Second edition

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SAUTI's

TANZANIA INTERNET RESTRICTIONS RESTRICT ECONOMIC OPPORTUNITIES

By Francis Nyonzo

A Nobel Prize winner in economics, Amartya Sen, gave a good concept of development. In his book Development as Freedom, he writes, "We live in a world of unprecedented opulence, of a kind that would have been hard even to imagine a century or two ago." Among other things that have brought this unprecedented opulence is digital.

The digital revolution has brought a number of opportunities that would not have been easy to imagine some years ago. It is now possible for someone to become a billionaire just by making TikTok videos. Digital has increased freedoms for people to choose; leveraging digital platforms has increased financial inclusion, communications, advertisements, etc.

Regardless of the benefits that digital has brought, sometimes the environment is not conducive for further innovations. Some countries face partial or full internet restrictions. These restrictions have negative effects on the economy and limit economic freedoms that people enjoy in the digital world. NetBlocks estimates the cost of internet shutdowns; for Tanzania, a one-day internet shutdown cost the country almost $14 million.

"We live in a world of unprecedented opulence, of a kind that would have been hard even to imagine a century or two ago."

The internet restrictions in East Africa

Regardless of the economic freedoms that the internet provides, East African countries have been restricting the internet for various reasons. The restrictions happen when there is political tension such as strikes or general elections. In 2020, WhatsApp and other social media were inaccessible during the election month in Tanzania. Similarly, Uganda experienced some restrictions during its election in 2021. In Tanzania, social media like X (twitter) are inaccessible; the government said it was banned as it spreads pornography, however, some people argue that X's audience is more politically informed.

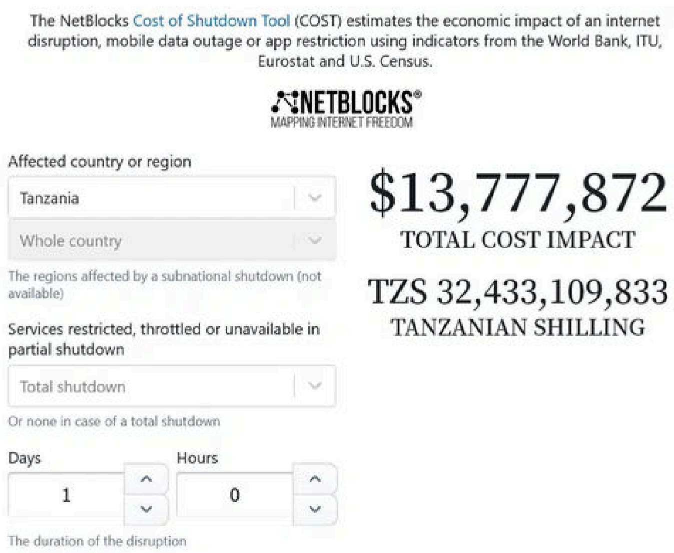
“It is not hard to know that Trade Unions in most cases fail to protect their members during and after the end of the contract of their members.”

Now JamiiForums, which is the biggest political platform in Tanzania, has been suspended for 90 days. The case of JamiiForums shows some political issues in it, as the ban is from September 6 to December and election day is October 29. In 2018, Tanzania issued online content regulations which required bloggers and vloggers to pay fees to conduct their services.

Studies have shown that the more people are connected, the more they disapprove the government. This is because when people are connected, they get easier access to information than through traditional means of information, which the state can dictate what to air. That being the case, it may be the reason why politically strong platforms are not welcomed in some countries.

The issue of limiting the internet or some internet services is what I call digital boundaries, although the internet is global. The boundaries limit the ability of people to innovate and compete in the global market. There could be a need for having a digital innovation hub like Silicon Valley, a globally recognized hub for technology and innovation, located in the southern San Francisco Bay Area of California. Our environment, which does not support innovations, makes people like Benjamin Fernandes known somewhere else rather than in his home country.

While working to address the existing digital gap, restricting the internet or social media platforms does no good in alleviating the problem. Internet penetration is also nothing if someone is restricted from choosing from the choices that the internet comes with.



Restricts limits opportunities.

