

# CREATING AN ENVIRONMENT FOR ICT IN TANZANIA – POLICY, REGULATION AND MARKETS

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# Contents

1.	Introduction _____	4
2.	The first phase until 1993: Recognition _____	6
2.1.	<b>Telecom until 1993</b> _____	<b>6</b>
2.2.	<b>Early Informatics</b> _____	<b>10</b>
2.2.1.	Banning computers from the country _____	11
2.2.2.	The impact of the ban _____	13
2.2.3.	The arrival of email service provision _____	15
2.2.4.	Informatics education _____	18
2.2.5.	Concluding early informatics _____	20
3.	The second phase 1994 - 1999: Orientation _____	22
3.1.	<b>Ratio and legal basis of telecommunications sector reform</b> _____	<b>22</b>
3.2.	<b>The Telecommunication Restructuring Programme (1993-2000)</b> _____	<b>25</b>
3.2.1.	Donors and Commitment _____	25
3.2.2.	Objectives and project components _____	26
3.2.3.	TRP Results _____	29
3.3.	<b>Tackling policies</b> _____	<b>29</b>
3.3.1.	Drawing the Bow: The General Policy Framework _____	29
3.3.2.	The Role of the Ministry of Transport and Communication (MoCT) _____	33
3.3.3.	The National Telecommunication Policy _____	34
3.4.	<b>Building regulatory capacity: The creation of Tanzania Telecommunication Commission (TCC)</b> _____	<b>36</b>
3.5.	<b>TTCL Story Part I: The Road to Privatisation</b> _____	<b>44</b>
3.6.	<b>Market Developments between 1994 and 1999</b> _____	<b>47</b>
3.6.1.	Fixed and Basic Services _____	48
3.6.2.	Mobile Services _____	50
3.6.3.	Data Communication Services _____	52
3.6.4.	Internet Service Provision _____	55
3.6.5.	Payphone services _____	57
3.6.6.	Public Radio-Paging Services _____	58
3.6.7.	Telecommunication contractors _____	58
3.7.	<b>Human Resource Development: The state of ICT education</b> _____	<b>59</b>
3.8.	<b>Concluding the second phase</b> _____	<b>61</b>
4.	The third phase since 2000: Departure _____	62
4.1.	<b>Keeping the Profile: Continued Efforts of Reform</b> _____	<b>63</b>
4.1.1.	A catalyst for ICT: the eThinktank _____	66
4.1.2.	The MoCT and the ICT policy _____	69
4.1.3.	Contextualising the Policy: Government Footprints in Support of ICT _____	76
4.2.	<b>Readjusting Regulation</b> _____	<b>80</b>
4.2.1.	Merging Regulatory Competencies: the Creation of the Tanzania Communication Regulatory Authority – TCRA _____	80
4.2.2.	Licensing _____	83
4.2.3.	Radio Frequency Spectrum Management _____	88

4.2.4.	Interconnection	91
4.2.5.	Universal Access	96
4.2.6.	Concluding Remarks on TCRA	101
<b>4.3.</b>	<b>The Story of TTCL Part II: The Disputed Privatisation</b>	<b>102</b>
<b>4.4.</b>	<b>Market developments since 2000</b>	<b>107</b>
4.4.1.	Fixed-line Developments	111
4.4.2.	Mobile Telephony	115
4.4.3.	Data communications	121
4.4.4.	Internet Service Provision	127
4.4.5.	Payphones Services	135
4.4.6.	Telecommunication Contractors	136
<b>4.5.</b>	<b>Human resource development</b>	<b>136</b>
<b>4.6.</b>	<b>The Role of Donors in ICT Development</b>	<b>144</b>
<b>4.7.</b>	<b>Concluding the third phase</b>	<b>148</b>
<b>5.</b>	<b>Bibliography</b>	<b>152</b>

