TANZANIA: COUNTRY UPDATE NOTE

"WTO WORK PROGRAMME ON ELECTRONIC COMMERCE: WHAT ISSUES FOR THE EAST AFRICAN COMMUNITY (EAC) MEMBER'S? STAKEHOLDERS' PERSPECTIVES"

Prepared by: John Shilinde

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OVERVIEW OF E-COMMERCE IN TANZANIA

E-commerce is increasingly growing as a remarkable and unavoidable innovation in trade across the globe including Tanzania. It is considered as one of the key innovations in trade that cannot be escaped in the country as it simplifies trading. Different international trade stakeholders in Tanzania that include private sector; chambers of commerce; relevant government departments; academic institutions and NGOs working on trade and development issues assess the stance of e-commerce to Tanzania differently with mixed connotations. The general insight is that, Tanzania has currently advanced on use of ICT contributed by many factors including the extension of fiber optics that aids community accessibility to internet facilities and the increasing use of mobile phones systems in Tanzania. In addition, electronic-transaction such as mobile banking facilities (i.e., payment of electricity bills, television subscriptions and other bills) has significantly opened-up and widely expanded internet-based trade, extending to small traders as well. According to Tanzania Communication Regulatory Authority (TCRA), the number of internet users in Tanzania rose by 16 percent at the end of 2017 to 23 million, with the majority of those using their handsets to go online.

Key sectors involved in Tanzanian e-commerce include telecom Sector, technology sector, banking sector, retailing and service sector such as hospitality. In this regard; Telecom firms play crucial role in laying down affordable infrastructures for e-commerce development and providing e-payment platforms. Tech firms are creators of e-commerce platforms such as Kupatana, Kaymu and Jovago. Financial firms specifically banks offer payment platforms for online goods and services via Credit card.

Tanzania has adopted e-transactions, private sectors being the leading in providing e-transactions services from ordering, payment and delivery, the government is providing few services such as renewal of road license fee, driving license, payment of bills for public utilities and Tax payments.From the demand side, popular products purchased online include: electronics (mobile phones, camera, and laptops), fashion products, music and software, books and e-ticketing (Mlelwa *et al.* 2015). However, there is an increase in online car sale business whereby many people order cars online.

OPPORTUNITIES AND CHALLENGES

In light of recent advancement in technology and communication, e-commerce is becoming extremely difficult to be ignored in terms of easing climate for trade across the globe. However, based on the stakeholders' views as well as empirical literature, the use of e-commerce creates a number of opportunities as well as challenges to both import and export transactions. Interviews with various stakeholders from the government ministries, academia, journalists, Tanzania Chambers of Commerce and other private sectors revealed assorted opportunities and challenges, which are presented below.

OPPORTUNITIES OF E-COMMERCE IN TANZANIA

E-commerce as one of the key potent tools for facilitating trade poses opportunities in different ways that include:

Dissemination of knowledge and information on a certain product such as clothes: Currently many businesses or traders use internet based shopping facilities. Presence of e-commerce

facilitates access to information on customers and markets, and product design. It also facilitates promotion of products and hence attracts a number of customers.

Ease of payment: Presence of e-commerce is acknowledged for hastening financial transaction in the process of payments. Some of the stakeholders point out that,

"The use of internet-based purchase or selling, quickens financial transactions and reduces physical interactions which results to cost effectiveness. Online payment performed instantly doesn't need going to the bank physically for financial transactions rather can be done anywhere provided that internet connection is steady. With e-commerce, everything is at the fingertips of both trading partners"

Expansion of trade and geographic reach: Employing e-commerce facilitates traders to promote their products, and hence expand their market widely at a global level. With e-commerce, products and services can easily be sold globally at less cost and efficiently. In Tanzania, mobile phones are widely used, scaling up e-commerce in both rural and town/cities, will continue widening the market and accommodate more traders and customers that may not be able to access the products physically.

High level of service: Using online transaction is an innovation in trade that has recently adopted across different countries. The system offers a good quality experience in buying and selling that grossly delivers a great opportunity to both parties; sellers and customers. One of the interviewed stakeholders pointed out that,

"With e-commerce, trade transactions are effectively executed with less delays of receiving products"

CHALLENGES OF E-COMMERCE IN TANZANIA
The uncovered stakeholders' perspectives on the challenges to e-commerce in Tanzania corroborate the empirical findings from available literature (such as (Nantembelele and Gopal,2018). Among the identified impeding features on adoption of and use of the e-commerce in Tanzania, include:

The quality and cost of ICT infrastructure that could potentially include the level of and regulation development of e-commerce requires reliable, robust, secure and affordable telecommunications networks (Blakeley 2001). In this aspect, Tanzania performs poorly, for instance in the World Economic Forum's (WEF) Networked Readiness Index (NRI), Tanzania ranks at 118 which is considered to be the worst score among East African countries. However the country is currently gaining momentum in this aspect with the development of two factors set to effectively improve the reliability and affordability of ICT infrastructure; Firstly the establishment of the National ICT Broadband Backbone (NICTBB) which started in 2009. The project involved rolling out 7 500 kilometres of fibre cable for a network that connects with international submarine cables SEACOM and EASSy in Dar es Salaam and provides land connectivity between Tanzania and its neighbours. Secondly, competition in the telecom sector which is increasing driving the cost of internet down. Since liberalization of the Telecom sector in early 2000, the sector has experienced aggressive competition specifically among mobile operators with more firms entering the market, extension of network coverage to rural areas and offering of cost effective products

intending to outshine rivals. For instance Halotel which is the latest mobile operator to be licensed in the market, it was launched with extensive 3G internet coverage to rural areas.

