



TANZANIA CROSSBORDER REMITTANCE POLICY DIAGNOSTIC



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ACKNOWLEDGEMENTS

This report evaluates the current policies and regulations with a focus on improving the efficiency, security, and accessibility of remittance services. It provides data-driven insights and actionable recommendations for policymakers, financial institutions, and development organizations. It informs policy revisions to guide financial service development and aid international development partners in designing effective interventions. The report was funded by the European Union through the Digital4Tanzania (D4T) Action.

Appreciation is extended to the Bank of Tanzania, the Ministry of Foreign Affairs and East African Corporation, the Financial Intelligence Unit, the National Identification Authority, the Tanzania Communications Regulatory Authority, the diaspora community, commercial banks, microfinance institutions, electronic money issuers, and money transfer operators for their substantive contribution to the report.

The content of this report is based on information collected between March 2024 and June 2024.

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ACRONYMS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATMs	Automated Teller Machines
BoT	Bank of Tanzania
CAP	Chapter (in legal documents)
CRDB	Cooperative Rural Development Bank
DRC	Democratic Republic of Congo
DFS	Digital Financial Services
EAC	East African Community
EAPS	East Africa Payment System
EFT	Electronic Fund Transfer
EMIs	Electronic Money Issuers
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FCP	Financial Consumer Protection
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
ID	Identification
IMT	International Money Transfers
IOM	International Organization for Migration
KYC	Know Your Customer
MFIs	Microfinance Institutions
MNOs	Mobile Network Operators
MTOs	Money Transfer Operators
NFIF	National Financial Inclusion Framework
NIDA	National Identification Authority
NMB	National Microfinance Bank
PSPs	Payment System Providers
RITA	Registration, Insolvency, and Trusteeship Agency
RSPs	Remittance Service Providers
SACCOs	Savings and Credit Cooperative Societies
SADC	Southern African Development Community
RTGS	Real Time Gross Settlement
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TACH	Tanzania Automated Clearing House
TCRA	Tanzania Communications Regulatory Authority
TISS	Tanzania Interbank Settlement System
TIPS	Tanzania Instant Payment System
TSh	Tanzanian Shilling
TTCL	Tanzania Telecommunications Corporation Limited
US\$	United States Dollar
ZIPA	Zanzibar Investment Promotion Authority

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EXECUTIVE SUMMARY

Remittances are a vital source of financial inflow for many developing countries, including Tanzania, where they help boost household incomes and play a pivotal role in poverty alleviation and local development.

Despite their importance, Tanzania records notably lower remittance inflows compared to its East African neighbors, capturing only 0.9 percent of its gross domestic product (GDP) from these transfers. This policy diagnostic seeks to analyze the barriers and opportunities within Tanzania's remittance landscape, aiming to enhance the effectiveness and inclusivity of remittance flows into the country.

OVERVIEW OF FINDINGS

- **Remittance inflows:** In 2023, Tanzania received approximately US\$747 million in formal remittances, with the United States, United Kingdom, and Canada being the largest sources. These remittance flows are heavily influenced by the geographic spread of the Tanzanian diaspora and their earnings abroad.
- **Market dynamics:** The remittance market in Tanzania is served by various providers, including banks, microfinance institutions (MFIs), mobile money operators, and money transfer operators. However, despite the range of service providers, a small number of large banks dominant the market, driving up transaction costs due to limited competition. Many remittances are still sent via informal channels, which are often cheaper but come with higher security risks and lack of regulatory protections.
- **Financial infrastructure:** Tanzania has robust payment systems, such as the Tanzania Instant Payment System (TIPS) and mobile money platforms, which play a key role in facilitating remittance transactions. However, these systems are underutilized, and their limited interoperability prevents them from reaching their full potential.
- **Regulatory environment:** While the regulatory framework in Tanzania supports a variety of financial services, it also presents challenges. Stringent licensing and data localization requirements make it difficult for fintech companies and other non-bank financial providers to enter the market. These regulations tend to favor established financial institutions, limiting competition and innovation, particularly from smaller fintech companies that could otherwise reduce costs and enhance services.

- **Political Economy and Diaspora Engagement:** The Tanzanian government has made strides in engaging diaspora, with policies aimed at making it easier for diaspora members to invest and participate in the local economy. Zanzibar, in particular, has been proactive in formalizing the status of its diaspora through specific legislation that aims to strengthen ties and increase investment.

CHALLENGES

- **Infrastructure and technological gaps:** While Tanzania has implemented advanced systems like the Tanzania Instant Payment System (TIPS) and has a wide-reaching mobile money network, these technologies remain underutilized. Issues such as limited integration between financial service providers and the high cost of mobile transactions create barriers for users. These challenges not only hinder the smooth flow of remittances but also lead to prohibitively high transaction fees for lower-income populations. Moreover, the high costs of formal remittance transactions make it difficult for many members of the Tanzanian diaspora to send money home, ultimately reducing the overall volume of remittances.
- **Regulatory barriers:** Strict regulatory frameworks present significant challenges for new market entrants, particularly fintech companies and non-traditional financial institutions. These barriers limit competition and stifle innovation in the remittance market.
- **Data localization requirements:** Laws mandating local data storage place financial strain on new and smaller market players, making it harder for them to compete.

RECOMMENDATIONS

1. **Regulatory Reform:** Simplify the regulatory landscape to lower entry barriers for new entrants, particularly fintechs. This can be achieved by streamlining licensing processes and revising restrictive policies, such as those related to e-money issuance and data localization requirements. Such reforms would foster greater competition and potentially reduce high remittance costs.
2. **Infrastructure Optimization:** Maximize the use of existing financial infrastructure like TIPS to expand reach and increase efficiency in processing cross-border transactions. Enhancing interoperability among mobile money platforms can also lower transaction costs and improve service delivery.
3. **Transaction Cost Reduction:** Work with financial institutions to lower remittance fees and explore incentives for using formal remittance channels. Encouraging the shift from informal to formal channels will help increase transparency and reduce risks for users.
4. **Diaspora Policy Strengthening:** Implement measures that encourage diaspora contributions, such as easing investment and banking restrictions and ensuring consistent application of policies. For instance, standardizing fees across diaspora banking services and improving transparency in banking operations can build trust and increase engagement from the Tanzanian diaspora.

5. **Regional and International Cooperation:** Engage East African Community members and international bodies to harmonize remittance policies and fees. This would create cheaper and more efficient remittance corridors, benefiting both senders and recipients.

This diagnostic serves as a foundation for redefining Tanzania's remittance framework. By addressing these challenges and implementing the recommended reforms, Tanzania can better harness the economic potential of its diaspora, positioning remittances as a key driver of national development.

KEY ELEMENTS OF THE COUNTRY POLICY DIAGNOSTIC

For Tanzanians working abroad, remittances play a crucial role in supporting the local economy. These funds are vital for the welfare of families back home and contribute to poverty reduction and local development.¹

According to the Bank of Tanzania (BoT), in 2023, formal remittance flows into Tanzania amounted to US\$747 million, representing 0.9 percent of the country's gross domestic product (GDP).

In comparison, Tanzania's proportion of remittance inflows to GDP is the smallest among East Africa Community² (EAC) member states. For instance, South Sudan records 18.2 percent, Rwanda four percent, Kenya 3.7 percent, Uganda 2.5 percent, the Democratic Republic of Congo (DRC) two percent, and Burundi 1.5 percent.³ In absolute terms, according to World Bank data, Tanzania also trails behind all EAC member states, except Burundi, in the year-on-year value of remittance inflows, as illustrated in Figure 1.

As of 2020, there were approximately 327,863 Tanzanian migrants.⁴ This figure is lower than the migrant populations of neighboring East African countries, with Kenya and Uganda having about half a million (or one percent of the total population) and 0.78 million (or two percent of the total population) migrants, respectively. This disparity likely contributes to Tanzania's relatively low remittance inflows, as fewer migrants may result in fewer funds being sent home. Additionally, the earning potential in the destination countries may limit the amount that Tanzanian migrants can remit.

Moreover, not all remittances are sent through formal channels. Some are transferred via informal methods, such as the "Hawala" system, where money is given to a provider in one country, and a corresponding business makes an equivalent deposit in Tanzania. This system, often used for large sums to avoid formal banking procedures and scrutiny, leads to underreporting of remittance flows.

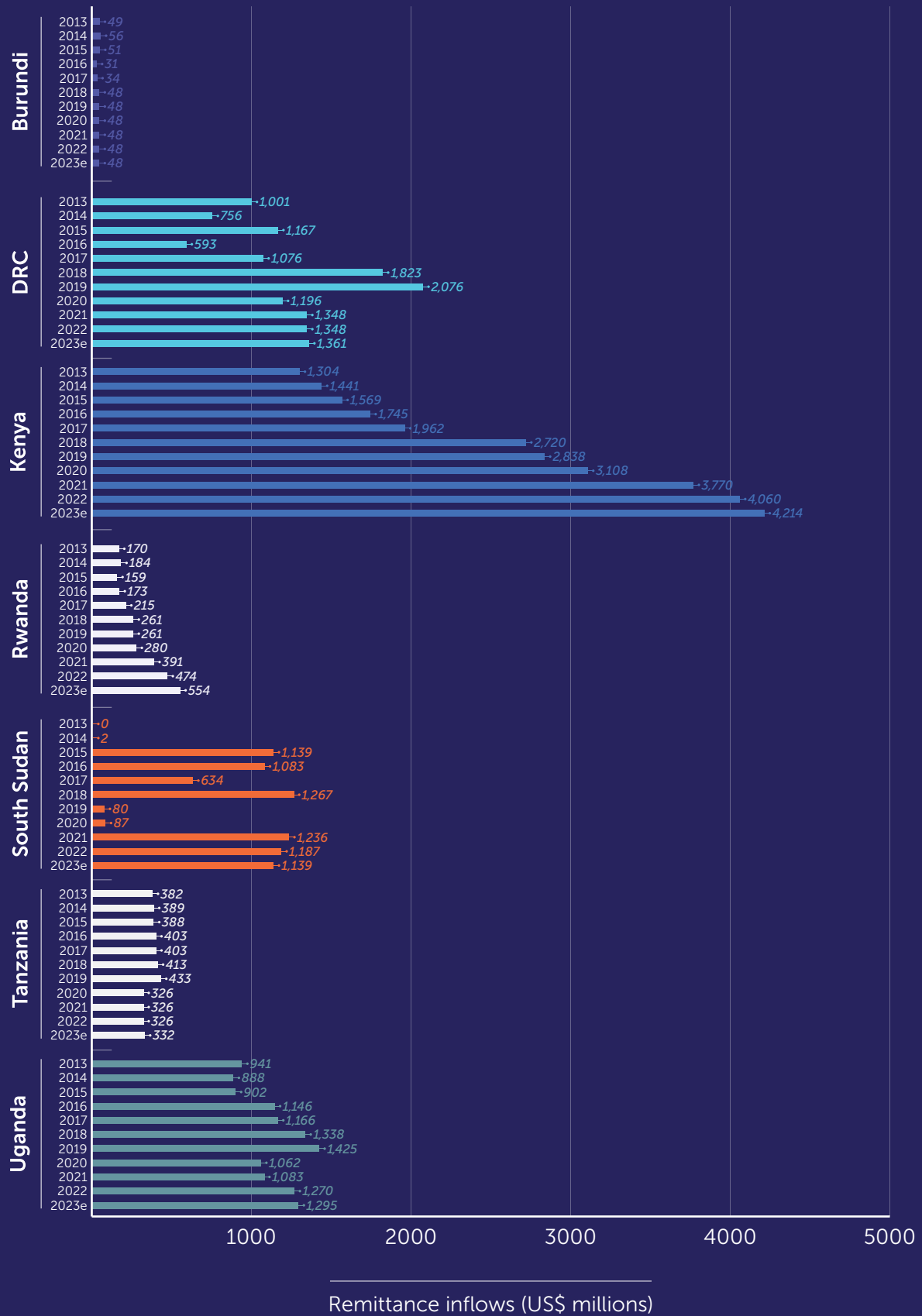
¹ Magai, P. S. (2019). The Relevance of Remittances on Economic Growth in Tanzania. *Operations Research Society of Eastern Africa*, 9, 16-31. Available here: <https://orseajournal.udsm.ac.tz/index.php/orsea/article/view/94>

² A regional intergovernmental organization of eight (8) Partner States: The Republic of Burundi, the Democratic Republic of Congo, the Republic of Kenya, the Republic of Rwanda, the Federal Republic of Somalia, the Republic of South Sudan, the Republic of Uganda, and the United Republic of Tanzania.