# 1. Introduction

This chapter is about creating a sound environment for information and communication technologies (ICT) in Tanzania. It is not about ICT applications and their impact in development, but solely focus on those factors identified as being key enablers for increased ICT diffusion – policy, regulation, markets and education. Therewith, the text is built upon some basic groundwork of the ‘ICT for development’ debate that has delivered a number of crucial recommendations valid until today (c.f. AISI 1996, RINAF 1998, World Bank 1998; UNDP 1999, ITU 1999, UNCTAD 2000, DOT Force 2001). Though all organisations have developed their own focal areas and have attached different values to each item on the agenda, all of them highlight the role of policy, regulation and human resource development and they particularly emphasise the crucial role of the private sector as key facilitator of ICT and ICT utilisation. It is not incidentally that almost all major stakeholders in the ICT for development debate rely on a set of shared core issues and a more or less joint approach. These reflect some basic assumptions of the current development paradigm, which can be labelled as “Monterrey Consensus”. The new consensus strives upon many subthemes, including aid, economic issues, governance, human rights, etc. (c.f. UN 2002),<sup>1</sup> in this context it is sufficient to emphasise the call for good and transparent governance, sound policies and strong domestic institutions, all required to mobilize domestic resources and attract private investment to create economic opportunities (c.f. World Bank / IMF 2002). Translating the consensus in the ICT for development debate provides an outline of the agenda: implementing sound economic policies, putting in place good governance, investing in people, and establishing an investment climate to attract private capital.

The country case Tanzania is at the centre of this analysis, because the East African country is very well suitable for a more detailed discussion for several reasons: it has not only been a stable and peaceful environment<sup>2</sup> with a considerable record of economic reforms that create a good starting point for the analysis, Tanzania was also among the first African countries that was committed to telecommunication sector reform and ever since has conducted a proactive ICT promoting policy. Thus the article highlights the role of policy, the creation of efficient institutions and the role of different players to provide efficient market mechanisms in a given

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<sup>1</sup> A useful overview on Monterrey also is available on the conference website of the UN Department of Economic and Social Affairs, <http://www.un.org/esa/ffd/>

<sup>2</sup> This applies particularly if compared to other African countries. However, it should be noted that Tanzania is not conflict free, and in some areas conflict intensity, in fact has grown in recent years; not only on Zanzibar and Pemba, but also on the mainland, c.f. Hirschler (2004).

country context, covering a time span between the early days of informatics in the 1960s and 1970 and today. It analyses the viability of the approach, discusses the potential scope of a private sector led strategy and also seeks to identify its limitations, in which politics needs to go beyond markets to a more inclusive set of broader development objectives.

For a better orientation, the Tanzanian ICT history is divided into three phases. The year 1994 was a turning point of telecommunications in Tanzania. After the socialist period between 1961 and 1985 the Tanzanian government adopted a new development model. A comprehensive Economic Recovery Programme (ERP) was introduced in 1986, followed by an Economic and Social Action Programme (ESAP) in 1989, both based on the strategy to shift from a centrally planned system to a market-oriented economy.<sup>3</sup> Beyond general policies applied under the structural adjustment programmes, the government also declared the rehabilitation of key infrastructure components a priority.<sup>4</sup> In this context, the telecommunications sector became subject to reform since 1992 and respective legislation took effect in 1994, both considerably pushed by the World Bank and the International Monetary Fund. However, reforms and adjustment processes were neither linear nor without frictions. They were consistently monitored and readjusted. One of the main reform readjustments appeared in 1999, when the regulative set-up was modified and the process to privatise the public telephone operator TTCL (Tanzania Telecommunications Company Ltd) was accelerated. On the basis of these landmarks, the following phases of ICT in Tanzania can be identified:

- **Recognition** (until 1993): Introduction of telecommunication (1951) and informatics (1965), rigid framework with some minor sectoral growth;
- **Orientation** (1994 – 1999): Commencement of market reforms; separation of operative and regulative responsibilities, liberalisation in various market segments;
- **Departure** (since 2000): Increased proactive sectoral policy, improved profile of the regulative authority and a noticeable diversification in the market.

These phases comply with the basic structure of the chapter. It is organised in chronological blocs, in which policy, regulation and market developments are assessed for the given period.

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<sup>3</sup> An analysis of the economic transformation process is given in Wobst (2001: 7-24).

<sup>4</sup> Initially, infrastructural rehabilitation efforts focused on transportation facilities like roads, railways and ports. It was not before the economy responded positively to the initiated reform steps that the telecommunication sector was targeted (c.f. Wobst 2001: 12).

