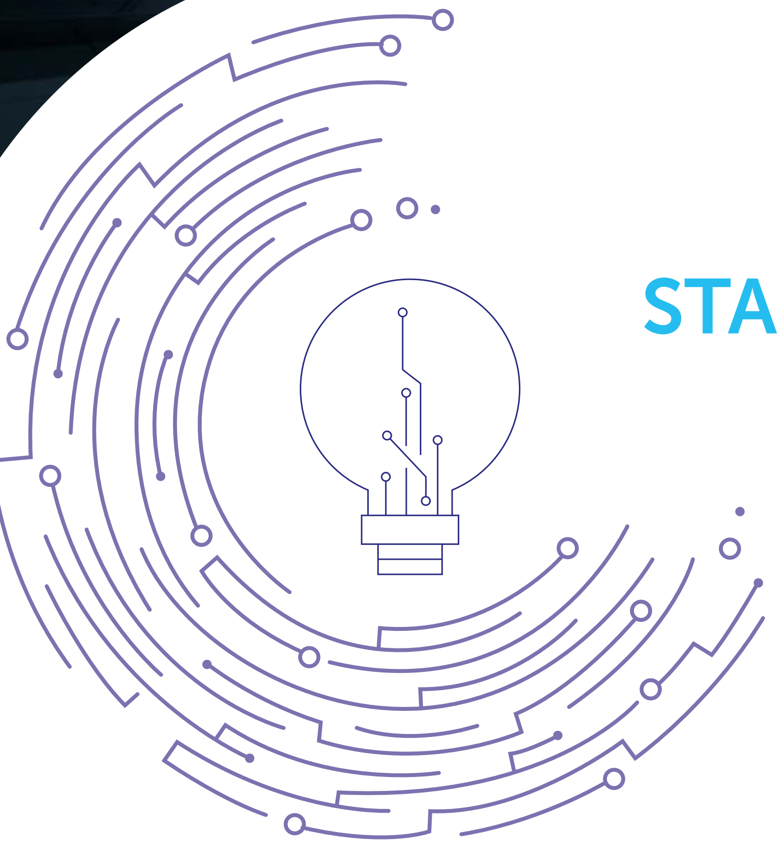
Unlocking Public and Private Finance for the Poor



UNCDF Tanzania

THE FINTECH START-UP LANDSCAPE IN TANZANIA

RESULTS OF A UN CAPITAL DEVELOPMENT FUND STUDY TO IDENTIFY THE CURRENT STATE OF THE FINTECH START-UP LANDSCAPE, ITS CHALLENGES AND OPPORTUNITIES FOR GROWTH

March 2021

LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The United Nations Capital Development Fund (UNCDF) strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital financial inclusion in Africa, Asia and the Pacific. UNCDF leverages digital finance in support of the Sustainable Development Goals (SDGs) to achieve the vision of promoting digital economies that leave no one behind. The goal of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. To achieve this vision, UNCDF uses a market development approach and continuously seeks to address underlying market dysfunctions that exclude people living in the last mile.

ABOUT THE UN CAPITAL DEVELOPMENT FUND

UNCDF makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). It offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connect individuals, households and small businesses with financial ecosystems that catalyse participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking and capital deployment to drive SDG impact and domestic resource mobilization.

THE UNCDF TEAM

To develop this report, the UNCDF team collected the views of Tanzanian fintech stakeholders. The content of this report is based on information collected between September and December 2020. The members of the UNCDF team are:

- Uloma Ogba, Financial Inclusion and Gender Consultant;
- Ivana Damjanov, Country Lead, Tanzania and Rwanda, Inclusive Digital Economies;
- Aneth Kasebele, DFS Policy Consultant; and
- Paul Damocha, DFS Specialist.

The UNCDF team would also like to acknowledge the contribution of Mike McCaffrey (UNCDF) and Martin Warioba (Fundi247) who reviewed the report as well as all stakeholders who participated in the study and in the validation workshop that UNCDF organized jointly with Sahara Ventures and the Tanzania Information and Communication Technology (ICT) Commission in November 2020.

March 2021

Coverphoto by Verne Ho on Unsplash

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Abbreviations and acronyms	
e-	Electronic
Fintech	Financial technology
ICT	Information and communication technology
TZS	Tanzanian shillings*
TCRA	Tanzania Communications Regulatory Authority
UNCDF	United Nations Capital Development Fund
US$	United States dollars*

****Conversion rate***: US$1 = TZS2,312. ***Source***: https://treasury.un.org/operationalrates/OperationalRates.php#T, 1 February 2021. This report uses this rate wherever it provides US dollar equivalents for Tanzanian shillings.

EXECUTIVE SUMMARY

Currently, information on financial technology (fintech) start-ups in Tanzania—defined as new entrants to the financial services industry that use technology to enhance or automate financial services and processes—is fragmented. The findings from this fintech landscape analysis are the first steps towards developing a centralized repository of information regarding fintech start-ups operating in Tanzania to assess their capacity and needs and identify appropriate areas for collaboration between UNCDF team members and key industry stakeholders to promote innovation in Tanzania.

Based on information gathered during the assessment and received from various stakeholders, UNCDF identified 33 fintech start-ups currently operating in Tanzania. However, this number reported may change as new information on the sector becomes available. While the majority of fintech start-ups are involved in lending/financing and payments/remittances, some are branching out into other sectors, including savings, personal finance, investments and insurance, as providers look to develop products and services that tap into the needs of the growing middle class and the informal working class.

Access to funding remains a key challenge limiting the growth of fintech start-ups in Tanzania. Thirty-six percent have secured seed funding or growth financing, while 35 percent rely on bootstrapping funds from family and friends to support early-stage operations.[1]

In line with its new digital strategy, 'Leaving no one behind in the digital era',[2] UNCDF intends to leverage the findings from the landscape analysis, validated by key industry stakeholders, to identify and support innovative approaches to accelerate the growth of the emerging fintech ecosystem in Tanzania.

The UNCDF team applied the Ernst & Young fintech ecosystem framework,[3] evaluating the current and projected trends in four core ecosystem attributes: (1) availability of talent; (2) demand for products and services; (3) availability of capital for start-ups and innovators; and (4) government policies and regulations on innovation.

Table 1 summarizes the key findings of the UNCDF landscape analysis of the Tanzanian fintech ecosystem. They are categorized by the four ecosystem attributes: talent, demand, capital, and policy and regulation. The findings are followed by key recommendations that emerged from the discussions with the fintech companies interviewed and stakeholders present at the validation workshop.

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[1] Bootstrapping is building a company from personal finances or operating revenues of the new company.
[2] UNCDF, 'Leaving No One Behind in the Digital Era', New York, 2020, https://www.uncdf.org/article/4931/global-strategy-leaving-no-one-behind-in-the-digital-era.
[3] EYGM Limited, 'FinTechs in Sub-Saharan Africa: An overview of market developments and investment opportunities', London, 2019, https://hollandfintech.com/wp-content/uploads/2019/02/ey-fin-tech-market-opportunities-2019.pdf.

Table 1. Key findings and recommendations regarding the fintech ecosystem in Tanzania

	Enablers	Inhibitors	Recommendations
Talent	• Some founders have worked previously with mobile network operators and banks. Some founders have also passed through the various start-up accelerators and hubs. Combined, this exposure facilitates connections and potential partnerships that may attract the talent fintech start-ups need during the initial stages of operation. • A small, close-knit community offers rich networking opportunities to facilitate fintech start-up staffing needs.	• There is limited availability of skilled local talent. Where available, such talent tends to be expensive, and some do not see the benefit of compensation in the form of equity during the earlier stages of the fintech's development. • There is limited availability of mentors with practical start-up experience to guide fintech founders. • Most fintech start-ups in early stages of development are heavily reliant on the founder.	• Ecosystem facilitators need to rethink the support provided to fintech start-ups, including inviting experienced mentors from the region to mentor fintech founders. • Support the establishment of a publicly funded, private sector-led initiative targeting fintech start-ups through existing accelerators and hubs.
Demand	• In 2014, Tanzania became the first African country to introduce mobile money interoperability; this has increased usage of digital financial services. • With 63 percent of the adult Tanzanian population owning a mobile phone and 39 percent having a mobile money account, there is a nascent but growing opportunity for digital financial services.	• There is a lack of diversity in terms of products and services offered, resulting in a concentration in some segments and unmet demand in others. • Lengthy and complex processes limit the ability of fintech start-ups to effectively integrate with large corporations and well-established players in the financial sector. • A lack of openness between fintech start-ups and the corporates, for fear that innovative ideas could be co-opted, limits the number of partnerships in the sector and the speed at which these partnerships gain traction. • There are low levels of financial literacy among mobile phone users, which affects the ability of fintech start-ups to reach scale.	• Facilitate increased linkages between fintechs and large institutions, including financial service providers. This will support fintechs to leverage partner resources to test and refine products to ensure market fit. Launching products with the right market fit could prove to be a win–win strategy for both the fintechs and their partners, leading to increased customer acquisition and increased revenue.
Capital	• There is a growing pool of Tanzania-based investment actors, including individuals and companies, looking to provide seed and early-stage funding to fintech start-ups across specific sectors.	• There is a lack of patient capital—i.e. long-term capital defined by the investor's willingness to forgo immediate returns and/or exercise some level of flexibility with the expectation of more substantial returns in the future. • Potential foreign investors are not knowledgeable about the fintech sector, partly due to the fragmented and limited availability of information on the sector in Tanzania. • The fragmented funding ecosystem requires start-ups to invest significant time and resources upfront to attract funding of smaller amounts than counterparts in the region. • There is a missing middle when it comes to financing start-ups in the early stages of development.	• Maintain an up-to-date and easily accessible database of fintech start-ups, to identify funding gaps and opportunities. • Launch a local innovation fund targeting fintech start-ups. • Support start-ups to improve their communication and presentation skills to pitch to investors. • Support start-ups to consolidate their market position and collective bargaining power with the regulators, large corporates etc.
Policy and regulation	• The legal and regulatory frameworks governing innovation are evolving to keep up with the increasing pace of innovation in Tanzania. • The government has adopted a measured approach to innovation, preferring to wait and see what has worked in other markets before adopting new regulation or adapting existing regulation on innovation.	• There is limited direct engagement between fintech start-ups and relevant regulators to ensure that the needs of start-ups are adequately considered as regulation around innovation evolves. • Some founders perceive the taxes levied on start-ups as a deterrent to entering the fintech space.	• Increase coordination and cooperation between regulators. • Facilitate dialogues between the regulators and the fintech start-ups.

INTRODUCTION

State of the fintech landscape in sub-Saharan Africa

Innovation in financial technology—referred to as 'fintech'—is rapidly disrupting the financial services landscape and filling the gaps left by banks. While there is no single definition for fintech, the working definition adopted by the Financial Stability Board defines it as "**technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services**". Fintech business models and services are being driven by innovations in technology such as distributed computing, artificial intelligence, big data, cryptography, smart contracts, and mobile internet access.

Between 2007 and 2018, the number of active fintech companies operating in sub-Saharan Africa increased almost tenfold from 30 to 262.[4] Much of the attention directed to fintech is related to the way in which innovation in the financial sector could lead to increased access and better services, while fostering economic growth and development. Fintech has the potential to strengthen and accelerate important gains in financial development achieved in sub-Saharan Africa over the past two decades, including financial liberalization.[5]

While acknowledging the large potential gains from fintech, there are concerns about new vulnerabilities that these technologies and business models may bring as new competitors and disruptors without previous experience in the industry increasingly seek to provide innovative financial services. For instance, while blockchain-based technology promises to enhance trust in economic exchanges, it creates new types of risks that are not yet well understood or addressed by existing regulations. As such, it is necessary to balance the trade-off between the potential benefits of fintech and the added risks it generates.[6]

Background: Fintech in Tanzania

The fintech ecosystem in Tanzania has developed rapidly in the last 10 years. Ecosystem facilitators, including incubators, accelerators and hubs, are forging a close-knit fintech community where ideas are developed, tested and refined, and transformed into start-ups. As a result, numerous fintech start-ups have entered the market, offering a wider range of services to financial institutions, individuals and other business customers. While many start-ups are struggling to scale up, and some are pivoting into other businesses, more are looking to enter the market.

Initially, fintech services were limited to airtime purchase, money transfer, and cash deposit and withdrawal. Currently fintech providers in Tanzania offer a wide range of services, including remittances, digital savings, digital lending and microinsurance, which leverage data and financial technologies.[7]

The change in the fintech start-up landscape is positively correlated with regulatory reforms in the payment sector and the launch of government policies and initiatives focusing on information and communication technology (ICT). For instance, in 2015, the government established the Information and Communications Technologies Commission (ICT Commission), which is mandated with coordinating and facilitating the implementation of national ICT initiatives.[8] The government also entered into a memorandum of understanding with ecosystem facilitator Financial Sector Deepening Trust (FSDT), under which FSDT can provide financial and technical support to the financial sector, while the government provides support to the sector through legal and regulatory frameworks.[9]

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[4] EYGM Limited, 'FinTechs in sub-Saharan Africa: An overview of market developments and investment opportunities', London, 2019, https://hollandfintech.com/wp-content/uploads/2019/02/ey-fin-tech-market-opportunities-2019.pdf.

[5] A.N. Sy, R. Maino, A. Massara, H. Perez-Saiz and P. Sharma, 'Fintech in sub-Saharan African countries: A game changer', International Monetary Fund, Washington, DC, 2019, https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/02/13/FinTech-in-Sub-Saharan-African-Countries-A-Game-Changer-46376.

[6] Ibid.

[7] Asoko Insight, 'Tanzania's Leading Fintech', London and Nairobi, 2019, https://www.asokoinsight.com/content/quick-insights/tanzania-fintech.

[8] The United Republic of Tanzania Information and Communication Technologies Commission, 'About us', https://www.ictc.go.tz/index.php/about-us/2.

