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A study on Participation of SMEs in the Implementation of the Five-Year Development Plan Two (FYDP II)

Report

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Abbreviations

AGRA	Alliance for a Green Revolution in Africa
COMESA	Common Market for Eastern and Southern Africa
CPRA	Centre for Policy Research and Advocacy
EAC	East African Community
EPZs	Export Processing Zones
ESRF	Economic Social Research Foundation
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FYDP II	Second Five-Year Development Plan
FYDP III	Third Five Year Development Plan
FSDT	Financial Sector Deepening Trust
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IIDS	Integrated Industrial Development Strategy
MS	Microsoft Word
MSMEs	Micro, Small and Medium Enterprises
MTI	Ministry of Trade and Industry
NAP	National Agricultural Policy
NAO	National Audit Office
NBS	National Bureau of Statistics
PAYE	Pay As You Earn
SADC	Southern African Development Community
SEZs	Special Economic Zones
SGR	Standard Gauge Railway
SIDP	Sustainable Industrial Development Policy
SMART	Specific, Measurable, Achievable, Realistic, and Timed
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture
TDV	Tanzania Development Vision
TZS	Tanzania Shillings
UDBS	University of Dar es Salaam Business School
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economics and Social Affairs
URT	United Republic of Tanzania
USD	United States Dollar
VAT	Value Added Tax

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Executive Summary

1 Rationale and Scope of the study

The study examines the opportunities and challenges of SMEs¹ participation in the Five Year Development Plan (FYDP II). The FYDP II centered on ‘nurturing industrialization for economic transformation and human development’ with a great emphasis on creating an enabling environment for the private sector development. The study provides evidence on the extent to which the FYDP II interventions created opportunities or obstacles to SMEs. Such interventions are related to fostering economic growth and industrialization, human development, cross-border trade, regional integration and global trade. The study is based on the analysis of 401 SMEs and 7 cases from seven strategic value chains (tourism, fisheries, cotton, rice, fruits, grapes and sunflower) in three regions (Arusha, Dodoma and Mwanza). The value chains have a great potential in export (Annex I), food supply and employment.

Why SMEs?

- SMEs contribute over 35% of the country's GDP and 40% of employment.
- 3 million enterprises are SMEs creating about 5.2 million jobs.
- SMEs encounter several firm level, business environment and market challenges.
- SMEs dominate the sectors and sub-sectors targeted by the FYDP II.
- Several interventions under the FYDP II were expected to benefit SMEs.

0. 2 FYDP II and SMEs

The FYDP II (2016/17-2020/21) stipulated agenda focusing on four areas that had potential benefits to SMEs namely: fostering economic growth and industrialization; fostering human development and social transformation, improving the environment for business and enterprise development; and promoting investment and trade.

Proposed interventions/ actions with implications to SEMs: engage the private sector in priority sectors such as agriculture and agro-processing (cotton to clothing, textiles and garments, leather); establish special economic zones (SEZs), industrial parks and incubation centres; strengthen research and development (R&D); promote local content; develop private sector capacity; support the value addition and commercialize agricultural value chains; deepen extension services; improve infrastructure; improve access to finance; reform the business environment; and develop appropriate skills.

¹ The SMEs nomenclature is used to mean micro, small and medium enterprises as stipulated in the SMEs Development Policy (URT, 2003 pp. 3).

0.3 Key findings

The key findings from this study are follows:

Profiles of SMEs

- i) The SMEs studied were largely owned and run by owner-managers of which men owned almost two-thirds of all firms and 73 % of cross-border trade.
- ii) Women were under-represented at all levels (owner-managers, managers & supervisors).
- iii) Most women run micro and informal enterprise and they were under-represented in the higher and profitable value chain nodes.
- iv) Women face greater constraints than their male counterparts in accessing essential productive resources.
- v) Over one-third of enterprises were owned by youth with less than 35 years. Unfortunately, the implementation of the FYDP II entailed empowerment of very few youth (less than 1% of the envisaged number) through training and provision of soft loans.
- vi) The informal cross-border trade is estimated to be 60% (overall) and 76% for women.

