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LEVEL OF TRUST IN TANZANIA'S BUSINESS ENVIRONMENT 2021

Improving the level of trust in the business environment in Tanzania by interviewing 3283 entrepreneurs to facilitate evidence based dialogue through participatory research.





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EXECUTIVE SUMMARY

The functioning of any society depends on trust. Trust in personal interactions and relationships, in civic institutes and in statespeople is a necessary constituent for communal and economic advancement because it facilitates communication, collaboration, confidence and goodwill between people. Exceptional public trust has demonstrated how governing bodies have improved their planning and execution of desired policies, enhanced their service delivery, raised compliance with regulations and garnered superior tax collections, while also bestowing confidence to investors and buyers, which has resulted in thriving economies and new employment opportunities. Success in achieving each of the Sustainable Development Goals (SDGs)—from eliminating poverty (SDG1), to combatting climate change (SDG13), to building peaceful and inclusive societies (SDG16)—will depend on citizens' and businesses' trust in public institutions and in each other.

The forum where market-based economies collaborate to develop policy standards to promote sustainable economic growth also known as the Organisation for Economic Cooperation and Development has a methodology for measuring public confidence in governments and this was the abstraction that spawned the idea to measure the level of trust in the business environment in Tanzania and how it relates to the public institutions which regulate micro, small, and medium-sized enterprises.

This research was planned from the EU-funded Building Bridges programme, which aims to improve the business environment through higher participation of micro small and medium-sized enterprises in government plans and enable the continuance of well-informed private sector organisations to contribute to constructive policy dialogue. The intent of this exertion was to appraise the level of trust in the business environment in Tanzania by interviewing more than 3000 entrepreneurs. The pillars which we examined to quantify the overall level of trust were the outlook of businesses, government services, labour regulations, water and energy, taxation, access to finance, and business-to-business relations.

This pursuit was coordinated by Trias and the data collection was done by the Tanzania Chamber of Commerce Industry and Agriculture and ten of its regional chambers in Arusha, Dar Es Salaam, Dodoma, Kigoma, Mbeya, Mtwara, Musoma, Mwanza, Songwe, and Shinyanga. Information was collected from 3283 registered micro small and medium-sized enterprises.

Our exploration of the data revealed some intriguing findings, with some notable examples being that registered businesses which are owned by youth and women are vastly underrepresented where 18% and 15% of businesses are owned by youth and women respectively, only 17% of the enterprises are taking advantage of the different perks which have resulted from regional integrations in eastern and southern Africa, lack of capital, taxation and regulations were listed as the top three obstacles to business formalisation, labour, work permit, tax-related, and environmental regulations were touted as the major regulatory obstacles for businesses, almost 60% of entrepreneurs feel that the taxes which they pay are higher in comparison to their revenue, and the main sources of capital for 3 out of every 4 businesses is personal finances or assets.

The values for the pillars of trust out of 100, were business outlook at 54.8, 57.7 for government services, 56.1 for labour regulations, 52.7 for taxation, 48.1 for water and energy, 47.6 for access to finance, and 71.5 for business-to-business relations. After consolidating each pillar, we quantified the overall level of trust in the business environment in Tanzania to be 55.5 out of 100.

After contemplating the implications of the findings, we came up with recommendations aimed at ameliorating the level of trust in the business environment in Tanzania. The first set of recommendations had to do with bridging the education and information gap between entrepreneurs and government institutions which regulate the business environment. We postulate that the government would significantly improve trust in the business environment by delivering information which is more tailored to businesses of different sizes in divergent industries, operationalising and extending one-stop business centres in each district in Tanzania to ensure straightforward access to government services for all enterprises, and enforcing businesses to be members of business associations of their choosing to promote businesses associations which promote civil society and enhance the business environment.

The second set of recommendations is directed toward widening the tax base in Tanzania. We propose that basic tax education should be introduced in primary and secondary schools to reduce the antagonism of entrepreneurs while paying taxes by educating entrepreneurs who drop out of school; easing business start-up and formalisation for youth, women, and informal businesses by ratifying simplified regulations aimed at incentivising youth and women to formalise their businesses through granting of tax holidays for youth-owned businesses and lower tax rates for female-owned businesses; and by banning government institutions from doing business and directly competing with entrepreneurs.

The third set of recommendations is focused on improving regional cross-border trade. We put forward that the government should make basic information on fees, levies, and charges more readily available to cross-border traders at the border, and border towns on huge billboards to encourage formal cross-border trade and reduce uncertainty for traders, improve the setup of dedicated information desks or centres at the border posts and one-stop business centres which will educate entrepreneurs on the opportunities in trade blocks and regional integration schemes, and harmonising and reducing policies, taxes, tariffs, levies, and charges, and streamlining agencies which are responsible for clearing goods for import and exports.

Chapter 1



1. INTRODUCTION

Trias is a Belgian international development organisation headquartered in Brussels. Trias' core business focuses on the sustainable livelihood security of entrepreneurial people (small-scale farmers and small-scale entrepreneurs). Currently, Trias supports over one million family farmers and small entrepreneurs in fourteen countries, spread across Asia, Africa, and Latin America. In Tanzania, Trias is active in the Arusha and Manyara regions and Zanzibar.

Trias Tanzania was awarded the EU-funded "Building bridges: evidence-based dialogue through participatory research", which is being implemented in collaboration with the Tanzania National Chamber of Commerce, Industry and Agriculture (national level), and the government of Tanzania. The project essentially aims at:

- Establishing an improved business environment and higher participation of Micro Small and Medium-sized Enterprises (MSMEs) and private sector organisations in the realisation of the FYDP II.
- Well-informed private sector organisations contribute to a constructive policy dialogue around economic and fiscal governance.

The project worked at strengthening the research capacity of the Tanzanian Chambers of Commerce, Industry and Agriculture (TCCIA) and bridging the gap between policymakers and MSMEs through dialogues. We want to make the voice of MSMEs heard and make the industrialisation agenda of the Five-Year Development Plan 2 (FYDP II) of the United Republic of Tanzania more inclusive. The project contributed to the 4 areas of intervention of the FYDP II, namely:

- Fostering economic growth and industrialisation: by giving clear evidence-based recommendations for support to industrial clusters.

- Fostering human development and transformation: by making the FYDP II more inclusive and by strengthening the capacities of private sector organisations in Tanzania.
- Improving the environment for business and enterprise development: by consulting at least 3,000 businesspeople in the country about issues related to the business environment and strengthening the policy dialogue with the government of Tanzania about these issues.
- Strengthening implementation effectiveness: the research recommendations will give concrete guidance for a better implementation of the FYDP III.

The programme was designed to contribute to the (I) improvement of the research capacity of Tanzania National & 10 regional Chambers, especially concerning the business environment using digital media (II) information flow & collaborative research between research institutions and TCCIA (iii) dissemination of information, evidence-based dialogue and debate between the government, the public and private sector organisations.

To improve collaboration, networking and information flow between the Tanzania Chambers of Commerce, Industry and Agriculture and the national research institutions, the project established linkages between the business community (represented by TCCIA) and Tanzanian research institutions/companies. The collaboration between TCCIA and research institutions /companies has contributed to the improvement of TCCIA's research capacity and led to the production of high-quality reports that have been shared with various stakeholders.

Chapter 2



2. OVERVIEW OF THE STUDY

The study covered a wide range of business aspects to allow for further analysis and research when compared afterwards with the results from the first survey, which measured the trust government institutions have in delivering services to the business environment. The questionnaire which consisted of more than 170 questions, was developed through a series of workshops and meetings by harmonising the experiences and expertise of people from Trias Tanzania, the Tanzania National Chamber of Commerce Industry and Agriculture, entrepreneurs, government ministries (Ministry of Industry and Trade, Ministry of Finance and Planning, President's Office–Regional Administration and Local government), government agencies and authorities (Tanzania Revenue Authority, National Bureau of Statistics, Tanzania National Business Council, agencies), Tanzania Private Sector Foundation and the European Union.

The sample of surveyed entrepreneurs was distributed among 10 pre-selected regions (Arusha, Dar Es Salaam, Dodoma, Kigoma, Mara, Mbeya, Mtwara, Mwanza, Shinyanga, and Songwe) considering Micro Small and Medium Enterprises (MSMEs) within the revenue range of four million to ten billion Tanzanian shillings. After training at least 2 TCCIA officials from each of the regional chambers, data was digitally collected using tablets from more than 3000 registered MSMEs that were classified into 15 industries. Entrepreneur and MSME demographic data such as age, gender, education, and professional qualification were collected, but personal information, such as names and private residential and business addresses, was anonymised.

The questionnaires were uploaded onto a digital data collection tool, known as the Kobo Toolbox. The data was then downloaded and analysed using Python via JupyterLab. Once the analysis was done, Statisticians from the National Bureau of Statistics were invited to verify the results and ensure that the study complies with national research standards. After that, various learning sessions were held with the Ministry of Finance and Planning, Ministry of Industry and Trade, the Bank of Tanzania, the Tanzania Revenue Authority, the Business Registration And Licensing Agency, the Tanzania National Business Council, Local Government Authorities from the 10 regions in the program, entrepreneurs, researcher institutions such as the Economic and Social Research Foundation and the Centre for Policy Research and Advocacy at the University of Dar es Salaam Business School, other policymakers who have been involved in previous public dialogue programs, and member-based associations (Confederation of Tanzania Industries, Agriculture Council of Tanzania, Tanzania Private Sector Foundation). Afterwards, this report for the study was then completed incorporating feedback from the consulted stakeholders.

Chapter 3



3. METHODS

The methodology used in this study is a mix of topics used to measure the ease of doing business¹ (2020) by the World Bank and the Organisation for Economic Cooperation and Development Guidelines for Measuring Trust (2017). These guidelines were adapted to the overall objectives of the Building Bridges programme because they are relevant for monitoring the business environment and policy making. Ultimately, the chosen guidelines were used to assess organisational trust which MSMEs accord to the public institutions regulating the business environment in Tanzania.

It is universally agreed that trust is a multi-dimensional concept (Organisation for Economic Cooperation and Development, 2017) affected by culture, communication, cognitive, emotional, and behavioural levels. The Organisation for Economic Cooperation and Development guidelines² on measuring trust stipulate that institutional trust refers to trust in different institutions specifically political, law and order, and non-governmental institutions. Parameters which were adopted from the ease of doing business and customised for this study were starting a business and registering property, getting electricity, trading across borders, and enforcing contracts. The questions in the survey were conceptualised to examine formalised businesses on different aspects which were demographics of a senior decision maker, general business information, business outlook, government services, energy and water, taxation, access to finance, and business-to-business relationships.

1 <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>

2 https://www.oecd-ilibrary.org/governance/oecd-guidelines-on-measuring-trust_9789264278219-en

Chapter 4



4. RESULTS AND FINDINGS

This section starts with a breakdown of the general profile of the MSMEs that participated in this excursion. On average, it took one hour and ten minutes to interview one MSME. The rest of the sections contain detailed and graphic analyses of the responses of the entrepreneurs, arranged according to the content of the pillars of trust starting with business outlook, followed by government services, labour regulations, water and energy, business premises, taxation, access to finance, and business to business relationships. The final subchapter illustrates a summary of the overall level of trust in the business environment.

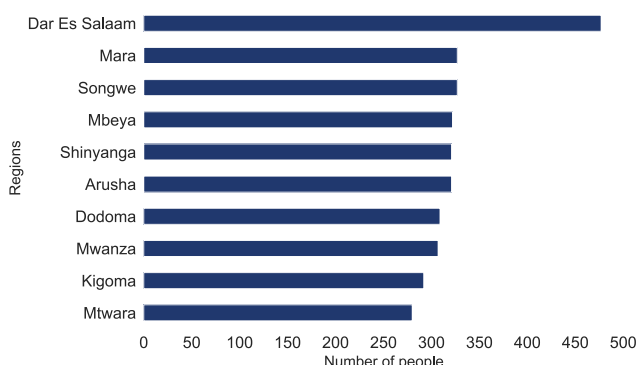
The boxes in blue contain the authors' commentary, which may present further analysis on related topics, contextual explanations, and expositions of the paragraph above it. The text in yellow are notes which are inserted to aid comprehension of figures and tables.

Inserts are unmediated quotes from business owners from focus group discussions which were conducted in the regions of Arusha (owners from 12 MSMEs), Dodoma (owners from 9 MSMEs), Kigoma (owners from 15 MSMEs), Mbeya (owners from 12 MSMEs), Mtwara (owners from 10 MSMEs), Mwanza (owners from 15 MSMEs), and Dar es Salaam (owners from 12 MSMEs). Quotes which exhibit indistinguishable convictions have been bundled together, however, the statements have not been substantiated or fact-checked, they are viewpoints and sentiments of the entrepreneurs.

4.1. GENERAL INFORMATION ON MSMES

The following section highlights the general profile of the businesses involved in the measuring trust research. We interviewed 3312 registered (at the local government Association or the Business Registration and Licensing Agency) Small and Medium Enterprises from ten regions in Tanzania, but after data cleaning, information from 3283 Small and Medium Enterprises was deemed to be complete. On average, 328 MSMEs were interviewed from each region, with Dar es Salaam leading at 477.

Respondents from each region

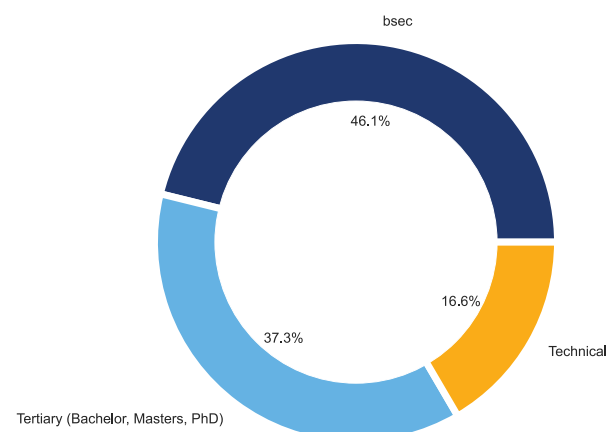


4.1.1. Business ownership

4.1.1.1. Education

Our preference was to meet with the owners or directors of the businesses we visited, but we only did this once every four attempts because of their knowledge and availability. In multiple cases, we interviewed staff who answered the questions on behalf of the owner or directors. One third of the respondents were people from sales. 9 out of every 20 business owners have not completed secondary school, while 1 out of every 3 have tertiary (Bachelor, master, or PhD) education.