[9] Africa Legal Network, 'Encouraging fintech innovation in Tanzania', *Legal Notes* 17(1), 2018, https://www.africalegalnetwork.com/feature-article-encouraging-fintech-innovation-in-tanzania/.

Table 2. Regulatory bodies involved in digital financial services in Tanzania

Table 2 provides a high-level summary of the roles and responsibilities of the government bodies involved in regulating digital financial services in Tanzania.

BANK OF TANZANIA	The Bank of Tanzania (BOT) is responsible for the licensing, regulation and supervision of all banks and some non-bank financial institutions (e.g. microfinance institutions) operating in Tanzania.[10] Its primary objective is to formulate, define and implement monetary policy to achieve the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy. Other functions include: • Issuance of currency • Regulating and supervising commercial banks and financial institutions, including mortgage financing, development financing and lease financing • Regulation, monitoring and supervision of payment, clearing and settlement systems • Acting as the guardian of the country's reserves • Acting as the government's bank and the bankers' bank • Advising the government on economic and financial matters.
TANZANIA INSURANCE REGULATORY AUTHORITY	The Tanzania Insurance Regulatory Authority (TIRA) regulates the insurance industry.[11] Specifically, it is responsible for: • Registering insurance agents, assessors and loss surveyors, insurance brokers, insurance companies and reinsurance companies • Inspecting all insurance players • Handling insurance complaints from the public • Creating insurance awareness among the public.
SOCIAL SECURITY REGULATORY AUTHORITY	The Social Security Regulatory Authority (SSRA) regulates social security funds and pension schemes. Its supervisory functions are to: • Register, adopt and promulgate broad guidelines applicable to all managers, custodians and social security schemes • Regulate and supervise the performance of all managers, custodians and social security schemes • Protect and safeguard the interests of members • Register, regulate and supervise administrators • Advise the Minister of Labour, Youth and Employment on policy matters relating to the social security sector • Monitor and review regularly the performance of the social security sector.
CAPITAL MARKETS AND SECURITY AUTHORITY	The Capital Markets and Security Authority (CMSA) is responsible for the promotion, development and regulation of capital markets and securities in Tanzania.[12] It has the following functions, duties and powers: • Promote and develop efficient and sustainable capital markets and securities business in Tanzania while ensuring fair and equitable dealings • Formulate principles for the guidance of the industry protection of investors' interests and integrity of the securities market against any abuses • Licensing and regulating stock exchanges, dealers, brokers and their representatives and investment advisors • Advising the government on policies and all matters relating to the securities industry • Creating the necessary environment for the orderly growth and development of the capital market.
TANZANIA COMMUNICATIONS REGULATORY AUTHORITY	The Tanzania Communication Regulatory Authority (TCRA) regulates telecommunications, broadcasting and postal services to provide for the allocation and management of the radio spectrum, covering electronic technologies and other information and communication technology (ICT) applications in Tanzania.[13] Specifically, it is responsible for: • Issuing, renewing and cancelling licences of operators • Establishing standards for regulated goods and services of operators • Establishing standards for the terms and conditions of supply of the regulated goods and services of operators • Regulating rates and charges of operators • Monitoring the performance of the regulated sectors • Facilitating the resolution of complaints and disputes between operator and operator, and consumer and operator • Disseminating information about matters relevant to the functions of the TCRA. As per the National Payments Systems Act of 2015[14] and mobile money regulations, mobile money providers are regulated by the Bank of Tanzania, and not the TCRA. For example, Vodacom (a telecommunications provider) is regulated by the TCRA, but M-Pesa Limited (the mobile money service linked to Vodacom) is regulated by the Bank of Tanzania.

[10] Bank of Tanzania, 'Mandate', https://www.bot.go.tz/Home/Mandate.
[11] Tanzania Insurance Regulatory Authority, 'Functions', https://www.tira.go.tz/functions.
[12] Capital Markets and Security Authority, 'Capital Markets and Security Authority', Dar es Salaam, https://www.cmsa.go.tz/uploads/publications/en-1580904580-2.%20B1%20CMSA%20English.pdf.
[13] Tanzania Communication Regulatory Authority, 'Know your Rights: Rights & obligations of consumers of communication services', Dar es Salaam, 2003, https://www.tcra.go.tz/document/Consumer%20Rights.
[14] United Republic of Tanzania, 'The National Payment Systems Act', 22 May 2015, Dar es Salaam, 'https://www.bot.go.tz/Publications/Acts,%20Regulations,%20Circulars,%20Guidelines/Acts/en/2020030902433783.pdf.

Survey and methodology

Information on fintech start-ups operating in Tanzania is fragmented, making it challenging for market actors to make relevant and informed decisions regarding the industry. In May 2020 a team at UNCDF, in consultation with the start-up accelerator Sahara Ventures and the ICT Commission, agreed to conduct a fintech landscape survey to gain a better understanding of the challenges facing the scale-up of fintech and develop a centralized repository of information regarding fintech start-ups operating in Tanzania.

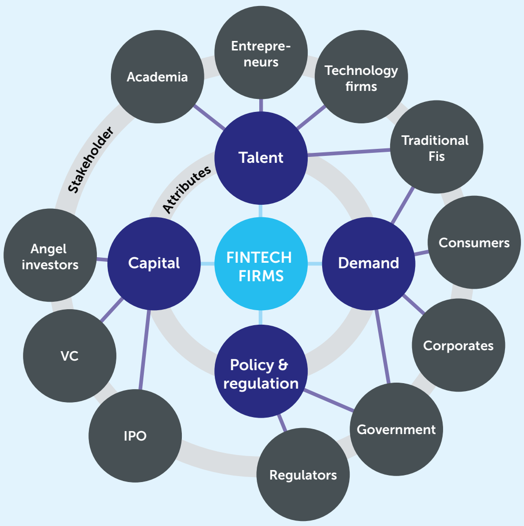
The objective of this landscape analysis was to assess:
- the number of fintech start-ups operating in Tanzania and the current stage of their operations;
- the types of fintech solutions offered;
- capacity needs and challenges of fintech start-ups; and
- fintech start-ups' level of engagement with regulatory bodies.

The information gained was intended to provide insights to the key actors responsible for implementing activities to support fintech companies, to promote innovations that improve access to and the adoption and usage of financial products and services in the country.

The findings in the report are a combination of desk research and semi-structured interviews conducted between September and December 2020. Through the partnership with Sahara Ventures, the team initially reached out to various start-up hubs and accelerators to obtain contact information on tech start-ups. The team then conducted desk research to identify companies that potentially fit the fintech start-up classification. The team conducted in-person and virtual interviews with all the start-ups identified. Additionally, desk research was used to gather information on companies that were not available for in-person interviews and to verify information provided by companies during the interviews. The team interviewed founders and staff of 26 fintech start-up companies, ecosystem facilitators, start-up accelerators, financial service providers and regulators (see Annex A for a list of stakeholders interviewed). For the semi-structured interviews, the team followed the Ernst & Young fintech ecosystem framework,[15] evaluating the current and projected trends in four key ecosystem attributes (see Figure 1):

- **TALENT:** Availability of talent in the areas of technology, finance and entrepreneurship
- **DEMAND:** Demand across a wide range of consumers, corporates, financial institutions and other organizations
- **CAPITAL:** Availability of financial resources for start-ups and innovators
- **POLICY AND REGULATION:** Government policies and regulations on innovation.

Figure 1. The fintech ecosystem



Source: Based on EYGM Limited, 'FinTech's in Sub-Saharan Africa: An overview of market developments and investment opportunities', London, 2019, figure 5, page 8.
Note: FI = financial institution; IPO = initial public offering; VC = venture capitalist.

Data limitations

To identify as many fintech start-ups as possible, the UNCDF team asked the start-ups interviewed to suggest other companies working in the space. Following this approach, the team found 33 fintech start-ups currently operating in Tanzania. However, it is possible that this number may change as additional start-ups are identified over time.

[15] EYGM Limited, 'FinTechs in Sub-Saharan Africa'.

TANZANIA OVERVIEW

General statistics about Tanzania

Demography

(United Nations Population Statistics 2019)

59 m Total population

Adult population (15+ years) **55.2%**

Rural/urban: 64%/36%

Male/Female: 50%/50%

Financial inclusion[16]

- Financial inclusion: **72%** (Finscope)[17]
- Adults with a bank account: **16.7%** (Finscope)
- Adults using other formal financial services: **48.6%** (Finscope)
- Adults using informal financial services: **6.7%** (Finscope)
- Adult Tanzanians who live within a 5km radius of a formal financial access point: **86%** (Finscope)
- Account at a financial institution: **21%** (findex[18])
- Debit card ownership: **13%** (findex) Credit card ownership: **1%** (findex)
- Used a mobile phone or the Internet to access a financial institution account in the past year: **7%** (findex)
- Made or received digital payments in the past year: **43%** (findex)
- Mobile money account: **39%** (findex)

Other technology indicators

- Mobile phone ownership: **63%** (finscope)
- Smart phone ownership: **13%**[19]
- Access to electricity: **35.6%**[20]
- Internet penetration: **46%**[21]

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[16] FinScope's definition of financial inclusion includes individuals 16 years or older who have or use financial products and services (formal and informal) to manage their financial lives.

[17] FinScope Tanzania 2017, 'Insights that Drive Innovation', Dar es Salaam, 2017, https://www.fsdt.or.tz/wp-content/uploads/2017/09/Finscope.pdf.

[18] World Bank, 'The 2017 Global Findex database', https://globalfindex.worldbank.org/.

[19] Laura Silver and Courtney Johnson, 'Majorities in sub-Saharan Africa own mobile phones, but smartphone adoption is modest', Pew Research Center, Washington, DC, 2018, https://www.pewresearch.org/global/2018/10/09/majorities-in-sub-saharan-africa-own-mobile-phones-but-smartphone-adoption-is-modest/.

[20] Trading Economics, 'Tanzania - Access To Electricity (% Of Population)', March 2021, https://tradingeconomics.com/tanzania/access-to-electricity-percent-of-population-wb-data.html#:~:text=Access%20to%20electricity%20(%25%20of%20population)%20in%20Tanzania%20was%20reported,compiled%20from%20officially%20recognized%20sources.

[21] https://www.statista.com/statistics/1082352/tanzania-voice-telecom-and-internet-penetration/.

FINDINGS

Fintech start-ups in Tanzania are increasingly entering the digital financial services landscape as payment aggregators with infrastructure that supports card-based and mobile payments. They are offering competitive services, including bill payments, merchant payments, microloans and mobile insurance.[22]

The number of fintech start-ups

In the context of this analysis, a fintech start-up is defined as a new entrant to the financial services industry that uses technology to enhance or automate financial services and processes. This definition **excludes** the following:

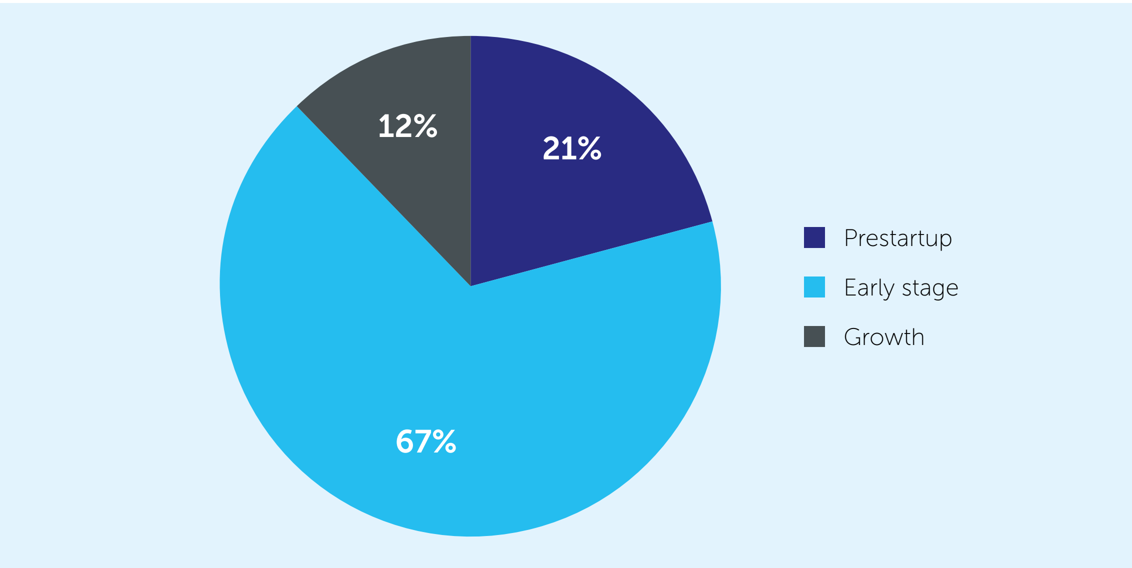
- Telecommunication companies that provide mobile money wallets, such as Airtel, Tigo and Vodacom
- Technology solution companies or start-ups run by incumbent financial institutions, such as FINCA and Halotel's HaloYako and MasterCard and Selcom's MasterPass
- Companies that are no longer active in the market for different reasons, such as Tala and Smart Money (while Tala, a digital credit provider, exited the Tanzanian market due to issues with regulatory compliance and inability to gain significant traction, Smart Money left after it had exhausted available funding, choosing instead to move its operations to Uganda)
- E-commerce companies, such as Beii Zetu and eShopsy
- Technology start-ups without a clearly defined fintech component, such as Medikeza and Kilimo Fresh.

Under the above definition, UNCDF identified 33 start-up fintechs currently operating in Tanzania. This number includes fintech start-ups whose status could be verified through direct interviews, referrals from verified industry stakeholders or desk research. However, it is possible that not all active fintech start-ups were identified during the process, and the number reported may be updated as information on additional fintech start-ups becomes available.