Keeping the boundaries on digital services limits not only the freedom of speech and expression but also the economic opportunities that young people are enjoying. It also affects government revenue, as one of my preprinted articles has shown. The United Nations recognizes internet access as a human right, and it has been recommended not to restrict the internet even at the time of social unrest. Agriculture is an important sector, but we should not use that as an escape route, claiming that people should be in farms instead of being online. In the digital world, even farmers need the internet and internet services to digitalize agriculture.

In seizing digital opportunities, the internet has to be accessible and affordable. With the number of people unemployed or underemployed, the internet can fill the gap by giving young people opportunities. There is no logical reason to set any internet boundary; otherwise, we will not win the global development race, which is now into Artificial Intelligence (AI).

State actors need to establish a framework that will guarantee affordability, accessibility, and availability of the internet at all times. The framework will increase the confidence of young people to innovate, which will lead to more employment and hence economic growth.
Internet freedom is not just internet freedom; it is a space for economic freedom in the digital world.

Francis Nyonzo is an economist interested in social justice and digital rights. He's a development researcher with a Master of Science in Economics. He motivated to conduct research as a way to contribute to the creation of beneficial national policies and the eradication of poverty. He believes development is an outcome of good research and He's resourceful and skillful when conducting and designing research, data analysis, and reporting.

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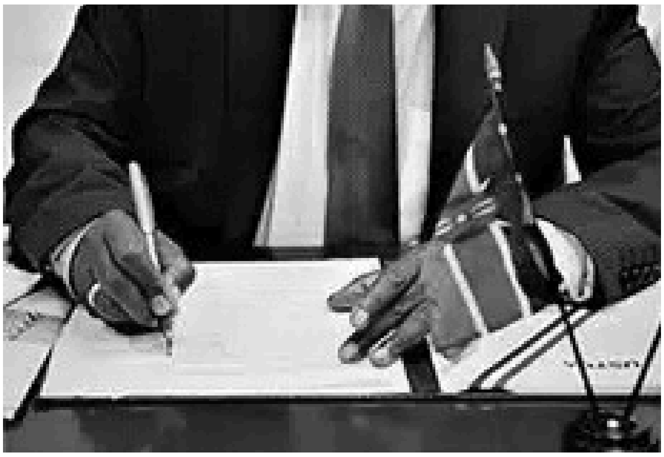
TRUMP'S TARIFFS TO DISRUPT KENYA'S GROWTH ;

By Muoki Musila

With Donald Trump's administration allowing a self-imposed trade deadline to expire on August 1st, a cascading effect of new tariffs was released on a list of 69 countries. The decision, part of "America First" Trade Reset was intended to punish what Washington deemed unfair trading relationships. While headlines largely focused on China, South Africa, and Europe, much of Africa, including Kenya, has found itself unexpectedly drawn into the fray.

While many African nations woke up to punitive tariffs as high as 30%, Kenya was spared the most severe penalties compared to Algeria, Uganda, South Africa, and Tunisia. However, the relief is short-lived. With Kenya lacking a bilateral agreement or formal exemption, the country faces the baseline 10% tariff on most of its imports into the United States. Considering most of its trade ties with the U.S have long been propped up by preferential access, the quiet shift could prove more damaging that most realize.



A Death by Default

The imposed 10% tariff is bearable compared to some African nations but it increases tariffs on Kenyan exports from 0.3%, a 30-times increase. While it is not an explicit sanction or punishment, it is a consequence of omission which is concerning. Nations that failed to sign specific bilateral deals with the U.S. by the August deadline were automatically assigned a default tariff rate. For Kenya, the risk is further compounded by the staled bilateral negotiation and uncertainty over the African Growth and Opportunity Act (AGOA) set to expire in September, this year.

Government officials in Nairobi have publicly downplayed the impact of the ongoing trade fallout. While 10% is moderate compared to highs of 30% experienced, such complacency ignores the structural vulnerabilities within Kenya's export economy. The severity of it could further be expected in the post-AGOA environment.