Education of business owners



Position/Occupation of respondents

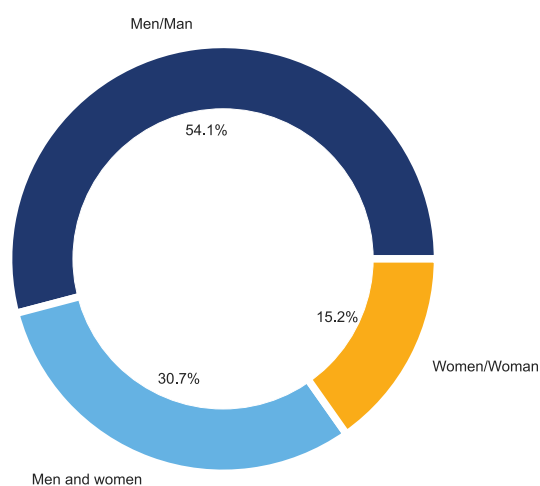


Note: There is no significant difference between the reported education of owners (by staff) and education of the owners who were directly interviewed.

4.1.1.2. Gender

Considering that one third of the businesses are owned by more than one person, we grouped business ownership according to gender because of the following criteria. If the owner (s) of a business are men they would fall in the Men/Man group, if a business has at least one man or woman they would go to the Men and Women category, and if the owner (s) of the businesses are women they would be consigned to the Women/Woman group. Out of every 20 businesses, 11 are owned solely by men, 6 are owned by men and women, and 3 are solely owned by women. It is worth to note that in our field observations, family ownership for businesses owned by both Men and Women is at 77%, while family ownership for all businesses is 17% which implies that in this setting most Women are de facto or minority shareholders of these businesses. Therefore, we mainly focus on the solely women-owned businesses group in our analysis.

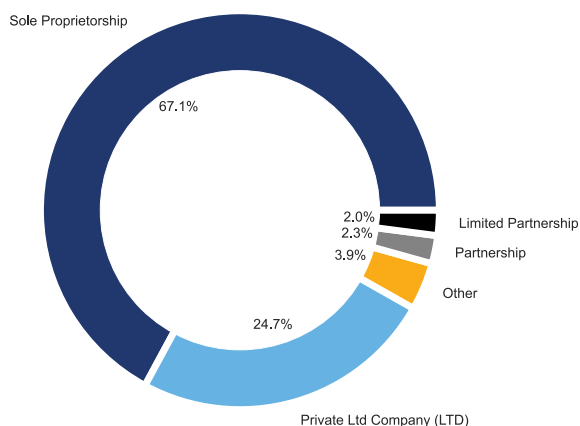
MSME ownership by gender



4.1.1.3. Legal status

The legal status of the businesses reveals that 5 out of every 20 MSMEs are limited companies, and it was lower for youth and women. 13 out of every 20 businesses are sole proprietorships. Songwe region stood out with 18 out of every 20 businesses having just one owner. Single ownership was also high for youth (16 out of every 20) and women (17 out of every 20). Only 1% of the businesses have foreign shareholders.

Legal status of MSMEs



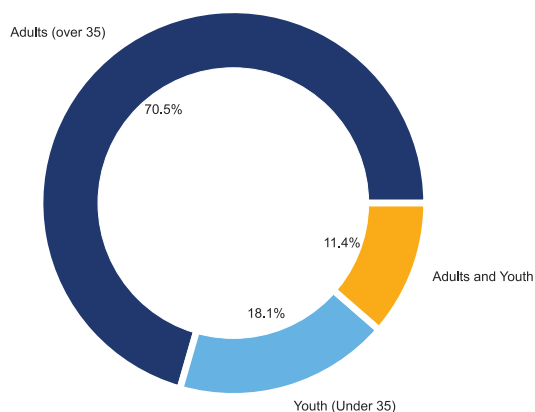
“The platform to link local investors with foreign investors needs to be improved.” – Focus group discussion Dar es Salaam entrepreneurs.

Commentary: According to Susic et al. (2019)³ foreign investment is a significant determinant of economic development. Our data shows that Tanzania still has a lot to do to create an economic climate which would attract investors and increase foreign equity to the regions of 30%-40% like most first-world economies.

4.1.1.4. Ownership by age

Business ownership was grouped according to age into three categories. The first category was adults only (individuals older than 35 years of age), youth only (individuals aged 35 years or below), and businesses owned by both adults and youth. 7 out of every 10 businesses are solely owned by adults, and just under 2 out of every 10 businesses are owned businesses are solely owned by youth. 2 out of every 3 businesses which are owned by both youths and adults are family owned and for the same reasons as with gender, we mainly focused on solely youth owned and solely adult owned MSMEs. Only 1 out of every 10 MSMEs are owned by people who aren't related to each other.

MSME ownership by age



4.1.2. Distribution by industry

For business classification, we used the 2017 North American Industry Classification System⁴ because we concluded it is one of the most comprehensive sector classification systems due to its high level of comparability in business statistics. The industries which businesses were classified into are construction, trade (wholesale, retail), agribusiness (agriculture, forestry, fishing, inputs), manufacturing, information (print publishers, software, motion picture and video, radio, tv sound, telecommunication, data), finance and insurance, transportation and warehousing, mining and quarrying, education services, healthcare and social services, arts, entertainment, and recreation, accommodation, and food services, real estate, rental, and leasing, professional, scientific, and technical services, and utilities.

Businesses which belong to the trade industry were the most populous in our research, making up just about 1 out of every 3, closely followed by construction (1 out of every 12) and utilities (1 out of every 12). The least prevalent industries were real estate (1 out of every 50) and mining and quarrying (1 out of every 50). 17 out of every 20 businesses said that their primary type of customers were individuals, while 2 out of every 20 said other businesses and 1 out of every 20 said public institutions or agencies. 8 out of every 10 MSMEs are in the city centre of their regions or districts. Only 1 out of every 4 businesses are members of some sort of business association.

Table—Industries (Quantity and percentage)

Industry	No of MSMEs	Percentage
Trade	1023	31.2
Construction	261	8.0
Utilities	256	7.8
Healthcare	226	6.9
Agribusiness	215	6.5
Tourism	210	6.4
Finance & Insurance	194	5.9
Transportation & warehousing	178	5.4
Information	150	4.6
Manufacturing	133	4.1
Education services	130	4.0
Entertainment	93	2.8
Professional	83	2.5
Real estate	66	2.0
Mining & quarrying	65	2.0

Note: MSMEs add up to 3283 and percentages total 100%

³ Foreign direct investments and their impact on the economic development of Bosnia and Herzegovina (<https://iopscience.iop.org/article/10.1088/1757-899X/200/1/012019/pdf#:~:text=Foreign%20investment%20can%20cause%20negative,of%20large%20imports%20of%20inputs>).

⁴ <https://www.census.gov/naics/?58967?yearbck=2017>

“Prices for farm inputs such as seeds, chemicals and fertilisers are rising sharply; the government supports the agriculture sector but imposes price caps to control the price. This has limited serious investment in agriculture and most farmers cannot expand their production.” – Mbeya Focus Group discussion.

Commentary: Engel and Heine⁵ (2017) surmise that price caps should be used sparingly and within a predetermined timeline to stimulate beneficial social innovations. Entrepreneurs believed the barriers to entry into certain industries are too stiff and cited heavy regulations as one of the major contributing factors. Perhaps an inquest needs to be made to address why investment in certain industries is so low.

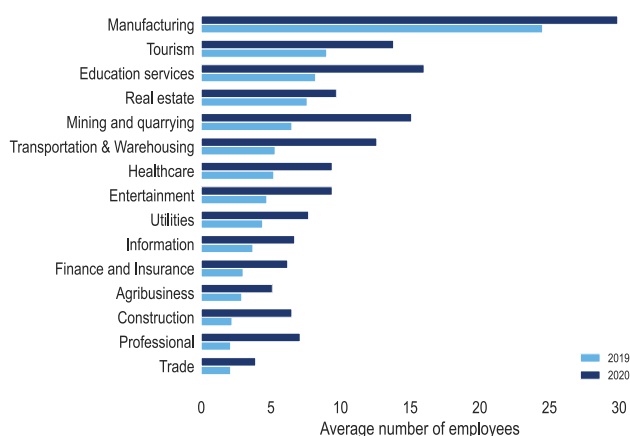
4.2. BUSINESS OUTLOOK

In this subchapter, entrepreneurs gave us feedback on a wide variety of aspects, such as their perception of the industry environment of their business, the nature of business start-ups in Tanzania, and factors associated with the availability of business development services. After considering all the factors in this pillar, we determined the level of trust in business outlook to be 54.8.

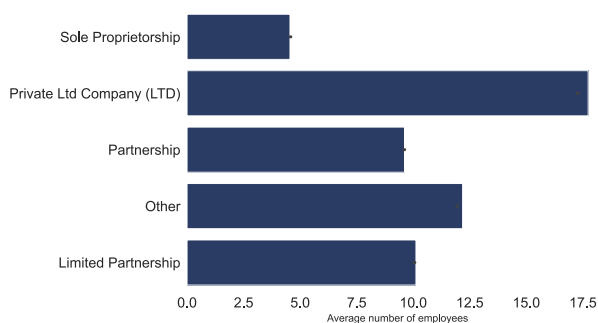
4.2.1. Employment

2020 was the year that the COVID-19 pandemic hit Tanzania, and a comparison of revenues and employment of the MSMEs shades an insight into how the businesses were affected. The average number of employees for MSMEs increased from 5 in 2019 to 8 at the end of 2020. Adult-owned businesses had an average of 8 employees, while youth-owned businesses had an average of 3 employees. Businesses in the manufacturing industry had the most employees on average of 30, followed by education services (16) and mining and quarrying (15). Trade, the most abundant industry, employs the fewest number of people (4) on average. Companies (18 people) employ over 4 times the number of people as sole proprietor businesses (4). Businesses with foreign shareholders have the most employees (38) on average.

Average number of employees per industry by year



Average number of employees by business type



2020 was the year that the COVID-19 pandemic hit Tanzania, and a comparison of revenues and employment of the MSMEs shades an insight into how businesses were affected. Every single industry had an increase in the total number of employees. The figure below should not be used to compare across industries as most industries were represented by a different number of MSMEs.

⁵ The dark side of price cap regulation: a laboratory experiment (<https://link.springer.com/article/10.1007/s11127-017-0473-5>)

while 11 out of every 20 added to their workforce, 1 out of every 20 businesses had to let go of some of their staff, while 8 out of every 20 businesses had no change in the number of employees between 2019 and 2021. Businesses which lost employees lost more employees on average (7) than those which added employees (3), they also had the biggest differences in employment with one business letting go of more than 500 employees while the business with the biggest addition of employees was 300. This stipulates that the businesses which had a decrease in their number of employees are the ones which were adversely affected by the pandemic and luckily, they only made 4.8% of the sample, perhaps it is because Tanzania did not have lockdowns during the pandemic.

Increase vs decrease of employees by industry

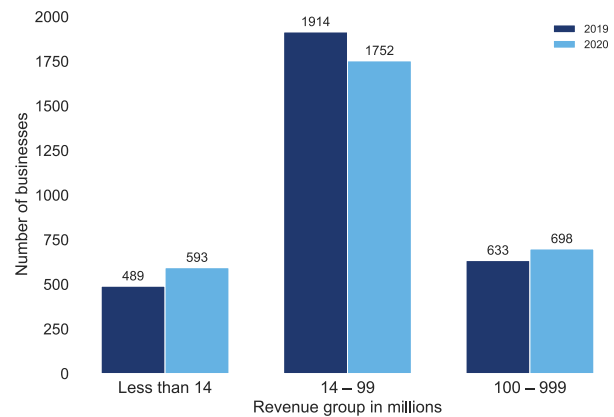


4.2.2. Revenue

The Tanzania Revenue Authority scale for classifying businesses by revenue was used for this research. Businesses with annual revenues of less than 14 million are classified as micro, businesses with annual revenues between 14 million and 100 million are classified as small enterprises and businesses with revenues higher than 100 million are classified as cooperates or medium-scale businesses.

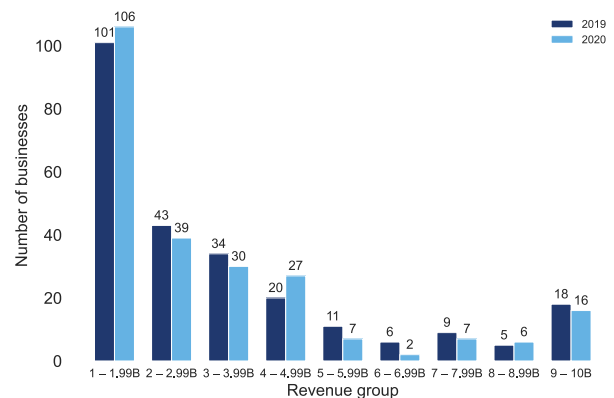
For businesses with a revenue of less than 1 billion Tanzanian shillings, the figure below depicts how businesses in the 14—99 million bracket (162 businesses) had a shift which affected the other brackets. 104 businesses fell into the lower bracket (less than 14 million), and 58 businesses ascended into the 100—999 million brackets but since this bracket had a difference of 65 businesses between 2019 and 2020 it means that other businesses which had revenues in the billions fell into it.

Graph—Revenue end of 2019 vs end of 2020 millions



In the billion shillings revenue brackets businesses fell into lower revenue brackets. The figure below reveals that the 1 to 1.99 billion bracket grew, while the next couple of revenue brackets shrunk, the 4 to 4.99 billion bracket sprouted but the subsequent revenue brackets all shrunk meaning that businesses in the upper brackets fell to the 4—4.99 billion bracket. Revenue data implies businesses had a diminutive negative increase in their revenue between 2019 and 2020.

Graph—Revenue end of 2019 vs end of 2020 billions



“The COVID-19 pandemic has negatively affected many businesses.” Entrepreneurs in focus group discussions (Arusha, Mwanza, Dodoma, Dar es Salaam).

