of local investment. A thriving fintech and startup ecosystem also needs an active investor community; thus, Tanzania can encourage foreign venture capital and private equity participation and support local investor networks by strengthening investor confidence. This can be achieved by:

- Allowing venture capital and private equity firms to access limited liability status.
- Including local investment vehicles and accelerators in the National Venture Capital Scheme by taking a fund-of-funds approach.
- Guaranteeing investments made by local venture capitalists and angel investors for a set period to build experience within Tanzania's investor community.

¹⁹⁰ Department of industrial Policy and Promotion Govt. of India, [Startup India Kit](#), 2019

3. Encourage National ID uptake, especially in rural communities

Expanding Tanzania's National ID coverage will broaden the customer base that fintechs can serve, which can promote financial inclusion. National IDs enable customers to meet the financial sector's Know-Your-Customer requirements for activities such as mobile network and mobile money registration, bank account opening, SACCOs participation, and other formal financial activities. Currently, 57 percent of Tanzanians hold a national ID, indicating that nearly half of the country cannot meet e-KYC requirements.¹⁹¹

The government can encourage National ID uptake, especially in rural communities, to increase financial inclusion and expand the customer pool that fintechs can serve. Assessing and addressing current barriers to national ID uptake could help reach the remaining 43 percent of Tanzanians in need of national identification.¹⁹²

4. Develop a robust pipeline of skilled labour

Tanzania can strengthen its pipeline of skilled labour by enhancing Technical and Vocational Education institutions, building a robust apprenticeship model, and aligning adult education programs with national skills needs. In the 2020 Tanzania Enterprise Survey, 40 percent of firms cited an "inadequately educated workforce" as a significant constraint.¹⁹³ Tanzania's skills shortage has been identified in the following key areas:¹⁹⁴

- Trades, especially mechanics, electricians, and welders.
- Engineering, particularly civil, mechanical, and electrical engineering.
- ICT, including software developers, network administrators and cybersecurity experts.
- Healthcare professionals such as doctors and nurses.

The shortage of ICT skills is particularly relevant to fintechs and digital financial service providers. Tanzania's Ministry of Education and private sector entities could collaborate to identify the skills required in the innovation ecosystem, using these insights to shape TVET curricula that equip students with the skills needed by the private sector. Moreover, public and private sector stakeholders can work together to develop apprenticeships that provide young Tanzanians with practical experience and essential skills, thus improving the pipeline of skilled labour.

191 FSD Tanzania, [FinScope Tanzania](#), 2023

192 Ibid

193 National Council for Technical Education, [Mapping Skills Gap and Skills Needs for Technician Graduates in the Selected Economic Sectors for Industrial Growth in Tanzania](#), 2020

194 SOAS Consortium: Anti-Corruption Evidence, [Skills in Tanzania](#), 2019

7. Conclusion

The fintech sub-sector in Tanzania is at a pivotal moment, with its growth potential closely tied to the evolution of its policy and regulatory framework.

While significant progress has been made in fostering an innovation-friendly environment, the landscape still presents challenges that require ongoing attention from both regulators and industry stakeholders.

The rapid expansion of fintech in Tanzania has outpaced existing regulatory frameworks, making it difficult for traditional financial regulations to adequately address the unique needs and risks associated with digital financial services. The introduction of BoT's Fintech Regulatory Sandbox and new guidelines for entities such as venture capital firms, digital payment providers, and microfinance service providers demonstrate a proactive effort by regulators to address these gaps. However, more can be done to ensure that regulations encourage innovation and provide robust consumer protection and market stability.

The development of fintech-specific regulations, including those governing digital savings, lending, insurance, e-commerce, and investments, will be crucial in creating a more inclusive and secure financial ecosystem. Key steps could include developing a National Start-up Policy and a Fintech Regulation Guideline to clarify and streamline the regulatory process for tech start-ups and to establish financial regulations for the six major fintech segments. Additionally, establishing clear guidelines for emerging areas like ID technology and Digital Public Infrastructure will be essential to sustaining fintech growth while mitigating related risks.

As Tanzania positions itself as a future fintech innovation hub in East Africa, collaboration between regulators, fintech, and other stakeholders will be key. By addressing existing regulatory gaps and fostering an enabling environment, Tanzania can enhance financial inclusion and drive broader economic growth and development.

This report has outlined the current state of fintech policy and regulation in Tanzania, offering insights into the challenges and opportunities ahead. Future assessments should further explore specific regulatory issues and the impact of new policies on the fintech sub-sector, ensuring that Tanzania fully harnesses the potential of this transformative industry.

Annex

Annex I: Laws and policies regulating fintech in Tanzania¹⁹⁵

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¹⁹⁵ ABC Attorneys, [Legal and Regulatory Landscape for Fintechs in Tanzania](#), 2023

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About the Digital4Tanzania (D4T) Programme

Launched in March 2022, the Digital4Tanzania (D4T) Programme is a flagship initiative of the European Union (EU) supporting Tanzania's journey towards a more inclusive and dynamic digital economy. With a budget of EUR 35 million, the programme seeks to harness the transformative power of digitalisation to boost inclusive economic growth and citizen well. D4T's specific objectives include:

1. Digital government: Strengthening the digital economy and expanding the use of e-government platforms and digital public services.
2. Inclusive connectivity: Increasing affordable and equitable digital connectivity in rural and peri-urban areas, to enhance access to essential social services.
3. Digital trade support: Promoting the growth of the fintech sector and innovation ecosystems in the country and the region.

The programme is jointly implemented by The Ministry of Communication and Information Technology (MCIT), EU Member States and the UN Capital Development Fund (UNCDF).

About the Tanzania Inclusive Digital Economy (D4T-TIDE) project

The Tanzania Inclusive Digital Economy (D4T-TIDE) project, implemented by UNCDF with funding from the European Union under the D4T Programme, was launched in September 2022 as a four-year initiative to accelerate the adoption of digital financial services. D4T-TIDE aims to create an enabling environment where digital innovation can thrive by supporting entrepreneurs, fintechs and service providers to expand access to inclusive digital financial solutions. The project contributes directly to Tanzania's Digital Economy Strategic Framework, and to regulatory frameworks that promote innovation and interoperability. Through its interventions, D4T-TIDE supports small digital financial service providers to integrate into the Tanzania Instant Payment System (TIPS) and champions inclusive innovation, ensuring that the benefits of the digital transformation reach women, youth and underserved communities so that no one is left behind in Tanzania's digital future.



About the United Nations Capital Development Fund

United Nations Capital Development Fund (UNCDF) mobilizes and catalyses an increase in capital flows for impactful investments in high-risk markets, especially in Least Developed Countries, Small Island Developing States and countries in special situations. By crowding in capital through the deployment of risk-absorbing financial instruments, mechanisms and structuring advisory, UNCDF contributes to job creation, sustained economic growth and equitable prosperity in more than 70 countries.

In partnership with UN entities and development partners, UNCDF operates with speed and agility to deliver scalable, blended finance solutions to drive systemic change and pave the way for commercial finance and scale up by development finance institutions and multilateral development banks.

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