Image SRIPADA STUDIOS via Pexels

The AGOA Dilemma

Kenya has benefitted from the AGOA deal for more than two decades, a trade program that allows sub-Saharan African exports duty free access to the American Market. Without the AGOA deal, the 30-times higher tariffs could significantly lead to a reduction in earnings from good exports to the US unless the demand remains unaffected. AGOA has been a corner stone in Kenya's growth of exports, particularly in the textiles and apparel industry. Approximately 66,000 jobs in the garment manufacturing sector for instance are expected to be impacted due to goods exposure to tariffs, higher prices, and loss of competitiveness in the U.S. market.

“If Kenya wishes to remain a viable U.S. trade partner, it must reclaim its place at the negotiating table and boost competitiveness through productivity, cost efficiency, and strategic trade agreements rather than relying on temporary tariff waivers.”

The Trump administration, ideologically opposed to non-reciprocal trade preferences, has shown little appetite for maintaining AGOA in its current form. Moreover, without an updated bilateral agreement, there is no guarantee that Kenya will retain eligibility. This will certainly result in the expiration of duty-free privileges and the imposition of a 10% tariff. For buyers of Kenyan apparel, horticulture, or coffee, this tariff effectively acts as a tax on preference. In competitive global supply chains, that is more than enough to shift sourcing decisions elsewhere.

A Thin Margin, a Heavy Burden

The 10% imposed on Kenya can be decisive in global trade. The increase for the highly competitive textile industry for instance can render Kenyan goods uncompetitive. The nation can expect the exposure to result in stiffer competition, resource tradeoffs, and reduced margins for all the exporters. This manifests as US consumers shift demand towards cheaper alternatives or reduce demanded quantities effectively reducing exports, particularly if the AGOA deal remains unresolved.

This new development spells doom for factory workers in Athi River export processing zones as well as flower and Macadamia farmers in Thika among other stakeholders. Thus, even if Kenya continues to export under the seemingly fair 10% compared to peers, it will be doing so from a weakened negotiation position.

The country’s export sector trade can be expected to become more uncertain, volumes more volatile, and the balance of payments for strained. This is considering that that Kenya feeds less than 1% of the product export market to the US and often with unilateral non-tariff and quota free concessions. Fewer exports mean fewer dollars entering the economy, which, in turn, puts pressure on the Kenyan shilling, raises the cost of imports, and feeds domestic inflation.

Diplomatic Drift

The coming into effect of the 10% tariff is also an indication of Kenya’s stalled trade diplomacy with the United States. In 2020, former President Uhuru Kenyatta launched formal FTA negotiations with Trump seeking to generate AGOA benefits but the talks have since languished.

In the absence of concluded FTA or alternative bilateral mechanisms, Kenya stands between past privileges and future uncertainty. The 10% tariff manifests both as an economic burden for Kenya and as an indicator of diminished strategic leverage in Washington. Kenya has long relied on trade preferences to sustain its export performance. But in a world turning toward bilateralism, protectionism, and supply chain resilience, preferential access is no longer a given.