Fintech start-up distribution by stage of development

Of the 33 fintech start-ups identified during this assessment, the majority (67 percent) are in the early stages of development—i.e. they launched operations after 2016. Of the remaining, 21 percent are in the pre-start-up stage—i.e. they are still in the testing phase and have not yet officially launched operations—and 12 percent are in the growth stage—i.e. they launched operations before 2016, have gained significant traction in the market and are moving into the expansion phase of their operations, including launching in other markets in the region (see Figure 2).

Figure 2. Fintech start-ups in Tanzania by stage of development



[22] Business Wire, 'Tanzania Mobile Money Market: Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024', 27 August 2019, https://www.businesswire.com/news/home/20190827005605/en/Tanzania-Mobile-Money-Markets-2019-2024-by-Technology-Business-Model-Transaction-Type---ResearchAndMarkets.com.

Fintech start-ups in the early stages provided some insights into the reasons why only a few fintech start-ups in Tanzania seem to make it to the growth stage. These include difficulties navigating the regulatory environment and establishing partnerships with banks, mobile network operators and other service providers. See Table 1 for a summary of the key inhibitors to the growth of fintech start-ups in Tanzania.

> ***"Smallholder farmers are a sensitive topic, as farmers are a big voting group. It is difficult to get into any agreements with the Ministry of Agriculture, and it has taken us 2 years to get the authorizations needed to work in the villages. Leadership in government is constantly changing, so this is a complex scenario to navigate, as there is no real central authority to go through.***
>
> *–Fintech founder*

> ***"Our growth has been slowed down by having to leverage on the Payment Service Provider licences of others (this was the quickest option to avoid having to push back their launch date further; discussions with the regulator were progressing too slowly). We would need to obtain our own licence to be able to expand quicker.***
>
> *–Fintech founder*

> ***"Traditional financial institutions still do not see the value in partnering with fintechs. Take insurance companies, for example: there are very few that understand the agricultural sector, and they tend to underwrite quite high when it comes to insurance for farmers. The reality is that it takes time to create an insurance product from scratch that can actually benefit the farmers, which is what we are trying to do.***
>
> *–Fintech founder*

> ***"The talent pipeline in Tanzania is broken. Top talent in Tanzania is expensive, and so we are forced to look elsewhere to find qualified and affordable engineers.***
>
> *–Fintech founder*

Fintech start-up distribution by core vs. enabling fintech

Of the 33 fintech start-ups operating in Tanzania, 91 percent are considered core or consumer-facing fintechs, providing financial services directly to end users, while the remaining 9 percent are **enabling** fintechs, providing technology/business solutions to financial institutions to enable the delivery of financial services.

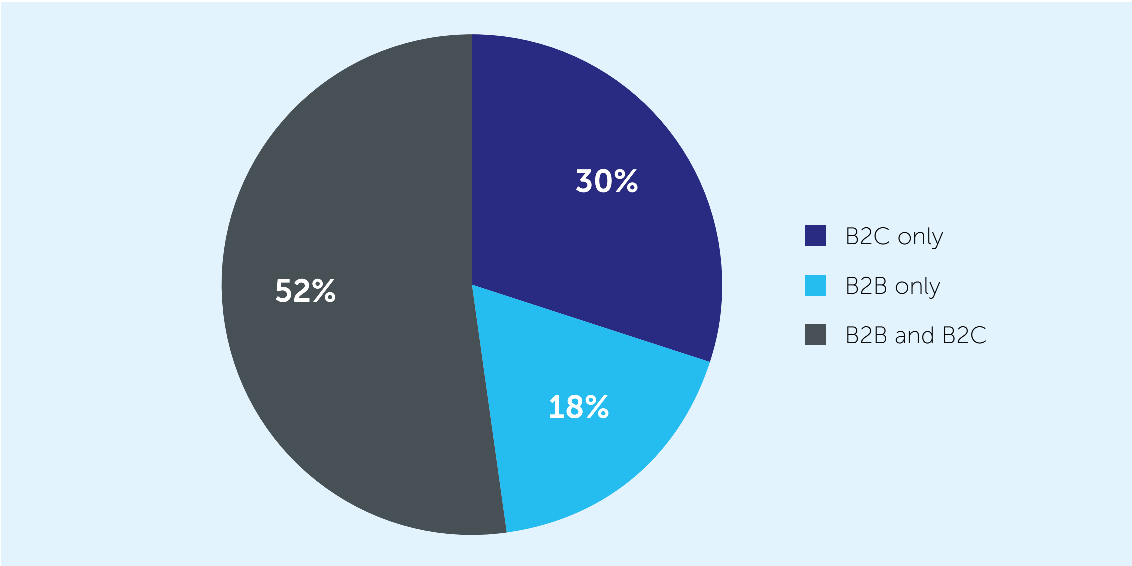
Some of the financial service providers interviewed are building in-house capability to digitize their service offerings or internal processes, rather than acquiring such services from enabling fintechs. However, the increase in the number of start-up accelerator programmes linked to financial service providers in Tanzania (e.g. the Vodacom Accelerator,[23] Tigo's Digital Changemakers[24] and NMB's newly launched fintech hub in partnership with Smart Lab)[25] suggests their support for consumer-facing fintech as a service complementary to those provided by financial service providers.

[23] See https://vodacomaccelerator.co.tz/.
[24] See https://www.tigo.co.tz/digital-changemakers.
[25] See https://www.thecitizen.co.tz/tanzania/news/business/nmb-bank-fintech-in-new-service-strategy-2702914.

Fintech start-up distribution by business model

Just over half (52 percent) of fintech start-ups in Tanzania operate a hybrid business-to-business and business-to-consumer business model (see Figure 3).

Figure 3. Fintech start-ups in Tanzania by stage of development



Source: UNCDF analysis.
Note: B2B = business to business; B2C = business to consumer.

For most, this is due to the need to balance the resources spent in reaching a largely rural population with low literacy levels and spread out over greater distances with additional income from businesses to sustain operations. This was confirmed by a few fintech founders who indicated that the economic difficulties related to the global pandemic had forced them to pivot to a hybrid model to survive.

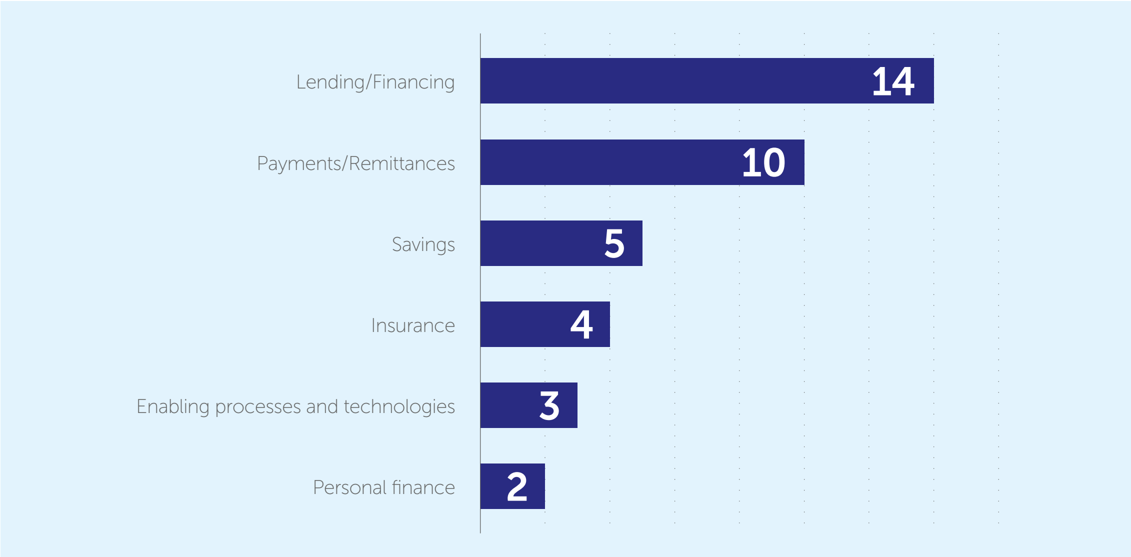
> ***"Our business model has been B2C since we launched in 2016. However, we are restructuring at the moment to include B2B due to the global pandemic.***
>
> *–Fintech founder*

> ***"We started out selling packages to individual travellers. But since the global pandemic, the tourism sector has taken a big hit. We are now developing packages for corporates to tap into the rise of local tourism.***
>
> *–Fintech founder*

Fintech start-up distribution by type of product/service offered

Fintech start-ups in Tanzania provide a range of products and services. See Figure 4 for a breakdown by product/service subsector.

Figure 4. Number of fintech start-ups in Tanzania by product



Source: UNCDF analysis.

Note: Enabling processes and technologies include business process automation, alternative banking, credit risk management, and banking system implementation and development provided by enabling fintechs.

LENDING/FINANCING

Fintech lenders are able to assess the creditworthiness of potential borrowers quickly and automate the underwriting process. The Tanzanian market is dominated by fintech start-ups involved in **lending/financing** to the small and medium-sized enterprise (SME) sector and the low-income population. For instance, companies such as Jumo and Branch rely on unstructured/alternative data sources such as short message service (SMS) and smartphone data usage to generate credit scores and provide low-income segments of the population with access to micro/nano loans.

Pay-as-you-go solar companies Zola Electric and ENGIE Energy Access employ asset-based financing models to extend loans for solar home systems to their customers. In a pay-as-you-go model, the consumer makes an initial payment to unlock the solar system, and then makes periodic payments through mobile money or in cash to the company's agents to continue receiving uninterrupted service. Once the loan has been paid off in full, the asset is fully owned by the customer.

PAYMENTS/REMITTANCES

Fintechs in payments/remittances allow people to send money to each other, including across borders, quickly and cost-effectively and without needing banks.

Fintech start-ups involved in the **payments/remittances** sector are the second most common in the Tanzanian market. Most companies operating in this space either provide payment aggregation/gateway services (enabling the merchant to receive payments through various channels) or digitize payments in a specific section of a value chain (such as travel or agriculture). This concentration on payments/remittances is not surprising, given the growth in mobile commerce transactions in Tanzania.

Box 1. Driving financial inclusion in Tanzania by digitizing traditional savings groups

DreamSave is an app launched by DreamStart Labs, a fintech start-up whose founders have long-standing ties to Silicon Valley and also ran a successful microfinance bank in Africa. The app connects savings and lending groups to financial services, allowing group members to make deposits, repay loans or withdraw cash from the group account using their existing mobile money accounts. In Tanzania, DreamStart Labs works in conjunction with Project Concern International (PCI), as part of its Women's Empowerment Initiative.

DreamSave's customized software provides savings and lending groups with the ability to manage their records digitally. This helps them to become more transparent and accountable and build a credit history that may improve their ability to receive financing from third parties.

Active in eight countries across Africa, Asia and Latin America, in October 2020, DreamStart Labs was selected to be part of the Inclusive Fintech 50, honouring the 50 top technology start-ups driving financial inclusion for 3 billion underserved people around the world.

Source: DreamStart Labs, 'DreamSave', https://www.dreamstartlabs.com/dreamsave.html

SAVINGS

Fintechs in savings aim to offer customers flexible options to build savings portfolios, typically with higher returns on savings than offered by banks. There are five fintech start-ups involved in **savings** in Tanzania: four target individual customers, and one (DreamSave, launched by DreamStart Labs) targets savings groups with a product that aims to digitize all of the groups' activities and processes, including savings.

INSURANCE

Fintechs in insurance aim to leverage technology to reach underserved populations with insurance plans that are often more affordable and flexible than those offered by traditional insurers. There are only four start-ups that have an **insurance** product in the market or are in a testing phase. Although a number of micro-insurance products have failed in the past, some fintech start-ups in Tanzania are looking to change the narrative around the viability of micro-insurance in Tanzania.

Box 2. Jamii Africa's insurance success story

In Tanzania, the penetration of health insurance is as low as 4.5 percent. The majority of Tanzania's low-income and informal workers who make up 76 percent of the population do not have access to insurance and struggle to pay for health services. Seizing this opportunity, tech innovator Lilian Makoi launched Jamii Africa, a micro-insurance health start-up that allows low-income Tanzanians to access and pay for health insurance via mobile phone. Through a strategic partnership with Jubilee Insurance and Vodacom, Jamii built a mobile platform that performs all the administrative activities of an insurer and allows users to select a policy from one of 12 different coverage levels, depending on the number of people in the organization or family, via Unstructured Supplementary Service Data (USSD), for as little as US$1 per month.

To date, Jamii has raised US$3.5 million from two seed rounds and one venture round to support its expansion across Tanzania and several countries across sub-Saharan Africa, including Ghana, Kenya, Nigeria, South Africa and Uganda. It now works with more than 400 hospitals and has over 10,000 customers. This demonstrates the potential for collaboration between the different stakeholders to help address unmet needs in Tanzania and across Africa.