³ KNOMAD, Remittances Data. <https://www.knomad.org/data/remittances> (accessed on 25 January 2024).

⁴ UN DESA, International Migrant Stock 2020: Destination and origin

Figure 1: Trend in EAC remittance inflows (US\$ million)

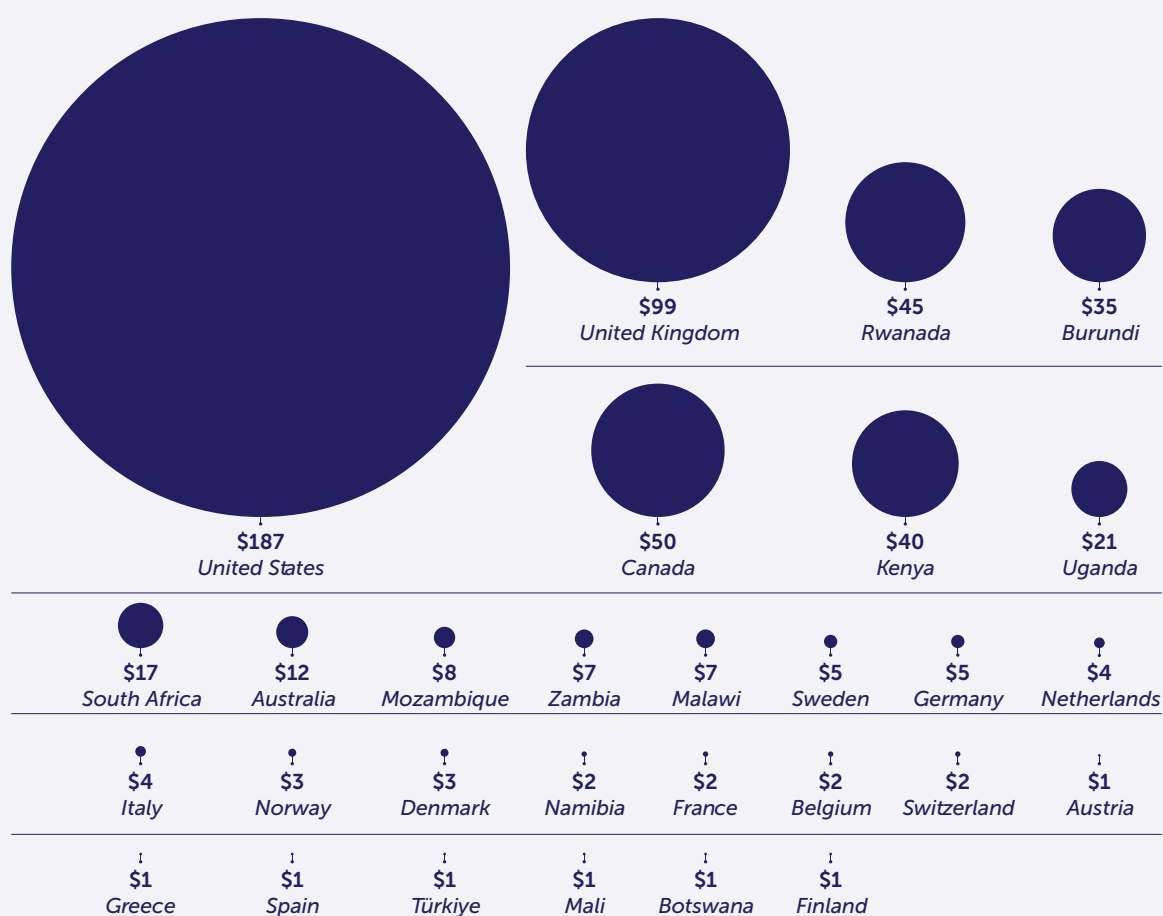


In addition, a significant volume of in-kind transfers, such as vehicles, electronics, and other equipment—particularly to Zanzibar—are sent by individuals or diaspora groups as donations to their families or government entities. These transfers are not captured in official remittance statistics, further underestimating the total volume of remittance to Tanzania.

Key remittance corridors for Tanzania primarily involve countries where significant numbers of Tanzanians live and work. The largest sources of remittances include the United States (US\$187.83 million), the United Kingdom (US\$98.82 million), Canada (US\$49.50 million), Rwanda (US\$44.88 million), Kenya (US\$40.31 million), Burundi (US\$35.01 million), Uganda (US\$21.47 million), South Africa (US\$16.66 million), and Australia (US\$11.69 million). These countries have been the primary contributors to Tanzania’s remittance inflows in recent years.

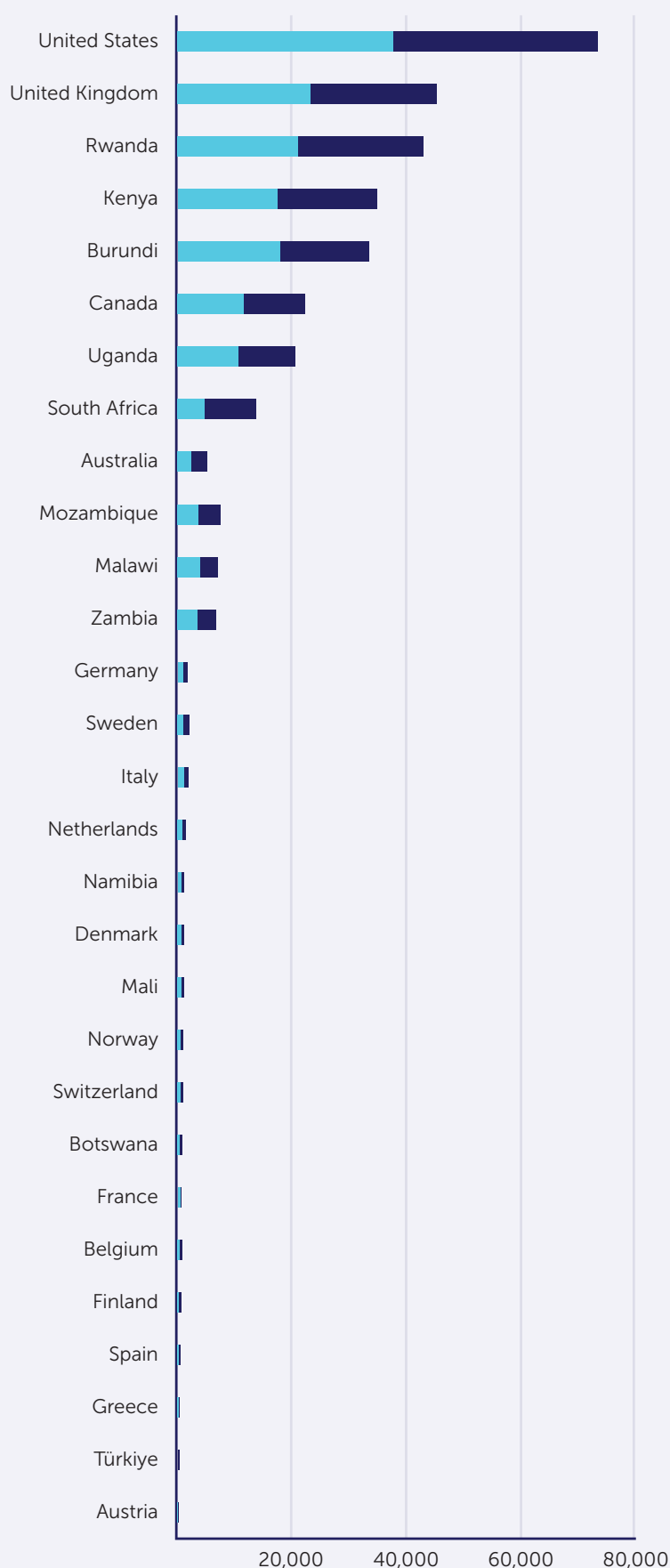
The values of remittances are closely linked to the number of Tanzanian migrants in these countries. As of 2020, the largest proportion of Tanzanian migrants resided in the United States (22 percent), the United Kingdom (14 percent), and neighboring EAC countries, including Rwanda (13 percent), Kenya (11 percent), and Burundi (10 percent).

Figure 2: Remittance outflow by sending economy, 2021



Source: KNOMAD, Remittances Data. <https://www.knomad.org/data/remittances> (accessed on 25 January 2024).

Figure 3: Migrant stock⁵ in destination economy, 2020



Tanzania has enjoyed relative political stability, making it a destination for migrants seeking new opportunities or refuge. In 2020, Tanzania hosted 426,017 migrants, with 52 percent coming from Burundi, 17 percent from the DRC, six percent from Kenya, five percent from the Republic of the Congo, and three percent from Mozambique.⁶

Despite the volume of transactions within the EAC corridor, Tanzania remains the most expensive African country from which to send remittances to neighboring countries. For example, sending US\$200 from Tanzania to Uganda in the second quarter of 2023 cost migrants an average of 39.1 percent in fees.⁷ This high cost is likely due to bank reliance on SWIFT⁸ transfers, which incur higher fees, particularly for low-value transactions.

⁵ International migrant stock is the number of people born in a country other than that in which they live. It also includes refugees. Source: World Bank DataBank Glossary

⁶ Integral Human Development. Available at: <https://migrants-refugees.va/country-profile/tanzania/>

⁷ Dilip Ratha, Vandana Chandra, Eung Ju Kim, Sonia Plaza, and William Shaw. 2023. "Migration and Development Brief 39: Leveraging Diaspora Finances for Private Capital Mobilization." World Bank, Washington, DC. Available at: https://www.knomad.org/sites/default/files/publication-doc/migration_development_brief_39.pdf

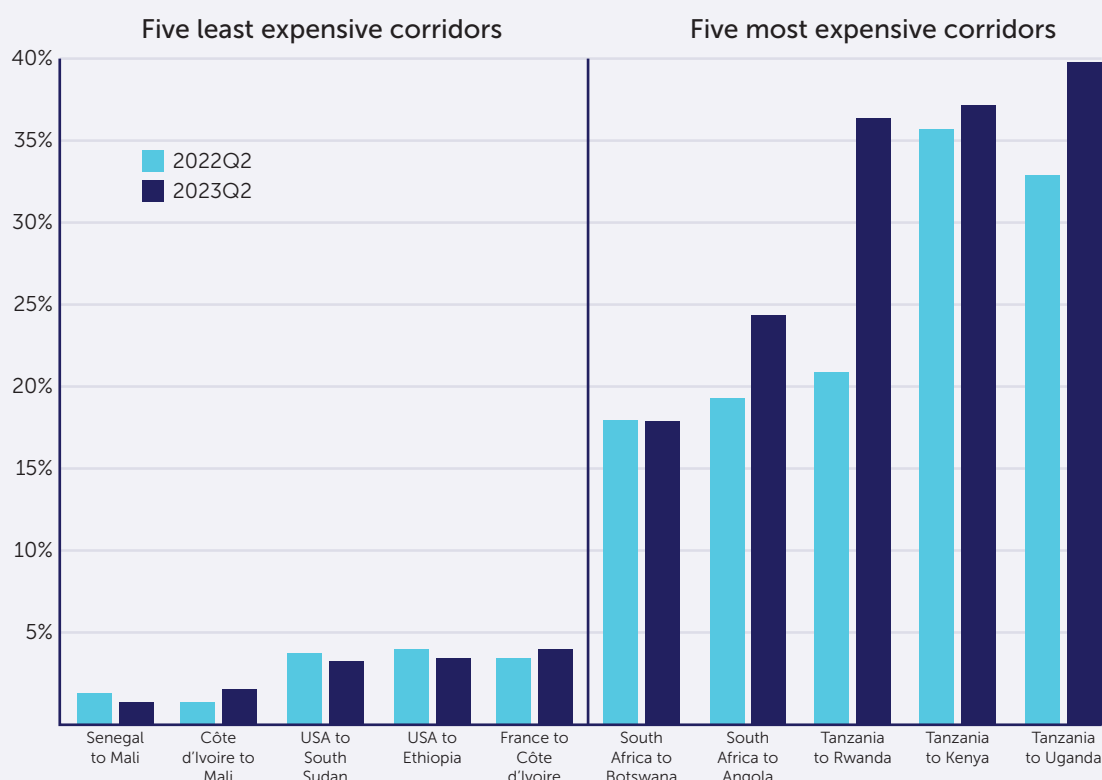
⁸ Society for Worldwide Interbank Financial Telecommunications

An alternative for banks is the East Africa Payment System (EAPS), which operates between Kenya, Tanzania, Uganda, and Rwanda, and charges a maximum of TSh10,000 for sending money within the region. However, the EAPS is underutilized because the lower fees it charges do not provide banks with the same financial margin as SWIFT transfers. This highlights the importance of cross-border mobile money transactions, especially for low-value remittances, where high bank fees can be prohibitive.