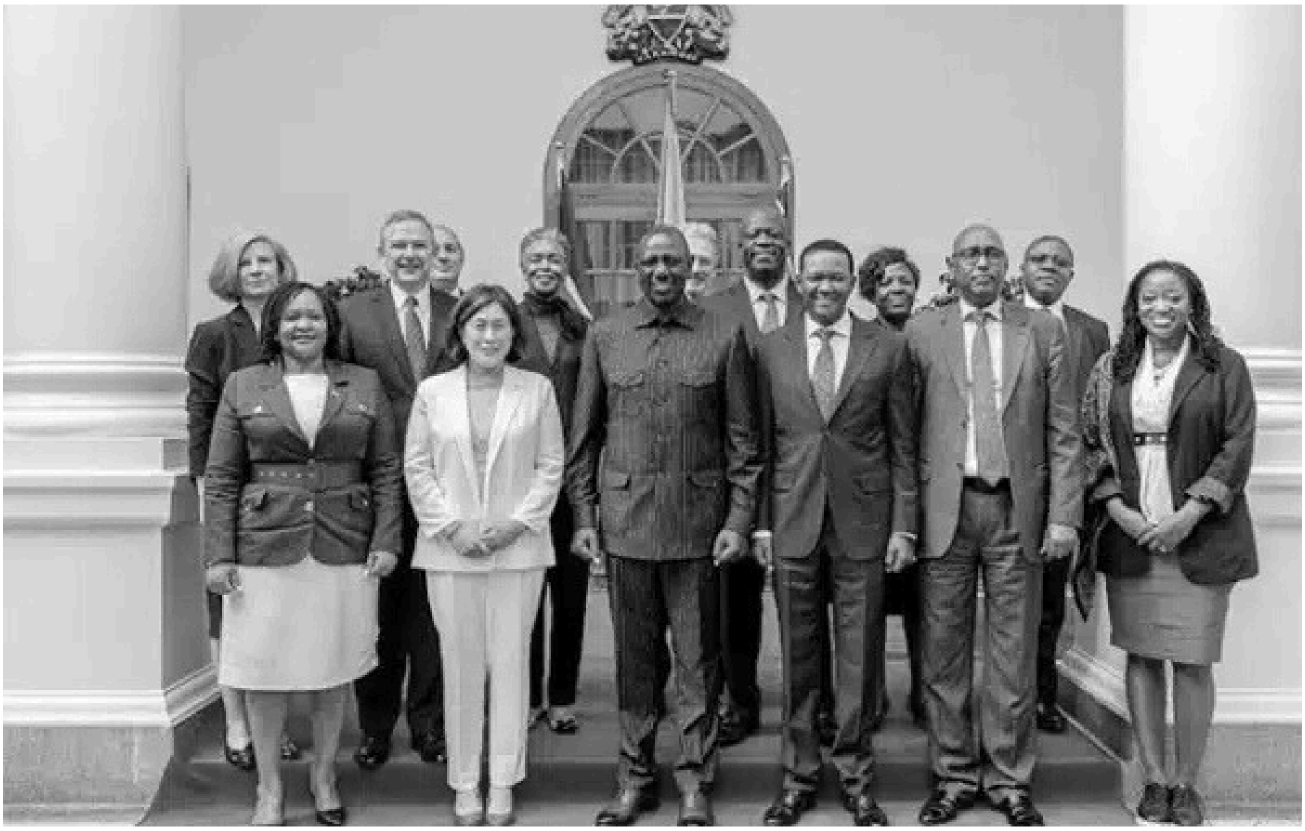
In response therefore, reviving talks with the U.S. should be a top priority for Nairobi, not only to remove the 10% tariff but to secure long-term market certainty. Further, Kenya needs to diversify her export base such as by deepening its integration into the African Continental Free Trade Area (AfCFTA), and pursue competitiveness reforms at home. This translates to the need for lowering the cost of production, improving port logistics, reducing corruption leakages, and investing in infrastructure for faster and cheaper goods movement.

Between Preference and Performance

While Kenya is not on Trump's bucket list of the naughtiest, it certainly lies in the margins. The baseline tariff is a reminder that the modern-day trade order demands preparedness for survival. Default rates are indicators of missed opportunities other than an accident.

If Kenya wishes to remain a viable U.S. trade partner, it must reclaim its place at the negotiating table and boost competitiveness through productivity, cost efficiency, and strategic trade agreements rather than relying on temporary tariff waivers.

This article first appeared on the **Initiative For African Trade and Prosperity** (IATP) under the same title.



Kenya's president meets US delegates on trade and investments. Photo by ***AGOA.info***

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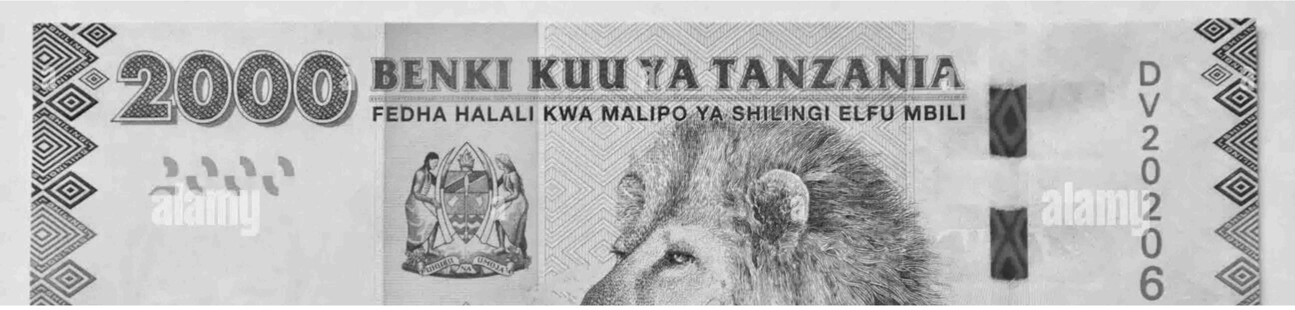
DIGITAL PAYMENT AS A WAY TO INCREASE THE FREEDOM TO MAKE PAYMENTS