Commentary: The economic consequences of the COVID-19 pandemic called for urgent policy responses to keep the economy afloat and enable people to retain their means of employment and incomes from governments across the globe. For example, in 2020 Kenya reduced its maximum resident corporate tax from 30% to 25% to help corporates increase the distributable profits for shareholders, lowered its value-added tax from 16% to 14%, expedited the payments of VAT refund claims, and allowed for offsetting of withholding VAT to make taxable goods more affordable, and introduced multiple tax considerations as well government cost-cutting measures (reducing the salary of the president and his cabinet by up to 30%) to lessen the tax burden on businesses as elaborated by Wangari et al. (2021)⁶. There is a critical need for the Tanzanian government to have an MSME policy, which will also outline how the government will support small

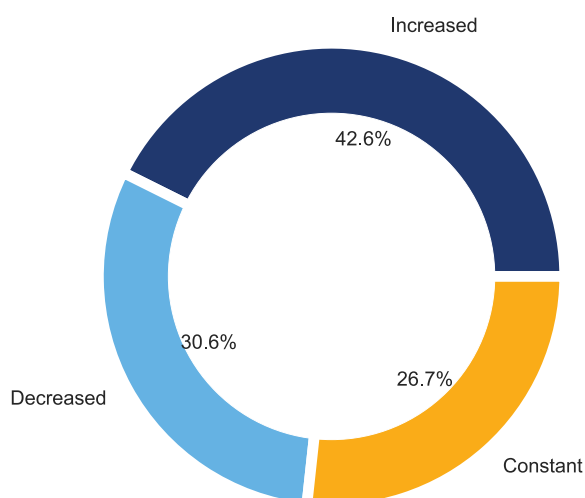
6 Kenya’s response to the COVID-19 pandemic: a balance between minimising morbidity and adverse economic impact (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7921885/>)

businesses during pandemics and a methodology for economic stimulus programs to deal with recessions.

4.2.3. Profitability

In 2020, 1 out of every 2 businesses said that they made a profit, 1 out of every 3 broke-even, and 1 out of every 9 made a loss. For 2021, 1 out of every 2 businesses projected to get a higher revenue than in 2020, while 1 out of every 3 were expecting their revenue to be the same as it was in 2020, and 1 out of every 13 forecasted to make a loss in 2021. 2 out of every 5 businesses reported that the profitability of their business has increased over the past 3 years, just under 1 out of every 3 said that it has decreased, while 1 out of every 4 said that it is about the same.

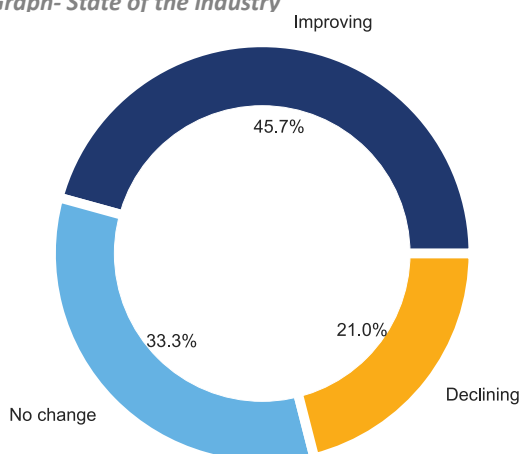
Profitability over the past 3 years



4.2.4. State of the industry

Looking at the past three years, 9 out of every 20 businesses said that the state of their industry has improved, while 4 out of every 20 said that it has declined, and just over 6 out of every 20 said that they see no change. MSMEs in the tourism industry were least optimistic, where 6 out of every 20 businesses said that the industry has declined. Businesses in Dodoma were the most assured, with 15 out of every 20 noting that their industry has improved.

Graph- State of the industry



“There are multiple regulatory agencies. A single business is regulated by several institutions such as OSHA, TBS, LGA, Fire, NEMC, Weight and Measures, and many others. Each regulator demands high fees.” – Focus group discussion Mwanza, Dodoma, Mbeya, and Mtwara entrepreneurs.

“A lot of taxes are being imposed on businesses despite the fact that the business environment is not supportive.” – Focus group discussion Mbeya and Dodoma entrepreneurs.

“The Textile industry has been declining. 30 years ago, the sector was doing fine with more than 35 fabrics, but now it has declined to less than 10 fabrics. In Ethiopia, there were only 18 fabrics 30 years ago, but now they have over 200 textile fabrics.” – Focus group discussion Arusha entrepreneurs.

“There is a multiplicity of taxes while businesses are not profitable. Food and beverage processors are bound to pay more than 12 different taxes, fees, and levies. This makes them less competitive compared to imported products.” – Focus group discussion Arusha and Mwanza entrepreneurs.

Commentary: The existence of numerous and complex tax rates, fees, and levies was observed to be a major gripe for most entrepreneurs. An incoherent tax system is detrimental to the proper functioning of market forces due to distortion by different tax rates, most entrepreneurs were supportive of making one payment to one place (so that it can then be distributed to various government agencies) even if the amount will be the same as the one they are currently paying to reduce the disturbance of paying multiple bills or having bills they are unaware of so that they can concentrate on doing their business. Conceivably, Tanzania could benefit from introducing innovative tax measures which would simplify the tax calculation process and boost investment in high-potential sectors. A great example is Zambia where businesses which are not capable of keeping records to enable effective assessment are subject to a base annual tax, and companies in the farming and agro-processing sector have a reduced corporate income tax of 10%⁷.

4.2.5. Business Prospects

Businesses were asked to voice their top 5 short-term and long-term concerns and the top immediate concerns were acquiring new customers, expanding to new markets, and the cost of doing business. Expanding to new markets emerges as the top long-term concern, followed by acquiring new customers and the cost of doing business.

Short-term concerns of MSMEs

Immediate Concerns	Percentage of MSMEs
Acquiring new customers	51.2
Expanding to new markets	39.7
Cost of doing business	28.7

⁷ <https://taxsummaries.pwc.com/zambia/corporate/taxes-on-corporate-income>

Immediate Concerns	Percentage of MSMEs
Income volatility	26.2
Obtaining finance	24.3
Finding workspace	16.1
Government levies	10.4
Retaining workforce	10.4
Government regulations	9.5
Managing finance	8.9
Corrupt officials	7.3
Online presence	7.2
New technologies	6.1
Global pandemic	5.5
Developing workforce	5.2
Other	2.4
International competition	1.5

Note: MSMEs selected up to 5 short-term concerns

Long-term concerns

Long-term Concerns	Percentage of MSMEs
Acquiring new customers	31.0
Expanding to new markets	20.7
Cost of doing business	11.2
Obtaining finance	7.7
Income volatility	6.9
Finding workspace	4.2
Government regulations	2.3
Retaining workforce	2.2
Government levies	2.1
Online presence	2.1
Global pandemic	1.9
New technologies	1.8
Developing workforce	1.6
Managing Finance	1.6
Other	1.1
Corrupt officials	0.7
International competition	0.7

Note: MSMEs selected up to 5 long-term concerns

4.2.6. Internet and technology

3 out of every 5 businesses said that they have access to the Internet, access for businesses owned by women was lower by 5% compared to the average. 2 out of every 5 businesses have computers, but only 1 out of every 5 use operational software (half of those that have computers or laptops). 7 out of every 20 businesses don't have computers, machinery, or equipment, and don't use operational software.

Technology operational software

Technology	Percentage of MSMEs
Computers/Laptops	42.9
None	36.8
Machinery	22.4
Operational Software	22.1

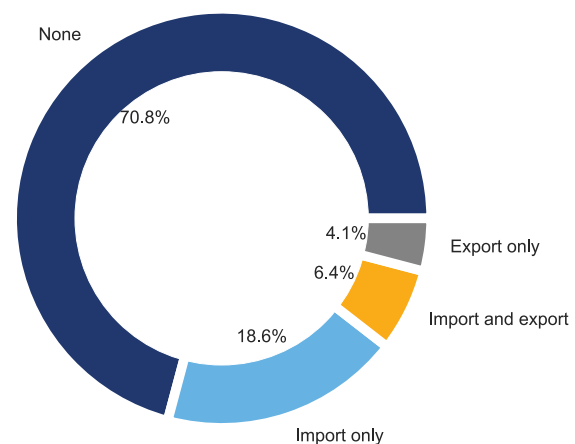
Note: Some MSMEs had more than one technology

Only 1 out of every 8 businesses say that they have the latest equipment in the market for their industry, and only 1 out of every 58 businesses said that they have futuristic equipment. Only 1 out of every 30 businesses has benefited from government incentives for business equipment (even lower for women and youth, 1 out of every 40 and 1 out of every 37, respectively). 8 out of every 10 businesses have never received exemptions, rebates, decreased fees, or grants from the government.

4.2.7. Exporting and importing

1 out of every 4 businesses sell products which they have imported while 1 out of every 10 businesses export their products. Sole proprietorships and women-owned businesses export less on average, while limited companies export the most (1 out of every 7). Of the businesses which don't export 1 out of every 9 would like and feel like they have the potential to export their products. 2 out of every 5 businesses feel the threat of competition from products imported from other countries because of the products being cheaper and having better quality and technology.

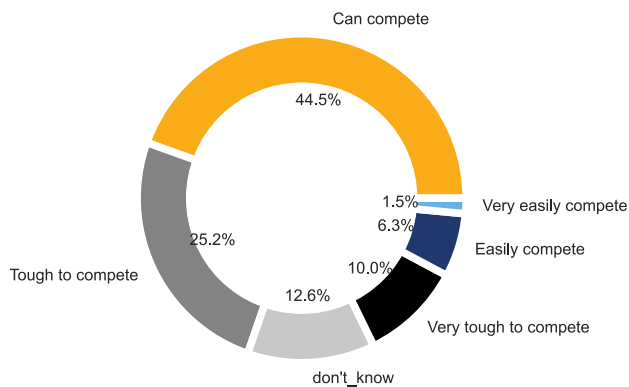
Businesses which engage in export and import



4.2.8. Regional trade and competition

1 out of every 2 businesses feel they can compete or easily compete in the East African regional market, while just over 1 out of every 4 feel it would be tough or very tough to compete. 8 out of every 10 businesses said that their biggest competitors are within the borders of Tanzania but for 1 out of every 8 businesses it was public parastatals or government agencies, 1 out of every 12 mentioned other MSMEs in East Africa, and 1 out of every 8 stated imports from China.

Ability to compete in regional markets

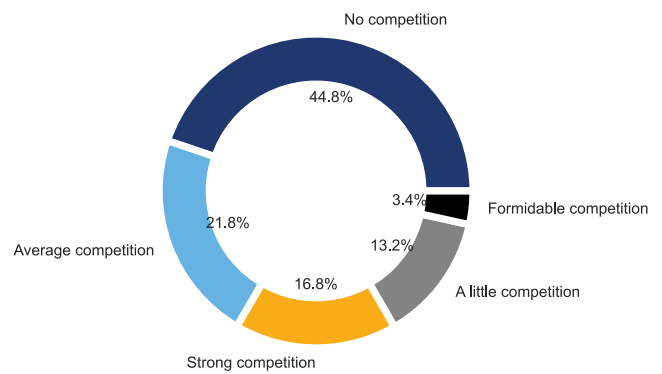


“There is little support from the government. Cost of doing business in Tanzania is higher compared to our neighbour countries.” – Focus group discussion Kigoma entrepreneurs

Commentary: In the 2020 Ease of doing business report⁸, Tanzania (54.5) with a position of 141st in the world only scored higher than two of its neighbouring countries (Burundi (46.8), and the Democratic Republic of Congo (36.2) which placed 166th and 180th respectively), while the rest (Rwanda (76.5) 38th, Kenya (73.2) 56th, Zambia (66.9) 85th, Malawi (60.9) 110th, Uganda (60.0) 116th, and Mozambique (55.0) 138th) were deemed to have friendlier business environments.

Regarding feeling the support of the government in the business environment, 11 out of every 20 businesses said that they are hardly supported or don't feel supported, or the government impedes their business, while 4 out of every 20 businesses said that they feel supported, or their business depends on the support of the government. More female-owned businesses (47%) feel less supported by the government compared to male-owned businesses (41%). 11 out of every 20 businesses feel some sort of competition from government related businesses in their industry. 4 out of every 20 described that they face strong to formidable competition from these businesses, and this was even higher for youth owned businesses (5 out of every 20).

Graphic—Government competition



“The government has been supportive in policy formulations; however, there is still a challenge on implementation of these policies. Most government officers put forward their self-interests rather than national interests. There should be a road map towards effective implementation of policies.” – focus group discussion Dodoma and Mtwara entrepreneurs

“The business environment is not improving, and It is difficult to access government tenders nowadays as most tenders are allocated to government institutions and agencies such as SUMA JKT and Tanzania Prison for construction tenders.” – Focus group discussion Dodoma, Mbeya, and Dar es Salaam entrepreneurs

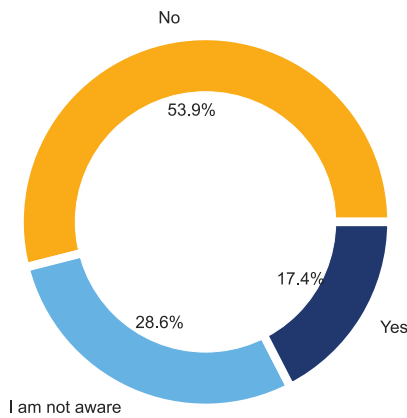
Commentary: Entrepreneurs grumbled about government agencies doing business and competing against them in sectors such as security, health, and construction. Renowned economists such as Bosch, Frans, and De Man (1994)⁹ recommend that the government's role in the business environment should be to regulate businesses, promote businesses and plan the sectoral allocation of resources.

Only 3 out of every 20 businesses take advantage of the different perks which have resulted from regional integrations (East Africa Community, Southern African Development Community, and the African Continental Free Trade Area), 17 out of every 20 businesses are not aware and/or do not use these opportunities. 11 out of every 20 businesses which import said that it is cheaper to use neighbouring borders to import their products than the Tanzania ports. Regions on the border of Tanzania, such as Mbeya (17 out of every 20) and Arusha (13 out of every 20) were the most convinced that it is cheaper to use neighbouring borders, same as businesses in the transportation and warehousing (14 out of every 20) and agribusiness (12 out of 20).

⁸ https://www.doingbusiness.org/content/dam/doingBusiness/pdf/db2020/Doing-Business-2020_rankings.pdf

⁹ <https://journals.sagepub.com/doi/abs/10.1177/030630709401900304?journalCode=gema>

Regional trade advantages.



“Getting permits to export goods is too bureaucratic. The Mozambican border is not friendly to Tanzanians, and there is no openness on what the requirements are to get the permits. We urge the government to list all the requirements to get permits on time.” – Focus group discussions Mtwara entrepreneurs.

“Marine transport is seriously affected, the traders from DRC are mistreated by Immigration and TRA. Most of these businesspeople have shifted to Zambia and other borders.” – Focus group discussion Kigoma entrepreneurs.

Commentary: Regional integration can play a vital role in diversifying economies away from dependence on the export of just a few mineral products; in delivering food and energy security; in generating jobs for the increasing number of young people; and in alleviating poverty and delivering shared prosperity which will according to Butorina and Borko (2022)¹⁰ result to faster economic growth and an improved per capita income.