In Kenya, Rwanda, Tanzania, and Uganda, cross-border mobile money transactions are constrained by limited interoperability between telecom operators and money transfer operators.⁹ Interviews with a cross-border fintech company revealed that sending US\$100 to Tanzania can be up to four times more expensive than sending the same amount to Uganda and four to five times more expensive than to Rwanda. Transactions to Tanzania are also two to three times more costly compared to Kenya.

The high fees for fintech services in Tanzania are attributed to the perceived monopolistic behavior and possible collusion among mobile network operators (MNOs), resulting in elevated costs that are passed on to consumers.

Figure 4: costs of sending remittances to African countries



Source: World Bank Remittance Prices Worldwide Database
 Note: Cost of sending US\$200 or equivalent.

⁹ Ibid.

POLITICAL ECONOMY

The Tanzanian government has been actively engaging its diaspora, encouraging them to contribute to the country's development. As part of an ongoing review of foreign policy, the government is considering granting special status to the diaspora, acknowledging their significant contribution. This proposed policy would allow Tanzanians who have acquired foreign citizenship to return to Tanzania without facing typical immigration barriers, such as visa requirements or restrictions on the duration of stay. By removing these obstacles, the policy would enable the diaspora to participate more actively in the local economy, particularly through investment and land ownership. Additionally, it would improve their access to financial services, enhancing their ability to contribute both economically and socially. This approach not only strengthens the emotional and cultural ties between the diaspora and Tanzania but also fosters a sense of inclusion and belonging among Tanzanians living abroad.

Meanwhile, Zanzibar has made strides in formalizing special status for Zanzibari migrants and diasporans through the Diaspora Affairs Act of 2020 and a dedicated policy. This legislative framework, supported by the Diaspora Coordination Unit within the Department of International Cooperation under the Office of the President and Chairman of the Revolutionary Council, aims to engage the diaspora in Zanzibar's socio-economic development. The Act recognizes eligible diaspora members as those affiliated with and loyal to Zanzibar, recognizing the 1964 Zanzibar Revolution and adhering to local and national laws.

Registered diasporans enjoy several privileges, including exemptions from work permits, eligibility for multiple-entry long-term visas, and permission for extended stays. However, they are restricted from participating in political activities or exercising rights reserved exclusively for residents. Additionally, the Zanzibar Investment Promotion Authority (ZIPA) has adjusted the capital investment threshold for diasporans to US\$200,000, aligning their contributions more closely with those of local investors.

REMITTANCES LANDSCAPE

MARKET

Banks: As of December 2023, Tanzania is home to 44 licensed banks, including 34 commercial banks, five community banks, three microfinance banks, and two development banks. According to the Bank of Tanzania 2023 annual report, the banking sub-sector accounts for over 70 percent of the total assets in the financial sector. Commercial banks alone account for 97.2 percent of the banking institutions' total assets, with 60.5 percent owned by local entities and 36.7 percent by foreign entities.¹⁰ The balance between local and foreign ownership reflects strong domestic control alongside significant foreign investment and confidence in Tanzania's financial market.

¹⁰ Bank of Tanzania Annual Report for 2022/23. Available here: <https://www.bot.go.tz/Publications/Regular/Annual%20Report/en/2023123114565911.pdf>

The sector shows notable concentration, with the two largest banks holding 46.5 percent of total assets in 2022. The top five banks together accounted for 61.7 percent of total assets by the end of 2022.¹¹ This consolidation enhances efficiency and stability but raises concerns about market dominance, which could limit competition and innovation over time.

As of June 2023, Tanzania had 1,003 bank branches, and the number of banking agents grew by 49 percent year-on-year to 88,218, with concentration in Dar es Salaam, Arusha, Mwanza, Moshi, and Dodoma. CRDB Bank leads in branch and agent distribution, with 245 branches and 34,627 agents as of December 2023, followed by NMB Bank with 231 branches and 28,295 agents, NBC Bank with 51 branches, and Diamond Trust Bank with 28 branches. This expansion of branches and agents improves financial inclusion by making banking services more accessible across Tanzania. The growing number of banking agents indicates a shift toward more flexible, cost-effective banking models, helping to reach underserved areas without relying on traditional brick-and-mortar branches.

Microfinance Institutions: The Microfinance Act of 2018 established a legal framework for Tanzania's microfinance subsector, aiming to improve service delivery, reduce risks, and protect consumers through licensing and compliance requirements. The Act organizes microfinance institutions (MFIs) into four distinct tiers:

- Tier 1: Deposit-taking microfinance service institutions, also known as microfinance banks.
- Tier 2: Non-deposit-taking service providers, such as credit companies, money lenders, and microfinance lenders.
- Tier 3: Savings and credit cooperative societies (SACCOs).
- Tier 4: Community microfinance groups.

As of December 2023, Tier 4 dominated the sector, with 46,928 registered MFIs,¹² reflecting the importance of community-based microfinance organizations in areas with limited access to traditional banking services. Tier 1 includes three licensed microfinance banks: Access, FINCA, and VisionFund. Tier 2 has 1,579 licensed MFIs, mainly operating in Dar es Salaam, Mwanza, Arusha, Dodoma, and Mbeya. Tier 3 comprised 8,884 licensed SACCOs,¹³ providing vital credit services to households and small enterprises. Microfinance banks represent a small share of the banking sector's total assets (0.4 percent), with locally-owned banks holding 42 percent and foreign-owned banks holding 58 percent of microfinance assets.

Some MFIs are integrated with UmojaSwitch,¹⁴ contributing to the remittance landscape by handling fund transfers, though they are not permitted to engage in foreign exchange activities.

¹¹ EY. Tanzania Banking Sector Report: A Review of Calendar Year 2022. Available here: https://assets.ey.com/content/dam/ey-sites/ey-com/en_za/people/ey-tanzaniabankingsectorpdf.pdf

¹² Bank of Tanzania Annual Report for 2022/23. Available here: <https://www.bot.go.tz/Publications/Regular/Annual%20Report/en/2023123114565911.pdf>

¹³ *ibid*

¹⁴ A shared network that facilitates electronic payments and fund transfers among banks and other service providers. Currently, the network includes 16 members, comprising one microfinance bank, two community banks, and one non-bank financial institution.

Mobile Money Operators: Tanzania has six licensed mobile money operators: M-Pesa, HaloPesa, Tigo Pesa, T-Pesa, Airtel Money, and AzamPesa. By December 2023, the total value of transactions through mobile money platforms reached TSh15 trillion, 506 million transactions. The active user base for mobile money services stood at 51.7 million, underscoring the importance of mobile money in facilitating remittances and digital financial transactions both within and across borders.

Money Transfer Operators: The BoT has approved six major money transfer operators (MTOs): Africash, Express Money, MoneyGram, Western Union, WorldRemit, and Terra.¹⁵ These companies collaborate with local banks or mobile network operators (MNOs), leveraging existing financial and telecommunications infrastructure to efficiently manage and process remittances. Additionally, 24 Class A Bureaux de Change operate 93 branches in Tanzania, further supporting remittance services.

Payment System Providers: Payment system providers (PSPs) in Tanzania include banks, non-banks, and electronic money issuers (EMIs). As of June 2023, there were 71 licensed PSPs, of which 37 were banks and 34 were non-banks. EMIs are authorized to offer both inbound and outbound international remittance services. By December 2023, Tanzania had six licensed EMIs: M-Pesa, HaloPesa, Tigo Pesa, T-Pesa, Airtel Money, and AzamPesa.

PAYMENT INFRASTRUCTURE

The BoT plays a central role in regulating and overseeing the national payment system. Under the National Payment Systems (NPS) Act of 2015 and the Bank of Tanzania Act of 2006, BoT supervises payment services and products provided by both banking and non-banking institutions.

BoT acts as a clearing and settlement agent through four key systems:¹⁶

- Tanzania Automated Clearing House (TACH): This automated and centralized system streamlines the clearing of cheques and electronic fund transfers (EFTs).
- Tanzania Interbank Settlement System (TISS): A system for clearing and settling local transactions, facilitating high-value or time-sensitive payments, including government payments, stock exchange obligations, and card transactions through payment switches like Umoja Switch, Visa, and Mastercard. TISS also incorporates an East Africa Payment System (EAPS) module for cross-border inter-bank payments within the East African Community (EAC).
- East Africa Payment System (EAPS): A regional initiative by EAC member states, that facilitates real-time cross-border payments between Kenya, Tanzania, Uganda, and Rwanda, connecting real-time gross settlement systems of their central banks for secure and efficient funds transfer across the EAC.
- Southern African Development Community¹⁷ Real Time Gross Settlement (SADC RTGS): This system enables real-time cross-border electronic payments across SADC member states. It is operated by the South African Reserve Bank and replaces traditional paper-based methods.

¹⁵ Bank of Tanzania. Available at: <https://www.bot.go.tz/Publications/NPS/ListofMtos.pdf>

¹⁶ Bank of Tanzania, Available here: <https://www.bot.go.tz/PaymentSystem/Systems>

¹⁷ Regional Economic Community comprising 16 Member States; Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe.

- **Tanzania Instant Payment System (TIPS):** Launched in February 2022 by the BoT,¹⁸ TIPS is a significant step in advancing digital payments in Tanzania. Operating on a single platform, TIPS allows seamless financial transactions across different service providers, including banks and mobile operators like Airtel Money, Tigo, M-Pesa, HaloPesa, Ezy Pesa, and T-Pesa. TIPS is intended to reduce cash transactions by facilitating interoperability between payment infrastructure and lowering the cost of transactions. By June 2023, TIPS had onboarded 43 financial service providers, including 39 banks and four non-bank entities, processing 79.7 million transactions, worth TSh5.8 billion. TIPS integrates with other systems as well, facilitating cross-border remittances to reduce transactions costs and risks. BoT also introduced the Tanzania Quick Response Code standard (TANQR) to enhance payment security and prevent data breaches and payment fraud. Additionally, BoT upgraded TISS by adopting ISO20022 messaging standards in 2022/23 to further improve performance.

Mobile Network Operators: Tanzania's mobile money market is highly competitive, with M-Pesa, Tigo Pesa, and Airtel Money controlling 90 percent of the market, led by M-Pesa with 38 percent market share.¹⁹ Aggregators and switches, such as Selcom, Umoja, and newcomers like Cellulant, Onafriq (formally MFS), and Flutterwave, also participate in this space.

National Identification: The National Identification Authority (NIDA) plays a critical role in registering and issuing national IDs to Tanzanians, legal residents, and refugees. By 2024, 24.7 million adults had been registered out of an estimated 31 million eligible for registration. Of those registered, 20.7 million had successfully received their ID numbers. NIDA continues its efforts to register the remaining four million people, as an ID number is required for accessing many services.

Agents: Over the past decade, Tanzania's mobile money agent network has expanded significantly. By December 2023, the country boasted over 1.2 million mobile money agents nationwide, including in rural and underserved areas. Additionally, by June 2023, BoT reported 88,218 bank agents serving customers, with 31 banks authorized to conduct agent banking.²⁰ Despite this growth, challenges remain, such as network reliability, agent oversaturation in urban areas, and disparate levels of client financial literacy.

Automated Teller Machines (ATMs): As of December 2022, Tanzania had 1,911 ATMs across the country. The geographic distribution includes: Dar es Salaam (596 ATMs), Arusha (130), Mwanza (90), Morogoro (88), Dodoma (85), Unguja (73), Pemba (19), and Zanzibar (92), among other regions.