SMEs participations in fostering economic growth and industrialization initiatives

- i) Most SMEs (58%) received limited benefits from SEZs, local content, industry clusters, R&D and investment in industries, while 26% enjoyed moderate benefits.
- ii) Almost all SMEs were unaware of the opportunities created by the FYDP II.
- iii) SMEs had very limited understanding of how industrial parks and SEZs function, and how SMEs could be integrated into them.
- iv) The government prioritized large flagship and strategic projects and foreign investments.
- v) The emphasis of local content was on oil and gas, and mining, the sectors in which SMEs are under-represented.
- vi) SMEs had a limited capacity and resources to take advantage of the local content policy.

Access to human development interventions

Only 27% of the respondents had high access to entrepreneurship training while nearly a half (47 %) of them had limited access to training opportunities, and the rest had a moderate access.

SMEs' participation in the regional and global trade

- i) There was a decline in the exports of Tanzania's products for the first three years (2016 - 2018), a bit of improvement in the final two years (i.e. 2019 & 2020), and a decrease in the value of imports in 2020 (Annex 2).
- ii) The outbreak of Covid-19 impacted both export and import trade, and accounted for decline in imports in 2020.
- iii) While 39.7% of SMEs participated in either importing or exporting goods/services, at least 50% of tourism enterprises participated in the regional and global markets.
- iv) Kenya, Uganda, Zambia Malawi and Rwanda formed the largest regional markets for the SMEs studied while Europe, America and China constituted the largest markets in the global context.

- v) Kenya was a leading trade partner with nearly a half of SME studied (44%).
- vi) SMEs had less participation in the global trade as compared to regional trade partly because of their inability to deal with the sophistications of the highly developed markets.

Cross-border trade challenges

- i) The most critical cross-border challenges rated by SMEs are: the cost burden of taxes, fees and levies; harassment of traders by government officials; limited infrastructure facilities; stringent cross-border laws and regulations; limited knowledge on laws and regulations; and unavailable support services at cross-border areas. Other challenges are long and bureaucratic procedures for transportation, Covid-19 protocol, multiple inspections, lack of capital and unclear taxes.
- ii) At least 11 agencies are directly involved in regulating cross-border trade of SMEs studied resulting to difficulties in complying with facilitating agencies' requirements, unfriendly practices, challenges in filling forms and providing required data, and in executing export and import procedures.
- iii) About one-third of SMEs were very unsatisfied with the services offered by regulatory agencies, 45% were somehow satisfied and 22.7% were satisfied.
- iv) SMEs raised concerns on unfriendly treatment, lack of knowledge of cross-border procedures among cross border officials, and inadequate customer service.

SMEs recommended reduction of multiple taxes, digitalization of the processes, efficiency in service provision and educating business people on cross-border trade procedures and other interventions.

Enabling business environment for growth and competitiveness

- i) Despite the efforts made, the ranking of Tanzania by the World Bank did not improve during the implementation of the FYDP I as the country ranged from number 131-144.
- ii) Over 50% of the SMEs experienced impediments in doing business resulting from lack of tax incentives to industrial sector, lack of start-up capital, high fees and charges, corruption, lack of transparency and inefficiencies in the tax laws.
- iii) Only 14% of respondents felt that it was easy doing business during the period.
- iv) 64% of SMEs were highly affected by the instability of macroeconomic factors particularly instability of the Tanzania currency, unstable prices of imported goods and services and importation of counterfeit products.
- v) Overall, the biggest challenges were tough business environment, and the Covid-19 which led to a reduced number of customers, declining markets, of some businesses and unemployment.

Perception of the overall benefits of the FYDP II

SMEs reported that the government: improved infrastructures such as availability to electricity, roads, railways etc.; and provided inputs, raw materials, subsidies to farmers & loans. The benefits rated low include existence of dialogues; reduced corruption from government offices and transparency in business process, procedures and charge/duties.

0.4. Key Reflections

- i) While the country development plans acknowledge the value of the private sector, they lack specific interventions targeting SMEs.
- ii) SMEs did not effectively benefit from the FYDP II as expected.
- iii) The FYDP II entailed limited initiatives toward empowering the women and youth.
- vi) Even as the FYDP II envisioned fostering economic growth and industrialization, the measures taken did not avail the desired benefits to SMEs.
- vii) SMEs were unaware of most initiatives under the FYDP II as they did not effectively participate in the planning process.
- viii) The government prioritized flagship projects, attracting large investors and creating business opportunities for public institutions.
- ix) The SMEs participation in initiatives taken to strengthen specific sectors varied across enterprises. Still, the challenge of agricultural inputs and services, infrastructure, technology, markets and finance were prevalent.
- x) The SMEs studied participated fairly in the regional and international trade, of which tourism enterprises participated more owing to the nature of their business.
- xi) The challenges facing SMEs involved in cross-border trade accounting for the largest portion of informal trade.
- xii) While the government took some measures to increase improve business environment, infrastructure, supply of inputs, raw materials, subsidies and loans, further interventions are needed to strengthen public-private dialogues, reduce corruption and enhance transparency in business process, procedures and charge/duties.