4.2.9. Business development

Concerning strategies for long-term growth, businesses were asked to pick three of their strongest choices and, mastering current and new markets were the most popular strategies, with upskilling the workforce a distant third.

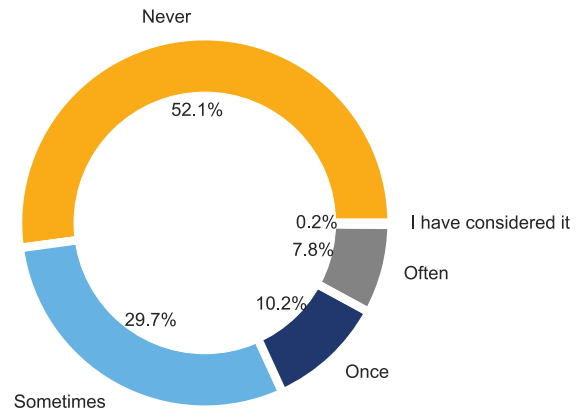
Long-term growth plans of MSMEs

Growth plan	Percentage of MSMEs
Exploiting current market	60.5
Exploiting new markets	46.8
Upskilling workforce	28.3
Efficient business processes	23.7
Developing new products	14.9
More productive workforce	11.1
Leadership capability	8.1
Doing something else	5.1
Don't know	3.3

Note: MSMEs chose a maximum of 3 growth plans

Over the past 3 years, out of every 2 businesses, the owners of 1 business have considered closing their business. 3 out of every 10 have wanted to close their business several times, and 1 out of every 12 said they have often contemplated or nearly closed their business. Businesses from the healthcare, construction, tourism, and trade industries topped the list.

Closing business



“Fear of most business to close due to deteriorating of business in general.” – Focus group discussion Mwanza and Mbeya entrepreneurs

“So many businesses are closed especially fishing industries. There is a decline in the media business by 75% in the period of 5 years. Media is undergoing retrenchments or closing operations.” – Focus group discussion Mwanza entrepreneurs.

“Business environment is declining. Huge amounts of taxes are being charged, tax collection methods are not friendly, and most of the businesses are threatened to be closed if they don't pay taxes estimated for them.” – Focus group discussion Mtwara, Dar es Salaam, and Mbeya entrepreneurs.

Commentary: During the focus group discussions entrepreneurs mentioned various reasons which caused them to close or consider closing their businesses, some had to do with the business environment and others were directly influenced by government authorities.

10 Benefits of Regional Integration: Redefining the Concept (<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9243905/>)

4.3. GOVERNMENT SERVICES

In this segment, we analysed the experiences entrepreneurs had while registering their businesses and their opinion on formalities such as inspection, transparency of information, fees and taxes, time of processing applications, administrative efficiency and procedures required by public agencies such as the Business Registration and Licensing Agency (BRELA), Local Government Authorities (LGAs) and their regulating agencies. We computed the level of trust in government services to be 57.7.

4.3.1. Availability of Information

Regarding the major sources of information which entrepreneurs used while registering their businesses, 1 out of every 2 MSMEs were founded via informal advice, meaning their primary source of information was friends and family and this was slightly higher for women and youth. Only 1 out of every 10 businesses consulted their regulating agency and 1 out of every 11 used their local government. 1 out of every 2 businesses said that information was easily or very easily available while opening their business.

Main source of information on starting a business



“Information concerning businesses is not easily accessible until when someone visits a particular institution in search of business information regarding that sector/industry.” – Focus group discussion Mbeya, Dodoma, Mwanza, Dar es Salaam, Mtwara and Arusha

“There have been frequent changes in rules and regulations which are not openly communicated to the public.” – Focus group discussion Dodoma, Dar es Salaam, and Mwanza entrepreneurs

Commentary: Open government data plays a major role in the democratisation of information and transparent governance, which can propel greater involvement of citizens in government plans and related activities for sustainable development. Yannoukakou and Araka (2014)¹¹ reason that government information should be more for the benefit of the public than the benefit of government institutions, as every individual has a right to information. Feasibly a descriptive informatics and literature review

11 Access to Government Information: Right to Information and Open Government Data Synergy (<https://www.sciencedirect.com/science/article/pii/S187704281404018X>)

could be performed to examine the information dissemination methods of government ministries, institutions, and agencies to examine and determine the availability of information and open government data.

4.3.2. Business formalisation

Businesses also catalogued the principal obstacles they faced while setting up their businesses. Lack of capital, taxation, and regulations or permits or processes were the top 3 choices. Lack of capital was slightly higher for women and youth, but the order of the top three choices is the same for the three groups, however it can be observed that the fourth biggest obstacle for youth is finding affordable suitable premises before they can even try to tackle the market with their products and services.

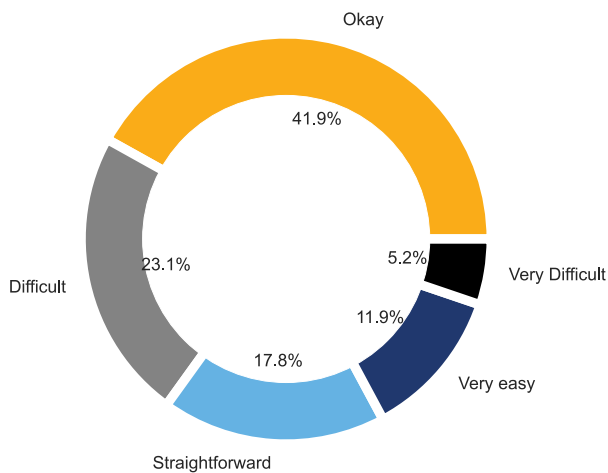
Main obstacles to start a business

Obstacles	Percentage of MSMEs
Lack of capital	53.4
Taxation	36.1
Regulations/processes/permits	22.3
Competition in the market	20.1
Cost of suitable premises	15.5
Availability of premises	11.9
Availability of skilled staff	11.9
Recruiting staff	11.5
Fear of financial failure	11.0
Insurance	8.0
Getting the right technology	7.2
Security	5.7
Lack of internet	3.1
Importing stock	2.2
No obstacles	1.9
Don't Know	1.6
No opinion	1.5
Importing assets	1.4
Other	1.2

Note: MSMEs chose a max of 3 obstacles

1 out of every 4 MSMEs said that it was very easy or straightforward for them to open their business. A slightly bigger portion 3 out of every 10 said that it was difficult or very difficult for them to open their business. On average, it took businesses 31 days to open their business.

Ease of opening a business

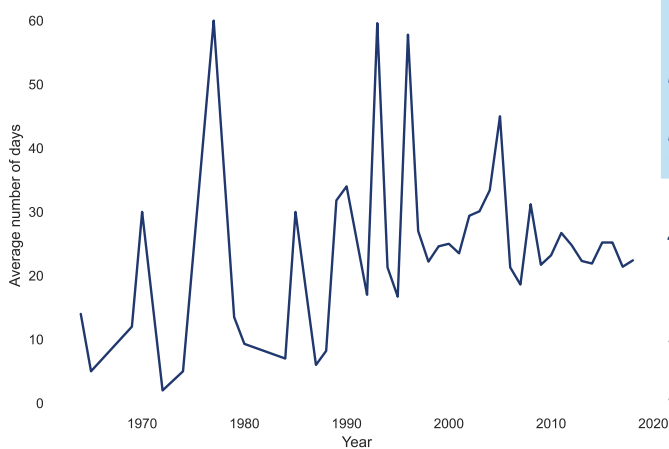


“Starting a business is very difficult. We are required to pay taxes during registration, the process is costly, time-consuming, and this makes the process of business formalisation bureaucratic.” –Focus group discussion Dar es Salaam, Mwanza, Arusha, Mtwara, Mbeya and Dodoma entrepreneurs

“The process for getting business licences and permits is bureaucratic and too many institutions are involved for some sectors such as mining.” – Focus group discussions Dar es Salaam, Mwanza, Mbeya, and Mtwara entrepreneurs

Commentary: Ieva Taraiene, the head of registry practice of NRD Companies (a consulting group which partnered with the Rwandan government to significantly improve inefficient procedures that stalled business development and transformed Rwanda into one of Africa’s most well-structured and business-friendly economies) said that lengthy and extortionate business registration and regulatory procedures have an obtrusive effect on people’s motivation to formalise and register businesses. The easier, faster, and cheaper the business registration process becomes, the higher the number of businesses contributing to the economy will be.

Trend line average number of days to open business



Television, social media, and radio are the three leading sources of news on new government regulations, taxes, and policies.

Top sources of news for MSMEs

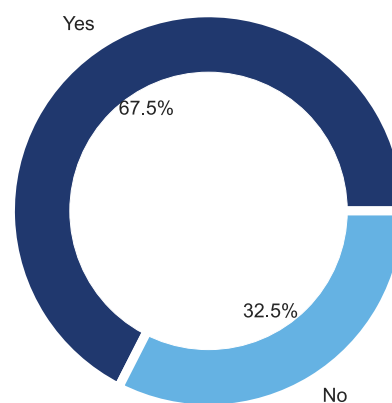
Source	Percentage of MSMEs
Television	36.5
Social Media	35.7
Radio	34.0
Government office	32.2
Internet	28.2
Newspaper	20.5
Government website	16.6
Government gazette	14.5
SMS or email	12.2
Consultant	10.9
Public Address System	9.7
PSOs	5.0
Other	3.1

Note: MSMEs chose multiple news sources

4.3.3. Business advice

Over the last 6 months, 2 out of every 3 businesses have sought general advice and information for running their business. This was much lower for youth owned businesses (3 out of every 5) and businesses which are in the less than 14 million revenue bracket (3 out of every 5). Interestingly, businesses in the less than 14 million revenue bracket comprised more adults. There was no significant difference between female-owned businesses and male-owned businesses. Businesses which are in the education industry are the ones which sought counsel the most (4 out of every 5). 1 out of every 2 businesses don’t find it easy to access business development services.

MSMEs which sought general business advice



Businesses mentioned other businesses (the business community), social media, and consultants as their top sources for business advice in the last 12 months for getting advice about how government institution laws, policies and regulations may affect their business. On average, businesses said that they spend 2 and a half hours a day attending or complying with government regulations, policies, and procedures.

4.3.4. Regulatory obstacles

Entrepreneurs were asked to list a maximum of three regulations they consider to be the chief obstacle to the success of their business. The top 4 most mentioned regulations were labour, work permit/immigration, tax-related, and environmental regulations. The top reasons that these regulations were deemed to be an obstacle to entrepreneurs were because they are too many, they caused unfair competition from businesses which do not comply, the paperwork and administrative procedures which are required to comply and uncertainty on how the regulations apply to a particular business.

Top regulatory obstacles for MSMEs

Regulation	Percentage of MSMEs
Labour	51.0
Tax-related	32.1
Environmental	31.0
Health and safety	18.5
Construction	17.7
Trading standards	17.2
Sector specific	11.3
All regulations	7.5
None	6.5
Working time	4.8
Trade unions	3.8
Other	1.8

Note: MSMEs chose a max of 3 regulations each

“Immigration regulations and work permits are affecting business in the region.” – Focus group discussion Kigoma and Arusha entrepreneurs.

“The insurance rates which are regulated by the government are too high.” – Focus group discussion Mtwara and Dodoma entrepreneurs.

“Most regulations are difficult to comply with and have been a major obstacle to businesses. This is highly attributed to the lack of involvement of the private sector in the formulation of those rules and regulations.” – Focus group discussion Dodoma entrepreneurs.

“Rules and regulations on agriculture and livestock sector are not supportive.” – Focus group discussion Mbeya entrepreneurs.

“NEMC regulations are not supportive. Only the Minister is mandated to issue environmental certificates. This could be done at zonal levels.” – Focus group discussion Mwanza entrepreneurs

Commentary: The conventional view is that regulations are a burden and a constraint especially for small businesses,

Kitching, Hart, and Wilson (2013)¹² propose that governments should use realistic analytical frameworks to understand the influence of the regulations on small businesses and fine-tune their approach using empirical data as regulations generate effects beyond those perceived by small business owners.

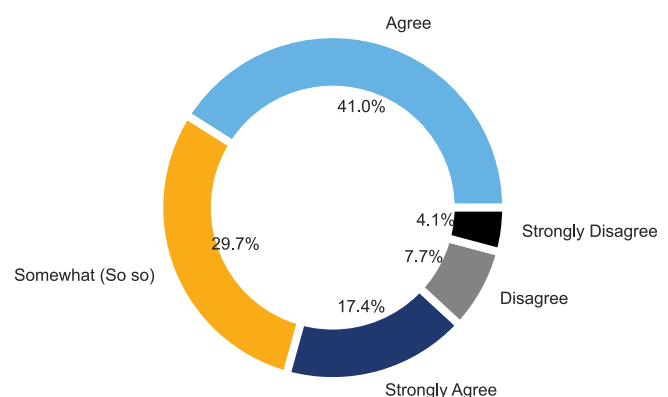
4.3.5. Services and Procedures

We asked businesses to rate the procedures and application of services (permits, clearances, certificates) at the Business Registration and Licensing Agency (BRELA), the Local Government Authority (LGA), and their regulating agencies. 11 out of every 20 businesses rated their last visit at a government agency as satisfactory or very satisfactory, while 7 out of every 20 said it was average, and 2 out of every 20 were dissatisfied or very dissatisfied.

4.3.5.1. Business Registration and Licensing Agency (BRELA)

6 out of every 10 businesses agree or strongly agree that procedures and services at BRELA are simple and easy to understand, while 1 out of every 10 businesses disagree or strongly disagree. Businesses from Shinyanga, Dar Es Salaam, Dodoma, and Kigoma were the most displeased.

Procedures and services at BRELA are simple

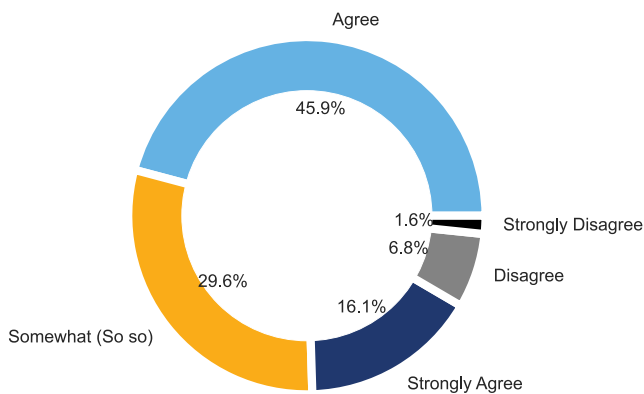


4.3.5.2. Local Government Authorities (LGA)

Just over 6 out of every 10 businesses strongly agree or agree that procedures and services from their Local Government Authorities (LGA) are simple, easy to understand and well organised. 1 out of every 12 businesses disagree or strongly disagree. The best-rated regions were Arusha and Mtwara, while the worst-rated regions were Dar es Salaam, Kigoma, and Dodoma.