Moreover main barriers constraining the absorption of e-commerce include safety of payment, low trust of online shop, shipping cost and time. Strikingly, stakeholders did not point out any tax related barriers to consumption e-commerce products and services. The government has created various initiatives aimed at universal ICT coverage in Tanzania including allowing network infrastructure sharing among telecommunication companies, development of National ICT backbone (NICTB) which will result in increase of internet users in the country in medium term. Mobile operators on the other hand are pushing for internet access through Smartphone and offering cheap internet services and payment platforms for E-commerce services.

Other challenges include:

Low level of computer literacy: It is undoubtedly that small-scale traders who are the largest population of traders in Tanzania, lack computer skills literacy. With this ground, adoption level of e-commerce is very low necessitating the need for training and advocacy to majority on the role of e-commerce towards fattening their business.

''*Most of us have no clue on computer although we are interested to learn so that we can be able to communicate with our customers or order goods online. This is only possible if we have knowledge on computer; but this should be clearly stated in e-commerce policy protecting us because nowadays there has been a lot of online frauds such as hackers*'' said one of the traders.

Quality and standards: Stakeholders highlighted that online trading does not provide clear information on the quality of product. Sometimes the product chosen online looks quite differently from the actual received product or physically viewed product. This creates doubts on the product quality to some of customers. One of the stakeholders shared the following,

''I *bought two pairs of shoes online from China after seeing an advert in the website. Surprisingly, the shoes I received were quite different from what I chose from the website''*.

So, this experience signals mistrust to ordering commodities online of the desired quality.

Cost of transactions: Most Tanzanians use mobile phones for their communications, commodity trade and financial transactions of which exerts costs to enhance all these procedures. One of the stakeholders, analytically points out that in this process of procuring inflate high costs to the final consumer.

E-commerce in Tanzania is not well harnessed: Many individuals or institutions are still trading manually. In this regard, opportunities for selling some electronic devices and training on any new items such as smart-phones, laptops, iPads etc. Introduction and promotion of e-commerce open up market to such devices because of the expected expansion of the users of such devices. As the e-commerce being adapted to many individuals, demand for devices that facilitate communications also increases, hence reduction of trade costs.

Table 1 Summary of E-commerce Challenges

CHALLENGES	DISCRIPTION
Economic barriers	• Inadequate ICT infrastructure and use • unreliable and costly power supply • limited use of credit cards, • lack of purchasing power • underdeveloped financial systems
Socio political	• weak legal and regulatory frameworks • cultural preferences for face-to-face interaction • Society reliance on cash economy
Cognitive	• Poor ICT literacy • Lack of awareness and knowledge of e-commerce

Source: ESRF, 2018.

E-COMMERCE REGULATION AND INSTITUTIONAL FRAMEWORKS

There are no specific government initiatives specifically targeting e-commerce development; various policies developed by the government are wholesale strategies reflecting a wide variety of issues such as ICT development, Postal development and financial inclusion addressing E-commerce to a certain extent. However, recently enacted laws; the Electronic Transaction Act 2015 and Cyber Security Act 2015 are believed to be the cornerstone of e-commerce regulation and development in Tanzania and East Africa region in general. The Electronic Transaction Act 2015 formerly developed by the East Africa community provides legal regulation of the electronic transaction and associated issues illustrated in the table below.

Table 2 Summary of the Electronic Transaction Act of 2015

Sections of the Act	Specific Directives on:	Effects on E-commerce
Recognition and effects of Electronic Transactions	Application of Electronic Signature	• Increasing authentication of e-commerce services
	Validity of e-transaction payment of money and issuance of receipt in electronic form	• Enhancing credibility of online businesses • Increased businesses confidence in developing e-commerce services.
	E-transaction record keeping	• Government e-commerce regulators and the revenue authority can effectively monitor e-commerce activities
Electronic evidence	Admissibility of electronic evidence in legal proceedings	• Electronic evidence will help in settling e-commerce related disputes.
E-government services	Recognition of e-government services	• The government can sell and buy products/services online • Implementation of e-procurement
Recognition of electronic contracts	Recognition of electronic contracts	• Increasing the number of deals concluded online
Consumer protection	Identify duties of suppliers to online consumers; Time and execution of orders (30 days); Refunding rules	• Enhancing consumer trust in E-commerce

Source: ESRF, 2018.

Notwithstanding, stakeholders argue that absence of e-commerce policy and institutional framework, indicates that there is no formal system in place to provide checks and balances in e-trade; as a result, the government fails to collect tax from the online trading. Against this backdrop, stakeholders contend that specific measures are vital for facilitating trade. Such actions include undertaking review or improvement of the fiscal and monetary policies to embed e-commerce, formulation of e-commerce policy and improving other supportive policies in an integrated manner, since internet-based trade cannot be without regulations.