Source: Digital Insurance Agenda, 'Jamii: Bringing affordable health insurance to low-income Tanzanians', https://www.digitalinsuranceagenda.com/featured-insurtechs/jamii-bringing-affordable-health-insurance-to-low-income-tanzanians/

INVESTMENTS

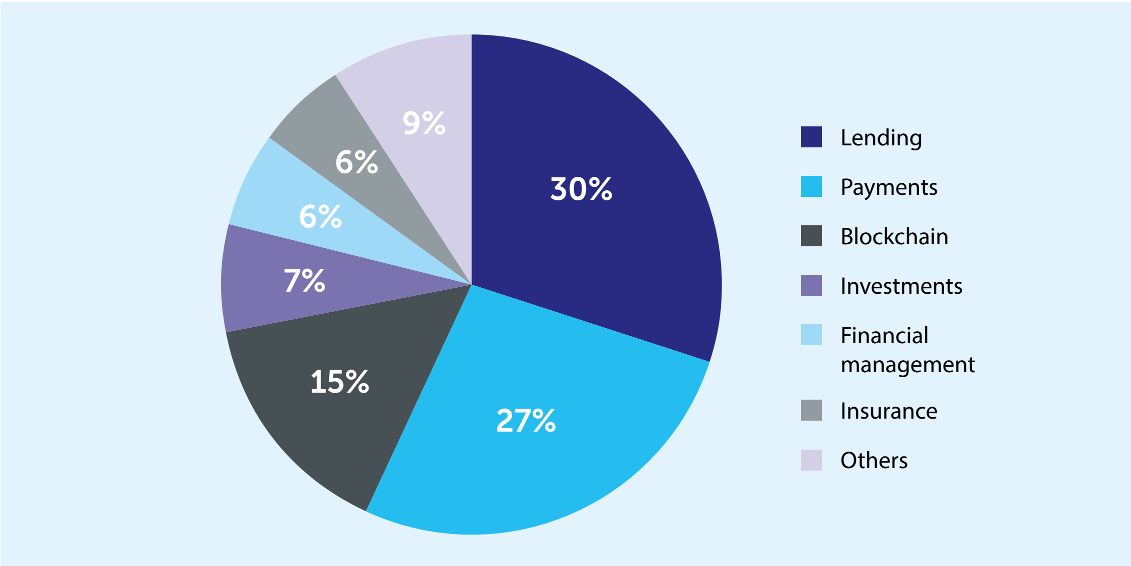
Fintechs in investments aim to support consumers to invest in assets such as bonds without the need for an investment professional or advisor. Currently, there are only three fintech companies looking to offer investment products in Tanzania, and two of them are still in testing phase. Fintech start-up Wengi operates an equity crowdfunding platform that gives retail and institutional investors opportunities to invest in Tanzanian and African start-ups in the early stages of development.

PERSONAL FINANCE

Fintechs in personal finance aim to support consumers to access personal financial advice anywhere, any time. Currently, there are only two fintech start-ups looking to offer personal financial management products in Tanzania. Only one of them, Mipango, has a product currently available on the market.

The distribution of fintech start-ups by sector in Tanzania is similar to that in Kenya, where the main services offered are lending (30 percent) and payments (27 percent) (see Figure 5). Similar to Tanzania, the reason for the low number of fintechs in investment and insurance in Kenya is cited as low per capita income and low savings-to-GDP (gross domestic product) ratio.[26]

Figure 5. Breakdown of the Kenyan fintech sector



[26] Tellimer, 'The ultimate guide to Kenya fintech', 30 December 2020, https://tellimer.com/article/the-ultimate-guide-to-kenya-fintech.

Figure 6. Tanzanian fintech landscape

Figure 6 presents an overview of the Tanzanian fintech landscape by type (core/enabling) and by product/service offered.

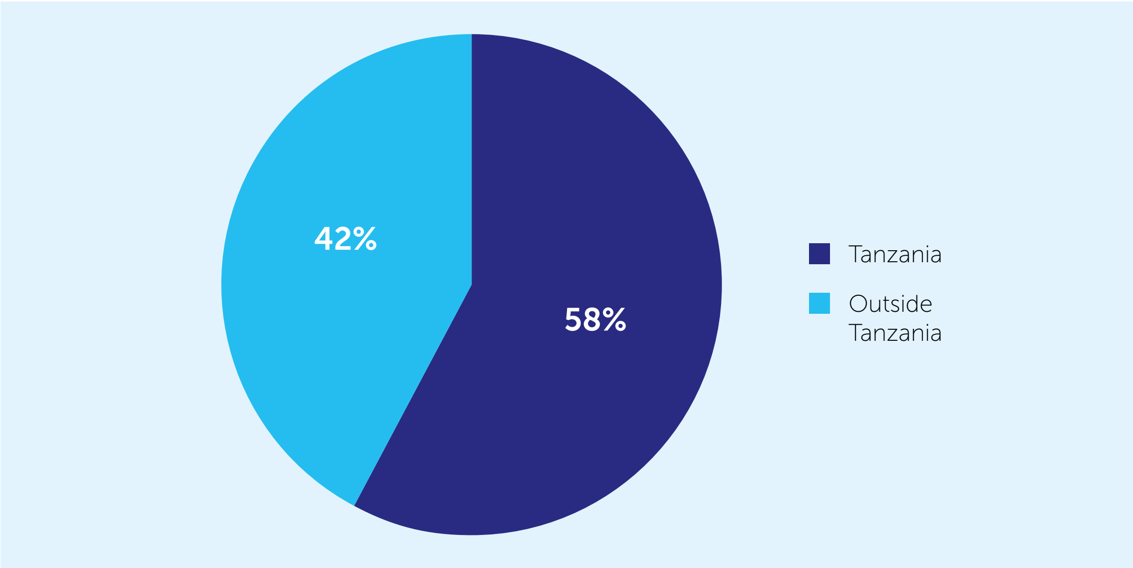
Note: See Annex B for additional information on these companies.

Fintech distribution by headquarters

Over half (58 percent) of fintech start-ups are headquartered in Tanzania (see Figure 7). A few of them, such as personal finance company Mipango, payments and remittance company NALA and investment start-up Wengi, have plans to expand regionally and across the continent.

The remaining 42 percent of fintech start-ups are established by international entities with headquarters in France, Mauritius, Nigeria, Switzerland, South Korea, the United States and the United Kingdom. A few of the internationally headquartered start-ups, including JUMO and Branch, initially established operations in other East African markets before expanding into Tanzania, while others, such as Samapay, are the first African branch of the parent company (Pay Maker).

Figure 7. Fintech start-ups in Tanzania by headquarters location



Source: UNCDF analysis.

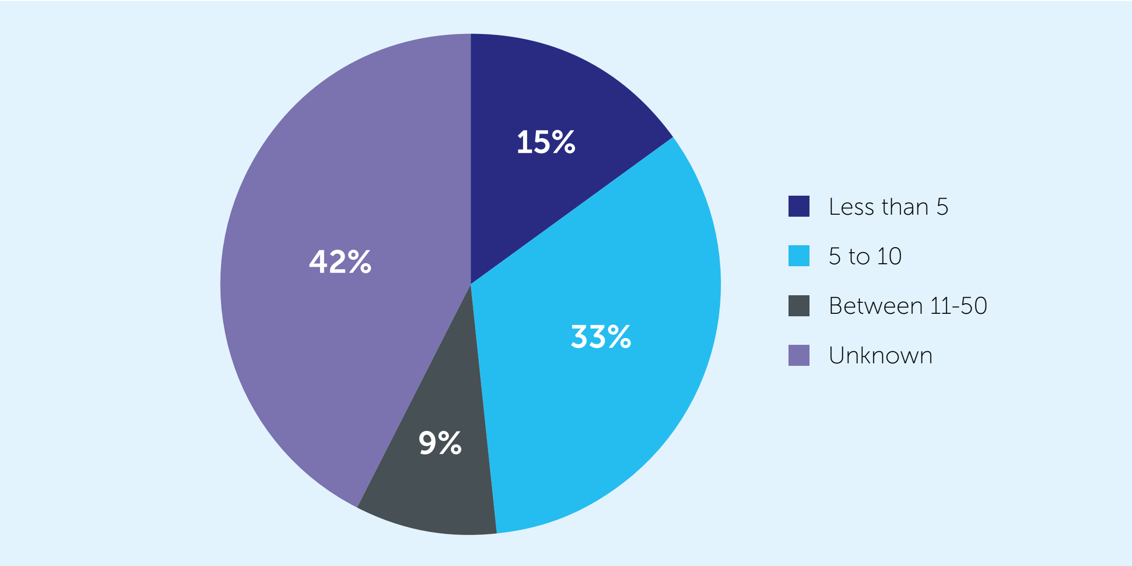
Based on feedback received from the founders, the process of registering a start-up in Tanzania is straightforward; however, there is a lack of clarity in terms of licensing requirements for fintechs depending on the sector they are working in.

> ***"There are no clear guidelines on how to regulate fintech in Tanzania. BOT [Bank of Tanzania] insisted that we get a PSP [payment service provider] licence, even though we will not be collecting payments. TCRA has an Application Service Licence that initially made no mention of mobile applications. But now that mobile apps are becoming more popular, start-ups with mobile apps are being required to pay huge fees to obtain this licence.***
>
> *–Fintech founder*

Fintech start-up distribution by team size

Not counting those with unknown team sizes, most fintech start-ups (33 percent) in Tanzania employ between 5 and 10 employees (see Figure 8), while 15 percent have fewer than 5 employees, and 9 percent have between 11 and 50 employees.

Figure 8. Fintech start-ups in Tanzania by team size



Source: UNCDF analysis.

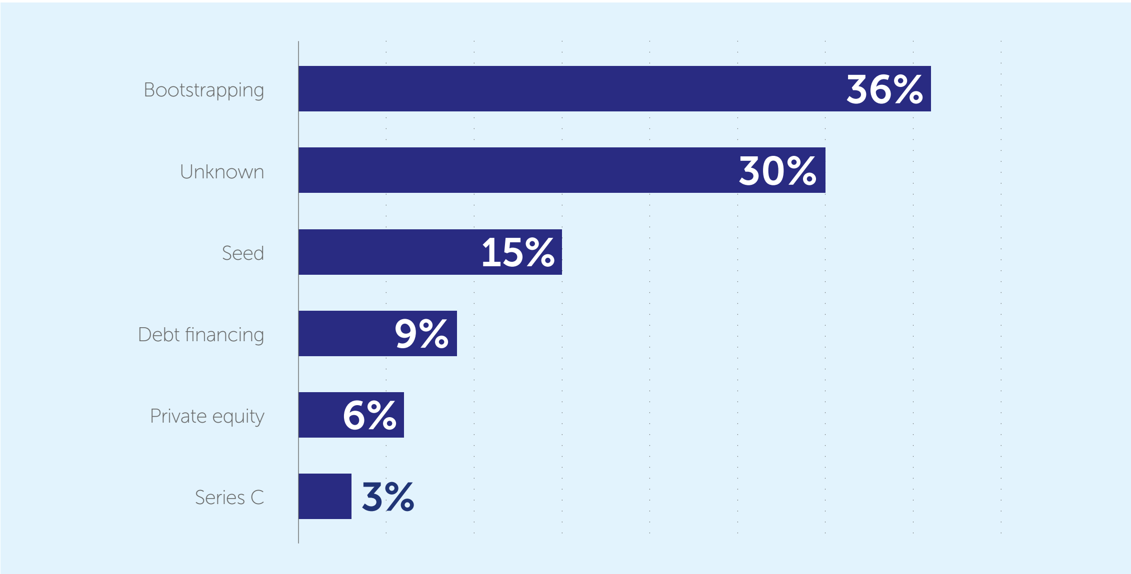
As the fintech industry matures, the demand for local talent in information technology, marketing and business support is likely to increase.

> ***"Since our launch in 2016, our team has grown from 5 to 30 employees. We invest resources in training our sales and activation teams on the ground, as we rely on them to reach our target customers.***
>
> *–Fintech founder*

Fintech start-up distribution by funding type

Most fintech start-ups in Tanzania struggle to attract the level of funding needed to test their products or scale up their operations. Thirty-six percent of companies operating in Tanzania have only raised funds through bootstrapping[27] to support early-stage operations. In addition to bootstrapping, 15 percent have raised seed funding, while 18 percent have secured growth financing (through equity, Series C, debt financing or corporate round). The funding for 30 percent of fintech start-ups is unknown, as the founders were reluctant to provide this information during the interviews, and it is not publicly available (see Figure 9).

Figure 9. Fintech start-ups in Tanzania by funding type



Source: UNCDF analysis

The start-ups identified during this assessment that have secured growth financing were either established outside Tanzania or are run by local founders with significant exposure to partnerships and funders in international markets.

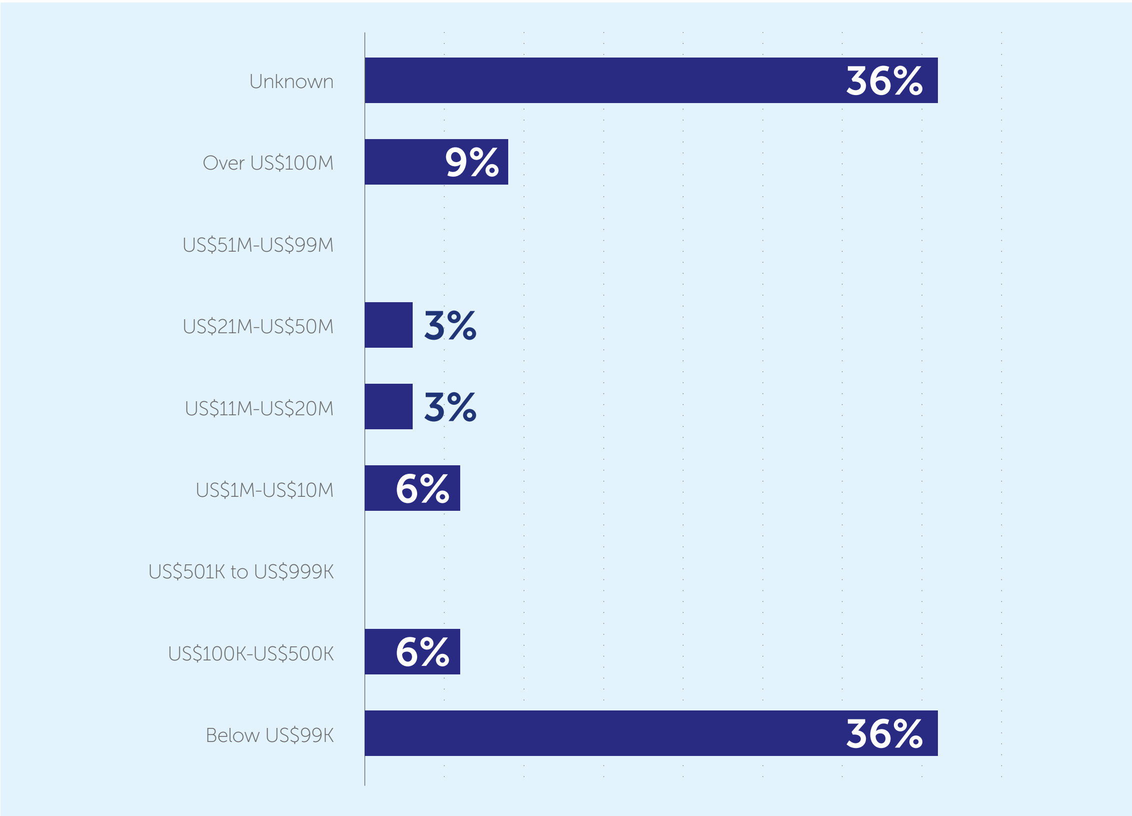
[27] Bootstrapping is building a company from personal finances or operating revenues of the new company.