12 Burden or benefit? Regulation as a dynamic influence on small business performance (<https://journals.sagepub.com/doi/pdf/10.1177/0266242613493454>)

Procedures and services at BRELA are simple



“Lack of adequate education to businesspeople makes the procedures seem to be difficult.” –Focus group discussion Mtwara entrepreneurs

“The procedures are simple for most businesspeople. Many businesses use middlemen to make applications on their behalf, thus increasing the cost of doing business.”. –Focus group discussion Dar es Salaam entrepreneurs.

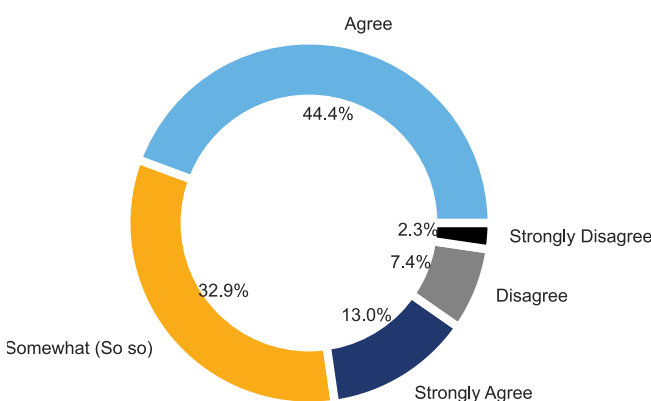
“Applications for clearances, permits and certificates from LGA are simple, but we face a challenge from officers who ask for bribes before issuing of permits and certificates.” – Focus group discussion Dodoma entrepreneurs.

“Getting permits and licenses consumes a lot of time. Most businesspeople engage third parties to do on their behalf, which increases the cost.” – Focus group discussion Arusha entrepreneurs

4.3.5.3. Regulating Agencies

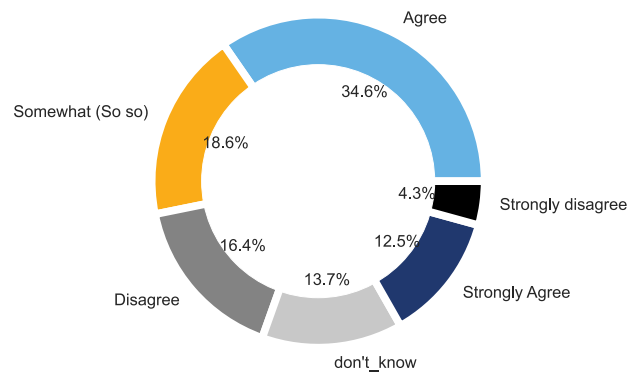
11 out of every 20 businesses agree or strongly agree that procedures and applications for services (clearances, permits, certificates) from their regulating agency/agencies are simple, easy to understand, and well organised. 2 out of every 20 disagree or strongly disagree.

Procedures at regulating agency are simple



9 out of every 20 businesses feel that (agree or strongly agree) there are too many agencies doing similar functions in their industry, 4 out of every 20 do not (disagree or strongly) perceive this within their industry, while the rest (7 out of every 20) were in the middle or did not know.

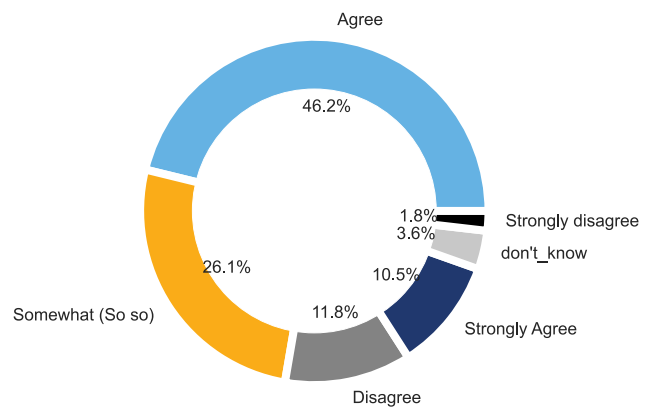
Multiple agencies doing the same functions



4.3.6. Government support

Out of every 20 businesses, 11 said that they struggle to find appropriate government support for their business, while less than 3 said that they have no trouble finding the right support for their business. 1 out of every 3 businesses say that the government considers the concerns of their business, whilst 2 out of every 3 MSMEs feel that the government does not regard the well-being of their business.

Struggle to find appropriate support



“Local companies are not supported when it comes to government tenders. Priority is given to Chinese companies and government institutions.” – Focus group discussion Mwanza entrepreneurs

“The government does not create an enabling environment for our businesses, and it has not prioritised our concerns.” – Focus group discussion Dodoma entrepreneurs

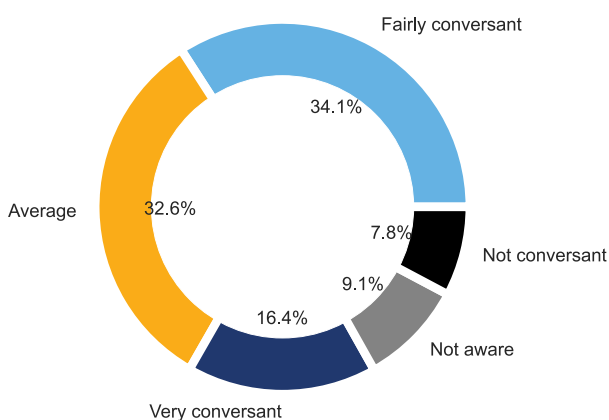
4.4. LABOUR REGULATIONS

Within this component, we examined the general impression entrepreneurs have of circumventing labour laws and their awareness of them and how they feel about employment regulations pertaining to their businesses. We assessed the level of trust to be 56.1 in this segment.

4.4.1. Labour law awareness

In the matter of MSMEs being informed and practiced about labour laws, 5 out of every 10 MSMEs said that they are proficient with labour laws pertaining to their business, 3 out of every 10 are not very confident in their knowledge, and 2 out of every 10 are not aware or conversant. Businesses in the trade and construction industries and sole proprietorship businesses exhibited a lower rate of comprehension of labour laws.

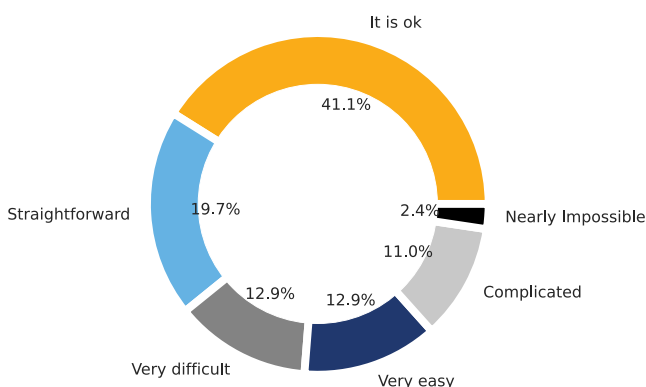
Labour law awareness



4.4.2. Hiring skilled labour

7 out of every MSMEs 20 MSMEs said that it is straightforward or very easy for them to recruit new staff, 8 out of every 20 said that it is ok, and 5 out of every 20 said that is complicated or very difficult to legally onboard new talent for their business.

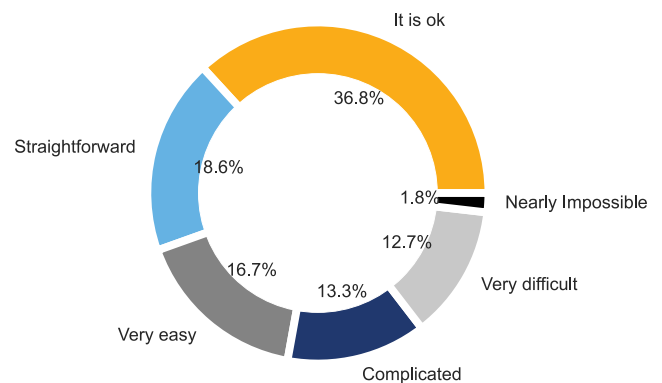
Hiring skilled labour



4.4.3. Dismissal process

7 out of every 20 MSMEs said that it is not a problem for them to let go of unruly employees, while about 7 out of 20 said that the process is ok, and 6 out of every 20 said that it is cumbersome. Businesses in the healthcare, tourism, manufacturing, and construction sector said that it is very complicated or difficult for them to dismiss employees.

Employee dismissal process



4.5. WATER AND ENERGY

In this pillar, we investigated the number of businesses which use water and energy services, the impact these services have on their businesses and their opinions on how water and electricity tariffs affect the profitability of their businesses. After sorting through all the responses, we calculated the level of trust to be 48.04 for water and energy.

4.5.1. Energy usage

9 out of every 10 businesses we interviewed use electricity as their primary form of energy, while 9 out of every 20 businesses (1 out of every 2 businesses 49% have a second option for energy) have generators followed by solar power (4 out of every 20), and gas (3 out of every 20) as their secondary form of energy, and 8 out of 20 businesses (1 out of every 4 or 25% have a third source of energy) have generators as their third mode of energy.

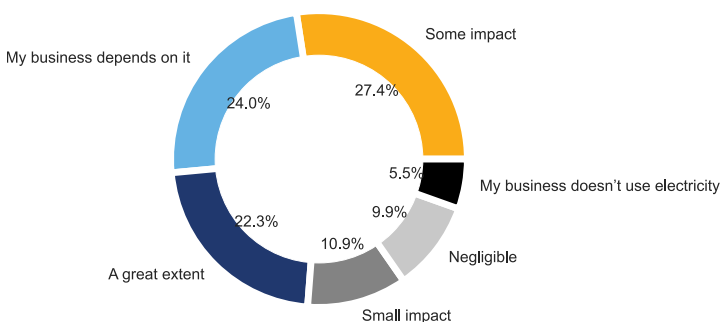
Table – first, second, and third

Regulation	Primary source of energy %	Secondary source of energy
Electricity	89.1	1.8
None	3.7	-
Hydroelectric	2.5	1.0
Solar	1.9	9.9
Gas	0.9	6.6
Generator	0.7	22.8
Other	0.7	1.3
Charcoal	0.4	0.8
Firewood	0.3	0.6
Wind-power	0.0	0.5

4.5.2. Electricity price impact

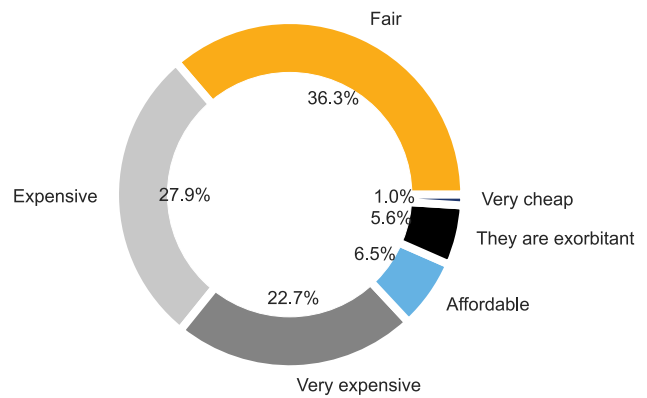
9 out of every 20 MSMEs say that the price of electricity heavily affects the profitability and operations of their businesses, 6 out of every 20 say that the amount that they pay for electricity has some impact on their business, while 4 out of every 20 say that the price of electricity has a small to negligible impact on their business. Businesses in manufacturing, tourism, mining and quarrying, and healthcare appeared to be the most affected by electricity prices.

Electricity price impact on businesses



11 out of every 20 businesses cited electricity prices to be too excessive for their business (exorbitant, very expensive, or expensive), and 9 out of every 20 felt that the tariffs are well priced (cheap, affordable, or fair). MSMEs in the mining and quarrying, tourism, real estate, and manufacturing industries were the most unhappy with electricity tariffs.

Opinion of electricity tariffs

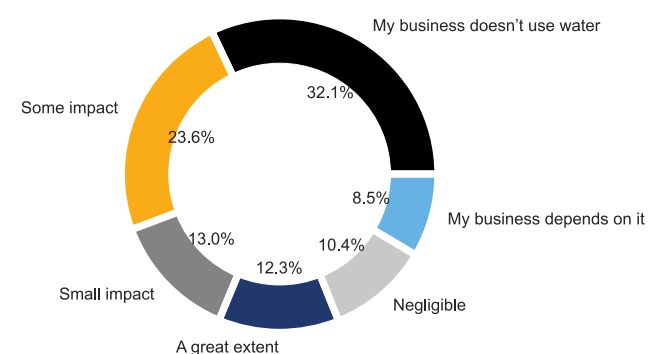


“Cost of electricity is very high in Tanzania compared to our neighbours. In Uganda, textiles pay 50% less of the electricity cost.” – Focus group discussion Arusha entrepreneurs

4.5.3. Water usage and impact

3 out of every 10 MSMEs said that they don't use water in their operations, while 2 out of every 10 heavily rely on water and its price upsets their profit margin, 4 every out of 10 businesses say that the price of water has a modest impact on their bottom line, and 1 out of every 10 say that water has an inconsequential influence on their business. Businesses with the biggest dependence on water are those in the tourism, real estate, and education sectors.

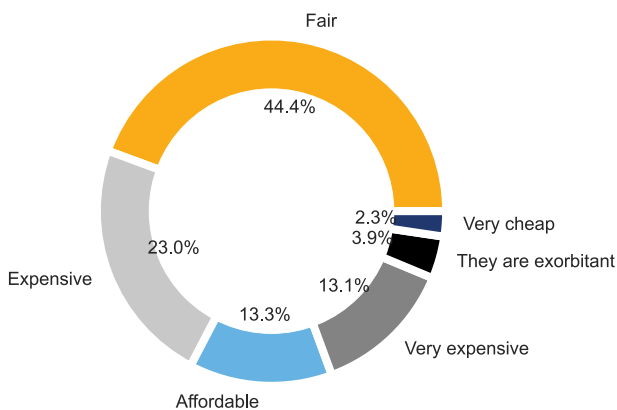
Water price impact on businesses



4.5.4. Water tariffs

Of the businesses which use water, 2 out of every 5 said that the price of water is too expensive for them, while 3 out of every 5 said that water tariffs are acceptable or at least affordable for them. Businesses in the real estate, tourism, and education are the one which had the biggest percentages of MSMEs who claimed that water tariffs are too high.