0.5. Policy Recommendations

1. Integrate specific SME agenda in the national plans

- i) FYDPs should be translated into actionable interventions, and the mapping be done to indicate specific interventions with implications on SMEs and how SMEs can access associated opportunities.
- ii) Map the SME opportunities and areas they can participate in the FYDP III and share widely with SMEs.
- iii) The development plans should have a clearly articulated agenda to promote SMEs.

2. Facilitate SMEs' participation in the planning process

- i) A private sector survey that encompasses SMEs is recommended prior to developing the national plans.
- ii) SMEs' be involved in the planning process through the budget cycle given that the budget is developed in line with the national FYDP.

3. Empower SMEs to participate in the implementation of the national plans

- i) Create awareness about opportunities emanating from the national plans
- ii) Build capacity and facilitate SMEs to access required resources to take advantage of activities implemented.
- iii) Create specific SEZs and industrial parks for SMEs
- iv) Intensify the local content policy to cover the locally owned SMEs
- v) Facilitate women and youth to participate in national plans

- a. Intensify women and youth loans,
- b. Build the capacity of women and youth to access government procurements
- c. Create a slot of government procurements and flagship projects for qualified women and youth owned enterprises
- d. Set-up a special relief fund to support SMEs recover from Covid-19.

4. Address cross-border challenges and trade facilitation for SMEs

- i) Educate cross-border traders on: laws, policies and procedures; compliance process; filling-in different forms and necessary documents; providing required data; and executing export and import procedures.
- ii) Build capacity of facilitating agencies with adequate knowledge and skills in aspects of cross-border laws, policies and procedures; market protocols; and taxation and business practices.
- iii) Facilitate agencies link their data systems into an integrated database such as a single-window system.
- iv) Introduce trade facilitation mechanisms for SMEs at all borders including but not limited to the establishment of One-Stop Business Posts (OSBPs), activation of the Joint Border Committees (JBCs), establishment of Trade Information Desks (TIDs), Trade Information Portals (TIPs), facilitation of electronic submission and processing of information, electronic payment systems, as well as conflict tracking and dispute settlement mechanism.

5. Address the regulatory challenges experience in the SMEs business environment

- i) Fast-track the measures recommended in the Blueprint for improving business environment which was intended to be achieved in three years.
- ii) Evaluate the progress made in implementing the Blueprint, identify the remaining interventions and develop a revised strategy that will be aligned with the FYDP III.
- iii) Facilitate and sustain dialogues at sectoral and local level.

1. Introduction

1.1 Overview of the study

Trias Tanzania in collaboration with the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) engaged the Centre for Policy Research and Advocacy (CPRA) of the University of Dar es Salaam Business School (UDBS) to carry out a study on the participation of Small and Medium Enterprises (SMEs²) in the Five-Year Development Plan (FYDP II) under the EU: “Building Bridges” Programme. The study is grounded on much-needed evidence on the extent to which SMEs are integrated into the national development plans. Using a case of the second Five Year Development Plan (FYDP II, 2016-2020), the study examines opportunities and challenges of SMEs participation in implementing various activities stipulated in the plan. The FYDP II centered on ‘nurturing industrialization for economic transformation and human development’ with a great emphasis on creating an enabling environment for the private sector development. As such, several interventions focusing on creating an enabling environment for SMEs were incorporated in the FYDP II encompassing reforms of the business environment and facilitation of SMEs to access strategic resources and markets. Nevertheless, while the plan was concluded last year, and the Third Year Development Plan (FYDP III) is already adopted, there has not been an empirical assessment of the extent to which SMEs participated in the implementation of the FYDP II. Consequently, we lack strong evidence showing the extent to which various interventions under FYDP II were beneficial to SMEs and private sector at large. We also have limited evidence on the factors which limit SMEs from participating effectively in the opportunities created by the FYDP II especially those owned by women and youth.