Fintech start-up distribution by funding amount

Of the 19 companies headquartered in Tanzania, 13 disclosed their total funding information or have it publicly available. Of those, only one (Jamii Insurance) has raised between US$1 million and US$10 million. Two have raised between US$100,000 and US$500,000, and the remaining 10 have raised less than US$99,000 (see Figure 10).

Only 8 of the 14 fintech start-ups headquartered outside Tanzania disclosed their total funding. Of those, two have total funding below US$99,000, two have total funding between US$1 million and US$20 million, one has funding between US$21 million and US$100 million, and three have raised over US$100 million. Two of the three companies that have raised over US$100 million are pay-as-you-go lending/financing start-ups with operations outside Tanzania as well.

Figure 10. Fintech start-ups in Tanzania by total funding amount



Source: UNCDF analysis.

The total amount of funding raised or invested for 35 percent of fintech companies is unknown. Given the stiff competition in raising funding for fintech start-ups in Tanzania, there may be hesitation on the part of founders to disclose the amount and sources of funding they have raised, and the viability of the funding approaches that have been tried and tested. Thus, it remains a challenge to pinpoint the exact causes of and possible solutions to the issues related to funding for fintech start-ups in Tanzania.

Fintech ecosystem attributes: Opportunities and challenges

TALENT

The fintech ecosystem in Tanzania is characterized by a small, close-knit community of founders linked through various start-up hubs and accelerators offering rich networking opportunities to facilitate fintech start-up staffing needs. As former employees of financial institutions, including mobile network operators, banks and regulators, these networks also facilitate connections and potential partnerships during the early stages of start-up development. However, interviews with start-ups confirmed the following observations regarding talent for fintech in Tanzania:

There is a limited availability of affordable talent with the specialized business and information technology (IT) skills needed by fintechs. Fintech start-ups acknowledged that the sector requires people with specialized skills at the intersection of finance and technology. People with such skills are either unavailable or too expensive for fintech start-ups. Where available, only a few are interested in investing 'sweat equity'[28] in a start-up and would rather be paid upfront for their services. In addition, the sector requires high-quality human resources in supporting fields, including customer experience, security and financial management, to effectively scale up operations. In contrast, in Kenya, the increasing retreat of international banks and a rise in the number of university initiatives targeting technology and IT skills is freeing up skilled talent for tech start-ups, including fintechs.[29]

Limited availability of mentors with practical start-up experience to guide founders. While there are a number of capacity-building programmes offering various levels of technical assistance to start-ups, some fintechs raised concerns about the relevance of the services being offered. Founders noted that, in some instances, the people contracted or invited to serve as mentors often have no personal experience in launching or scaling a start-up; thus, the advice they offer has little practical value to the founders. Some founders also noted that the abrupt end of capacity-building programmes without any follow-up or phased approach to continue providing some level of support to start-ups may also be harming the sector, as it limits the ability of these programmes and their funders to determine what type of support provided to start-ups is most effective and why.

> ***"Some accelerator programmes are more theoretical rather than practical. You should be able to practise and build with professionals, mentors who have actually built a product before.***
>
> *–Fintech founder*

Most fintech companies in early stages of development are heavily reliant on the founder. Most of the fintech start-ups interviewed are being propped up by the founder or co-founders, and this limits their potential to scale, something that potential investors look out for. Some founders expressed the need to hire additional personnel to handle business operations so that they can dedicate their efforts to strengthening the product, the business model and fundraising.

To address challenges related to talent, ecosystem facilitators are playing a significant role in building a strong support network. These hubs, incubators and accelerators provide workspace, mentorship, connections and linkages to investors. Figure 10 shows the landscape of ecosystem facilitators in Tanzania. While there is no umbrella fintech association in Tanzania, the recently launched Tanzania Start-up Association could play a key role in mobilizing start-ups, including fintech companies, to approach regulators and investors collectively.

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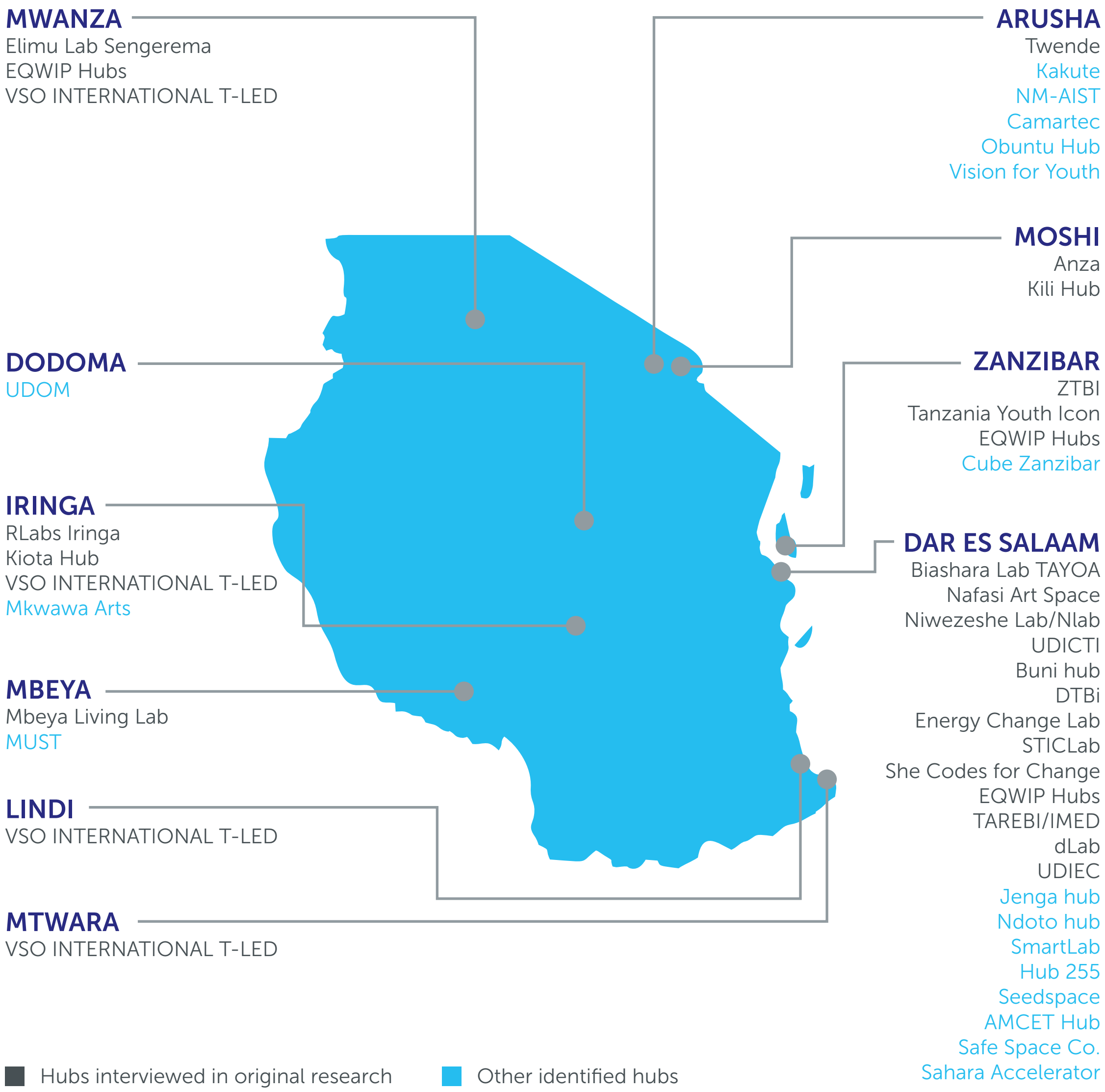
[28] Will Kenton, 'Sweat Equity', Investopedia, 18 October 2020, https://www.investopedia.com/terms/s/sweatequity.asp.
[29] EYGM Limited, 'FinTechs in Sub-Saharan Africa'.

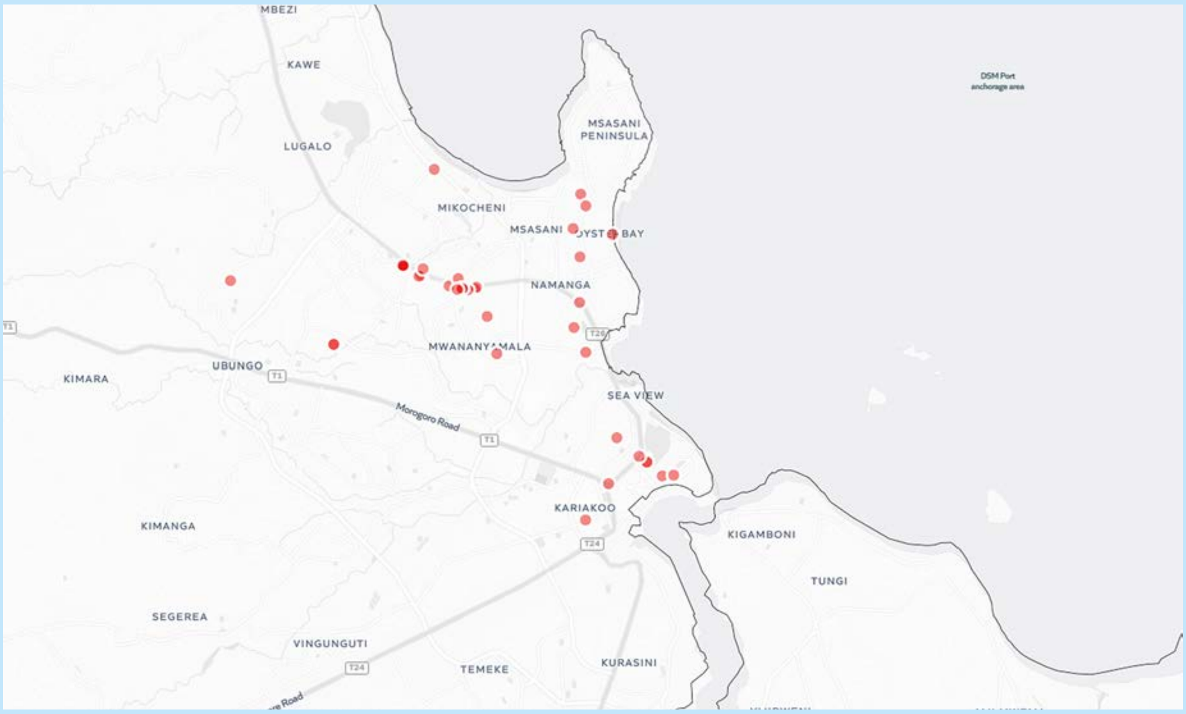
Figure 11. Ecosystem facilitators in Tanzania



Box 3. Strengthening the innovation ecosystem in Tanzania

Palladium has been a key driver of innovation in Tanzania through the Human Development Innovation Fund (HDIF) programme funded by the Foreign, Commonwealth and Development Office (FCDO). Initiated in 2014, the HDIF's major achievements include promoting innovation through institutional strengthening of ecosystem players (innovation, hubs and accelerators), including through the provision of catalytic funds and convening stakeholder events within the innovation sector. In partnership with the Tanzania Commission for Science and Technology (COSTECH), the HDIF spearheaded the launch of Innovation Week, which has become the premier innovation event in Tanzania.

In late 2020, the HDIF launched Innovate, an open-source tool that allows users to easily gain insights into the Tanzanian innovation ecosystem. A search of start-ups in the finance and insurance sector[30] in Tanzania identifies 21 companies (highlighted in the map below).



Source: https://innovate.co.tz/app/

By late 2021, oversight of the HDIF programme will be transitioned to the United Nations Development Programme (UNDP). UNDP is one of the stakeholders with a keen interest in promoting and strengthening the innovation ecosystem in Tanzania. UNDP has formulated a new programme, Funguo,[31] whose mission is to provide holistic support to the innovation ecosystem in Tanzania through a three-pronged approach that includes addressing the financing gap through establishing the Funguo Facility to provide catalytic financing for early stage businesses; investing in business development services capacity for providers (hubs, incubators, accelerators and professional services) and clients in the innovation space; and supporting policy discussions to continue to grow and support the innovation ecosystem in Tanzania.

Source: Human Development Innovation Fund Tanzania, https://hdif-tz.org/

[30] The HDIF's definition of start-up enterprises is unknown. However, a comparison of the fintech start-ups identified through UNCDF's assessment and the start-ups in finance and insurance included in the HDIF Innovators Map indicates seven start-ups common to both mappings.

[31] UNDP, 'Project Document. Funguo Program and Facility. Unlocking Innovation. Investment. Impact', New York, 2020. https://info.undp.org/docs/pdc/Documents/TZA/Funguo%20ProDoc_submitted%20to%20Program%20Board%20Jan%202021.pdf.