By Francis Nyonzo

In my recently published paper on denominational inflation, I have shown how currency with the highest denomination affects price setting and causes inflation. Focusing on Tanzania as the case study, the research has shown that it is costly to mint a one-cent coin, and it is the fifty-Tanzanian-shilling coin that is in circulation. The problem is that producers cannot set a price that is not divisible by 50. While 50 is in circulation as the smallest denomination, the research has shown that most cited prices are divisible by 100. That is, 100 Tanzanian shillings is the smallest monetary unit most used for transactions.

The problem with having 50 as the smallest coin but 100 as the smallest cited unit makes consumers pay more. For example, the fare for the Rapid Bus Transport is divisible by 50, but passengers have complained that they are often not given 50/= as change. So, if the price is 750/=, a passenger pays 800/= because 50/= is not as readily available as 100/= in circulation.

Why has this become a problem?

This becomes a problem because people often use cash to pay for goods and services. The use of mobile money in Tanzania is not as common as in other East African countries. Some studies have shown that the costs for mobile money in Tanzania are higher compared to neighboring countries. That is, mobile money is the best option but also a costly one. It is normal for the consumer to choose what is cheap, and in this case, it is using cash. Using cash not only makes it harder for monetary policy implementation but also for government revenue collection. Tanzanians do not always demand electronic receipts, so when they pay using cash, it becomes even harder to know the sales and estimate the taxable amount. Whereas if mobile money were used as a means of payment, this problem could be alleviated.

Competition is another factor needed for producers. Using cash with limited denominations restricts the ability of producers to set competitive prices. If producer A charges 700/=, producer B cannot charge 699/= as it is not payable using cash. Automatically, the difference between prices must be divisible by 50, which makes competition stiff as it limits producers' ability to set attractive prices.

The problem with having 50 as the smallest coin but 100 as the smallest cited unit makes consumers pay more. For example, the fare for the Rapid Bus Transport is divisible by 50, but passengers have complained that they are often not given 50/= as change.

Can Tanzania promote mobile money transactions?

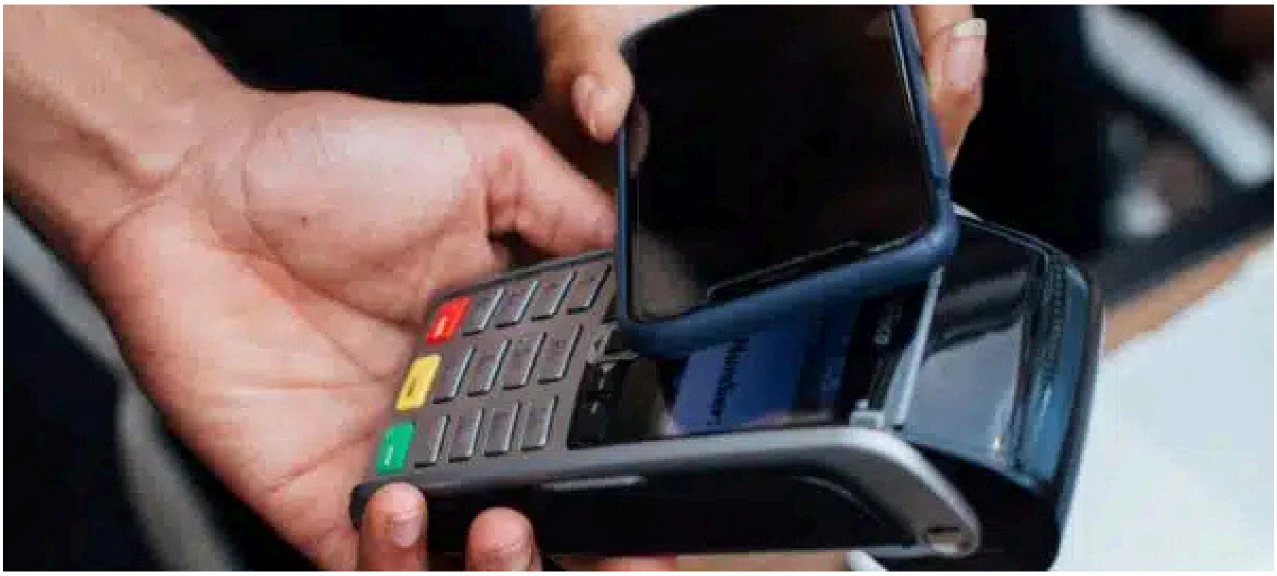
Using mobile money for payments is costly for those paying small amounts. The costs are given in thresholds (bands). One who pays the lowest limit of a band pays more than one who pays the highest limit of the same band. Taking the lowest limit of every threshold for Airtel Money, one of the mobile money services in Tanzania, the cost is more than 5% for payments less than 15,000 Tsh.