Altogether, the best planning approach ought to be progressive and informed by the lessons and experiences from the previous plans. Ideally, the FYDP III which claims to prioritize the private sector should have been built on the previous plan(s). In this case, several practical questions that deserved to be investigated before developing the third plan are as follows: Did private sector and SMEs in particular benefit sufficiently from the opportunities created by the FYDP II? What were the specific opportunities created by the FYDP II for SMEs? If SMEs did not effectively benefit, why? What were the challenges of SMEs participation in the FYDP II? In order to have evidence-based answers to these questions, this study is paramount. The study informs the policies that intend to address a persistent struggle of SMEs in terms of access to resources, markets and growth opportunities. It reveals the unique features and characteristics of SMEs that need to be taken into account in planning and implementing the national development plans. It incorporates pragmatic policy recommendations for improving the business environment and facilitating SMEs to play their envisioned role in the country.

² The SMEs nomenclature is used to mean micro, small and medium enterprises as stipulated in the SMEs Development Policy (URT, 2003 pp. 3).

The scope of the study encompassed: i) a comprehensive literature review; ii) the field study; and iii) producing the study report and policy briefs. Accordingly, this document presents the overall study report organized as follows. The next two sections cover the rationale and objectives of the study. This is followed by insights from literature reviewed, research methodology and key findings. Finally, the report synthesizes the major implications from the findings and proposes policy actions that can be taken into account to improve participation of SMEs in implementation of the future national plans.

1.2 Rationale of the study

The rationale of the study on the participation of SMEs in the FYPD II is based on three major grounds. First, there is a growing consensus that SMEs play an essential role in employment creation, industrialization and economic growth, especially in emerging and developing economies. Overall, it is estimated that 70% of enterprises in the region fall in the SMEs group accounting for about 70% of non-agricultural employment (EAC, 2012). In Tanzania, these enterprises dominate most economic sectors contributing over 35% of the country's GDP and 40% of employment (NAO, 2018). Existing data indicates that 3 million of all enterprises in the country are SMEs contributing about 5.2 million jobs³. Hence, SMEs are vital in realizing the long-term development agenda and the five years' development plans. Furthermore, SMEs play a crucial role in trade, development of entrepreneurship skills and contribution to export earnings (Singh, 2017; AGRA 2019). These activities account for complementary income that provides support to most families, and, this is line with the human development goal of the FYDP II (NBSR, 2012). The human development aspect is expected to accelerate the achievement of socio-economic goals, poverty reduction and inclusive development. In view of this, the FYDP II acknowledged the value of SMEs in economic development and wellbeing of the people.

Second, given the role of SMEs, the FYDP II pointed out a number of interventions that could directly or indirectly benefit SMEs. In particular, the plan sought to: promote the engagement of the private sector in priority sectors such as; petrol, gas and chemicals; pharmaceuticals; building and construction; agriculture and agro-processing (cotton to clothing, textiles and garments, leather); coal; and iron and steel which engage most of the SMEs across the country. It placed a strong emphasis on promoting industrialization by establishing special economic zones (SEZs)/export processing zones (EPZs) and industrial parks, strengthening research and development (R&D), and promoting local content and developing capacity. The plan also envisaged to support the value addition and beneficiation in metal and minerals industries and deepen agricultural value chains. Fortunately, available data (e.g., NBS, 2014; FSDDT 2012) indicate that SMEs are dominant in most sectors and sub-sectors targeted by the FYDP II. Yet, the main issue that required an empirical investigation is whether the FYDP II agenda of creating opportunities for private sector and SMEs in particular was achieved.

³ SMEs Baseline Survey (2010) by the Ministry of Industry and Trade & the Financial Sector Deepening Trust (FSDDT) (2010)

Third, while the government has had three development plans geared to attaining the Long-Term Perspective Plan (2011/12-2025/26) and the development vision 2025, it is seldom to see in any plan how the various interventions toward promoting SMEs build on the previous plan(s). For example, the First Five Year National Development Plan (2011/12-2015/16) had a theme of unleashing growth potentials by de-bottlenecking binding constraints to growth, the FYDP II focused on nurturing industrialization and the FYDP III focuses on realizing competitiveness and industrialization for human development. Even as we are already implementing the FYDP III, and the government avows that the FYDP II agenda was achieved, we lack the views of SMEs with regard to the extent they were involved and benefited from the projects implemented by the government. Unfortunately, review of the implementation of the FYDP II provided in Chapter II of the FYDP III provides the general assessment of the FYDP II with less emphasis on SMEs. Even though it is acknowledged that the private sector in Tanzania includes among others, mini, micro, small and medium scale entrepreneurs, there is scant evidence that shows the extent to those enterprises were integrated into the FYDP II.