18 Citizen's Article, New Bank of Tanzania Payment System Set for February Roll-out. Available here: <https://www.thecitizen.co.tz/tanzania/news/business/new-bank-of-tanzania-payment-system-set-for-february-roll-out-3673110>

19 TCRA Communications Statistics for Q2 2023. Available at: https://www.tcra.go.tz/uploads/text-editor/files/TCRA%20Communications%20Statistics%20for%20Q2%202023%20-%202024_1705933797.pdf

20 Bank of Tanzania Annual Report for 2022/23. Available here: <https://www.bot.go.tz/Publications/Regular/Annual%20Report/en/2023123114565911.pdf>

PRODUCTS

Several banks in Tanzania have developed a range of financial products specifically targeting Tanzanians living abroad. These products typically offer features that facilitate easy banking from overseas, such as the ability to manage accounts in multiple major currencies, including US dollar (US\$), British pounds (GBP), Euros (EUR), and Tanzanian shillings (TSh), as well as access to digital banking solutions like internet and mobile banking.

Key offerings across these banks include no monthly maintenance fees, competitive mortgage and loan options for buying or building property in Tanzania, and investment opportunities, such as the ability to purchase bonds and other securities. A notable feature is the inclusion of life insurance coverage, which often covers body repatriation expenses in the event of the account holder's death abroad.

The mobile money experience in Tanzania has played a pivotal role in enhancing financial inclusion, particularly by enhancing remittance flows both within and beyond the country. According to the FinScope

Figure 5: Uptake of financial services

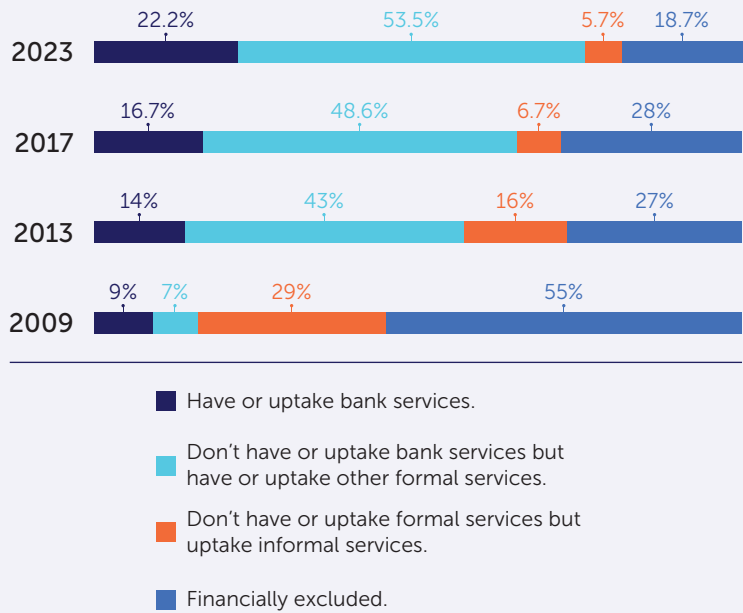
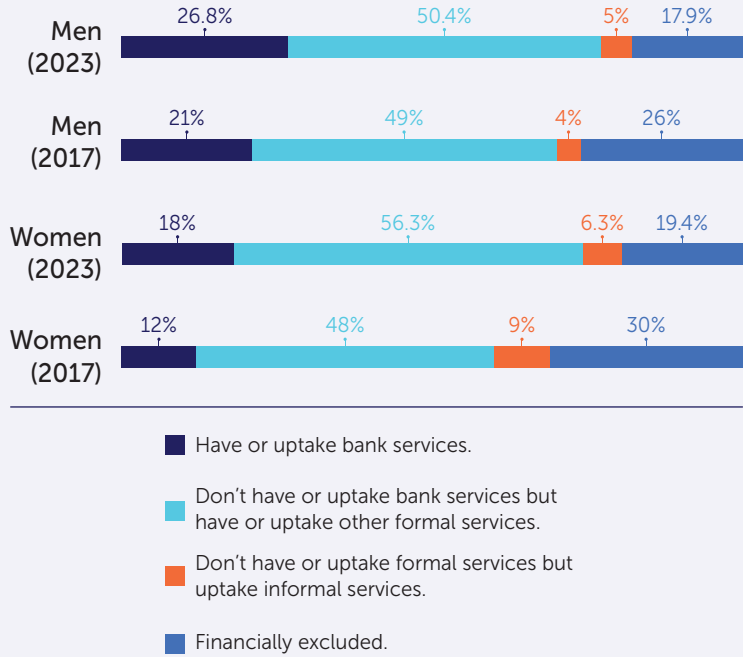


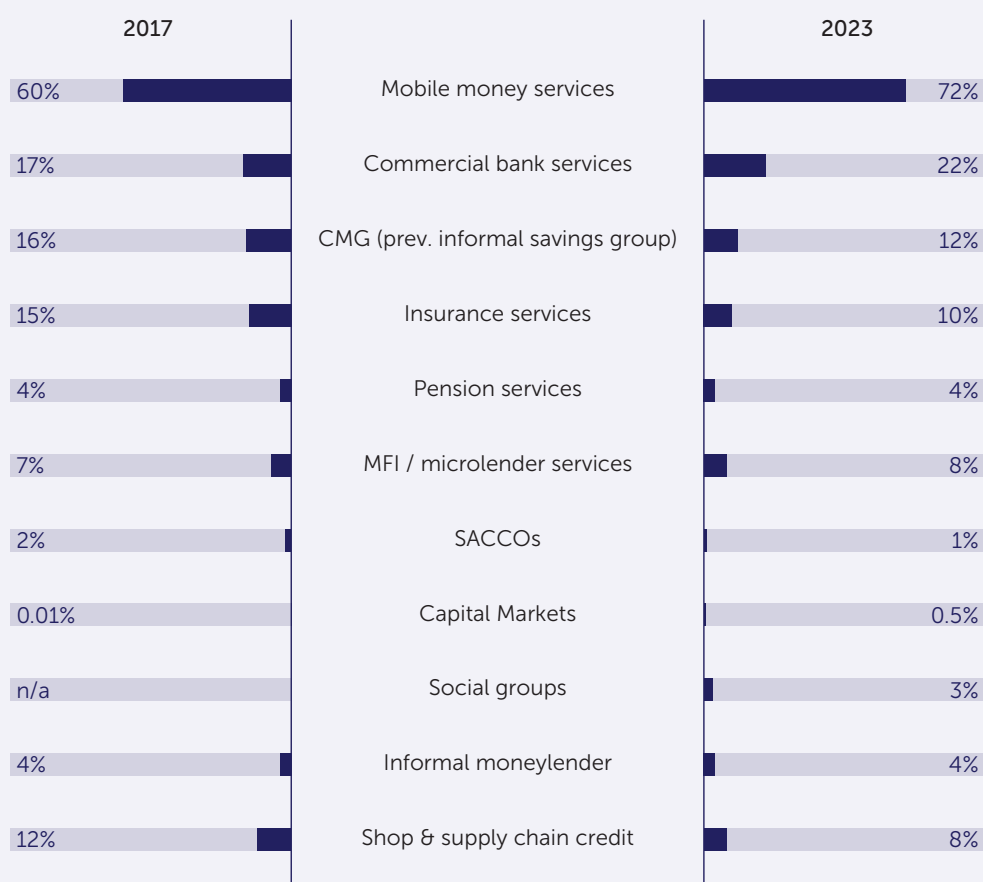
Figure 6: Uptake of financial services by gender



Tanzania 2023 Survey,²¹ access to formal financial services has seen a notable increase, with 76 percent of adults now having access, up from 65 percent five years ago.

This surge is largely attributed to the widespread adoption of mobile money services, which have grown more rapidly than other financial services between 2017 to 2023. By 2023, 72 percent of Tanzanian adults were using mobile money, a 12-percentage point increase from 2017. The integration of banking services with mobile technology has also contributed to this growth, with traditional banking usage rising to 22 percent of adults, up from 17 percent in 2017.

Figure 7: Uptake of formal and alternative financial services

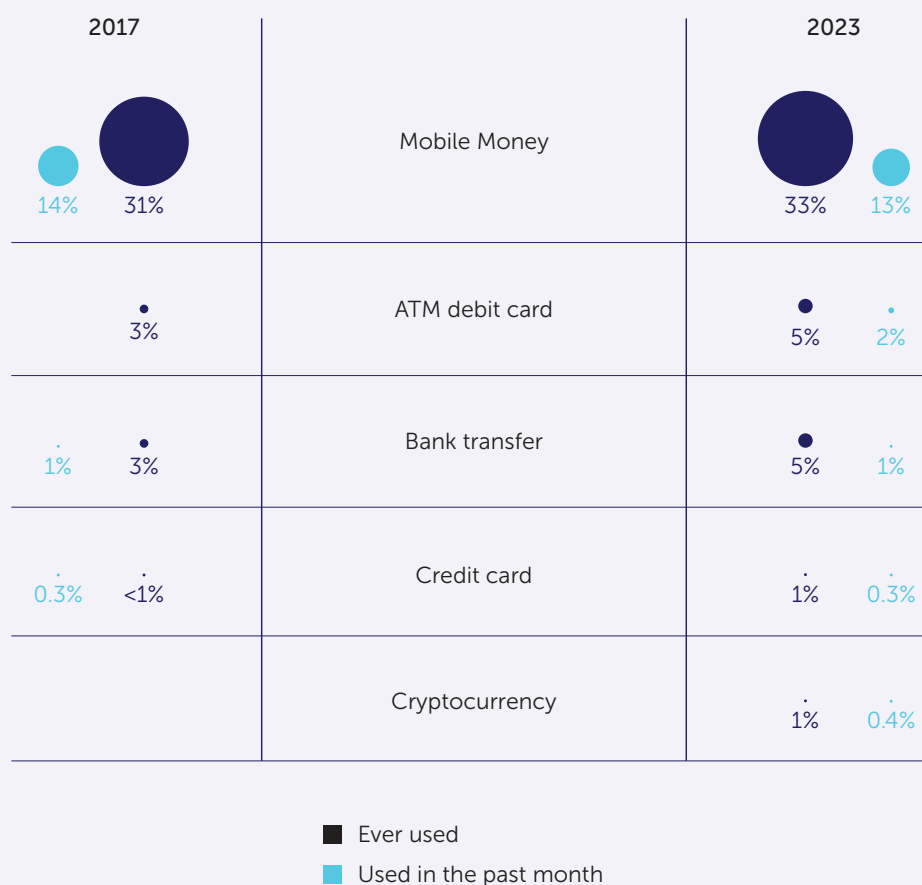


Source: FinScope Tanzania 2023 (Mar-Apr 2023) & FinScope Tanzania 2017 (Apr-Jul 2017)

Mobile money has become the most popular digital payment option in Tanzania, eclipsing all other forms of electronic payments. For many individuals, it serves as their initial introduction to electronic transactions and is often the first digital payment method they use.

21 FinScope Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017). Available at: <https://www.fsdt.or.tz/wp-content/uploads/2023/07/FinScope-Tanzania-2023-Full-Report-Insights-that-Drive-Innovation.pdf>

Figure 8: Type of digital payment instruments used to purchase goods



However, challenges remain, particularly for certain segments of the population, such as youth and women, who have less access to mobile phones, and those living in rural areas, where financial access points are more distant. Additionally, the requirement for a national ID to register a SIM card has posed a barrier for individuals under 18, who are ineligible for national IDs. The Electronic and Postal Communications (SIM Card Registration) Regulations, 2020, require all Tanzanian nationals and residents to register SIM cards using a biometric system and a national ID.

Remittances in Tanzania are increasingly facilitated through mobile money, with nearly 90 percent of those involved in remittance transactions (55 percent of respondents in 2023) using this service.²² This growth is supported by bilateral agreements between mobile network operators across different countries and licensed electronic money providers authorized to manage both inward and outward international remittances. While banks are required to document the purpose of outward remittances, mobile network operators offer a less cumbersome process, although limits exist on the amounts that can be transferred without additional documentation.

²² e Tanzania 2023 (March-April 2023) & FinScope Tanzania 2017 (April-July 2017). Available at: <https://www.fsd.or.tz/wp-content/uploads/2023/07/FinScope-Tanzania-2023-Full-Report-Insights-that-Drive-Innovation.pdf>

Overall, mobile money services in Tanzania have not only expanded access to basic financial services but have also provided a robust platform for facilitating remittances, significantly enhancing the economic connectivity of Tanzanians at home and abroad.