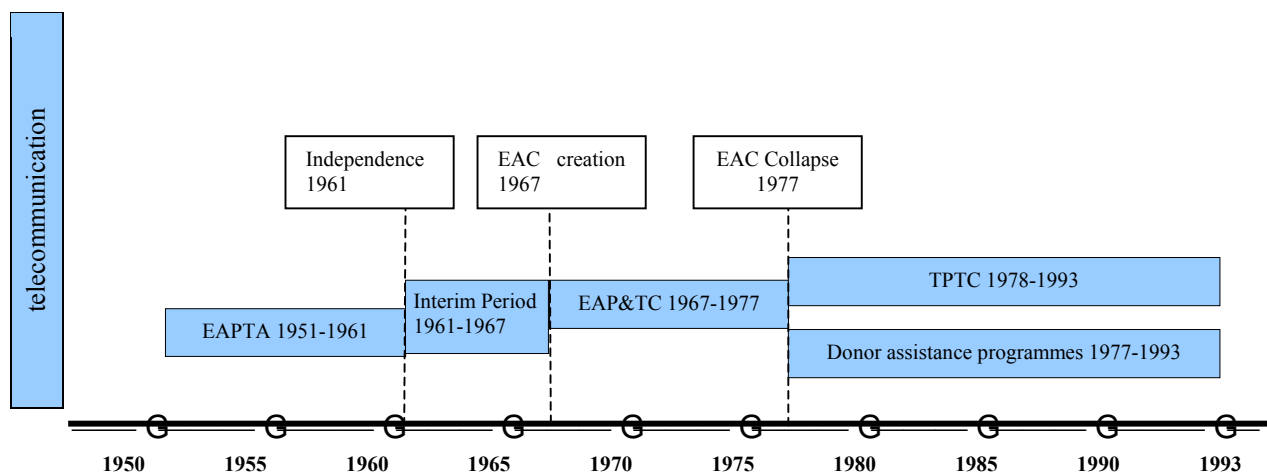
The arrangement allows both, to identify the main developments in each of the analysed areas and also to show the interlinkages. This is clearly advantageous in contrast to a strict sectoral assessment, in which policy, regulation and market developments would have been analysed one after the other. That would have inclined an underestimation of increasing interlinkages (or would have been at the expense of a coherent reflection). The phase structure shall make it easier to understand the reciprocity of ICT development in Tanzania. It is the objective to show the dynamics, the cause and the impact of increasing sectoral differentiation. It will be demonstrated how market players have reacted to policy and regulation, and how politics as a facilitator of a sound business environment has managed to cope with sectoral challenges, adjusted to new conditions and gained new functionality with regard to both: reactive capabilities to adjust to maturing market conditions and proactive to provide orientation and guidance to all actors involved. Hence, basic tendencies of policy, regulation and market developments are given for each phase trying to identify strengths and weaknesses of each phase and also draw upon other factors that have positively or negatively influenced ICT development in Tanzania.

## 2. The first phase until 1993: Recognition

### 2.1. Telecom until 1993

Telecommunication is much older than just recent history. The early phase can be subdivided in three phases: (i) a precolonial period until 1961, (ii) a postcolonial period mainly determined by role of the first East African Community (EAC) as joint infrastructure provider for the three member states Tanzania, Kenya and Uganda until 1977 and (iii) national period covering the creation of a national Tanzanian telephone operator after the collapse the EAC. As figure 1 shows, the development of the telecommunication sector corresponded to the major changes in the political structure.

**Figure 1: Schematic overview on telecommunication sector development 1951-1993**



Telecommunication arrived in Tanzania with the beginning of colonialism. When colonial administration, settlers, trading companies and missionaries set up their centres they also started to build first rudimentary postal, telegraph and telephone networks that followed the colonial patterns. But only 1951, with the creation of the East African Posts and Telecommunications Administration (EAPTA), service provision was put under an administrative roof. As an instrument of colonialism and corresponding to British colonial territory, EAPTA provided postal and telecommunications services to mainland Tanzania, the former Tanganyika, Kenya and Uganda (TCC 2001b: 5). In these early days the telecommunication network was restricted to the absolute minimum. Just before the arrival of independence in 1961 the network covering the then Tanganyika territory deployed a modest quantity of 66 telephone exchange lines. A number that equalled a teledensity of 0.10 telephones per 100 population (see table 1).

	1961	1977	1993
Population	12,329,372	17,019,057	26,735,254
Number of Exchanges	66	99	230
Total Number of Exchange Connections	9,079	15,849	85,005
Public Coin Telephone/Payphones	93	834	663
Teledensity (Telephone per 100 population)	0.10	0.10	0.32
Source: TCC (2001b)			

After independence, Tanganyika, Kenya and Uganda inherited the EAPTA, but the consecutive achievement of independence<sup>5</sup> and the turning away from the colonial past led to a suspension of most EAPTA's activities. For an interim period between 1961 and 1976

<sup>5</sup> Tanzania gained independence in 1961, Uganda in 1962 and Kenya in 1963.