Instead of removing or reducing taxes, some members of parliament have suggested taxing this more, which does not promote the use of such payments. There is room for promoting mobile money by using various strategies, including reducing taxes. In my research, I have suggested that the cost for mobile money should not exceed the cost that a consumer incurs when using cash. I call this the adjustment index, which is the average amount producers charge to accommodate the coins that are not in circulation. To achieve this, it is essential to revise the taxes charged on mobile transactions. In the digital world, digital means of payment should be promoted to align with the current development agenda.

I understand the problem that Tanzania faces in revenue collection, but taxing mobile transactions is not going to make it any better. One of my unpublished works has shown that the number of transactions has a positive relationship with government revenue, whereas the amount of mobile transactions has no significant relationship with government revenue. Promoting small payments will increase the number of transactions per mobile money user and, in turn, increase government revenue.

It is not a matter of choice

The issue of promoting digital payments increases competition among producers, improves the efficiency of monetary policy, and boosts government revenue. This is not a matter of choice but a necessity, because while the government needs revenue, it should come not from taxing but from promoting digital means of payment. In the long run, digital payments will not only increase freedoms for the people but also provide the government with sufficient revenue.



Via digital payments, A trade in Kenya can easily relate with a Supply on Nigeria. Image| Viktoria Slowikowska via Pexels

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INFRASTRUCTURE DIPLOMACY IN EAST AFRICA: THE NEW FACE OF REGIONAL POWER AND INFLUENCE

By Ronny Ndiema

Why It Matters

Kenya's renewed plan to extend its Standard Gauge Railway (SGR) from Naivasha to the Malaba border is reshaping the role of infrastructure in East Africa, from a traditional development tool into a powerful instrument of diplomacy and regional strategy. The proposed extension will directly connect Kenya's railway to Uganda's newly commissioned Malaba-Kampala SGR, forming a critical transport corridor that could redefine trade patterns across the region. This move signals Kenya's strategic ambition to solidify its position as East Africa's transport and logistics hub, linking its ports and industries to landlocked neighbors and boosting cross-border commerce.

More than just a domestic project, the expansion is part of a broader push by East African Community (EAC) member states to use infrastructure as a means of geopolitical leverage, regional influence, and economic integration. From modern highways to strategic ports, infrastructure is now central to shaping alliances, enhancing connectivity, and positioning East Africa more competitively in global trade corridors.

Railways as Strategic Connectors

The Standard Gauge Railway projects spearheaded by Kenya, Tanzania, and Uganda represent a defining shift in the region's infrastructure narrative. Recently Uganda had signed a landmark agreement with a Turkish firm to construct the Malaba-Kampala SGR, linking it with Kenya's line that stretches from Mombasa to Nairobi. Tanzania, on the other hand, launched its SGR operations in August 2024, built primarily with Chinese support. These developments align with the East African Railway Master Plan, which envisions a 6,220-kilometer regional network aimed at enhancing trade, mobility, and integration among EAC members.