This study is greatly needed to inform policy makers, researchers, development organizations and business practitioners about the participation of the SMEs in the national development agenda. The findings reveal measures and strategies that can be used to effectively integrate SMEs in the country development strategy. The study reveals the required policy actions to create an enabling environment for SMEs. In view of the fact that the government has begun to implement the FYDP III, the study findings and the resulting policy briefs will enable the country to adopt more supportive strategies for SMEs to play a more significant role in the economy. The findings will also inform the business community about the best approach SMEs can use to access opportunities created by the national plans and mitigate the challenges that hinder them from contributing effectively to the development initiatives.

1.3 Objectives of the study

The main objective of this study was to assess opportunities and obstacles of SMEs' participation in the implementation of the FYDP II. The study also explored the linkage between cross-border trade and FYDP II as described on (FYDP II, 2016, p34-35), and uncovered the linkage between industrial policy and trade policy (FYDP II, 2016, p. 31). In connection to the main objective, the study sought to:

- i) Assess SMEs' participation in the FYDP II: (fostering economic growth & industrialization, human development and social transformation).
- ii) Establish the current participation of SMEs in *regional and global trade flows* and its potential for further development.
- iii) Analyze the participation of SMEs in *Regional Integrations* and *global trade* (i.e., EAC⁴, SADC⁵, COMESA⁶, Middle East, Europe, and US markets).

⁴ Micro, small, and medium enterprises

⁵ Five-year development plan phase II

- iv) Underscore *practical issues* that traders encounter when importing or exporting goods and services and provide recommendations for improvement.
- v) Assess the efforts in creating an enabling *business environment* to foster growth and competitiveness of domestic industry and provide recommendations for improvements.
- vi) Identify the challenges which affected participation of women-owned SMEs in economic opportunities created by the FYPII.
- vii) Highlight opportunities for women owned SMEs to participate in regional and global trade: Gender will be an important part of the research.
- viii) Identify and suggest SMART interventions that would catalyze industrialization and SMEs participation in the FYDPII and future plans.
- ix) Identify opportunities of regional integrations and comparative advantages between Tanzania and its neighboring countries.
- x) Identify COVID-19 based business challenges faced by SMEs.

2. Insights from the literature reviewed

2.1 Significance of SMEs in Tanzania

In the context of Tanzania, SMEs comprise: the micro enterprises which engage up to 4 people or employ the capital amounting up to TZS.5.0 million; small enterprises engaging between 5 and 49 employees or with capital investment ranging from TZS.5 million to TZS.200 million; and medium enterprises employing between 50 and 99 people or use capital investment ranging from TZS.200 million to TZS.800 million⁷. Although definitions of SMEs vary across countries and over time, the definition adopted in this study is in line with the existing SMEs policy. However, the Tanzania Revenue Authority (TRA) classifies firms as follows: micro-firms encompassing enterprises with the capital investment between 4 million and 13 million TZS, small firms with the capital between 14 million and 99 million TZS, medium firms with the capital ranging from 100 million to 999 million TZS, and large firms with the capital of 1 billion TZS and above. The definitions adopted by the SME policy and TRA indicate that those enterprises vary in size and the level of sophistication. For instance, most women-owned SMEs operate at micro level and only very few moves to small, medium and large-scale enterprises.

Regardless of the variation that may exist, it is universally accepted that SMEs are predominant in the economy and for this reason are prioritized in the national development agenda. These enterprises are found in a wide array of business activities operating in different markets (urban,

⁷ According to the SMEs Development Policy (URT,2003)

rural, local, national, regional and international); embody different levels of skills, capital, sophistication and growth orientation, and may be in the formal or the informal economy.