Opinion of water tariffs

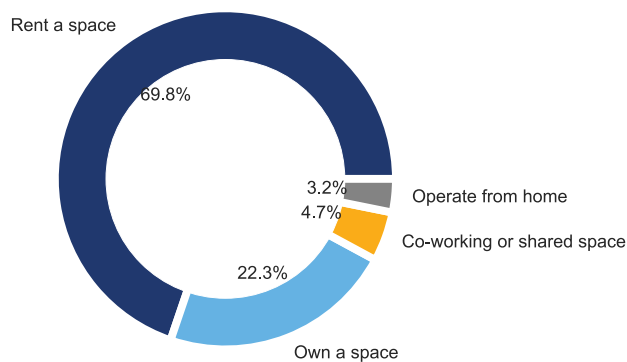


4.6. BUSINESS PREMISES

In this pillar, we tried to identify the potential for MSMEs to get and expand their business premises. This is an area that is highly associated with investment, financial productivity, and economic growth.

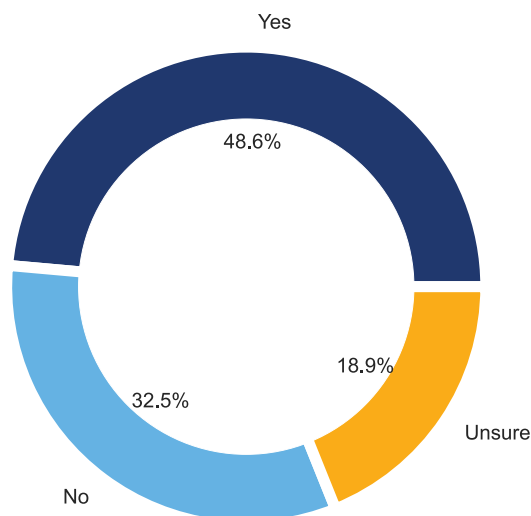
14 out of every 20 businesses rent their premises, just over 4 out of every 20 are operated from home and less than 1 out of every 20 (1 out of every 26) are operated from home. Just under 16 out of every 20 youth-owned MSMEs rent their own premises and 2 out of every 20 youth-owned businesses own their working space. 16 out of every 20 female-owned MSMEs rent their premises, and 3 out of every 20 own their business premises. On average, the establishments which we interviewed operated from 2 locations in Tanzania, businesses had the highest number of average locations, and companies had an average of 4 sites of operation compared to 2 for businesses owned by individuals.

Business premises situation



1 out of every 2 businesses are planning to expand or move to new premises in the future. 4 out of every 10 of the businesses which do not plan to move or are unsure, specified lack of capital or the finances required as reasons for not expanding. More than 5 out of every 10 said that there is no need.

New premises expansion



4.7. TAXATION

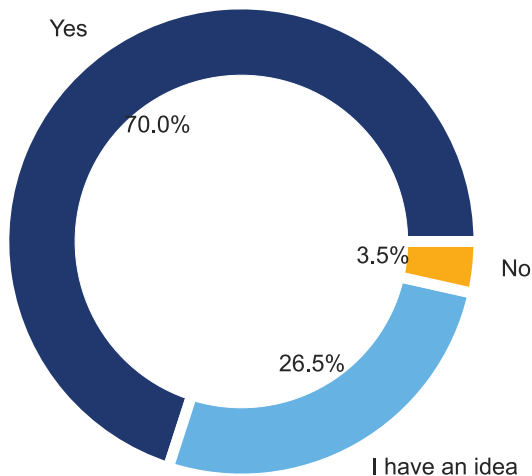
In this element, we looked at how informed entrepreneurs are about tax regulations related to their business, their general experiences about paying taxes, and their viewpoint on various tax related matters. The level of trust with matters concerning taxation was determined to be 52.7.

4.7.1. Tax Education

4.7.1.1. Tax knowledge

Concerning procedures and applications for services (clearances, permits, certificates) from the Tanzania Revenue Authority 3 out of every 5 businesses stated they are simple and well organised. 7 out of every 10 businesses showed they know the reason for their business to pay taxes, while 3 out of 10 had a slight idea or didn't know.

Know the reason for paying taxes



4.7.1.2. Tax assessment

In relation to tax calculations, estimates and assessments, 3 out of every 5 businesses (59%) use a Tanzania Revenue Authority official as their primary mode of determining the amount of taxes they must pay, 1 out of every 20 businesses (5%) use an electronic record keeping system (software application), 1 out of every 3 businesses (34%) use an accountant or tax accountant, and 1 out of every 13 businesses (8%) have in-house capability of staff doing their taxes.

Comparably a smaller percentage of youth-owned MSMEs use software (3%), a lower chunk (24%) use an accountant or tax consultant, and a greater portion (63%) depend on a Tanzania Revenue Authority official to do their taxes.

Forms of tax calculation for MSMEs

Tax assessor	Percentage of MSMEs
TRA official	58.8
Accountant	33.9
Owner	25.9
Auditor	11.0

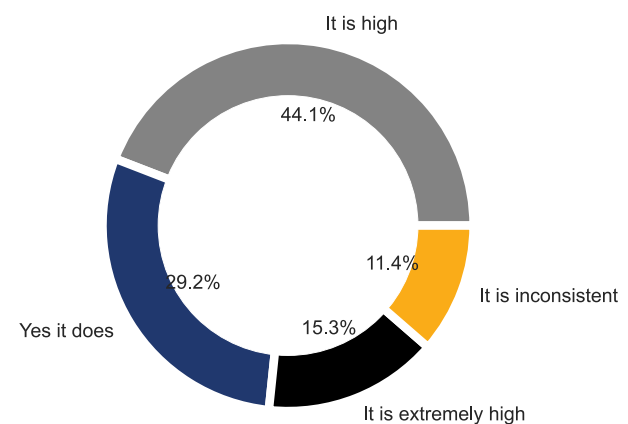
Tax assessor	Percentage of MSMEs
Staff	7.9
Software	5.3
Lawyers	3.3
None	1.2
Business development service provider	1.1
Other	0.8

Note: Businesses had more than one primary mode of doing/assessing their taxes.

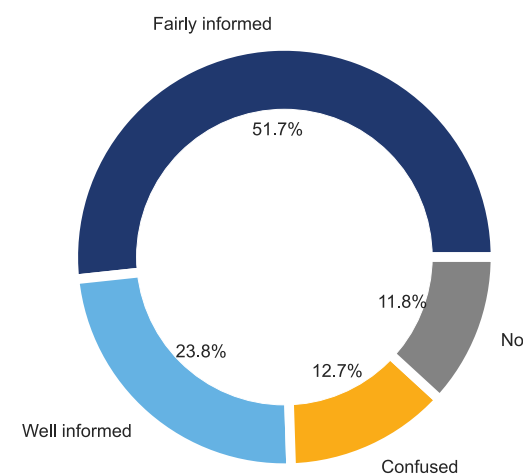
4.7.1.3. Tax information

Nearly 6 out of every 10 businesses feel that the taxes which are approximated by Tanzania Revenue Authority officials are high or extremely high in relation to their revenue, 1 out of 10 feel that it is inconsistent, and nearly 3 out of every 10 say that it matched their revenue. 1 out of every 4 businesses feel they are well informed about the different taxes which their business must pay, 1 out of every 5 gave the impression that they are confused or are not well informed, and 1 out of every 2 are moderately informed. A greater number of female and youth-owned businesses at 25% and 30% respectively are confused or have not learned about the taxes associated with their businesses. 55% of businesses said that they have received tax education, but it was less for female-owned (50%), and youth-owned businesses (53%).

Tax paid in relation to revenue



Tax informed



“The procedures are not simple as there is not enough tax education for businesspeople. Most businesspeople in Kigoma have no tax education.” – Focus group discussion Kigoma entrepreneurs

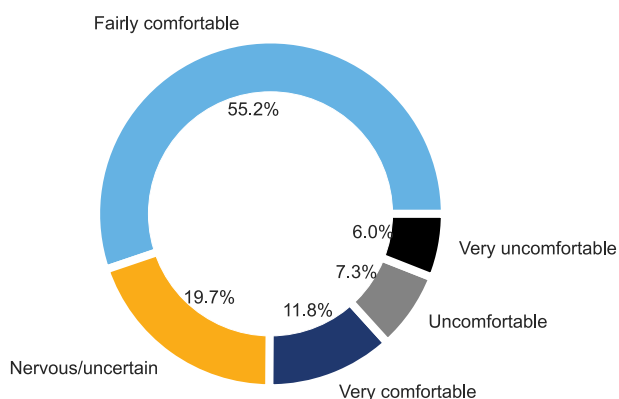
“There is not enough tax education”. – Focus group discussion Arusha and Mwanza entrepreneurs

4.7.1.4. Tax comfort

2 out of every 3 businesses feel relaxed or comfortable before, during or after paying their taxes. 1 out of every 3 are nervous, uncertain, or uncomfortable during or after paying their taxes.

“Tanzania Revenue Authority officers create loopholes for bribes by issuing very harsh tax assessments reports, and overloading hefty fines which negatively affect businesses’ – Focus group discussion Dar es Salaam.

Comfort after paying tax



“We are not comfortable with the new system of paying tax. The process is complicated, business owners are required to produce receipts of more than 5 years back, which sometimes are not available.” – Focus group discussions Mwanza, Mtwara, Dodoma, Mbeya, and Dar es Salaam.

“Tax assessment process is not fair; this makes the entire process of paying tax burdensome to taxpayers.” – Focus group discussions Dar es Salaam entrepreneurs.

Commentary: Marcello Estevao, former deputy minister of internal affairs at the Ministry of Finance in Brazil affirms that complex tax systems foster a culture of evasion and can create opportunities for corruption by highlighting that countries in Latin America have been estimated to lose \$340 billion¹³ per year due to tax evasion and it is, therefore, better to design very simple tax systems, which will also make it easier to enable fully functional electronic tax payment systems.

4.7.1.5. Tax consultation

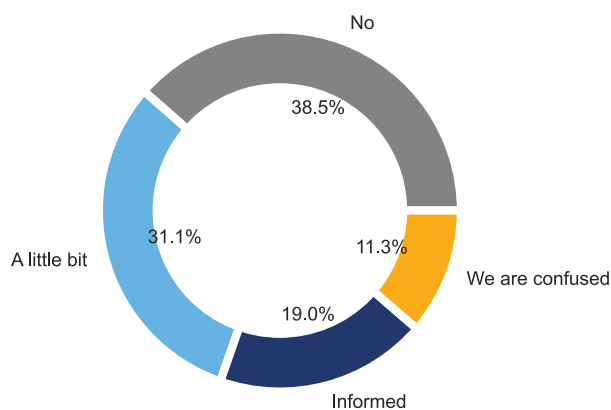
1 out of every 10 businesses get frequent business development related feedback from the government, nearly 3 out of every 10 have never got such feedback, 6 out of 10 have received such feedback a few times.

Relatively, only 1 out of every 4 businesses is a member of an institution which can assist or consult them with tax related matters.

4.7.1.6. Withholding tax awareness

Just about 10 out of every 20 businesses are not well informed or are confused about the procedures which involve withholding tax, 4 out of every 20 are adequately abreast with withholding tax procedures, and the remaining 6 out of 20 have some knowledge of it. Female and youth owned businesses, and sole proprietorships have greater oblivion to withholding tax, whereby over 11 out of every 20 of their establishments are not savvy to tax withholding procedures, however it is greatest for MSMEs in the trade industry at 12 out of every 20.

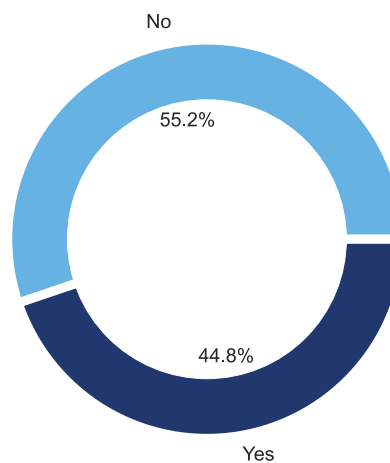
Pie chart – withholding tax awareness



4.7.1.7. Tax appeal awareness

In relation to tax appeal awareness, 11 out of every 20 businesses said that they are not knowledgeable about tax appeal procedures, while 9 out of every 20 said that they are versed in tax appeal procedures. Businesses which are well acquainted with tax laws displayed the highest knowledge of tax appeal awareness (18 out of every 20 (89%)).

Tax appeal awareness



13 https://repositorio.cepal.org/bitstream/handle/11362/40327/50/S1600797_en.pdf#page=111

4.7.2. Tax ordeal

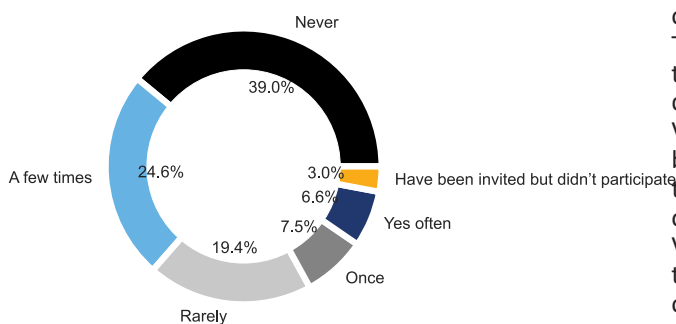
4.7.2.1. Number of taxes paid

On average, businesses divulged that they pay 3 different taxes (not including fees and levies) annually, businesses earning over 1 billion Tanzanian shillings pay an average of 4 different taxes, businesses in the tourism, transportation and warehousing, and manufacturing industries pay an average of 4 different taxes, and private limited companies pay an average of 4 different taxes while sole proprietorships pay an average of 3 different taxes.

4.7.2.2. Tax reforms

8 out of every 20 businesses have never been involved or consulted in tax reforms. 5 out of every 20 have seldom or asked for advice once. 3 out of every 10 businesses from our sample have regularly been involved or consulted during tax reforms (8 out of every 10 of these businesses rated the Tanzania Revenue Authorities procedures and systems as good or excellent). More than 10 out of every 20 businesses which are members of a private sector organisation have often been involved in tax reform discussions.