ROADMAP TO REFORM

The assessment and consultations with stakeholders have identified factors that both enable and inhibit remittance flows, as well as recommendations for policy, regulatory, and infrastructure improvements to enhance these flows. These findings are organized into five key areas:

- i. Legal and regulatory framework:* This area focuses on potential reforms to define and clarify the roles and responsibilities of authorities and mechanisms for better coordination. It emphasizes legal and regulatory adjustments to support efficient cross-border remittances.
- ii. Financial and payment system infrastructure:* This involves reforming policies, standards, and rules associated with national payment systems. Key recommendations include improving the network of access points, promoting access to interoperable systems and platforms, and establishing national ID systems that support electronic IDs and risk-based ID requirements.
- iii. Market practices:* This area addresses options for reforming the foreign exchange regime, with a focus on providing clear guidance and mechanisms to capture remittance-related data at the transaction level. It also includes recommendations for improved data analysis and sharing.
- iv. Consumer protection:* Recommendations aim to strengthen the protection, privacy, and confidentiality of remittance-related data. This includes enhancing consumer protection laws and improving complaint resolution mechanisms for financial services, specifically for cross-border remittances.
- v. Cooperation and collaboration:* The focus here is on establishing mechanisms to improve coordination among various stakeholders. It involves creating memoranda of understanding, bilateral or multilateral agreements, public-private collaboration on cross-border remittance policies, harmonizing laws and regulations, and forming regional bodies to coordinate initiatives and policies at the regional level. These efforts aim to ensure alignment with other regional and sub-regional instruments and institutions.

Below present enablers, inhibitors, and recommendations for reform across the five domains.

LEGAL AND REGULATORY ENVIRONMENT

ENABLER: ROBUST PAYMENT SYSTEM REGULATIONS

Tanzania’s payment systems are supported by a legal and regulatory framework that facilitates effective remittance processes, enhancing financial inclusion and stability. The Bank of Tanzania Act, 2006, grants the central bank broad mandates to regulate, monitor, and supervise payment and settlement systems, including all associated products and services. This foundational regulation is further expanded by the National Payment Systems Act, 2015, which details the roles and responsibilities for overseeing national payment systems. This Act is complemented by the Payment Systems Licensing and Approval Regulations, 2015, and the Electronic Money Regulations, 2015, which together provide a thorough set of guidelines for licensing, electronic money issuance, and operation of payment systems.

BoT is empowered to participate in and operate payment systems, ensuring that these platforms function efficiently and securely. Its role extends into the remittance space where it is tasked with licensing, approving, and supervising electronic money issuers and payment service providers, including those involved in cross-border remittances.

INHIBITORS

Issuance of e-money licenses/approvals is restricted to banks and MNOs: In 2020, BoT imposed restrictions on the issuance of e-money licenses and approvals, limiting them to mobile network operators (MNOs), banks, and non-banks that were already approved or licensed to issue e-money.²³ As a result, excluding other categories of payment service providers (PSPs), such as payment system operators and fintech companies, can no longer independently obtain e-money issuer licenses. If fintech businesses wish to incorporate e-money into their products and services, they must form partnerships with either a bank or an MNO that holds an e-money issuer license. These partnerships often involve revenue sharing, which can increase the cost of fintech services for end consumers. Additionally, such arrangements may hinder innovation, as the fintech’s ability to innovate becomes contingent on their partner’s willingness to do the same.

Data localization challenges for small PSPs or fintech startups in Tanzania: Regulation 42 of the Payment (Licensing and Approval) Regulations 2015 mandates that primary data centers for payment services must be located within Tanzania, imposing high costs on small and startup PSPs or fintech and remittance companies. Similarly, restrictions on cloud computing²⁴, introduced in the Cloud Computing Guidelines of December 2023, mandate that critical systems be located within Tanzania. These guidelines are applicable to all financial service providers licensed by BoT who utilize cloud computing. According to the guidelines, hosting “mission-critical systems”²⁵ and data centers for such systems outside of Tanzania is prohibited. As a result, these firms must either build costly standalone data centers or compete for limited space in existing facilities, significantly impacting their operational expenses and scalability.

RECOMMENDATIONS

Expand licensing opportunities: Regulators could revise existing policies to enable a broader range of entities, including fintech startups and non-bank financial institutions, to qualify for e-money licenses. By ensuring these entities meet necessary regulatory requirements beyond their entity type, this policy change could foster greater competition, spur innovation, and potentially reduce costs for consumers.

(a) Introduce flexible data localization policies: Consider and amend current regulations to allow for more flexible data localization. This could include permitting certain non-sensitive data to be processed or stored outside Tanzania particularly in EAC or SADC region, especially for small and startup fintech and remittance companies. This approach would reduce operational costs without compromising the security of critical financial data.

(b) Implement a tiered compliance framework: Introduce a tiered compliance framework that allows smaller financial service providers more time and flexibility to meet data localization requirements. This could include phased implementation schedules or temporary exemptions, particularly for startups and small businesses that might not have the resources for immediate compliance.

²³ Restriction on Issuance of Electronic Money Licences 2020. Available at: <https://www.bot.go.tz/Publications/Acts,%20Regulations,%20Circulars,%20Guidelines/Circulars/en/2021010715063975.pdf>

²⁴ Cloud computing involves processing, storing, and managing data on internet-based servers operated by third parties.

²⁵ Mission-critical systems are defined as any IT component—be it software, hardware, database, process, or application—that is essential to business operations.

ENABLER: LICENSING REQUIREMENTS FOR REMITTANCE SERVICE PROVIDERS IN TANZANIA

In Tanzania, both banks and non-bank entities are authorized to provide remittance services, subject to different regulatory requirements. Under the Payment Systems Licensing and Approval Regulations, 2015, banks can issue electronic money and offer remittance services once they receive approval from BoT. Meanwhile, non-bank entities are also eligible to provide these services but are required to obtain a specific license as mandated by the National Payment Systems Act, 2015. These non-bank entities must meet eligibility criteria set by the BoT and are permitted to offer payment services with certain transaction limits, engage in partnerships with financial institutions, and provide additional services as authorized by the Electronic Money Regulations, 2015. This regulatory framework delineates the precise licensing and approval processes that these entities must complete to legally offer remittance services.

INHIBITORS

Lack of guidelines for remittance services provision: Current payment systems regulations lack specific operational guidelines for license holders involved in remittance services. For example, there are no guidelines for international money transfer operators who handle inbound and outbound foreign exchange transfers. This absence of guidelines creates barriers to market entry and restricts consumer choice by limiting the available options for service providers.

Challenges of obtaining BoT approval for cross-border payment services: Regulation 46 places a regulatory requirement for written approval from BoT before offering cross-border payment services. While this requirement is aimed at ensuring regulatory oversight and stability, it may create barriers for smaller PSPs or fintech startups seeking to enter the cross-border remittance market, especially if there are already approved to provide payment services domestically. Obtaining written approval may be time-consuming and may deter smaller players.

RECOMMENDATIONS

Issue proportionate remittance guidelines: Issue remittance guidelines that specify operational and compliance requirements, incorporating controls that are proportionate to the associated risks.

Implement a simplified approval process for existing licensees: Establish a fast-track approval procedure for PSPs and fintech startups that are already licensed to provide domestic payment services. This expedited process would involve reduced paperwork and shorter processing times, specifically tailored for smaller entities. By leveraging their existing compliance records and operational history, these companies could demonstrate their capability to handle cross-border transactions under similar regulatory expectations. This approach would lower entry barriers into the cross-border remittance market, encouraging innovation and competition while maintaining necessary regulatory oversight and financial stability.

ENABLER: STREAMLINED CROSS-BORDER TRANSACTIONS THROUGH PRE-APPROVED PAYMENT HUBS

BoT has enhanced the efficiency of cross-border remittances by pre-approving payment hubs. This strategic move simplifies the process for banks and MNOs to engage in international transactions without the need to form separate partnerships with individual MTOs. The key advantage of this approach is the significant reduction in the regulatory approval process. For instance, instead of undergoing separate and potentially lengthy approvals for each new partnership, MNOs, and other financial institutions need only notify BoT when they collaborate with one of these pre-approved hubs. This streamlined process not only accelerates the launch of new services but also minimizes administrative workload and related costs, facilitating quicker and more cost-effective access to global remittance channels.

INHIBITORS

Regulatory imbalances in partnership approvals between banks and MNOs: The process for forming partnerships between banks or MNOs and MTOs is marked by significant regulatory disparities. Banks often face prolonged approval processes, extending up to one and a half years, due to their complex financial activities and risk profiles which necessitate thorough evaluations. In contrast, MNOs experience more expedited approvals as they undergo less stringent regulatory scrutiny. This imbalance not only delays banks' ability to expand remittance services, but also tilts competitive dynamics in favor of MNOs. MNOs, benefiting from quicker approvals, can rapidly launch and scale their remittance offerings, putting them at a competitive advantage. Consequently, this discrepancy can deter potential MTOs and fintech companies from partnering with banks, opting instead for MNOs with their less cumbersome regulatory path. This dynamic restricts consumer choices, especially for those preferring banks for larger transactions due to their stronger security measures and higher transaction limits.

RECOMMENDATIONS

Streamline partnership approval processes with clear, risk-based guidelines: Develop and disseminate guidelines that clearly outline the requirements and steps for forming partnerships with MTOs. These guidelines be tailored to match the risk levels of the applying entities, ensuring that those with similar risk profiles adhere to consistent operational and compliance standards, irrespective of the type of entity. Also, to enhance clarity and fairness, introduce a transparent approval process that features predictable timelines and defined criteria for approval. This approach will help all parties understand the expectations and minimize perceived discrepancies in approval times between banks and MNOs. Additionally, implement a regular review and feedback mechanism that allows financial institutions to gain a clearer understanding of any delays or additional requirements. This could include periodic consultations with stakeholders to continually refine and improve the approval process.

ENABLER: REGULATED FOREIGN EXCHANGE ENVIRONMENT

Tanzania operates under a liberal yet regulated foreign exchange regime, as outlined in the Foreign Exchange Act, 1992, and the Foreign Exchange Regulations, 2022. The legal framework allows both residents and non-residents to hold and transact in foreign currencies and open foreign currency accounts. However, any remittances sent outside the United Republic must be processed through authorized channels, which include banks, financial institutions, or mobile money operators. These transactions are subject to specific documentation requirements, depending on the nature of the transaction, ensuring regulatory oversight while facilitating international financial activities.

INHIBITORS

Documentation requirements hinder the efficiency of outward remittances: The requirement for documentation for various types of transactions regardless of the amounts, particularly those processed by banks, is causing delays in the processing of outward remittances. The time needed to collect and verify necessary documents slows down the speed at which these remittances are processed and received. This inefficiency deters some individuals from utilizing formal channels, pushing them towards informal methods where transactions are untraceable. Specifically, the challenges associated with sending funds out of Tanzania discourage many Tanzanian migrants and diasporans from opening bank accounts in the country, as they fear they will not be able to access their funds easily from abroad.

RECOMMENDATIONS

Simplify documentation requirements: Consider simplifying the documentation requirements for outward remittances, especially for transactions below a certain threshold amount. For instance, this could involve removing the need to provide documents for transactions below US\$10,000 as is the case in neighbouring Kenya.

Implement tiered verification: Introduce a tiered system for transaction verification based on the amount being remitted. Smaller transactions could be subjected to less stringent verification processes, which would expedite their processing without significantly increasing risk.

Foster diaspora-friendly services: Create and promote banking services that are tailored to the needs of the Tanzanian diaspora/migrants. These services could include features that allow easier access and control of funds from abroad, reassuring them that they can manage and retrieve their funds as needed.

ENABLER: FOREIGN CURRENCY ACCOUNT REGULATIONS FOR TANZANIA DIASPORA AND MIGRANTS

Under the Foreign Exchange Act, 1992, and the Foreign Exchange Regulations, 2022, migrants and members of the diaspora are permitted to open foreign currency accounts in Tanzania, applicable to both residents and non-residents. These accounts must be set up with banks or financial institutions that are authorized to handle foreign exchange transactions. Opening such accounts generally requires standard banking documentation for identity verification, including passport and proof of residence. Additional documents may be needed depending on the individual's residency status and the specific policies of the bank.