It is estimated that over a third of the GDP originates from the SME sub-sector which accounts for the majority of enterprises in the country. According to the NBS survey (2014), about 77% of businesses are micro enterprises and 22% are small enterprises. Medium and large enterprises account for just 1%. Further, about 70% of all SMEs are in the manufacturing and trade sectors. Although almost 49% of micro and small enterprises are unregistered and extra-legal, accounting for a high degree of informality, SMEs are recognized as the engine of growth simply because they are labor-intensive, they have a great potential to create employment and deliver more inclusive growth through creating opportunities for women, youth and people with disabilities. They also utilize local resources and complement large enterprises.

2.2 Challenges of SMEs in Tanzania

Notwithstanding the acknowledged significance of SMEs in Tanzania, a number of challenges of those enterprises have been consistently reported. Those challenges include: limited access to finance; inadequate infrastructure; inadequate labour, skills and training; cumbersome bureaucratic regulatory procedures; and lack of information on business opportunities and markets and low quality of standard (ESRF, 2016). Other challenges are heavy costs of compliance resulting from their size, use of poor technologies and insufficient working premises (URT, 2003).

With respect to trade, the challenges of SMEs are clustered into **firm level**, **business environment**, and **destination market** challenges (Mpunga et al., 2016). The firm level challenges encompass limited knowledge and skills of export trade, rules and trade regimes. For instance, about 57% of cross border traders have limited knowledge on the trade rule, custom procedures and their obligations (UNCTAD, 2022). Other firm-based factors include limited capacity for diversification, low value addition, low research and innovation as well as low uptake of technology. Business environment challenges are related to limited availability and high cost of export finance, bureaucracy and red tape, delays in customs clearance and increased handling charges (EAC Export Promotion Strategy, 2013), lack of transparency, and unpredictability of policies (World Bank, 2012). A large number of cross-border traders experience corruption, rude behaviour from cross-border officials, violence, threat, and sexual harassment for women (World Bank, 2012). The destination/ demand-side challenges are stringent and changing market entry requirements, increased competition in the target export market, tariffs, non-tariff barriers, production subsidies in developed markets, increasing role of lobby groups to set market conditions, and immigration requirements (EAC Export Promotion Strategy, 2013).

Some firm and business level challenges have pushed a large number of SMEs into the informal cross-border enterprises. Majority of the informal cross-border businesses (i.e. about 54%) are operated by women. Despite the growing number of female-owned SMEs in Tanzania, women face numerous obstacles which impede their ability to start, build and

scale-up their businesses. In addition to legal barriers and cultural barriers such as limited land ownership and traditional reproductive roles, female entrepreneurs lack necessary capacities, skills and resources to build successful businesses and generate jobs (Mori, 2014).

2.3 SMEs Policy Framework

Although Tanzania does not have a specific policy framework for SMEs, a number of national strategies, policies and programmes recognize the SME sub-sector and have stipulated some interventions with important implication on SMEs growth and sustainability. The policies and strategies encompassing SME issues form a basis for their inclusion in the national development agenda. The strategies and policies considered for the purpose of this study are as follows:

2.3.1 Tanzania Development Vision (TDV) 2025

The vision seeks to transform from a low productivity agricultural economy to semi-industrialized one lead by modernized and highly productive agricultural activities which are buttressed by supportive industrial and service activities through actively mobilization of people and other resources towards the achievement of shared goals. It aims to attain a growth rate of 8% per annum or more by ensuring an adequate level of physical infrastructure and facilitating the country to become an active and competitive player in the regional and world markets.

2.3.2 SME Development Policy of 2003

The policy envisions having a vibrant and dynamic SME sector that ensures effective utilization of available resources to attain accelerated and sustainable growth. The policy aims to stimulate development and growth of SME activities through improved infrastructure, enhanced service provision and creation of conducive legal and institutional framework so as to achieve competitiveness. Basically, it focuses on three main areas, namely, the creation of an enabling business environment, developing of financial and non-financial services and putting in place supportive institutional infrastructure.

2.3.3 The National Trade Policy (2003)

This policy envisions to transform the economy from a supply constrained one into a competitive export-led entity responsive to enhanced domestic integration and wider participation in the global economy through national trade liberalization". The main goal of trade policy is that of raising efficiency and widening linkages in domestic production and building a diversified competitive export sector as the means of stimulating higher rates of growth and development.