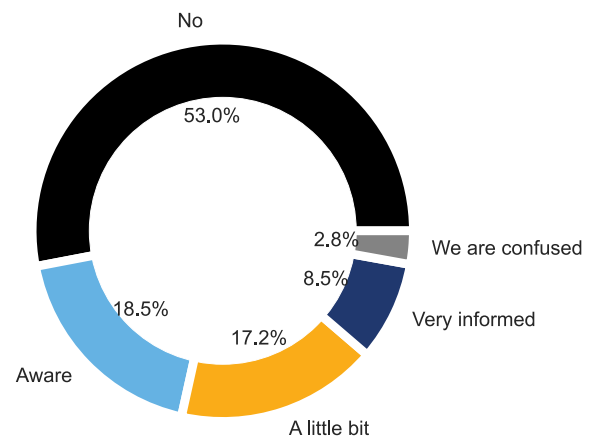
Tax reforms involvement



4.7.2.3. Importation taxes

Of businesses which import products or equipment (42% of our sample), 9 out of every 20 said that they are not well informed or are confused with different taxes related to importation, whereas 7 out of every 20 said that they are informed, and 4 out of 20 said they have some insight. Upwards of 1 out of every 3 MSMEs said that they always pay the amount which was estimated (listed or classified by the Tanzania Revenue Authority) when their products reach Tanzania, close to 2 out of every 5 said sometimes, virtually 1 out of every 5 said that this rarely happens, whilst 1 out of every 10 said that this never happens. Sectors which seemed to be most affected by this (the biggest percentage of never and rarely) are manufacturing, agribusiness, healthcare, and construction.

Pie chart – importation tax awareness, import tax amount.

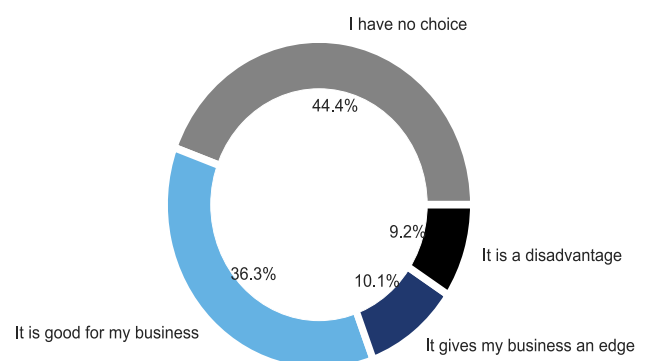


4.7.3. Tax Opinion

4.7.3.1. Value Added Tax (VAT)

11 out of every 20 businesses (54%) we interviewed are VAT registered, which was odd considering 14 out of every 20 businesses we interviewed had revenues which are less than 100 million Tanzanian shillings (businesses with or expecting to generate an annual taxable turnover of more than Tanzanian shillings 100 million in Mainland Tanzania must register for VAT) per annum. Even though the Tanzania Revenue Authority Commissioner has the discretion to register businesses under this threshold to VAT and professional service providers are mandated to be registered to VAT, the number of businesses registered to VAT was quite high, and some businesses generating over 100 million Tanzania shillings weren't registered to VAT. 9 out of every 20 businesses which have VAT have the opinion that it is good for their business although 11 out of 20 businesses sense that they have no choice or that it is a disadvantage. Remarkably, nearly 13 out of every 20 businesses which are well informed on taxes have a positive opinion of VAT.

VAT opinion

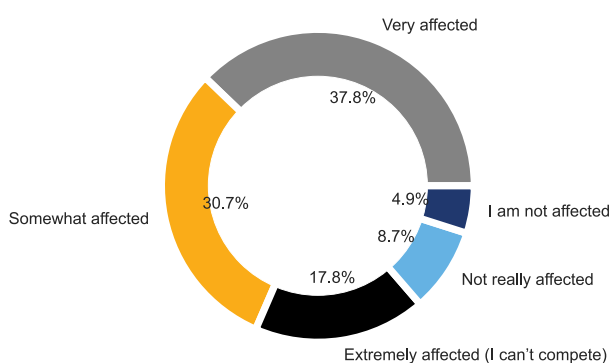


“Requirements to comply with VAT returns and payment of tax assessments within 20 days of the next month is a challenge for businesses.” – Focus group discussions Dar es Salaam

4.7.3.2. Tax inequality impact

Referencing how registered MSMEs are affected by businesses which do not pay taxes or petty trader businesses (16% of our sample “did not know/had no opinion” and were filtered out), 3 out of every 20 businesses said that they are not troubled or hardly afflicted by such businesses however nearly 4 out of 20 businesses said that they are extremely affected to the point they can’t compete, and nearly 8 out of every 20 said that they are very affected, meaning that 11 out of every 20 businesses are acutely affected by businesses which don’t pay taxes. Aggregating the responses reveals that 17 out of every 20 businesses are concerned by businesses which don’t pay taxes. Regions which seemed to be most anxious about petty trader businesses are Songwe (97%), Dar es Salaam (91%), and Mbeya (90%), and the most affected sectors were trade, finance and insurance, and tourism.

Tax inequality impact



“The food industry is not properly regulated. There are a lot of informal food vendors who do not comply with health standards and do not pay any tax. These are a challenge to hotels and restaurants which pay tax.” – Focus group discussion Arusha and Dodoma entrepreneurs

“Most businesses, especially in soap making industries, are affected by unregistered businesses who manufacture these soaps locally and do not pay any tax.” – Focus group discussions Kigoma entrepreneurs

“We have been seriously affected by businesses who are not obliged to pay tax. This creates unfair competition. Take the example of SUMA JKT or the prisons which are government institutions which are not bound to pay taxes but compete with private businesses on various private and government tenders.” – Focus group discussion Dar es Salaam, Dodoma, and Mbeya entrepreneurs

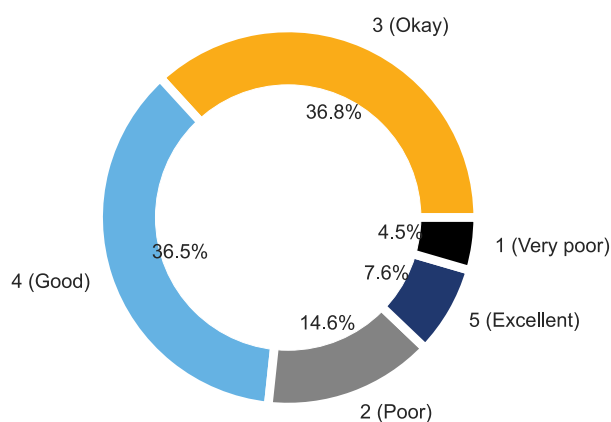
“Most businesses are affected by unregistered petty businesses that do not pay tax. These businesses can charge lower prices compared to those which pay taxes, they should be given specific zones/places to operate from.” – Focus group discussion Dar es Salaam, Dodoma, Arusha, Mwanza, and Mbeya entrepreneurs

4.7.3.3. TRA system rating

Rating the user-friendliness of the Tanzania Revenue Authority’s tax payment systems just about 9 out of every 20 MSMEs rated the systems as good or excellent,

4 out of every 20 said that they are very poor or poor, and 7 out of every 20 said that they are ok. Significantly, 12 out of every 20 MSMEs which are well informed on tax regulations rated the authority’s systems as good or excellent.

TRA Tax system rating

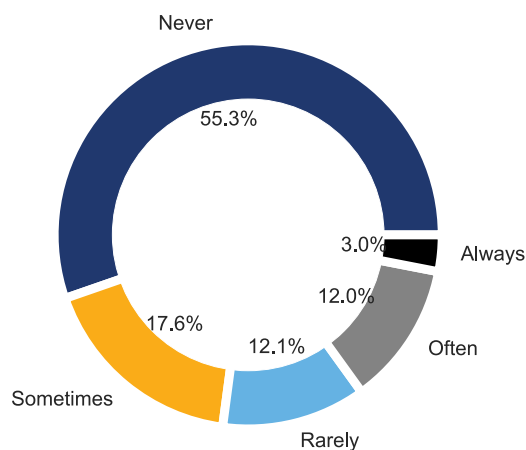


“Digitalisation of TRA systems has simplified most of the procedures for application of permits, clearance, and certificates. However, sometimes the system is too slow, making the procedures to be even more difficult.” – Focus group discussions Mtwara entrepreneurs

4.7.3.4. Corruption while paying tax

9 out of every 20 businesses claim that the process of paying or doing taxes increases the cost of doing business, accruing with businesses which articulated that the process of paying or doing taxes somewhat increases their expenditures, 16 out of every 20 businesses were of this opinion. 3 out of every 20 businesses voiced that the current mechanism does not require a huge outlay. Correspondingly, 11 out of every 20 businesses stated that they have never encountered corruption or been put in a situation to give bribes to TRA officials in the process of paying their taxes. Conversely, 9 out of every 20 businesses have experienced corruption to varying degrees while paying their taxes. Businesses in the finance and insurance (52%), trade (50%), and transportation and warehousing (49%) have encountered corruption the most at roughly 10 out of every 20 for each sector.

Encountered corruption while paying taxes



“TRA officers have been attracting bribes by issuing very harsh tax assessment reports, which affect a lot of businesses.” Focus group discussion Dar es Salaam entrepreneurs.

“The procedures at TRA are not simple, as there are still loopholes for bribes when making various applications.” Focus group discussion Dodoma entrepreneurs.

Commentary: It is very much in the government’s interest to fight and eliminate corruption within its operations, Chêne (2014)¹⁴ from Transparency International, the global coalition against corruption proposes that corruption discourages investment, limits economic growth, and alters the composition of government spending, often to the detriment of future economic growth. Feasibly, Tanzania could adopt a model like Botswana (a country rated lowest on the corruption index in Africa)¹⁵ by improving financial management and strengthening the role of auditing agencies, promoting transparency and access to information, and empowering citizens to hold the government accountable via community monitoring initiatives to build mutual trust.

4.8. ACCESS TO FINANCE

This section gauged how micro, small, and medium businesses gain capital, what they need their capital for, the sources of finance that they used, their relationship with financial institutions, and the interest rates available to them. We worked out the level of trust in financing to be 47.6.

4.8.1. Interest rates

4.8.1.1. Average interest rate

The average interest rate for businesses which usually access loans is 18.4%. The main types of interest rates which businesses reported using are nominal interest rates and effective interest rates. For youth-owned businesses, it is lower at 16.5% but higher for women-owned enterprises at 20%. Businesses in the ‘less than 14 million’ bracket reported very high interest rates averaging at 24.4%. Essentially, most interest rates available to these businesses are effective interest rates, which are compounded on a weekly, monthly, quarterly, and semi-annual basis.

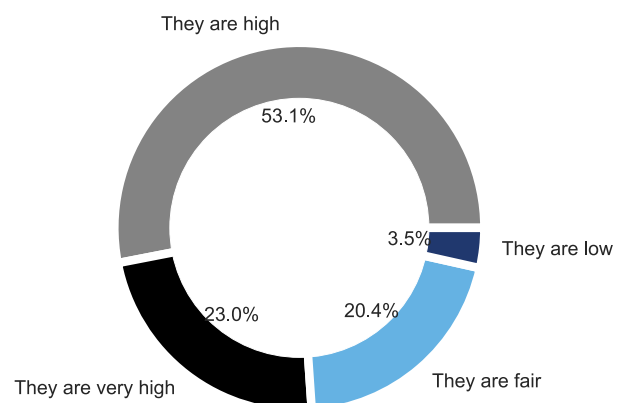
Average interest by group

Groups	Average interest rates
All MSMEs	64.6
Men	28.7
Women	18.3
Adults	8.5
Youth	7.9

4.8.1.2. Interest rate opinion

45% of businesses did not have an opinion or didn’t know about interest rates, most likely because they have never tried to secure a loan for their business. For ventures which have sought loans before, an excess of 15 out of 20 businesses said the interest rates available to them are high or very high, and just about 5 out of every 20 said interest rates available to them are low or fair.

Interest rate opinion



14 https://www.transparency.org/files/content/corruptionqas/Impact_of_corruption_on_growth_and_inequality_2014.pdf

15 <https://www.transparency.org/en/cpi/2021>

4.8.1.3. Seeking financing

Businesses were asked if they had tried to obtain finance for their business over the past 2 years. More than half (52%) said that they sought a loan for their business, 4 out of every 20 said several times, 2 out of every 20 tried once, and 1 out of every 20 had tried numerous times. For those that applied, 8 out of every 20 were successful in obtaining finance but for 3 out of 20, it was at what they felt was a very high interest rate, 7 out of every 20 acquired some finance but didn't get the full amount that they were looking for, 3 could not secure any financing, and the rest were unwilling to answer. The percentages of youth and women who didn't get finance or only got partly financed were higher.

4.8.1.4. Financing purpose

The top 3 reasons which enterprises had for taking loans were working capital (13 out of every 20), cash flow (6 out of every 20), and acquiring assets (4 out of every 20). 1 out of every 3 businesses were denied financing because of insufficient security, 1 out of every 6 were told that they applied for too much, 1 out of 14 were not given a reason for their loan being rejected, and 1 out of 13, was had a poor credit history.

Financing purposes

Finance purpose	Percentage of MSMEs
Working capital	64.6
Cashflow	28.7
Acquiring assets	18.3
Marketing	8.5
Don't know	7.9
New technology	5.6
Business acquisition	5.5
New products/processes	5.4
Research & development	3.3
Training staff	2.7
Intellectual property	2.7
Other	1.3

Note: MSMEs selected multiple purposes of finance

“Most entrepreneurs lack financial literacy education.” – Focus group discussion Dodoma entrepreneurs.

4.8.2. Financing sources

4.8.2.1. Financing sources

The most popular sources of financing which businesses pursued were bank loans, with 3 out of every 5 businesses trying to get loans from banks, and our data suggested that women and youth owned MSMEs were more fearful of approaching banks but readily approached family and friends, and less than 3% tried to apply for local government loans.

“Businesses have been affected; the mineral sector has been unstable as they cannot access loans from banks.” – Focus group discussions Dar es Salaam and Dodoma entrepreneurs

4.8.2.2. Capital sources

The sources of capital for businesses are personal finances or assets (3 out of every 4), family (1 out of every 4), and banks (1 out of every 6) at 18% and this was much smaller for youth at 13%. Personal assets, investments from friends or family, and income from other businesses were the primary sources of capital for 8 out of every 10 businesses. Banks accounted for 1 out of every 10 businesses as one source of capital.