E-COMMERCE AT MULTILATERAL LEVEL

According to the views from stakeholders, two strands of insights have been identified if e-commerce is regulated at multilateral level towards development in Tanzania. From, their mixed responses, the first strand concur the argument that regulating e-commerce at multilateral level can facilitate its coherent development in Tanzania while the other strand views in the opposite. The argument is that each country has its own regulations and rules, and other countries like Tanzania, as a least developed country has not yet well prepared to go for e-commerce since the government is not well equipped in terms of governing policy, but at the individual level, people are ready to adopt the concept. Despite the readiness at individual level, at the multilateral level e-commerce regulation is so complex since each country has different regulations at the same time countries differ in terms of economic powers that gestures other country to benefit from multilateral while others get deprived. The positive thread of argument from stakeholders' perspective highlights that irrespective of the low level of intelligible development in Tanzania, e-commerce cannot be ignored in this current world of advanced technology and communication. For example, at present, Tanzania as a country is going for commodity exchanges, this fosters adoption of e-commerce in one way or another as a mandatory feature for ease trading within and outside the international borders.

More importantly, for the small emerging economies like Tanzania, regulating e-commerce at multilateral level may generate opportunities and limitations towards lucid development of the country. Concisely, stakeholders identified some of possible opportunities and limitations in the context of Tanzania as presented below:

OPPORTUNITIES
Promotes business: Stakeholders consider that, regulation of e-commerce at multilateral level promotes business and sometimes generates several potential business ventures that in turn extend trade prospects. Since through e-commerce traders and customers can make transactions without meeting physically, it will open doors to businesses in Tanzania to cross borders through the power of internet.
Increase of internet users: At present, there is a steady growth of internet users, this trend provides an opportunity for stabilizing or facilitating either global, regional or local e-commerce in Tanzania

LIMITATION
Absence of appropriate governing policy and institutional frameworks: Stakeholders claim that Tanzania is not well prepared since there is no policy in place, albeit the interest have been revealed in both the First and Second Years Development Plans that complement the Tanzania

vision 2025 that emphasize improvement of the ICT system and connectivity in Tanzania. With no policy in place, e-commerce remains vulnerable to accountability and transparency issues. The policy that provides the checks and balance is vital.

Connectivity: Certainly, internet connection in the country like Tanzania is still at low level and the speed of connection is not pleasant. With this condition, stakeholders assert that even if the e-commerce policy is in place if internet connectivity is not well addressed across the entire country as other countries at the multilateral will not significantly facilitate coherent development to Tanzania.

Insecurities around negotiation power at the WTO: Based on the stakeholders' views, the survey revealed that there's too much insecurity among Least Developing Countries (LDCs) which in turn, results to having different positions and opinions on negotiation at the World Trade Organization. Stakeholders added that LDCs fail to have a common argument or position on negotiation at WTO of which signals barrier to have no influence at the multilateral level compared to bilateral.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

Most of the available challenges and opportunities on the adoption of and use of e-commerce appeared to be more at national level including absence of governing policies and regulations in Tanzania. However, there are good numbers of regulations and the National ICT policy that facilitates e-transfer, the specific e-commerce is missing. Both the identified policy challenges and other challenges such as poor connectivity and security on online business found to pose detrimental limitations to traders and the government towards growth and development. Thus, mistrust between online trading partners is one of the bottlenecking factors caused by the identified challenge.

Views from stakeholders, call the government of Tanzania to formulate an appropriate e-commerce policy that will provide a governing rule and security on internet-based trade. Stakeholders also found no tax collection control for the increasing online trade using electronic devices such as mobile phones and computers. There is a need for the government of Tanzania or the EAC to also have a common e-commerce if the countries are to open-up business opportunity. However; the question to this is how the security to protect the consumers will be controlled if EAC has to establish common e-commerce policy.

RECOMMENDATIONS TO EAC WTO DELEGATES

Based on the stakeholders' views and analytical assessment made in this note many of the recommendations are mostly at country level and others at multilateral level. At country level recommendation that could come out are more of internal building capacity that are concisely presented as follows:

i. The government should analyze the position of Tanzania on the e-trade within EAC countries. This will enable to understand strength and weakness of Tanzania on e-commerce within the EAC as a case to improve and be able to compete globally;

ii. Analysis of risks and safety should be of emphasis to ensure security on the internet-based trade

iii. The government should ensure improvement of connectivity and financial systems

iv. E-commerce should start with SME and then go for multilateral level where mostly done by corporate or large traders as well as the country itself. This is because e-commerce at multilateral level can ruin the economy

v. Building capacity of WTO negotiation delegates to enable them cope with the current advancement of technology and communication

vi. Tax systems on the e-commerce needs to be strengthened

vii. EAC delegates need to defend the position of Tanzania on the e-commerce with the view that presently the country cannot open to e-commerce at multilateral level direct while e-commerce is not appropriately regulated, internet connectivity is still poor especially in the rural areas where the producers are, and the capacity of using is still low.

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