2.3.4 The Sustainable Industrial Development Policy (SIDP) (1996 - 2020)

SIDP places specific emphasis on promotion of small and medium industries through the following measures: supporting existing and new promotion institutions, simplification of taxation, licensing and registration of SMEs and improve access to financial services. In

addition, SIDP encourages informal sector businesses to grow and be formalized. Furthermore, the policy identifies measures to enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities.

2.3.5 The Integrated Industrial Development Strategy (IIDS) (2025)

The strategy emphasizes the transformation of low productivity agriculture into one that is semi-industrialized. IIDS is an updated version of the SIDP, which seeks to ensure the stated SIDP objectives are implemented. As for the SIDP, it focuses on shifting the government from productive activities into the private hands whereby the private sector serves as the vehicle for economic development. The policy articulates the infancy stage of the processing activities.

2.3.6 The National Agricultural Policy (NAP)

This policy aims to address the challenges that hinder the development of the agricultural value chains, namely, weak agro-processing, low productivity, over-dependence on rain-fed agriculture, inadequate agricultural support services, poor infrastructure, imperfect poor quality agricultural produce, inadequate participation of the country's private sector in agriculture, environmental degradation and crop pests and diseases. In view of the role of SMEs in value addition of the agricultural outputs, the policy recognizes the significance of the sub-sector in agricultural transformation.

2.3.6 The Blueprint for Regulatory Reforms (2018)

The Blueprint provides the Government's main framework for enabling a holistic review of the business enabling environment (BEE) in order to improve the business climate in Tanzania. It presents key challenges affecting the business environment in Tanzania along with a set of recommendations for reform to put in place a more business friendly environment. Actually, it analyzes the specific doing business obstructions and recommends ways of addressing regulatory challenges in the subsequent 36 months from December, 2018. The document acknowledges: the existence of high compliance costs in monetary terms and time in starting and operating business; cumbersome pre-approval procedures, which create rent seeking opportunities; presence of a multiplicity and duplicity of processes; loopholes in some laws and regulations which are applied by regulators during the conduct of inspections; and prevalence of high costs in enforcing the implementation, both at the central and local levels. Concerning the multiplicity of regulatory bodies, the Blueprint proposed the merging of some functions carried out by multiple agencies. The document proposed that government agencies should share the information and the private sector should be prioritized in the envisaged reforms owing to their role in economic transformation in Tanzania.

2.4 Cross-border trade in Tanzania

2.4.1 Regional cross-border trade

Tanzania is a major channel and source of goods for its neighboring countries particularly the landlocked nations. Goods and services produced in Tanzania have opportunities of

being sold to SADC and EAC markets where Tanzania is a member. However, these markets are yet to be fully exploited. For example, on average, Tanzania sells goods worth 1,786,596,700 dollars annually to SADC and EAC countries. Of these two markets, SADC is the largest market for Tanzanian goods of which the goods worth 1,231,693,500 dollars are exported to this market annually. EAC market accounts for about 730,338,900 dollars' worth of goods. The countries bordering Tanzania in these two markets account for almost 50 percent of value of goods of the total EAC-SADC market. With an exception of South Africa and Zambia in the SADC countries which account for about 814,274,300 and 68,667,200 dollars in value, respectively, EAC countries (Kenya, Congo, Rwanda, Uganda and Burundi) are the leading destination of Tanzania products⁸.

The main products exported by Tanzania to EAC and other neighboring countries in the SADC market include: cereals mainly rice and maize; cattle, edible vegetables (mostly onions); residues and waste paper and paper products; and coffee, tea and spices (EAC Trade and Investment Report, 2020). Most of the products are exported in the raw form. For example, in the EAC intra-regional market, 68.8 percent of exported products are unprocessed. Of these, 58 percent comes from the agricultural sector (EAC, 2012).

It is worth noting that export markets in EAC-SADC market cannot be considered without touching SMEs which account for the largest portion of enterprises in the region. While globally, SMEs account for 90% of businesses and at least 50% of employment, the percentage of firms viewed as SMEs in the EAC region is quite similar to the world picture, however, they provide 80% of employment among youth and women⁹.