Sources of capital

Capital sources	Percentage of MSMEs
Personal finances/assets	74.3
Family	26.8
Bank loan	18.3
Friends (loan/investment)	7.7
Other businesses	6.5
Do not know	4.0
Microfinance Institution	3.3
Grant	2.2
Other	0.8
International investor	0.8

4.9. BUSINESS TO BUSINESS RELATIONSHIPS

We scrutinised the quality of the relationships between businesses, how businesses resolve disputes among themselves and how entrepreneurs view the judicial process in the commercial division of the high court of Tanzania. Once all the constituents of this segment were considered, we evaluated the level of trust between businesses to be 71.5.

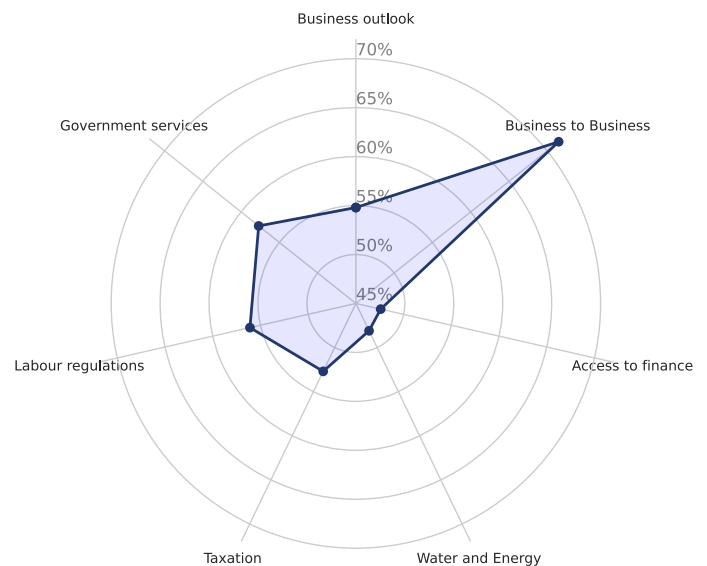
4.9.1. Business engagements

Overall, the relationship between businesses appears to be adequate, 1 out of every 4 businesses said that they often have a problem with late payments from their customers or other businesses which causes them to experience cash flow problems. 14 out of every 20 businesses said that they are aware that there is legislation dealing with breach of contract however only 9 out of every 20 identify with the legislation being supportive to businesses in enforcing agreements. 3 out of every 20 businesses said that they have taken legal action against another business within the last 12 months. 4 out of every 5 businesses which have not taken any legal action stated that they did not because there was no situation which justified legal action, and 1 out of every 5 said that they haven't because it is too expensive for them, or they lack trust in the legal bodies to initiate such a procedure.

4.10. TRUST IN THE BUSINESS ENVIRONMENT

To determine the overall level of trust in the business environment, we amalgamated all the results of the pillars which were business outlook at 54.8, government services at 57.7, labour regulations at 56.1, taxation at 52.7, water and energy at 48.1, access to finance at 47.6, and business to business at 71.5. The pillars were weighed differently because of the number of questions and in terms of their importance in influencing the business environment. We quantified the overall level of trust in Tanzania's business environment to be 55.5 out of 100.

Values of the seven pillars used to measure trust



Access to finance
Labor regulations Business premises
Business outlook
Level of trust = 55/100
Taxation Government services
Energy and water
Business to business

Chapter 5



5. RECOMMENDATIONS

The following recommendations are aimed at increasing the level of trust in the business environment in Tanzania.

5.1. BRIDGING THE EDUCATION AND INFORMATION GAP

Only 9 out of every 20 entrepreneurs have studied beyond secondary school. We noticed that a proportionate number of challenges which entrepreneurs face and grievances that they hold against the government are because of lack of information and misinterpretation of information. We postulate that the government would significantly improve trust in the business environment by improving how it delivers information and receives feedback from businesses.

5.1.1. Audience-Centric Communication

Our findings conveyed that the government's communication strategy is mainly focused on what a ministry, department, or agency wants to communicate to its audience, and MSMEs specified that often, what they want or need to know is left out. It is vital for the government to have research-based communication strategies which are tailored (for comprehension and understanding) to different segments of its audience, which include citizen-driven experiences of accessing information because businesses want to pick the information they consume. For example, rather than looking through multiple websites, an individual can quickly go to resources for small businesses, enterprises, individual businesses, by sector, etc.

30% Entrepreneurs who are well informed on tax regulations and policies had a higher positive impression (36% above the average) of the Tanzania Revenue Authorities.

Most government ministries, institutions, and agencies should have a dedicated and well equipped communication and public relations department which can effectively use the preferred modes of communication for different entrepreneurs.

Government communication briefs, social media, channels, press releases, and publications should be written in a manner which can be understood by all people (level of education, contextual, age).

5.1.2. One stop business centres

Plans are already underway to establish one stop regional business centres, however, we recommend that the government's strategy should extend the presence of these centres to each district in Tanzania to enhance trouble free access to government services for MSMEs. All government institutions and agencies which serve the business community should at least have a help desk in these centres. Customers of these institutions should not have to deal with understanding the structure of the government to identify the correct contact for their matters, but they should be directed to the appropriate single point of contact. This will also save operational costs for government agencies and institutions in the Regions.

Imagine if every time when you need food instead of going to one place, you had to order your drink at one store, your meal at another, and you had to go to three more stores to get a spoon, plate, and fork. That is how businesses feel

when they are trying to get government services for their businesses because they must go to government agencies and institutions located in different locations within a region or at times in otherw regions.

5.1.3. Promotion of member-based associations

1 out of every 4 businesses are members of a business association. (Real number is probably lower as this sample was attained by TCCIA regional chambers which approached their members first)

Businesses which are part of business associations proved to be better informed on policies, more compliant, and had a higher positive opinion of the government. The government should take advantage of and capacitate member-based organisations (E.g., TCCIA, CTI, TPSF) because strong business associations which act for the collective good of their members have been shown to harness the capacity of private businesses, create opportunities for businesses, protect the interests of both companies and employees, promote civil society, enhance the business climate, and combat corruption. These are all factors which are also advantageous to the government because these focal point associations which defend the interests of businesses will also promote economic prosperity and increase the level of trust in the business environment.

Businesses should be enforced to be members of business associations of their choosing and they should provide regular and mandatory financial contributions for the stable income of the association to fulfil certain tasks (which are for their interest) by law. Ideally this legislation should give the government a balanced role to supervise the associations activities to diminish any anti-reform tendencies the associations might have by ensuring that they are driven by the demands of their members.

5.2. WIDENING THE TAX BASE

Recommendations aimed towards enabling the government to sustainably increase its tax base and revenue collection.

5.2.1. Faithfulness in paying taxes

Only 1 out of every 5 businesses is well informed about tax regulations and policies pertaining to their businesses. The Ministry of Education, together with the Tanzania Revenue Authority, should introduce courses at the primary and secondary levels on the importance of tax, how to do taxes and its benefits to society. This will build a spirit of patriotism among citizens and reduce the antipathy around paying taxes, especially for entrepreneurs who drop out of school or do not go beyond the secondary education level to do business.

5.2.2. Ease of business start-up and growth for youth and women

Registered businesses owned by youth, and women are among the minority. We determined that aspiring young people and women entrepreneurs have unique and pronounced needs in areas such as understanding policies related to their businesses, lack of capital, and access to finance. The government needs to apprehend and act on the considerable barriers within the regulatory environment that youth and female entrepreneurs face when trying to start and grow their businesses, such as complex regulatory processes and high business registration costs.

The government should enact simplified regulations which will implement measures aimed at encouraging youth, women, and informal entrepreneurs to register businesses (reduced registration fees, 2 year tax holidays for youth businesses, lower tax rates for new female-owned businesses), reduce stigma around business failure by facilitating restarts of failed businesses, and using business associations to provide orientational and ongoing business development services to entrepreneurs (especially youth, women, and underprivileged).

5.2.3. Enticing Business formalisation

Current policies are not very motivating for entrepreneurs to formalise and grow their businesses in Tanzania. 1 out of every 2 businesses considered closing their businesses within the last 3 years because of huge tax estimations and fines, unfriendly tax collection methods, unsympathetic regulations, and a tough business environment. Entrepreneurs should be incentivised to formalise and expand their businesses and hire more employees. There should be distinct advantages and incentives for people to take risks and invest in the private sector in Tanzania.

11 out of every 20 MSMEs feel that there are too many agencies doing similar functions within their industry.

The government should set aside official places for unregistered businesses to operate so that they can also thrive and grow because they are currently shackling the profits of registered businesses which are few and are carrying a tremendous tax burden for the entire economic sector.

“Small entrepreneurs don’t want to register their businesses and others want their businesses to remain small because they don’t want to pay high taxes and face regulatory problems.” – Focus group discussion Dodoma entrepreneurs.

The government should form a strategy which will lead to businesses paying a consolidated tax (streamlining of tax, fees, and levy into one payment) from which the revenue can then be distributed to different institutions and agencies and reduce the hustle, frustration, and confusion of paying multiple taxes, fees, and levies. The government should also implement the recommendations from the Blueprint for regulatory reforms to improve the business environment.

“The business environment is not improving. Although the government has established the Blueprint, the status has been the same.” – Focus group Arusha entrepreneurs

5.2.4. Government competition

One of the key roles of the government is to act as a referee in the business environment. 1 out of every 4 businesses expressed they face unfair and strong competition from government institutions and authorities in their industry, which negatively affects them. It is reasonable for the government to deploy cost-cutting measures, but government institutions and agencies should be prohibited from doing business or registering businesses by law as the government should empower the private sector so that it can thrive, and subsequently, it will collect more revenue in the long run.

5.3. IMPROVING REGIONAL CROSS-BORDER TRADE

Recommendations aimed at improving the business environment for cross-border traders based on interviewing 1407 traders who use official border posts in 7 regions in Tanzania and 130 government officials from institutions at border posts.

5.3.1. Providing information

Up to 8 out of every 10 (82%), cross-border traders do not have an education beyond secondary school, and the entrepreneurs remarked they struggle with understanding the different policies and regulations related to their products and services and their associated institutions. The government should make basic information available to cross-border traders at the border and enact enormous billboards in border towns and borders, which list products and their related charges for importing or exporting to encourage people to get into formal cross-border trade and remove uncertainty and fear over fees, levies, and charges.

5.3.2. Awareness of regional integration opportunities

11 out of every 20 (54%) MSMEs are not aware of cross-border trade opportunities in trade blocks and regional integration schemes. This means that they are not taking advantage of huge potential markets and the government is missing out on opportunities to decrease its trade deficit. The government should set up active information centres/desks at border posts and use one-stop business centres which are being set up in regions throughout the country, to educate entrepreneurs on cross-border trade protocols, trade blocks, and opportunities.

Nearly 3 out of every 10 traders stated that they have received poor services (made to pay bribes, loss of goods, and insults) from border officials. Officials need to be trained often on providing quality customer service in a manner which can be understood by traders with varying levels of knowledge, and their services should be anonymously rated by traders to assess improvement.

5.3.3. Harmonising and reducing policies, taxes, tariffs, levies, and charges

1 out of every 2 traders (48%) mentioned government regulations as the biggest challenge to their business and 1 out of every 2 traders (49%) cited multiple taxes, charges, and fees as their biggest hurdle in exporting or importing their products. The government should work towards reducing the cost of export permits, fees, and tariffs, reduce the time taken to complete trade procedures at border posts, improve online trade clearance, and streamline the responsibility of agencies involved in the clearing of goods for imports or exports, especially for agricultural crops and products in line with the East Africa Community, the Common Market for Eastern and Southern Africa, and the Southern African Development Community.





6. CONCLUSION

The ambition of this exploration was to determine the level of trust in the business environment in Tanzania in a manner which would avail presiding implications and revelations regarding registered micro, small and medium enterprises, and the different domains which influence them, to enable the private sector to play a consequential role in policy dialogue. Decidedly, to a great degree, the public sector has been reasonably amenable to most of our recommendations and the reaction of private sector stakeholders has been relatively dignified which has invoked a connotation that perhaps the unabridged intimation on the significance of trust as a concept, needs to be extensively assimilated by the business community and especially the authorities which arbitrate it.

Our data has revealed that noticeable efforts have gone into creating an enabling environment for entrepreneurial people and our observation of the past five years from the perspective of the business community has highlighted a measured improvement, however, there are bona fide sentiments that numerous challenges still abide, the bulk of which can be candidly and reasonably addressed. The outcome of this analysis designates the kind of support that different groups of entrepreneurs in Tanzania require, and this places a certain level of responsibility, validity, and vindication on the duties, projects, and commissions of the government, civic associations, the development community, and business organisations.

This study was limited to the interpretation of feedback from 3283 business enterprises but the coupling of the results from the study “Measuring trust in service delivery” which involved interviewing over 1078 public staff from 17 government institutions and 1370 private sector professionals, has given us a judicious level of confidence in our deductions. We advocate for further research to be conducted among different stakeholders to test our findings and potentially address the shortcomings of our investigation.

Contemplatively, now that we have this data what can we do with it? A simple and short answer is for regulating authorities as the principal determiners of trust, to use it to be more authentic and transparent; things they do, espouse, and believe are rooted in integrity, and ultimately, they will earn more trust from private sector stakeholders. Michael Deaver (Edelman Trust Barometer, 2007)¹⁶ attributed an increase in trust to strong economic growth and the rise of responsible business behaviour which resulted from measures to ensure more accountability and transparency in reporting financial and social responsibility indicators, and this is backed by numerous pieces of literature which draw a relationship between transparency and trust.

Pragmatism may assert that this proposition is far-fetched and utopian, the stuff that fantasies are made of, meaning that we should set realistic expectations, at any rate, trust does not lead to immediate changes in behaviour or attitude. In spite of this, our soliloquy confers that hope will yield greater results than realism. Fundamentally, it is vital to have hope, which is probably closest to trust, when we have hope we are placing trust in the potential for positive things to happen, and when we act in a way that embodies trust, we will bring about a future which is full of exciting possibilities. For Trias, this construes that we should take intermittent pulse checks of the environment and stakeholders whom we work with and test these perceptions with our theory of change. For other stakeholders expressly the government of Tanzania, the suggestion would be to start by deliberating the full gravity of public trust, because if trust is sought and gained, it will far outweigh the struggle that continues to overwhelm the business environment.

16 <https://www.edelman.com/sites/g/files/aatuss191/files/2018-10/2007-Edelman-Trust-Barometer-Global-Results.pdf>



Scan the QR code to watch the video documentary about this research or click on the this link: <https://youtu.be/iN-AOrljLIM>

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