DEMAND

Fintech customers can vary from individuals to businesses and government entities. The financial needs of individual customers in Tanzania create opportunities for the fintech ecosystem, as indicated by the proportion of fintech start-ups offering solutions to this customer segment (30 percent). Findings from the 2017 Findex survey suggest that there is a growing use of digital financial services, with 43 percent of adults having made or received digital payments in the previous year, up from 35 percent in 2014. By comparison, in Kenya, 79 percent of adults made or received digital payments in 2016,[32] and recent statistics suggest that Kenya leads the continent in terms of Internet usage (87.2 percent).[33]

The efforts made by the government and service providers to improve access to digital financial services have also had an impact. For instance, in 2014, Tanzania became the first country in Africa to introduce interoperability between the various mobile money service providers. Industry driven, with the endorsement of the Bank of Tanzania, the scheme allowed instant transfers between customers of different providers—a move that made it more convenient for customers to make digital payments.

However, the landscape analysis highlighted the following challenges when it comes to demand for fintech products and services in Tanzania:

Lack of scalable business models that can drive demand for fintech products in unserved market segments. Fintech products and services in Tanzania are largely concentrated in lending/financing and payments/remittances, leaving other segments of the market largely unserved. For instance, with the growing middle class and the proliferation of savings groups across all socio-economic classes, there is an opportunity for fintech start-ups to design and test business models that can tap into the potential market opportunity for providing long-term savings, investments and financial management solutions to populations not served by commercial banks. With the large proportion of rural and/or informally employed Tanzanians, there is an opportunity to develop affordable micro-insurance coverage that meets their needs. However, start-ups may need to prove that there is a viable business model for solutions in these sectors.

> ***"Many fintechs are replicating existing solutions, instead of innovations in other areas of the industry that are clearly untapped. They are not solving unique problems that lend themselves to scale.***
>
> *–UNCDF Regional Fintech Adviser*

> ***"There are not many options for people who want to invest in the stock market in Tanzania. You have to physically go to a broker's office, fill out a form, go to the broker's bank and make a deposit, bring the deposit slip back, and then the broker can invest on your behalf. We digitize the entire process, so you can invest in less time. Our market research suggests that over 80 percent of the population had savings in 2018, but most did not have a bank account. We want to translate the huge amount of savings that exists in Tanzania into potential investments.***
>
> *–Fintech founder*

Lengthy and complex processes limit the ability of fintech start-ups to effectively integrate with large institutions and incumbents in the financial sector to bring their solutions to the market. The speed at which fintech companies are able to launch and scale their products often hinges on the ease with which they are able to successfully negotiate and establish partnerships with service providers, including the incumbents in the financial sector such as banks and mobile network operators.

> ***"Banks are difficult to work with even though they need fintech to be able to work faster and, in the long run, partnering with fintech would save them money.***
>
> *–Fintech founder*

[32] World Bank, 'The 2017 Global Findex database', https://globalfindex.worldbank.org/.
[33] Joseph Johnson, 'Internet penetration in Africa, by country', Statista, 27 January 2021, https://www.statista.com/statistics/1124283/internet-penetration-in-africa-by-country/.

There are low levels of financial literacy and trust in digital solutions among potential consumers, which affect fintech start-ups' ability to reach scale. Although it is challenging to find a single metric capturing the level of financial literacy in Tanzania, the National Financial Education Framework (N-FEF)[34] identified low levels of financial capability as one of the main barriers to financial inclusion in the country. This limits the demand for and trust in digital financial services, including products and services offered by fintech start-ups already struggling with a lack of brand awareness. In comparison, in Kenya, the success of fintechs has been, in part, due to their ability to borrow consumer trust from established brands and combine it with emerging brands,[35] coupled with a strong focus on protecting consumer data,[36] relative to fintechs in the region.

An increased focus on consumer protection alongside large-scale consumer education and awareness-raising campaigns are necessary to increase consumer demand for and trust in fintech products beyond payments/remittances and to promote responsible lending/financing. Start-ups highlighted the need for support from development partners to invest in educating citizens about digital solutions to drive uptake and usage.

Box 4. Vodacom Digital Accelerator programme

Vodacom's Digital Accelerator programme supports early-stage and growth-stage technology start-ups with disruptive products and services that have the potential to scale into profitable, revenue-generating businesses. The programme attracts start-ups that have innovative solutions for fintech, e-commerce, telecoms, health, mobile, education, agriculture and media.

Participating start-ups receive access to mentorship, co-working spaces, technical support related to hosting, software development, advisory and integration, and help crafting their go-to-market strategies, growth strategies and marketing strategies. Upon successful completion of the programme, start-ups may receive follow-on investment from Vodacom to scale their operations across Tanzania and Africa.

Among the 2020 Digital Accelerator participants is the fintech start-up MyHi, which offers a digital platform that aims to merge all health insurance activities and processes, including purchasing insurance policies and processing insurance claims, making them accessible, more convenient and faster.

Source: Vodacom Digital Accelerator, https://vodacomaccelerator.co.tz/

The Government of Tanzania, through the Ministry of Communication and Information Technology, is preparing to launch its Digital Tanzania programme, a 10-year initiative to improve digital ecosystems and connectivity in the country. Under the digital ecosystems pillar, a key component will be digital youth development, which focuses on digital literacy and digital skilling of Tanzanian youth to support the productive use of ICTs.[37]

[34] Tanzania National Council for Financial Inclusion, 'National Financial Education Framework 2016 - 2020', Dar es Salaam, 2017, https://www.fsdt.or.tz/wp-content/uploads/2017/02/FSDT-NFEF-Report.pdf#:~:text=The%20National%20Financial%20Education%20Framework%20(N%2DFEF)%20is%20aimed,of%20their%20personal%20financial%20matters.
[35] M. Chitavi, L. Cohen and S.C.N. Hagist, 'Kenya Is Becoming a Global Hub of FinTech Innovation', Harvard Business Review, 18 February 2021, https://hbr.org/2021/02/kenya-is-becoming-a-global-hub-of-fintech-innovation.
[36] Tellimer, 'The ultimate guide to Kenya fintech', 30 December 2020, https://tellimer.com/article/the-ultimate-guide-to-kenya-fintech.
[37] Ministry of Works Transport and Communication, 'Digital Tanzania Programme', Mtumba, https://www.utumishi.go.tz/uploads/books/Descriptive_Summary_for_Safeguard_documents_for_Digital_Tanzania_Programme.pdf.

CAPITAL

Although funding has emerged as one of the most important aspects limiting fintech start-ups' ability to scale, information on types, amounts and stages of funding is fragmented or not easily available in the Tanzanian fintech ecosystem. UNCDF gathered partial information on funding for fintech start-ups, but a comprehensive analysis is needed to gain deeper insights into start-ups' funding needs and challenges.

While four of the five fintech start-ups that have raised seed capital are headquartered in Tanzania, all of the start-ups that have attracted growth financing are headquartered outside Tanzania, suggesting that locally based founders and start-ups may struggle to attract the type of funding available to foreign founders and companies operating in the country.

There is a growing pool of Tanzania-based investment actors, including individuals and companies, looking to provide seed and early-stage funding to fintech start-ups across specific sectors. However, fintech start-ups acknowledge that despite its population size and growth potential, Tanzania remains a less attractive fintech market for investors than other markets in the region, in part due to the fragmented and limited availability of information on the sector, the low purchasing power and high taxes on capital gains compared to neighbouring Kenya.[38]

Interviews with fintech founders and the stakeholder validation workshop confirmed that the following challenges to accessing capital exist in Tanzania:

Lack of patient capital with a long-term investment strategy. Some founders indicated that what they really need is patient, or long-term, capital defined by the investor's willingness to forgo immediate returns and/or exercise some level of flexibility with the expectation of more substantial returns in the future. When compared with traditional funding methods that prioritize quick wins, a patient capital approach may be more attuned to the changing needs of start-ups as they navigate the winding path towards growth.

> ***"Impact investors expect you to stick to what you had initially gotten the money for, and so even when you want to pivot, you can't. Of the 120 companies in YCombinator, only 10 percent are doing what they initially set out to do, as they have evolved based on their learnings. The terms and conditions that are set by investors need to be flexible and favourable to enable fintech start-ups to succeed.***
>
> *–Fintech founder*

Potential investors are not knowledgeable about the sector, partly due to the fragmented and limited availability of information. Currently, investors are caught in a chicken-and-egg scenario, where they are hesitant to invest in the fintech sector due to a lack of research and viable opportunities for investment, but there is a lack of publicly available research because the sector suffers from a lack of investment, and not many viable opportunities reach the market or have a chance to scale. As a result, foreign venture capitalists often require locally led investors to head investment rounds.

Some founders also suggest that the lack of transparency in the Tanzanian industry, including on the part of start-ups, which are often hesitant to disclose the amounts and sources of their funding, only hurts the sector as a whole by making it difficult to paint an accurate picture of the fintech funding landscape, where the gaps lie and what approaches might work best for the country.

> ***"Investors should be willing to bet on founders, not the idea. You want a founder who is resilient and can evolve and adjust to the changing needs of the market. Get to know the founders and co-founders well on a personal level at the pre-seed and early stages and bet on those who have a track record of proving they can solve problems.***
>
> *–Fintech founder*

[38] East African Community, 'Income tax - Capital Gains tax: United Republic of Tanzania', https://www.eac.int/financial/eac-tax-matrices/income-tax-capital-gains-tax.

The fragmented funding ecosystem requires start-ups to invest significant time and resources upfront to attract funding of smaller amounts than counterparts in the region. A recent report by Disrupt Africa showed that in 2020, 397 tech start-ups in Africa raised over US$700 million. On the list were only three Tanzanian start-ups (two agri-tech and one retail-tech), and combined they raised only US$3.3 million. Tanzanian start-ups in general, and Tanzanian fintech start-ups in particular, raise far less capital than their East African counterparts, due in part to their inability to pitch successfully to investors, investors' lack of trust or confidence in the founders' ability to deliver on their pitch, or the absence of a strong team of advisers backing the start-up.[39] Founders indicated that there is a huge gap between the amount of time and resources they invest in identifying and engaging with potential funders and investors and the returns they get from pursuing such engagements.

There is a missing middle when it comes to financing start-ups in the early stages of development. The majority of the founders whose start-ups are in the early stages of development indicated that, even after bootstrapping, there are limited financing opportunities for them to scale.

One fintech start-up, Wengi, is trying to change this by offering an equity crowdfunding platform that helps Tanzanian and African early-stage start-ups raise capital through equity and debt financing, while providing investment opportunities for individual and institutional investors.[40]

In comparison, in 2019, fintechs in Kenya raised around US$300 million across 26 deals, placing the country second in sub-Saharan Africa, after Nigeria, in terms of total fintech funding. Top deals included Tala (lending), Branch (lending) and CarePay (payments).[41] In Kenya, the approximately 30 local investors and venture capitalists are complemented by a steady rise in the number of international investors. In addition, there is growing interest among international technology players keen to invest in accelerator programmes led by the likes of VISA, Microsoft and Barclays.[42]

Recognizing the challenges that start-ups face in accessing capital in Tanzania, founders encourage the ecosystem facilitators to become more active participants in regional and international forums to help mobilize interest in and investments from angel investors, venture capitalists and private equity firms into the Tanzanian fintech sector.

POLICY AND REGULATION

In Tanzania, most financial services are regulated by one or more of the principal regulators of the financial services sector. The Bank of Tanzania monitors mobile money transactions in collaboration with the TCRA and the Tanzania Revenue Authority. The Bank of Tanzania and the TCRA have a memorandum of understanding with regards to the supervision and monitoring of mobile money services. To provide mobile money services, a mobile network operator must form an almost wholly owned subsidiary company. This subsidiary company will then take over the mobile money business from the traditional telecoms/mobile network operator. For example, Vodacom, a telecoms provider, is regulated by the TCRA, but M-Pesa Limited, Vodacom's mobile money business, is regulated by the Bank of Tanzania.

As the growth of the fintech sector continues, financial regulators seek to understand these new technologies and how they fit into the existing regulatory framework. On the other hand, they do not want the existing risks, especially cybersecurity and fraud, to increase with the growth of fintech. New payment systems and instruments can compromise market integrity and, ultimately, monetary policy; new products may be sold incorrectly to consumers who do not understand their risks or cannot afford to meet them. As a result, regulators must find the right balance between the competitive advantages that fintech can provide and the risks inherent in the integration of these technologies with existing business models.

POLICY AND REGULATORY INITIATIVES DRIVING INNOVATION IN TANZANIA

The growth in digital financial services is supported by several digitization and innovation agendas that are guided by broad national-level policy frameworks and numerous government initiatives, including the following.

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[39] The Citizen, 'Why most startups in Tanzania fail - and the way forward', 8 October 2020, https://www.thecitizen.co.tz/tanzania/magazines/-why-most-startups-in-tanzania-fail-and-the-way-forward-2717594.
[40] See https://wengi.co.tz/about-us/.
[41] Tellimer, 'The ultimate guide to Kenya fintech', 30 December 2020, https://tellimer.com/article/the-ultimate-guide-to-kenya-fintech
[42] EYGM Limited, 'FinTechs in Sub-Saharan Africa'.

- **The Digital Tanzania programme 2020–2024**[43] is an initiative of the Government of Tanzania through the Ministry of Communication and Information Technology and the President's Office Public Service Management and Good Governance (POPSMGG) with the aim to increase access to affordable, high-quality Internet services for government, businesses and citizens and to improve the government's capacity to deliver digital public services.
- **The National Information and Communication Technology Policy 2016**[44] is also spearheaded by the Government of Tanzania through the Ministry of Communication and Information Technology with the goal to transform Tanzania into an ICT-enabled knowledge-based economy through the development, deployment and sustainable exploitation of ICT to benefit every citizen and business.
- **The National Payment Systems Act** was passed by the Bank of Tanzania in 2015.[45] It regulates the activities of providers of payment initiation services and aggregators, thereby enabling a wider range of market participants to access the national payment system. The regulation also defines risk-proportionate minimum initial capital requirements to allow unregulated banks and microfinance institutions to participate in payment services.
- **The National Financial Inclusion Framework (NFIF) 2018–2022**[46] is implemented by the National Financial Inclusion Council with the aim of leveraging the potential of the fintech sector to expand digital financial services. On the demand side, the framework emphasizes households and micro, small and medium-sized enterprises in the financial inclusion space. It thus has a special focus on women. On the supply side, the framework emphasizes the requirements for a supply-side ecosystem that implements solutions that are innovative, affordable and responsive to the needs of individuals and businesses.