For non-citizen Tanzanian diaspora, the regulations mandate that one of the following three identification documents be provided, as specified under regulation 2 of the Anti-Money Laundering Regulations, 2022:

- National identity card (from a country other than Tanzania)
- Passport (from a country other than Tanzania)
- Driving license
- Voter registration card
- Employee identification card
- Student identification card

Account holders must comply with regulatory requirements such as anti-money laundering and combating terrorism financing laws. Additionally, financial institutions are expected to report the details of these accounts to BoT for regulatory compliance and financial monitoring. While the overarching legal framework is established by the Foreign Exchange Act and Regulations, the specific operational details and documentation requirements may vary across different banks and financial institutions.

INHIBITORS

Limitations of foreign currency account requirements for non-Tanzanian diaspora: The requirement for the non-Tanzanian diaspora to open and maintain only foreign currency accounts in Tanzania presents several challenges, undermining the appeal and utility of these accounts for many individuals.

RECOMMENDATIONS

Allow dual currency accounts for non-Tanzania diaspora/migrants: Adjust the regulatory framework to permit the opening and maintenance of dual currency accounts even for non-Tanzania diaspora/migrants. These accounts would allow diaspora members to manage funds in both Tanzanian shillings (TSh) and foreign currencies within the same banking arrangement.

<p>The primary issue is that these accounts do not support transactions in Tanzanian shillings (TSh), which is the currency many diaspora/migrants prefer to use for local transactions to support their families. Maintaining a foreign currency account in Tanzania is often unattractive due to various reasons:</p> <ul style="list-style-type: none"> • High maintenance costs: The average monthly fee for maintaining a US dollar account in Tanzania is at least US\$5, significantly higher than the TSh1,500 required for a local currency account. Additionally, deposits into US dollar accounts must be made via wire transfer/SWIFT, which incurs hefty fees of about US\$30 to US\$50 per transfer, regardless of the amount sent. Some banks also charge at least US\$10 for incoming transfers, regardless of the amount received. • Lack of real-time transfer capabilities: There is an inability to facilitate real-time transfers between foreign currency accounts and mobile money wallets, which restricts the diaspora/migrant's ability to send funds directly to beneficiaries in Tanzania. • Inability to conduct direct deposits: Non-Tanzanian diaspora/migrants in the US, for example, cannot make direct deposits from their US accounts because Tanzanian banks do not have a routing number system. Additionally, they cannot deposit into a US dollar account through an MTO transfer, as transfers sent through an MTO are remitted in TSh to the bank, which cannot convert TSh to US dollars for deposit into a US dollar account. • Opportunity cost of high interest rates abroad: In environments where foreign currency interest rates are high, such as in the countries where many Tanzanian diaspora/migrants reside, maintaining a foreign currency account in Tanzania becomes less appealing. These accounts typically do not offer returns and impose additional charges, making it financially disadvantageous. • Preference for local currency transactions: Many diaspora/migrants would prefer to open a TSh account to directly transfer funds to beneficiary mobile money wallets. The restriction limiting diaspora/migrants to holding only foreign currency accounts prevents these direct transfers, thereby reducing account effectiveness in supporting family and friends back home. • Risk of encouraging black market activities: Banks have raised concerns that restricting diaspora/migrants to foreign currency accounts may inadvertently foster the growth of the black market. Upon withdrawal, some account holders prefer to cash out in foreign currency and exchange it on the black market, where they can receive a higher exchange rate than what banks offer. 	
<p>Documentation barriers for non-Tanzanian diaspora: The requirement for non-Tanzanian diaspora to present at least three different documents to open and maintain bank accounts in Tanzania presents challenges. The process increases operational costs for financial institutions, which may be passed on to consumers in the form of higher banking fees, potentially leading to financial exclusion for Tanzanian migrants and diaspora who find it difficult to access or provide the necessary documents from overseas. Moreover, managing the security and privacy of an increased volume of sensitive documents heightens the risk of data breaches, posing additional privacy concerns.</p>	<p>Simplify documentation requirements: Reduce the number of documents required to open and maintain bank accounts for non-Tanzania diaspora/migrants. Consider accepting universally recognized documents such as passports alone or special status card for non-Tanzanian diaspora (once introduced) or streamline the process by integrating digital verification systems that can authenticate identity without multiple forms of documentation.</p>

ENABLER: MFIs EMPOWERED TO PARTICIPATE IN CROSS-BORDER REMITTANCE SERVICES

The Microfinance Act of 2018 lays the foundational framework for regulating microfinance businesses in Tanzania. It is supplemented by detailed regulations introduced in 2019, which include the Microfinance Savings and Credit Cooperative Societies Regulations, the Microfinance Non-Deposit Taking Microfinance Service Providers Regulations, and the Microfinance Community Microfinance Groups Regulations. These regulations provide guidelines on licensing, management, lending operations, consumer protection, and supervision, tailored specifically to the unique requirements of different microfinance service provider categories. Importantly, the framework allows for both deposit-taking and non-deposit-taking Microfinance Institutions (MFIs) to operate, with some authorized to engage in foreign exchange transactions. This capability broadens the scope of services MFIs can offer, thereby potentially facilitating and enhancing the efficiency of cross-border remittance services, especially at the last mile.

INHIBITORS

Regulatory ambiguities and restrictions limit MFI participation in remittance services: The Microfinance Act and its accompanying regulations introduce ambiguities and restrictions that limit the participation of MFIs in remittance services. While the Microfinance Savings and Credit Cooperative Societies Regulations 2019 do allow SACCOs to be involved in payment orders and the transfer of funds, this is subject to stringent conditions and often requires specific authorization. Furthermore, non-deposit-taking MFIs face prohibitions against engaging in activities such as remittance, trust operations, and payment orders unless they receive explicit authorization from the BoT. These regulatory constraints create uncertainties and restrict the scope of services MFIs can offer, directly impacting their ability to effectively participate in the remittance market.

RECOMMENDATIONS

Regulatory ambiguities and restrictions limit MFI participation in remittance services: The Microfinance Act and its accompanying regulations introduce ambiguities and restrictions that limit the participation of MFIs in remittance services. While the Microfinance Savings and Credit Cooperative Societies Regulations 2019 do allow SACCOs to be involved in payment orders and the transfer of funds, this is subject to stringent conditions and often requires specific authorization. Furthermore, non-deposit-taking MFIs face prohibitions against engaging in activities such as remittance, trust operations, and payment orders unless they receive explicit authorization from the BoT. These regulatory constraints create uncertainties and restrict the scope of services MFIs can offer, directly impacting their ability to effectively participate in the remittance market.

ENABLER: STRENGTHENED AML/CFT FRAMEWORK

The overhaul of Tanzania’s Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) framework in response to the 2019 evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) has positioned the country to better facilitate secure and compliant cross-border remittances. The revisions to the Anti-Money Laundering Act and the introduction of new regulations, such as the Anti-Money Laundering Regulations, 2022, and the Prevention of Terrorism (General) Regulations, 2022, have strengthened the legal foundation against financial crimes. For instance, transactions conducted in Tanzanian Shillings or in any foreign currency that are equivalent to US\$10,000 or more per single currency transaction, and those equivalent to US\$1,000 or more for electronic funds transfers, must be reported to the Financial Intelligence Unit. This clear definition of threshold amounts simplifies compliance for entities engaged in cross-border remittances. This legal environment increases confidence among international partners and remittance service providers, ensuring that transactions are conducted within a well-regulated framework that mitigates the risks of money laundering and terrorist financing.

INHIBITORS

AML/CFT challenges persist: Despite improvements in Tanzania’s AML/CFT framework, some aspects still challenge the cross-border remittance sector. The stringent requirements of the revised Anti-Money Laundering Act, including an expanded list of reporting persons and rigorous customer due diligence obligations, create additional operational burdens for financial institutions and remittance service providers. Additionally, the exclusion of most fintech activities from the definition of reporting persons, despite recommendations for self-inclusion, creates a gap in regulatory coverage, potentially leaving some transactions less scrutinized. This gap could deter banks from partnering with fintechs for fear of potential penalties on compliance issues.

RECOMMENDATIONS

Revise the AML/CFT Regulations: Amend the Anti-Money Laundering Act to more inclusively define reporting persons to cover fintech activities. This expansion will ensure that fintech-based transactions receive the same level of scrutiny as those conducted by traditional financial institutions, closing the existing gap in regulatory coverage

ENABLER: AGENT BANKING GUIDELINES ENABLE SECURE REMITTANCE CHANNELS AT THE LAST MILE

The 2017 Guidelines on Agent Banking for Banks and Financial Institutions permit agents to conduct a range of banking activities, including fund transfers. These guidelines bolster transaction safety by enforcing compliance with AML/CFT requirements. Key operational standards include robust customer identification via two-factor authentication, immediate reporting of suspicious activities, adherence to transactional limits, and compulsory AML and CFT training for agents. Additionally, they prevent exclusivity in agent contracts, allowing agents to collaborate with multiple financial institutions, thus promoting competition.

INHIBITORS

Currency transaction restrictions: Agents in Tanzania are restricted from conducting transactions in any currency other than Tanzanian shillings (TSh), as stipulated in Part III, Section 6.3 of the Guidelines. This limitation constrains the ability of consumers, particularly those involved in international trade or remittances, to engage in or receive direct international payments. Consequently, they are compelled to use currency exchanges that are often marked by high fees and unfavorable exchange rates. This restriction not only diminishes the convenience and accessibility of financial services but also specifically impacts non-Tanzanian diaspora members who are unable to hold TSh currency accounts. As a result, these individuals cannot fully utilize the agent network for standard banking operations such as deposits and withdrawals, unlike other customers, thereby reducing their access to efficient transactional services.

RECOMMENDATIONS

Evaluate the benefits of multi-currency transactions for agents: Consider assessing the feasibility of permitting agents to handle transactions in multiple currencies, and not only limited to Tanzanian shillings (TSh). Expanding currency options would enhance the flexibility and utility of the agent network, especially for consumers involved in international trade or remittances. By allowing multi-currency transactions, consumers, including the non-Tanzanian diaspora, would be able to conduct direct international payments and receive funds without the burden of high costs and unfavorable rates typically associated with currency exchanges.

ENABLER: EFFECTIVE REGULATION OF MOBILE MONEY SERVICES

The Tanzania Communications Regulatory Authority (TCRA) collaborates closely with BoT to oversee and regulate the mobile money sector effectively. This partnership ensures that mobile money services are not only efficient but also comply with regulatory standards designed to protect consumer interests and uphold the financial system's integrity. TCRA's oversight includes promoting fair competition among mobile network operators, ensuring compliance with technical and service quality standards, and monitoring adherence to fair pricing practices as outlined in the Electronic and Postal Communications Act [CAP. 306 R.E. 2022] of Tanzania. This regulatory framework has been instrumental in establishing a stable and dependable environment for mobile money services, fostering their growth and reliability.

INHIBITORS

TCRA licensing requirements for non-MNO fintechs: Fintech companies not classified as MNOs must secure a network services license from TCRA to use the telecommunications infrastructure. This requirement, primarily designed for MNOs, complicates and delays entry to the market for up to six months for non-MNOs. Such challenges can inhibit the entry of new and smaller players, potentially stifling innovation and diversity in the remittance services

RECOMMENDATIONS

Revise licensing requirements for fintechs using MNO infrastructure: To reduce entry barriers for fintech companies that utilize but do not provide MNO services, amend the Payment System (Licensing and Approval) Regulations to eliminate the requirement for a TCRA license for these companies when applying to operate a payment system. Alternatively, introducing a specific, easier-to-obtain MNO Infrastructure-Use license could be considered. This license would be tailored for entities leveraging telecommunications infrastructure to offer services distinct from traditional MNO offerings, thus simplifying the licensing process for such companies and possibly allow their entrance and participation in the remittance market.

INFRASTRUCTURE

ENABLER: ENHANCED PAYMENT INFRASTRUCTURE

Tanzania’s robust payment infrastructure significantly supports fund transfers, including cross-border payments. Key systems include TACH, TISS, EAPS, SADC RTGS, and TIPS. Launched in 2022, TIPS connects various payment systems, allowing seamless transactions across different service providers. By moving from bilateral to multilateral interoperability agreements, TIPS simplifies the connection process between financial institutions, reducing operational and integration costs. It handles real-time payments, increasing transaction speed and reliability, which is crucial for cross-border remittances. Additionally, TIPS promotes financial inclusion by improving access to financial services and supports scalability with remarkable performance, processing an average of 400,000 transactions valued at TSh20 billion per day. The development of TIPS positions Tanzania to increase the utility of digital financial services (DFS), which are currently fragmented and costly.