Railways reduce the cost and time of transporting bulk goods across borders, helping countries tap into new markets and improve export competitiveness. For instance, Kenya's SGR has significantly cut the time it takes to move cargo from Mombasa to Nairobi, boosting trade efficiency. With Uganda and Tanzania following suit, these infrastructure projects are increasingly viewed through a diplomatic lens, with countries forming strategic partnerships to build and expand their networks.

Port Rivalry and Geopolitical Influence

Infrastructure diplomacy is also visible in the development and expansion of key ports in the region. Kenya's Mombasa and Lamu ports are central to the LAPSSET Corridor, designed to link Kenya with Ethiopia and South Sudan. Meanwhile, Tanzania is upgrading its Dar es Salaam and Bagamoyo ports, supported by Chinese investment, to serve inland countries like Rwanda, Burundi, and the Democratic Republic of Congo (DRC).

These competing corridors reflect underlying strategic ambitions. Kenya's Lamu Port seeks to draw Ethiopia and South Sudan into its sphere of influence, potentially shifting regional trade routes. Tanzania's focus on serving central African nations bolsters its geopolitical relevance. In both cases, infrastructure is wielded not merely to boost domestic growth, but to assert regional influence, deepen strategic partnerships, and gain political leverage.

“East Africa’s infrastructure boom is reshaping regional power, as EAC states use railways, ports, and roads to drive economic growth, assert influence, and deepen integration.”

Fragmentation vs. Integration

While the vision of regional connectivity is ambitious, disparities in infrastructure development threaten cohesion. Rwanda and Burundi lack functional rail networks, and the DRC and South Sudan suffer from underdeveloped or fragmented infrastructure. Such gaps risk reinforcing economic marginalization and diluting the EAC’s broader integration goals.

Moreover, infrastructure projects often reflect the influence of external financiers. China’s deep involvement in Tanzania’s SGR and port upgrades contrasts with Western backing of Kenya’s LAPSSET initiative. As a result, donor politics can shape national priorities, occasionally pulling member states in different directions and undermining unified planning.

Economic Impact and Strategic Gains

The economic benefits of infrastructure development are substantial. Efficient transport systems lower the cost of doing business, enhance intra-regional trade, and attract foreign direct investment. EAC officials estimate that reducing transport costs by 30–40% could significantly boost trade volumes and regional GDP.

Kenya’s SGR alone has created over 46,000 jobs and enhanced industrial growth along the corridor. Uganda’s upcoming railway is expected to generate thousands of construction and long-term operational jobs. Improved logistics also benefit agriculture, mining, and manufacturing sectors by linking production zones with urban centers and ports.

Moreover, the emergence of transport-linked economic hubs industrial parks, logistics centers, and cross-border markets has the potential to decentralize economic activity. This can promote balanced development and reduce urban overcrowding.

Infrastructure as a Tool for Unity and Influence

Infrastructure diplomacy presents both opportunities and risks for the EAC. If approached collaboratively, it can foster unity, deepen integration, and elevate the region’s global standing. Harmonizing standards, coordinating project timelines, and prioritizing interconnectivity can transform fragmented national efforts into a seamless regional network.

Conversely, if infrastructure planning remains uncoordinated, it could exacerbate competition and division. Overlapping trade corridors, duplicative investments, and politicized financing may hinder rather than help regional cohesion.

Nairobi Expressway SGR
toll station in Nairobi on June 28, 2022. [Boniface Okendo, Standard]

The African Integration Strategic Future of East

East Africa’s infrastructure boom signals more than economic modernization, it represents a strategic recalibration of power and influence in the region. Railways, roads, and ports are no longer mere development tools; they are instruments of diplomacy and strategic alignment. For the EAC, the path forward lies in collective vision and execution. If harnessed wisely, infrastructure diplomacy can unify the region, strengthen its global competitiveness, and lay the foundation for lasting prosperity.