Most of the fintech start-ups that were interviewed acknowledged the efforts of the regulatory bodies and policymakers to foster innovation in Tanzania. For instance, the Bank of Tanzania is viewed by fintech start-ups as having taken a progressive regulatory approach, seeking to create a conducive informal 'test and learn' environment. In facilitating digital transformation, it first learned from the market before drafting national payment system laws, giving the private sector greater confidence and a conducive environment for investing in innovative financial services.

However, despite a historically progressive regulatory approach when it comes to financial services, interviews with fintech founders and the stakeholder validation workshop highlighted the following challenges regarding policy and regulation for fintech in Tanzania.

There is limited direct engagement between fintech start-ups and relevant regulators to ensure that the needs of start-ups are adequately considered as regulation around innovation evolves. While most founders report largely positive experiences of engaging with the regulators, some founders have described the process as moving too slowly and not always being transparent. This is particularly true for those founders with no prior experience of dealing with regulators and for those looking to establish products where there is a lack of clarity regarding which regulator's jurisdiction the product falls under and what the requirements are to successfully obtain the necessary licences. In some cases, ecosystem facilitators have stepped in to play the role of mediator to varying degrees. However, the lack of a dedicated fintech and/or start-up association responsible for aggregating the demands of the start-ups and leading engagement with the regulators to ensure that the issues faced by fintech start-ups are addressed in a systematic and timely manner remains a key challenge facing the industry.

Some founders perceive the taxes levied on start-ups as a deterrent to entering the fintech space. While the capital requirements and the fees for a payment service provider licence and other licences associated with tech start-ups in Tanzania are on par with the rest of the region, some of the founders interviewed felt that the taxes levied on start-ups should be reduced or relaxed until the start-ups gain traction and start to earn revenue.

> ***"The TCRA had an application service licence with no mention of mobile apps. Now that mobile apps are becoming more popular, we have to pay huge fees for the new licences.***
>
> *–Fintech founder*

In comparison, the policy framework governing fintech innovation in Kenya appears to be at a more advanced stage, as the government's recently released draft regulation for fintech companies is expected to be turned into law soon.[47]

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[43] See https://www.utumishi.go.tz/uploads/books/Descriptive_Summary_for_Safeguard_documents_for_Digital_Tanzania_Programme.pdf.
[44] See https://www.ega.go.tz/uploads/publications/sw-1574848612-SERA%202016.pdf.
[45] See https://www.mondaq.com/financial-services/498230/the-national-payment-system.
[46] See https://www.fsdt.or.tz/wp-content/uploads/2019/01/National-Financial-Inclusion-Framework-NFIF-2018-2022.pdf.
[47] EYGM Limited, 'FinTechs in Sub-Saharan Africa'.

RECOMMENDATIONS

Following an initial landscape analysis, the findings were presented and validated at a workshop with representatives from the government, non-governmental organizations, associations, fintech, banks and non-bank financial institutions.

The key interventions suggested by the workshop participants that ecosystem facilitators, including UNCDF, can undertake to address the existing challenges hindering the growth of fintech start-ups in Tanzania are summarized below. Recommendations are categorized by the four ecosystem attributes: talent, demand, capital, and policy and regulation.

TALENT

A survey of the hubs and accelerators suggests that there is a small, close-knit community offering rich networking opportunities to facilitate fintech start-up staffing needs. However, there is a need to bridge the gap between technical skills, sectoral knowledge and sound business acumen, as there are only a few fintech companies that have successfully scaled their operations in Tanzania and beyond. To address challenges related to the lack of critical business skills, the founders interviewed and fintech stakeholders present at the validation workshop recommended the following interventions:

- **Rethink support provided to fintech start-ups.** Ecosystem facilitators, including accelerators and hubs, should rethink their programmes to place greater emphasis on addressing the business skills gaps that fintech talent face during the early stages of development of start-ups, such as learning to craft and deliver pitches that successfully articulate the value propositions of their businesses.
- **Invite experienced founders to mentor Tanzanian start-up founders.** Programmes providing support to start-ups, including fintech, should also focus on including experienced mentors with demonstrable success in launching and scaling start-ups. This may require ecosystem facilitators to make systematic linkages to other markets with a more developed fintech ecosystem and with a greater availability of such experienced fintech founders (e.g. Kenya and Nigeria).
- **Support the establishment of a publicly funded, private sector-led initiative** targeting fintech start-ups through existing accelerators and hubs. The government may consider partnering with existing start-up hubs and accelerators to deliver targeted support to fintech start-ups. As the fintech start-ups interviewed noted that some accelerators and hubs lack follow-up and are often not available to provide support once their programmes end, this initiative could help fill that gap and continue providing targeted support to fintech start-ups that have passed through the accelerators but still require additional support to continue to fine-tune their products and strategies in line with the needs of the Tanzanian market and the government's growth and development strategies.

DEMAND

Stakeholders emphasized the need to support fintechs to develop products informed by customer/market research. This may address the issue of the lack of diversity among fintech solutions and support providers to collect stronger evidence of viable business cases. The fintech founders interviewed and industry stakeholders present at the validation workshop recommended the following:

- **Support increased market research ahead of product development.** Market research is done differently with technology start-ups because of the ability to pilot prototypes and easily collect usage data. Therefore, it is common to use the 'learn, design, pilot, pivot and iterate' model, which probably needs more visibility in the ecosystem. Ecosystem facilitators should channel more resources into the learn and design phases and incentivize more fintech start-ups to focus on developing solutions that tap into underserved sectors through pitch competitions or hackathons that focus on specific challenges or opportunities in the Tanzanian market that fintech could address. Additionally, fintech start-ups should be supported to access and leverage available demand data during the learn and design phases.
- **Facilitate increased linkages between fintechs and large institutions, including financial service providers.** Ecosystem facilitators, including the newly launched Tanzania Start-up Association, can help facilitate increased linkages between fintechs and large institutions that fintechs have expressed having difficulties partnering with. For instance, as fintech products commonly ride on the infrastructure of banking and telecommunications service providers, facilitating more open and participatory dialogues around the need for and the benefit of open application programming interfaces (APIs) for both fintechs and financial service providers may help reduce the barriers that fintechs face when approaching financial service providers. Increased partnerships would help fintechs leverage the partner's resources to test and refine their products to ensure that products launched fit the market's needs. This could prove to be a win–win strategy for both the fintech and the partners, leading to increased customer acquisition and increased revenue on both ends.

CAPITAL

Fintech start-ups in Tanzania are less likely to attract funding than their regional counterparts, and when they do, the funding amounts are typically smaller. As a result, bootstrapping remains the most common source of funding. Fintech start-ups without good fundraising skills and/or contacts with foreign investors have struggled to raise capital. Also, foreign investors lack a contextual understanding of the Tanzanian market, and this information is not readily available, which makes it difficult for investors to make sound investment decisions. To address the challenge of access to capital, stakeholders recommended the following interventions:

- **Maintain an up-to-date and easily accessible database of fintech start-ups.** Update the fintech landscaping assessment periodically and work with a mix of ecosystem facilitators to determine the best way to obtain, display and disseminate the information. Encourage fintech start-ups to provide information on the amount and sources of their funding, to present an accurate picture of the funding gaps and opportunities for the Tanzanian fintech sector.
- **Launch a local innovation fund targeting fintech start-ups.** Support the implementation of a local innovation fund, funded by a mix of donors and investors, that is easily accessible to start-ups. Having a local innovation fund will lessen the challenge of relying on foreign investors who lack a contextual understanding of the market when making their investment decisions.
- **Support start-ups to improve their communication and presentation skills to pitch to investors.** Support should be provided to fintech founders and their teams to improve their ability to effectively communicate the value of their proposed solutions to investors. This could be done through the organization of pitching events and training courses that are subsequently followed with investor networking opportunities that connect fintech start-ups to a pool of knowledgeable local and international investors.
- **Support start-ups to consolidate their market position and collective bargaining power.** The recently established Tanzania Start-up Association or a similar association for fintech could be leveraged as a channel through which fintech start-ups can collectively pursue partnerships with larger corporates from financial services and technology industries and connect to venture capital firms, investors, government agencies etc. looking to invest in the fintech sector.
- **Support start-ups to understand the perspectives of investors.** Often, investors feel like they have funds available to support start-ups, including fintech, but they are not finding the type of ideas and founders they are looking for. Further, given that the Tanzanian fintech market is less developed, investors may think they can get better returns in a neighbouring market or in Asia. Ecosystem facilitators can support start-ups to understand the perspectives of investors by consolidating the views of investors and sharing them with the fintechs.

POLICY AND REGULATION

While the regulators have made some efforts to support the growth of innovation in Tanzania, there are challenges related to the limited opportunities for direct engagement between fintechs and the regulators, and the lack of coordination among the multiple financial services regulators. To address the policy and regulatory issues raised, stakeholders recommended the following:

- **Increase coordination and cooperation between regulators to catalyse innovation.** Often, fintech start-ups may find themselves under the purview of multiple financial services regulators that may have conflicting and/or competing priorities. There is a need for increased harmonization of regulations governing innovation to continue to create a conducive and enabling environment for fintechs and other organizations operating in the financial services sector.
- **Facilitate dialogues between the regulators and fintech start-ups.** Ecosystem facilitators should leverage the hubs, accelerators and other associations targeting start-ups to ensure that the concerns and needs of fintechs are collectively brought to the attention of the regulators and, conversely, that policies and regulations established by the regulators are collectively communicated to the start-ups to eliminate misinformation and/or misinterpretation.

Moving forward, a clear and comprehensive fintech innovation policy articulating the proposed objectives and scope of fintech innovation in Tanzania would go a long way to ensuring that new entrants can safely and confidently enter the industry and have a fair chance of testing their innovations to scale those that are viable and relevant.

CONCLUSION

The fintech start-up landscape in Tanzania is evolving. Recently, there has been a significant increase in the number of fintech start-ups that have launched products aimed at addressing the needs of individuals and businesses across various sectors from payments/remittances to lending/financing to savings and insurance. However, the majority of fintech start-ups in Tanzania struggle to survive beyond the early stages for various reasons ranging from their inability to gain traction in the market to a lack of funding to sustain their operations.

In general, fintech founders and other key stakeholders in the fintech ecosystem are positive about the future of fintech innovation in Tanzania, citing the growing pool of investors looking to provide seed and early-stage funding to fintech start-ups, as well as an evolution in the policies related to innovation, which suggest the growing commitment of policymakers and regulators to keep up with the increasing pace of innovation in the country.

While only 33 companies that met UNCDF's criteria for fintech start-ups were found during this initial assessment, it is likely that this number will increase over time as more start-ups are registered, launch operations or become associated with the various start-up accelerators and hubs across the country.

While this assessment of the fintech start-up landscape in Tanzania presents some initial findings on the challenges that fintech start-ups face in scaling their operations, as well as the opportunities available for fintech start-ups and other actors in the ecosystem to support the growth of fintech innovation, it is by no means exhaustive, and there is room for further inquiry. During the course of the assessment, additional questions came up that UNCDF may look to address in subsequent versions of the Tanzania fintech landscape report, as well as in discussions around the growth of the fintech ecosystem in Tanzania and across East Africa and the rest of sub-Saharan Africa. They include:

- What role are banks and telecommunications companies best suited to play in the advancement of the fintech ecosystem in Tanzania and across Africa? Should they be competing or cooperating with fintechs? How, and on what issues?
- What are the actual addressable market sizes for different fintech products in Tanzania? What factors, beyond infrastructure, affect the potential demand, and the business case for fintech start-ups and investors?
- Given the small market sizes in East African countries, is there room for regional regulation frameworks that could potentially allow fintech start-ups to address multiple markets with a single licence? What would it take to realize such an initiative? What other regional cooperation and coordination mechanisms could be put in place to advance fintech innovation in the region?
- The big global players in the start-up space have traditionally focused on America, Europe, Latin America and Asia. However, in the past couple of years there have been signs that they are ready to invest in Africa. How will this change the start-up landscape in Africa? What are the opportunities and challenges? How has their absence thus far catalysed or stymied innovation in the space?