INHIBITORS

Partial Utilization of TIPS: Although all licensed banks and non-bank payment system providers have been onboarded, limited use cases and channels exist. Use cases such as International Money Transfers (IMT) and government payments are yet to be implemented, and only major channels (USSD and Mobile App) can be used for now.

Limited membership of TIPS: Membership in TIPS is currently restricted to entities that hold a payment systems license and are either banks or licensed e-money issuers. Consequently, fintech companies are excluded from directly joining TIPS and accessing the benefits of its interoperability. Instead, fintech companies can only leverage TIPS’ advantages by forming partnerships with existing TIPS members.

RECOMMENDATIONS

Expedite full utilization of TIPS: Full Implementation of the system, especially on international money transfer use cases and Internet channels, will significantly support cross-border remittances.

Create associate membership categories: Introduce associate or provisional membership categories within TIPS for fintech companies and other non-traditional financial entities. This step would allow these companies to participate in TIPS while maintaining certain safeguards necessary for financial stability and security.

ENABLER: ADVANCED MOBILE AND ELECTRONIC PAYMENT SOLUTIONS

Tanzania has experienced significant growth in mobile and electronic payment solutions, spearheaded by major companies such as Vodacom, Tigo, Airtel, Halotel, TTCL, and AzamPay. The country has achieved full mobile money interoperability, allowing users to conduct transactions seamlessly across various service providers. This ecosystem is further bolstered by payment aggregators and switches like Selcom, Umoja, and newer entrants including Cellulant and Flutterwave. Such interoperability, coupled with the widespread adoption of mobile money accounts, has significantly enhanced financial inclusion and improved the accessibility of remittance services, facilitating easier cross-border money transfers. Additionally, payment hubs such as Onafriq, Terra Payment, and TransferTo have been instrumental in streamlining cross-border transactions by enabling direct remittances from global money transfer operators without the need for extensive bank partnerships.

In 2022, the introduction of the Foreign Exchange Regulations enabled mobile money operators to conduct outward remittances to the EAC and SADC regions without needing supporting documents. This regulatory relaxation, along with the expansion of payment systems and increased diaspora remittances, has led to considerable growth in cross-border remittances, both inbound and outbound.

INHIBITORS

High remittance costs associated with the use of MNO services: Interviews with fintech operators in Tanzania reveal potential collusion among MNOs that impacts remittance services. These operators appear to agree on pricing strategies that keep remittance fees artificially high, regardless of market demands.

RECOMMENDATIONS

Enhance market competition by facilitating market entry: Consider allowing new entrants with other types of business models in the mobile money and remittance sectors by streamlining the licensing process and easing regulatory hurdles. This approach encourages a broader range of fintech companies to enter the market, fostering competition. Greater competition generally results in decreased prices and improved services as businesses compete to attract and maintain customers. For remittance services, this translates to reduced fees and potentially quicker, more dependable transfer services.

<p>As a result, the fees for sending money to Tanzania are significantly higher compared to neighboring countries. For instance, transferring US\$100 to Tanzania can cost up to four times more than to Uganda or Rwanda, and two to three times more than to Kenya. This lack of competitive pricing prevents the reduction of transaction costs, directly affecting the affordability of remittances and discouraging the use of formal channels. Consequently, this reduces the overall volume of money sent home by the Tanzanian diaspora, undermining financial inclusion and the economic benefits associated with remittances.</p>	<p>Promote regional collaboration to harmonize remittance policies: Collaborate with regulatory bodies within the EAC and the SADC to align remittance policies and fees. Engaging in regional discussions to establish uniform, lower remittance fees across borders will help make cross-border remittances more affordable and accessible for Tanzanians living abroad.</p>
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ENABLER: : ACHIEVING NEARLY UNIVERSAL ID COVERAGE

Tanzania’s national identification system, managed by the National Identification Authority (NIDA), was first implemented in 2012 to provide a clear way to verifying Tanzanian citizenship. As of 2024, NIDA has registered 24.7 million people out of the 31 million eligible adults, achieving 80 percent coverage. Of those registered, 20.7 million have received their national ID numbers, demonstrating great progress toward universal ID coverage.

To facilitate access to various services in Tanzania for the Tanzanian diasporas/migrants, NIDA has established a fast-track desk, ensuring they can obtain NIDA IDs. Additionally, legal amendments are being considered to allow Tanzanians abroad to register for NIDA IDs at embassies, easing their access to home-country services including financial services.

Further developments include the planned merger of NIDA with the Registration, Insolvency, and Trusteeship Agency (RITA) to streamline identification processes and the introduction of Jamii Namba, which will assign a national ID number at birth. This initiative is expected to enhance financial inclusivity from an early age and improve the ease and security of cross-border financial transactions. Jamii Namba aims to provide access to a wide range of services using a unique number, eliminating the need for physical cards. These initiatives are poised to revolutionize access to various services for Tanzanians within the country and enhance the engagement and contributions of those living abroad to the domestic economy.

INHIBITORS | **RECOMMENDATIONS**

<p>Challenges in National ID registration for Tanzanians abroad: Current laws require in-person biometric capture for NIDA ID registration, necessitating physical presence in Tanzania, which makes it difficult for Tanzanians living abroad to obtain NIDA ID for accessing financial services in Tanzania. Although online forms can be filled out, the requirement for physical presence to complete the process complicates access for the diaspora and migrants. While NIDA has established a special fast-track desk for diaspora members, registration still needs to be completed in Tanzania. The recent pilot registration studies in the USA, UK, and Netherlands saw low turnout due to eligibility issues, especially since Tanzania does not support dual citizenship and many diasporans/migrants have taken citizenship in their host countries. NIDA is working on amending laws to allow registration at embassies abroad, but these changes are still pending. Until these amendments are enacted, the current in-country registration requirement remains a significant barrier to access to financial services in Tanzania, especially cross-border remittances.</p>	<p>Expedite the legal amendments allowing registration at Tanzanian embassies and consulates: In the interim, NIDA could implement a phased approach by starting with countries that have significant Tanzanian populations and where pilot studies have been conducted. Additionally, for those who cannot travel, NIDA could consider a mobile registration unit that temporarily visits major cities with large Tanzanian diasporas to capture biometric data. Furthermore, collaboration with Tanzanian associations abroad could increase awareness and participation in the registration process.</p>
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<p>Gaps in ID coverage: As of 2024, only 67 percent (20.7 million) have received their national ID number, leaving about four million people who, despite being registered, have not completed the necessary procedures to obtain their IDs. This shortfall presents a barrier to accessing essential services, including financial services. Without a NIDA number, these individuals are unable to fully participate in formal financial systems, complicating the process of receiving and sending remittances. NIDA is working to address this issue by actively reaching out to the unissued registrants, but until these gaps are closed, the incomplete ID coverage continues to hinder effective cross-border financial transactions.</p>	<p>Enhance NIDA outreach and follow-up strategies: To ensure the four million registered individuals without ID numbers complete the necessary procedures, NIDA could improve its outreach strategies. This could include a robust communication campaign using SMS, social media, and local radio to remind and guide people through the final steps of obtaining their IDs. Partnering with local government offices, community leaders, and financial institutions can also help facilitate and expedite the registration completion process.</p>
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<p>Lack of infrastructure needed for electronic Know Your Customer (e-KYC): e-KYC implementation is one of the strategic objectives in the National Financial Inclusion Framework III, 2023-2028 (NFIF3). NFIF III aims to enable all businesses and adults to utilize technology solutions offered by financial service providers.²⁶ Currently, e-KYC is only accessible in the banking sector. This limitation is primarily due to high data sharing fees — TSh500 per query charged by the National Identification Authority (NIDA) — and the presence of legacy systems that cause delays or restrict system integration with NIDA to access necessary data.</p>	<p>Investing in e-KYC Infrastructure: Encourage both private and public sector institutions to invest in the infrastructure necessary for e-KYC systems to support flow of remittances. Enhanced e-KYC systems will streamline identity verification processes, reduce transaction times, and lower costs, benefiting consumers by providing faster and more affordable remittance options. This investment will also broaden the market, allowing more service providers to enter and compete, potentially reducing fees. Moreover, robust e-KYC systems enhance security and compliance with international regulations, reinforcing the integrity of cross-border financial transactions.</p>
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²⁶ See Section Table 3, National Financial Inclusion Framework II, 2023-2028

MARKET ASPECTS

ENABLER: EMERGING DIASPORA BANKING SOLUTIONS

Tanzanian banks offer a variety of products tailored to the diaspora community to facilitate cross-border remittances. These products typically include accounts in both local and foreign currencies, mortgage and construction loans, and investment opportunities such as bonds and fixed deposits. Banks enable remote account opening and maintenance. They have also partnered with MTOs such as NALA, World Remit, Thunes, TerraPay, Western Union, and MoneyGram, among others, to facilitate real-time remittance transfers, which are faster than the traditional SWIFT system. Special features of these diaspora-focused products include waived fees, secured lending, embedded life insurance, and dedicated relationship managers.

INHIBITORS

Diaspora account fees vary widely across banks: The application of fees and charges for diaspora accounts is inconsistent across banks. While many banks have claimed to waive monthly maintenance fees, some banks still charge a fee for incoming remittances. This fee for incoming remittances averages around US\$10 per transaction.

These charges can discourage account owners from regularly remitting funds into their accounts, as they aim to avoid incurring potential fees. The inconsistent fee structures create confusion and uncertainty for diaspora account holders, who may be hesitant to utilize these accounts for their regular fund transfers due to the unpredictable costs involved.

RECOMMENDATIONS

Standardize diaspora account fees and eliminate remittance charges: Consider issuing a guideline to standardize the fees and charges applied to diaspora accounts across the banking sector. A key priority should be the elimination of fees for incoming remittances, which discourage account holders from regularly transferring funds into these accounts. In addition to removing remittance fees, the guidelines could specify other incentives to make diaspora accounts more attractive. This could include provisions for earning interest on savings balances or extending the dormancy period before an account is considered inactive.

Providing these kinds of incentives would help encourage greater utilization of diaspora accounts and facilitate increased inflows of remittances and savings into the country. For example, the National Bank of Ethiopia, in 2021, issued a directive to all banks that aims to incentivize the Ethiopian diaspora to maintain foreign currency accounts at home, encouraging domestic savings and investments.

ENABLER: ACTIVE PROMOTION AND OUTREACH FOR DIASPORA BANKING PRODUCTS

Banks are also actively promoting awareness of their diaspora products through various initiatives. They engage in targeted outreach by participating in diaspora events and using multiple communication channels to market their offerings. They are also leveraging the diaspora networks and associations to advertise their products. Lastly, their collaboration with MTOs to integrate services into widely used remittance platforms enhances their visibility.

INHIBITORS

Low transparency and awareness of diaspora banking products: Poor transparency and disclosure of advertised products have led to low trust among the diaspora in engaging with financial institutions in Tanzania. Interviews with diaspora members have highlighted issues of misleading advertisements, where banks claim there are no monthly maintenance charges, yet account owners are still billed for maintaining such accounts. Additionally, awareness of diaspora offerings is not widespread within many banks, resulting in inconsistent information. Some non-Tanzanian diaspora members have reported being turned away by banks and told they cannot open accounts in Tanzania, despite the banks advertising products specifically targeted at the diaspora.

RECOMMENDATIONS

Enforce market conduct rules in respect of cross-border remittances: Mandate that all marketing materials include detailed disclosures on fees, account requirements, and terms of service to ensure banks provide clear and accurate information about their product offerings. This could be accompanied by regular audits of banks' advertising practices to ensure compliance with transparency and disclosure clauses as outlined in the financial consumer protection regulations, with penalties for institutions found providing misleading information.

Enhance transparency and support: Encourage RSPs to ensure continuous capacity building of their staff about diaspora products and offerings to eliminate misinformation and ensure consistent communication across the organization. Also, require RSPs to strengthen customer support by establishing dedicated lines for diaspora members to address their specific needs and concerns.