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THE FUTURE OF MICROFINANCE IS INDIVIDUAL, NOT GROUP-BASED

By Francis Nyonzo

The modern microfinance model, which uses group lending, was once considered a panacea for poverty alleviation. The originator of the idea, Prof. Muhammad Yunus, received the Nobel Prize for it. He was once quoted saying, "The only place where poverty should be is in museums." The Sustainable Development Goals aimed at ending poverty in all its forms by 2030. We are now five years away from 2030, but people are still living in extreme poverty.

"The only place where poverty should be is in museums."

For years, the celebrated Grameen Model has been used, and in the 1980s the government also adopted it. This model, pioneered in Bangladesh by Muhammad Yunus, required poor people to form groups in order to receive loans. Trust was used as collateral, since not all members of a group could disappear from the village, and people knew whom they could trust when forming groups. In other words, group members chose only those they trusted, thereby reducing risk.

Challenges of the Group Lending Model

It should be noted that when the model was developed, technology was not as advanced as it is now. People lived more informally, and it was difficult for outsiders to know the poor better than they knew themselves. Without formal systems to identify the poor, they were excluded from financial institutions. At that time, using trust as a form of collateral was truly a genius innovation. But trust has faded, in simpler terms, there is now a trust crisis. As a result, despite the presence of microfinance institutions, people continue to borrow from individuals and private moneylenders, and this represents a significant portion of lending, as shown in the book Poor Economics.

Trust is guaranteed only when there is a group. The minimum number of members is usually five. In Tanzania, Local Government Authorities provide 10% of their local revenues to young people, women, and people with disabilities, using the same group-lending approach. The problem is that while loans are meant to fund business ideas, the quality of the business idea becomes secondary to group formation. Microfinance seems to operate on the

principle: "We will not take you out of poverty if you are alone, no matter how good or viable your business idea is." This undermines voluntariness, which is key to human behavior. For the poor, joining a group is no longer a voluntary choice. There is also a likelihood that groups receive money even when their ideas are weak—or when they have no ideas at all.The fundamental problem with the group lending model is that it relies on trust between group members. Many people turn to moneylenders who do not require groups, though they charge exorbitant interest rates. This makes the problem worse, as we have seen how borrowers often lose property to these lenders.

Table banking by Kokwolokup (S4T) Women group in Loyamoi, Tiaty of Baringo County, Kenya.
| *Nation Media Group*

The Critical Solution

The real problem was that poor people lacked access to finance because they had no property to use as collateral and no reliable way for lenders to verify their information. Yunus's solution was to provide access to finance by using groups as an informal way of gathering genuine information about borrowers. In essence, the critical issue was: "How do we know the poor person we are targeting?" But today, in the digital age, information is already being collected by telecommunications companies that provide mobile money services. Transaction histories are sufficient to assess whether someone is likely to repay a loan. The key problem, identifying and evaluating the poor borrower, can now be addressed digitally. Telecommunications companies already have formal identification records for all mobile money users. This allows microfinance to shift its focus from group membership to individual mobile money transaction histories. It is therefore important to have a strong national identification system that ensures mobile money users cannot escape repayment. Even if a customer switches service providers, their transaction and debt history should follow their national ID number. In this way, microfinance can focus on the viability of business ideas rather than on group membership. Groups would then form voluntarily based not on loan requirements but on shared business interests, such as pooling capital and resources.

Giving individuals the option to join or not join a group respects their freedom, while also reducing the risk of borrowers turning to private moneylenders and relatives.

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Second edition

Final Note:

As Sauti enters its second edition, Liberty Sparks continues to amplify the voice of a freer and more prosperous East Africa. This milestone reflects our growing commitment to transforming ideas into action through rigorous research, dialogue, and collaboration.

Each page of this edition captures the evolving narrative of economic freedom—one driven by innovation, resilience, and the pursuit of dignity and opportunity for all.

We extend heartfelt appreciation to our researchers, partners, and contributors whose insights continue to shape better policies and inspire lasting impact. Your work fuels change and keeps Sauti at the forefront of thought leadership in our region.

To those who share our vision, we invite you to engage, contribute, and be part of this movement for a freer, stronger East Africa.

#SautiEdition2#EconomicFreedom #EastAfricaRising #PolicyDialogue #LibertySparks #FutureofTrade

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