ANNEX A: STAKEHOLDERS INTERVIEWED

ORGANIZATION	PERSON INTERVIEWED	TITLE
Atrader	Andrew Tesha	Co-Founder and CEO
AzamPay	Firas Ahmad	Founder and CEO
Digital Mobile Africa (DMA Limited)	Rob Ashley Madziva	Co-Founder
ENGIE Energy Access	Godfrey Mugambi	Country Director
Financial Sector Deepening Tanzania	Daniel Mhina	Head, Digital Finance
Fundi247 Solutions	Martin Warioba	Founder
HDIF	Simon Mtabazi	Social Innovation Advisor
Hub 255	Imani Alfayo	Founder
ICT Commission	Jasson Ndanguzi	ICT and Digital Transformation Advisor
Jamii Insurance	Lilian Makoi	Co-Founder and CEO
Mipango	Lilian Makoi	Founder and CEO
MyHI	Shilton Ulomi	Co-Founder and CEO
Nala	Benjamin Fernandez	Founder and CEO
Next Gear Africa	Dickson Nganga	CEO
NMB	Paul Shilla Josina Njambi	Senior Specialist, Innovation Lab Head, Innovation and Development
OutLink Co	Johannes Charles	Founder
Phema Agri	Daniella Kwayu	Co-Founder and CEO
Rapid Cash	Opeyemi Oyedeji	Marketing Manager
Sahara Ventures	Jumanne Mtambalike	Founder and CEO
Safari Wallet	Iddy John	Founder and CEO
SamaPay	Emmanuel Kirenzi	Marketing Manager
SeedStars Tanzania	Innocent Mallya	General Manager
Selcom	Sameer Hirji	Founder and CEO
Superfolio	John Alfred	Product Manager
TemboPlus	Victor Joseph	Co-Founder
Vodacom	Edgar Masawe	Senior Engineer, Voucher Management Systems
Wengi	Salum Awadh	Founder and CEO
Zola Electric	Wilson Chonjo	Marketing Manager

ANNEX B: FINTECH START-UP COMPANY PROFILES

LAUNCH	COMPANY	DESCRIPTION
N/A		Still in the pre-start-up phase, A-Trader aims to become Africa's premier added-value savings and investment platform with the goal of supporting Africans to build their capacity to withstand emergencies, meet their financial responsibilities and plan for a financially healthy retirement. *https://www.atrader.co.tz/index.html*
2016		AzamPay is specialized in the development of end-to-end online payment management solutions for companies operating in East Africa. It offers a range of bespoke digital solutions designed to streamline payment and collection processes and optimize business performance and efficiency, whether transactions are being done locally, regionally or internationally. *https://www.azampay.com/*
2016		Applying machine learning, Branch is a digital lender that applies machine learnings to create an algorithmic approach to determine creditworthiness via customers' smartphones. Its tech-forward approach enables a fair, secure and convenient path for customers to build capital and save for the future. *Source: https://branch.co/about*
2019		ClickPesa facilitates business payment in Africa, allowing online/in-store payments, cross-border payments and bulk payments. It enables merchants to accept all forms of payments across a wide range of payment channels. It allows for regular payments such as donations, salaries, expenses and supplier payments. It also offers money exchange electronically through bank transfers. *Source: https://clickpesa.com/*
2018		Digital Mobile Africa is a big data-driven agri fintech driving sustainable financial services for smallholder farmers by bundling value additions to save, reduce production costs, and increase yield and incomes. DMA is working to create a last-mile Agrodealer Agent Network that brings efficiency, transparency and trust to the distribution process. *Source: https://www.digitalmobile.africa/*
2006		Direct Pay Online provides a payment platform that simplifies payment processing "by allowing businesses to accept credit cards, mobile payments and cross-border payments". It operates in a number of African markets, including Botswana, Ethiopia, Ghana, Kenya, Malawi, Mauritius, Namibia, Nigeria, South Africa, United Republic of Tanzania and Zambia. *Source: DPO, 'Be Free! Payments Made Easy', https://www.directpay.online/*
2016		DreamStart Labs designs innovative mobile solutions to help people in emerging markets achieve their dreams of a better life by growing their investments, collaborating with others, and starting small businesses that break the cycle of poverty. DreamStart Labs aims to bring Silicon Valley-style innovation to the world of global poverty alleviation with unparallelled excellence, impact and scale. Its DreamSave app digitizes the activities of informal community banks and savings groups, making it easy for groups to manage financial records, achieve savings goals, build credit history and connect to formal financial services. *Source: https://www.dreamstartlabs.com/*
Unknown		EvMark is a fintech start-up that facilitates, develops and integrates payments such as bank transfers, PayPal, e-wallets (M-Pesa, airtle money, tigopesa), cash-based digital payments and local cards globally. EvMak serves a range of customers from large corporations to small and medium-sized enterprises across multiple sectors (banking and finance, insurance, consumer goods, government, education, FMCG, travel and hospitality). *Source: https://evmak.com/about-us/*

LAUNCH	COMPANY	DESCRIPTION
2020	Fundi247	Fundi247 is a digital marketplace that connects customers, technicians and retailers through a platform and mobile application. Fundi247 provides customers (both individuals and corporates) with a hassle-free, efficient way of finding vetted and trained technicians and providing technicians, mainly youth, with an opportunity to market their expertise and create jobs for themselves. In addition, customers, technicians, and retailers, mainly small and medium-sized enterprises, will have access to financial services such as digital payments, credit, savings, trade financing, insurance, equipment leasing, supply chain financing and training through a single platform *www.fundi247.co.tz*
2017	GetPesa	GetPesa is a fintech company focusing on financial education, consumer protection and digital finance for marginalized communities. Its goal is to help Tanzanians meet their life goals by providing them with information they need to make optimal financial decisions, and linking borrowers to lenders offering affordable credit options through a financial marketplace with transparent pricing. *Source: https://getpesa.co.tz/*
2017	humaniq	Humaniq is a fintech start-up that uses blockchain technology to address financial literacy and financial access by providing an easy-to-use interface that can be understood by anyone, regardless of language or educational background. It is leveraging the smartphone revolution to help the developing world move a step closer to full-scale financial inclusion. Through facial recognition software, the application offers an alternative form of identification, allowing users to work, borrow, lend, save and pay across the Internet using cryptocurrency. *Source: https://humaniq.com/*
2013	ictpack	ICT Pack provides business automation technologies, including a robust financial services engine for banks, microfinance institutions, credit unions, savings and credit cooperatives (SACCOs), and savings and lending institutions. ICT Pack's Extended Financial Inclusion Management System can be deployed in the cloud or on premises, online or offline, on a mobile or a PC; it can be adopted to support any type of organization, delivery channel, product, service or methodology. *Source: https://ictpack.com/*
2016	Jamii	Jamii Africa is a micro-insurance health start-up that provides health insurance targeted at Tanzania's low-income population through their mobile phones. It launched in January 2015 and has built a mobile policy management platform that performs all the administrative activities of an insurer, and allows users to access cheap insurance via Unstructured Supplementary Service Data (USSD), starting at US$1 per month. *Source: https://www.digitalinsuranceagenda.com/featured-insurtechs/jamii-bringing-affordable-health-insurance-to-low-income-tanzanians/*
N/A	JointPesa	JointPesa is a digital platform that aims to bank and monetize saving groups in Tanzania and across Africa. Through the JointPesa app, smallholder farmers participating in savings groups will be empowered to save and lend digitally, and the platform will connect group members to other financial services, including insurance and pensions, bank loans etc. JointPesa was selected as a finalist from the zero AIDS and dLab's #zerohunger innovation challenge. *Source: https://innovation.wfp.org/tanzania*
2014	JUMO	Jumo offers its partners a full technology stack for building and running next-generation financial services, including savings, lending and insurance products for entrepreneurs in emerging markets. These next-generation products give anyone with a cell phone and mobile wallet access to unprecedented financial choice, enabling millions of people to prosper, build their businesses and drive economic growth. Its main markets are Ghana, Kenya, Pakistan, Rwanda, Uganda, United Republic of Tanzania and Zambia. *Source: https://www.jumo.world/*
N/A	LOKO FIN	Lokofin is an offline savings group platform for the unbanked population. It uses artificial intelligence to deliver credit rating history and a marketplace for financial products to the unbanked population without Internet access. *Source: https://www.f6s.com/lokofin*

LAUNCH	COMPANY	DESCRIPTION
2019	MfukoPesa simple | safe | reliable	Mfuko Pesa offers solutions customized for microfinance institutions and social savings groups, including Village Community Banks (VICOBAs), SACCOs and chamas that aim to digitize all of their banking and administration. *Source: https://www.mfukopesa.com/*
2016	MIMOSA CONCIERGE	The Mimosa Black Card is a pre-paid Visa card that can be topped up with cash through mobile money and at the bank and used to perform multiple transactions including ATM withdrawals, online purchases and payments at point-of-sale terminals that accept Visa. *Source: https://mimosaconcierge.com/*
2020	Mipango	Mipango is a personal finance mobile application that enables users to manage their income, expenses, savings, financial targets, help and offerings. It uses artificial intelligence to guide users to better financial management and financial deals towards attaining financial freedom. *Source: https://www.f6s.com/mipango*
2018	ENGIE	ENGIE Energy Access is one of the leading pay-as-you-go and mini-grids solutions provider in Africa, with a mission to deliver affordable, reliable and sustainable energy solutions and life-changing services with exceptional customer experience. In 2019, ENGIE acquired Mobisol, taking over its operations in Tanzania. With the combination of Mobisol's focus on productive use products and Fenix's inclusive home solar power system, ENGIE now offers a range of affordable energy products to rural and urban customers across Tanzania. *Source: https://www.engie-africa.com/*
2020	MyHI	MyHI is a mobile app that merges all health insurance activities and processes, including purchasing insurance policies and processing insurance claims, making them accessible, more convenient and faster. MyHI was one of the 2020 finalists for Vodacom's Digital Accelerator programme. *Source: http://www.myhi.co.tz/*
2018		NALA Money is an app-based wallet for financial transactions in Tanzania. It offers money transfers, bill payments and airtime top-up. It also allows users to track finance using budgeting tools and transaction history. Recently, NALA pivoted to facilitate remittances, expanding to serve the Ugandan market as well. *Source: https://www.iwantnala.com/*
2020	BUSINESS Fintech & Consulting	NextGear Africa offers a fintech app targeting the transportation and logistics sector, allowing companies and their drivers to make digital fuel payments and gain loyalty points linked to spending on fuel. *Source: http://nextgearafrica.herokuapp.com/*
2019	OUTREACH TRADERS	A product of Outreach Traders, outLink Co. offers a credit profiling platform to smallholder farmers and linkages to financial institutions to enable them to access loans for agricultural input and agronomic services. They help ensure that farmers can get the best prices for their produce to enable them to repay the loans to the financial institutions. *Source: http://www.outlink.co.tz/*
2020	PHEMA AGRI.	Phema Agri is Tanzania's first digital agriculture investment platform that facilitates financing for various value chains in Africa. It aims to give farmers the capacity to increase production and, by extension, food security in Africa. *Source: http://phemaagri.com/*
2016	RapidCash	Rapid Cash uses an innovative approach to provide instant loans to salaried workers and verified entrepreneurs in Dar es Salaam. It aims to help people to smooth consumption needs by accessing funds within minutes through its non-collateral loan products. In addition to personal loans, Rapid Cash also offers group loans to entrepreneurs, where the group solidarity is used to guarantee the loan. *Source: https://www.rapidcash.co.tz/*

LAUNCH	COMPANY	DESCRIPTION
2019		Safari Wallet provides a platform connecting travellers to tour/holiday providers, allowing users to book trips and experiences and pay in instalments. It is the only fintech start-up operating in the travel sector in Tanzania. *Source: https://safariwallet.com/*
2020		Samapay is a digital payments solution for consumers and businesses to make affordable payments to merchants and affiliates that are part of Samapay's merchant ecosystem.
2011		Selcom is one of the largest cross-segment financial and payments services providers in Tanzania, with products built around three personas: the unbanked, underbanked and banked. Having established itself as the leading enabler for assisted cash payments for biller and merchant payment services and local processing for banks and mobile network operators, the company is now venturing into e-commerce. It is scaling up its platform to embed end-to-end order and delivery management for groceries, food and a marketplace, using its strengths in payments processing, beginning in Tanzania and scaling across East Africa. *Source: https://www.selcom.net/*
N/A		Still in the pre-start-up phase, Superfolio is a personal finance app that leverages artificial intelligence to provide Tanzanian millennials with advice on savings and investments.
N/A		Still in the pre-start-up phase, TemboPlus is a digital banking service linked to mobile money accounts that allows customers to plan and save for things they care about, make secure and reasonable investments and use financial records to take charge of their financial situations while leveraging a fast and elegant user experience. *Source: https://temboplus.com/*
2020		Wengi is an equity crowdfunding platform that helps African entrepreneurs raise capital while providing investment opportunities for retail and institutional investors. The platform allows for early-stage and growth companies to raise capital on the platform. It is a hybrid platform that allows both equity and debt instruments to be used. Wengi is a Swahili word with a loose meaning of 'crowd'. *Source: https://wengi.co.tz/about-us/*
2012		ZOLA Electric provides clean energy to homes and businesses across Côte d'Ivoire, Ghana, Rwanda and the United Republic of Tanzania. Customers purchase ZOLA Electric rooftop solar systems over time, using pay-as-you-go leasing and paying through mobile money. ZOLA Electric is currently serving 1 million users in over 10 countries across two continents. *Source: https://zolaelectric.com/about-zola/*

Disclaimer

This report is based on information collected through interviews with fintech start-ups and key industry stakeholders and internal analysis conducted by the UNCDF team.

Fintech start-up data

Data are self-reported and have not been verified independently by the UNCDF team; however, where possible, data are checked against other benchmarks and publicly available data sources.

Confidentiality

Data published in this report have been presented in a way to protect the confidentiality of each fintech start-up. Any specific references or highlights in this report have only been presented with the approval of the start-up to disclose this information.

Limitations

The approach used by the UNCDF team considered all of the relevant sources of information available at the time. To ensure that the full range of fintech start-ups was included in the landscape analysis, UNCDF requested referrals and asked the companies interviewed to list their competitors. From this technique, the team determined that 33 fintech start-ups are currently operating in Tanzania. However, this number cannot be verified through any public sources.

LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The UNCDF strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital financial inclusion in Africa, Asia and the Pacific. UNCDF leverages digital finance in support of the Sustainable Development Goals (SDGs) to achieve the vision of promoting digital economies that leave no one behind. The goal of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. To achieve this vision UNCDF uses a market development approach and continuously seeks to address underlying market dysfunctions that exclude people living in the last mile.

ABOUT THE UN CAPITAL DEVELOPMENT FUND

UNCDF makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments— fiscal decentralization, innovative municipal finance, and structured project finance—that drive the public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to Sustainable Development Goal (SDG) 1 on the eradicating of poverty and SDG 17 on the means of implementation. By identifying those market segments in which innovative finance models can have a transformational impact in reaching the last mile while addressing exclusion and access inequalities, UNCDF contributes to a number of different SDGs.

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Unlocking Public and Private Finance for the Poor