ENABLER: NEW POLICIES AND INITIATIVES TO ENHANCE DIASPORA ENGAGEMENTS:

The Tanzanian Ministry of Foreign Affairs is actively developing policies and initiatives to engage the diaspora in national development. A significant upcoming policy is the Special Status Visa, "Tanzanite Status", inspired by India's special status visa, which is currently under parliamentary debate. This status will grant Tanzanian citizens living abroad and non-citizen diaspora rights such as land ownership and visa-free entry. The Ministry has also launched a diaspora digital hub to gather data and improve engagement, although enrollment has been low. Plans are in place to address data collection challenges and enhance outreach through continued dialogue and collaboration with organizations like the International Organization for Migration (IOM). These efforts aim to strengthen the diaspora's connection to Tanzania and facilitate their economic contributions through remittances and investments. Similarly, the Revolutionary Government of Zanzibar is also committed to involving the diaspora in national development.

This commitment is demonstrated by the establishment of a Diaspora Coordination Unit within the Department of International Cooperation under the Office of the President and Chairman of the Revolutionary Council and the introduction of the Diaspora Affairs Act of 2020. This act provides privileges such as work permit exemptions, multiple-entry visas, and long-term stays for registered diaspora members. Additionally, the Zanzibar Investment Act 2023 has reclassified non-Tanzanian diaspora, who were previously considered foreigners and introduced a new investment capital threshold for this group to qualify for a Certificate of Investment. The capital threshold for diaspora members is now US\$200,000, down from the previous requirement of at least US\$500,000.

INHIBITORS

Diaspora quality and fragmentation: There is a perception that the Tanzanian diaspora lacks the quality and organization needed to drive substantial economic contributions back to their home country. The dispersed nature of the diaspora makes it challenging to accurately estimate its size and understand its economic impact. Members of the diaspora often do not actively seek out or engage with each other, resulting in a lack of cohesive community structures that could facilitate collective action and support. This fragmentation limits the effectiveness of outreach and engagement initiatives by the Ministry and other institutions. Without strong, organized communities, it is harder to mobilize the diaspora for national development initiatives, gather accurate data, or implement policies that address their specific needs.

RECOMMENDATIONS

Establish diaspora community hubs: Task ambassadors in key locations with significant Tanzanian populations to create physical and virtual hubs where diaspora members can connect, share resources, and support each other. These hubs would facilitate networking, professional development, and cultural events to strengthen community bonds. This initiative will ensure that diaspora engagement is part of the ambassadors' official duties, rather than being dependent on individual ambassador personalities.

Leverage digital platforms: Utilize digital platforms to enhance communication and engagement with the diaspora. The Ministry can upgrade the diaspora digital hub to regularly provide updates, share success stories, and offer resources for professional development and investment opportunities. By improving the value propositions and incentives for registration, this approach can effectively address low registration rates and encourage more diaspora members to actively participate and share information.

CONSUMER PROTECTION

ENABLER: COMPREHENSIVE FINANCIAL CONSUMER PROTECTION FRAMEWORK

The 2019 Financial Consumer Protection Regulations establish a framework that includes mechanisms for handling consumer complaints, the right to lodge complaints, and a fair redress system, ensuring clear channels and procedures for addressing grievances. They mandate the disclosure of all terms, conditions, fees, and charges related to financial products and services, fostering transparency that is essential for consumers engaging in remittance transactions to be fully informed. Additionally, the regulations emphasize the protection of consumer information, requiring financial service providers to ensure the confidentiality and security of consumer data, which is particularly crucial in remittance services where sensitive financial information is frequently exchanged.

INHIBITORS

Challenges in trust and reliability in formal remittance services: While the FCP regulations are extensive, they generally lack specific provisions tailored to the needs of remittance services, which are uniquely complex due to their cross-border nature and the involvement of multiple financial systems. Consumers report problems with long processing times and frequent system downtimes, which hinder their ability to send remittances efficiently. This unreliability diminishes trust in formal remittance channels, prompting users to turn to informal alternatives instead. Additionally, there are reports that intermediary banks may delay transferring funds to benefit from the float. Also, the availability of certain payment methods is limited; for example, EFT or RTGS services are not available on weekends, and the speed of initiation can vary for supposedly near-instant payment methods like mobile money. These limitations do not align with the goal of achieving 24/7/365 operations and instant payments, posing significant challenges for customers across different time zones.

RECOMMENDATIONS

Enhance guidelines for cross-border transactions: Develop specific provisions to clearly define the terms, conditions, and transparency required for cross-border payments and remittances. This could include detailed disclosure requirements for costs, exchange rates, and processing times. Additionally, to ensure system reliability, BoT could require FSPs to conduct regular system audits, implement redundancy plans, and adopt strategies to minimize downtime, ensuring that systems are consistently available for users and reducing the risk of service disruptions that could impact cross-border financial activities.

COOPERATION & COLLABORATION

ENABLER: ENHANCING REGIONAL ECONOMIC COLLABORATION AND INTEGRATION

Tanzania actively participates in several regional economic communities, including the East African Community (EAC) and the Southern African Development Community (SADC), which significantly influence trade, migration, and remittances. Within these communities, Tanzania engages in initiatives like the Common Market Protocol of the EAC, aimed at harmonizing financial regulations and reducing remittance costs.

Additionally, Tanzania participates in the SADC Integrated Regional Electronic Settlement System (SIRESS) and the East African Payment System (EAPS), both of which facilitate faster and more cost-effective cross-border payments. Tanzania also collaborates on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures through the Bank of Tanzania and the Financial Intelligence Unit (FIU), partnering with regional and international bodies to enhance security and compliance across financial transactions.

For instance, Tanzania's membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) enables it to share best practices and strategies for combating financial crimes. Further solidifying its commitment to regional integration, Tanzania ratified the African Continental Free Trade Area (AfCFTA) agreement on 9 September 2021, becoming the 39th African country to do so, thereby underscoring its dedication to promoting intra-African trade and economic integration.

INHIBITORS

Challenges in regional cooperation and policy harmonization: There are notable challenges in enhancing cross-border remittance flows within the region, primarily due to the lack of harmonized policies and regulations. These discrepancies across different regional blocks create barriers to efficient and secure remittance flows, complicating the regulatory environment and potentially increasing costs for both users and financial institutions. An interview with an RSP operating in both East and West Africa revealed that regulatory frameworks in West Africa are more unified, facilitating smoother and less costly remittance processes. The RSP also highlighted the small market sizes in the EAC compared to the prohibitive costs incurred to establish businesses in each country, as each has its own unique set of rules and requirements. Additionally, there is a noted lack of cooperation on AML/CFT measures among member states, including significant gaps in information sharing that could otherwise facilitate cross-border movements and streamline Know Your Customer (KYC) processes for financial transactions.

RECOMMENDATIONS

Establish a regional regulatory framework: Considering the significant volumes and values of transactions within the East African Community (EAC), adopting a unified regulatory regime like the European Economic Area model could benefit the region. This approach would enable companies to operate across member states with lower administrative, regulatory, and compliance costs. Such streamlining would encourage more businesses to enter the market, enhancing competition and economic integration within the EAC.

Enhance cooperation to unify AML/CFT measures: Strengthen cooperation among member states to harmonize AML/CFT measures. This could involve the creation of a centralized database for sharing information related to KYC and other compliance data, aligned with each member state's existing data protection and privacy laws. Such a database would facilitate simpler verification processes and enable safer and more efficient financial transactions across borders.

KEY TAKEAWAYS AND NEXT STEPS

The diagnostic of Tanzania's remittance landscape provides critical insights that can guide future policy development and strategic operations:

1. **Potential of remittances:** Remittances have significant potential to drive economic growth and alleviate poverty in Tanzania. However, their impact is limited, as Tanzania has the lowest remittance inflow-to-GDP ratio among EAC member states. A considerable portion of these funds is sent through informal channels, leading to substantial underreporting. This underutilization highlights the opportunity to channel more remittances through formal routes to maximize their economic impact.
2. **Cost barriers:** The cost of sending remittances is prohibitively high, especially for less affluent members of the Tanzanian diaspora. This is largely due to the reliance on expensive transfer methods like SWIFT. Reducing these transaction costs could significantly increase remittance flows, supporting more households and boosting economic activity within the country.
3. **Regulatory challenges:** The existing regulatory framework particularly in areas like data localization and e-money licensing need some reconsideration to accommodate emerging technological and institutional innovation with a view to fostering new market entrants and competition.
4. **Infrastructure improvements:** While significant progress has been made in developing payment systems like TIPS to promote financial inclusion and efficient remittance flows, these systems, including mobile money platforms, remain underutilized and lack full interoperability. Addressing these gaps could enhance transaction efficiency and improve user experience.
5. **Diaspora engagement:** There is a need for effective policies to better engage the Tanzanian diaspora. Standardizing fees and simplifying the investment processes would make it easier for the diaspora to contribute economically to their home country.

PROPOSED SUPPORT AREAS:

1. **Policy and regulatory support:** Collaborate with government bodies to simplify and modernize the regulatory framework to foster competition in the remittance market. This could include providing technical assistance in policy drafting and establishing regulatory sandboxes to test innovative financial services.
2. **Capacity building:** Work with the Bank of Tanzania and private-sector providers to enhance the capabilities and utilization of existing payment infrastructures. This involves training on ad-

vanced digital payment solutions, improving system interoperability, and implementing consumer protection laws.

3. **Technology and infrastructure development:** Expand the capabilities and reach of systems like TIPS, integrate more service providers, and enhance features to support cross-border transactions.
4. **Data analytics:** Improve data collection and analysis mechanisms to accurately capture remittance flows and inform policy decisions.
5. **Diaspora programs:** Develop initiatives that strengthen ties with the Tanzanian diaspora through financial products or investment opportunities tailored to their needs. This would benefit from collaborations with diaspora communities, financial institutions, and the Ministry of Foreign Affairs.

AREAS FOR FURTHER RESEARCH

1. **Comparative regulatory analysis:** Conduct an analysis of Tanzania's remittance systems compared to those of neighboring countries and successful international models. This study would identify best practices and areas for improvement, laying the foundation for tailored regulatory reforms to strengthen Tanzania's remittance framework.
2. **Regulatory impact assessment:** Explore how specific regulatory reforms, such as easing data localization requirements or liberalizing e-money licensing, could transform the remittance landscape.
3. **Diaspora remittance behaviors:** Investigate the factors influencing the Tanzanian diaspora's choice of remittance channels and their remittance frequency, with the aim of devising targeted interventions to boost remittance flows. This could involve launching a diaspora remittance survey, like the one conducted by the Central Bank of Kenya in 2021.²⁷
4. **Technology adoption barriers:** Examine the hurdles faced by service providers and remittance senders in adopting new financial technologies, with a view to tailoring policies and assistance programs that address these challenges.

By tackling these areas, stakeholders can better position Tanzania to leverage its remittance inflows, fostering a more inclusive and prosperous economic environment.

²⁷ Diaspora Remittances Survey, December 2021. Available at: www.centralbank.go.ke/wp-content/uploads/2022/01/REPORTOFTHEKENYADIASPORAREMITTANCESSURVEYDECEMBER2021.pdf

ABOUT THE DIGITAL4TANZANIA (D4T) PROGRAMME

In March 2022, The European Union launched the Digital4Tanzania (D4T) Programme, which aims to contribute to the impact of digital transformation on Tanzania's inclusive economic growth and citizen wellbeing. With a budget of EUR 35M, its specific objectives include:

1. Digital government: improving the digital economy and the use of e-government and eservices.
2. Inclusive connectivity: increasing accessible and equitable connectivity services in rural and peri-urban areas, in particular for social services.
3. Digital trade support: developing the fintech sector and innovation ecosystems in the country and the region.

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

ABOUT TANZANIA INCLUSIVE DIGITAL ECONOMY (D4T-TIDE) PROJECT

With support from the European Union through its Digital4Tanzania (D4T) Action, UNCDF is currently implementing the Tanzania Inclusive Digital Economy (D4T-TIDE) project. Launched in September 2022, D4T-TIDE is a four-year project that aims to increase access to and usage of digital payments and digital financial services in Tanzania, while enabling the innovation ecosystem to better support entrepreneurs and further drive digital innovation. The project contributes to the development of a national digital economy strategy, as well as other policies and regulations that enable innovation; support small digital financial service providers' integration to the national payment system (TIPS); and support inclusive innovation to ensure no-one is left behind.

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In partnership with UN entities and development partners, UNCDF delivers scalable, blended finance solutions to drive systemic change, pave the way for commercial finance, and contribute to the SDGs. We support market development by enabling entities to access finance in high-risk environments by deploying financial instruments, mechanisms and advisory.

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