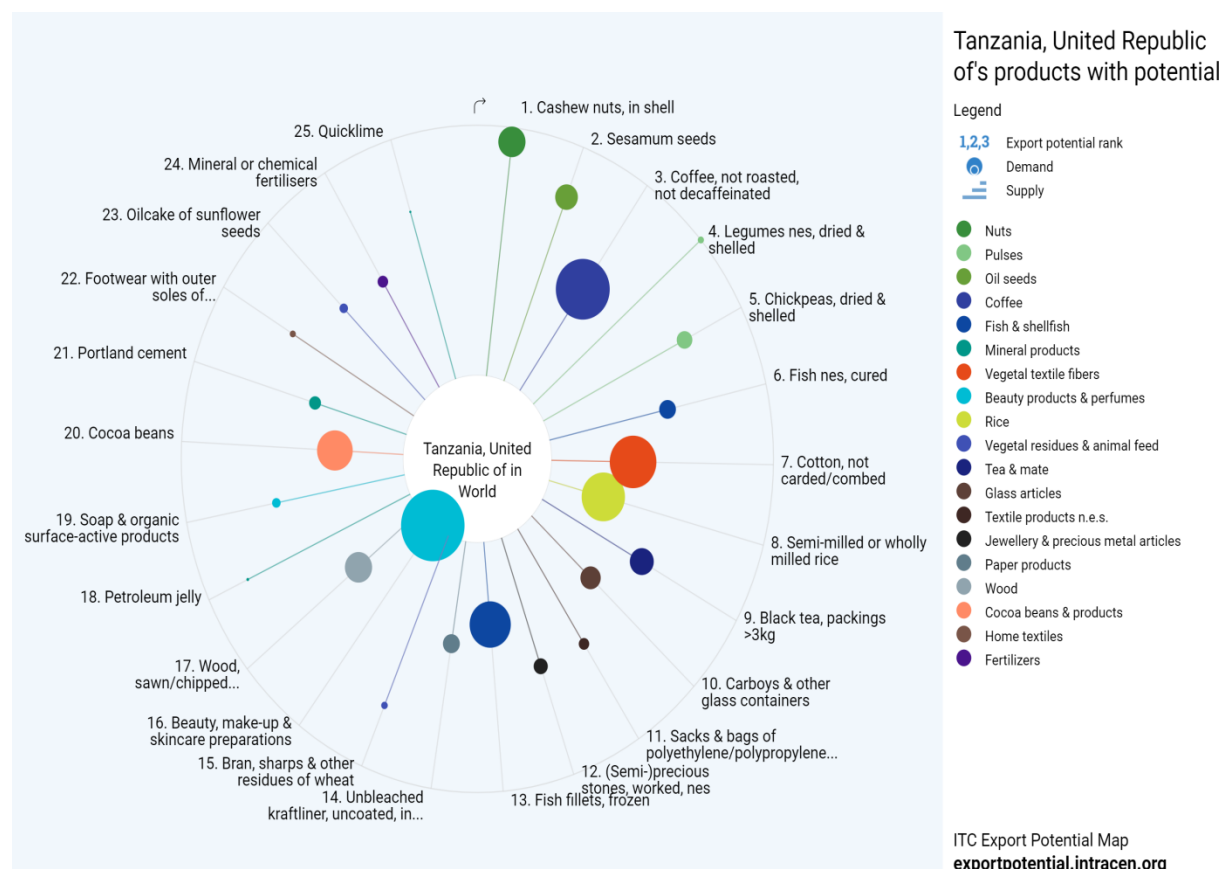
2.4.2 Exports and imports trend in Tanzania

The nation's economic growth depends on how different sectors perform and how it is closely related to the economies of its trading partners. This accounts for the international trade which involves the movements of products, technology, business enterprise, and factors of production across nationals (Al Hemzawi & Umuton, 2021). Countries are then encouraged to engage in exports of products in order to specialize in the production of what they can produce efficiently and increase national output by exporting more products. Specialization facilitates better use of resources in the economy enabling production of goods and provision of services that can meet the needs of the other countries' markets. It is through exportation, a country may be in a position to generate foreign currency that can be utilized to finance other economic activities as well as the country's economic development (Krueger, 1985; Lal, 1992). In line with this, evidence shows that countries which engage in foreign trade through exports and imports are more likely to grow economically than those that keep away from foreign trade (Carbaugh, 2011).

⁸ Data in this paragraph comes from analysis of TANTRADE export data from 2011 to 2020

⁹ EAC Secretary General, Dr.Mathuki, Speech in the official opening of the 21stMSMEs Trade Fair at Rock City Grounds, Mwanza, United Republic of Tanzania

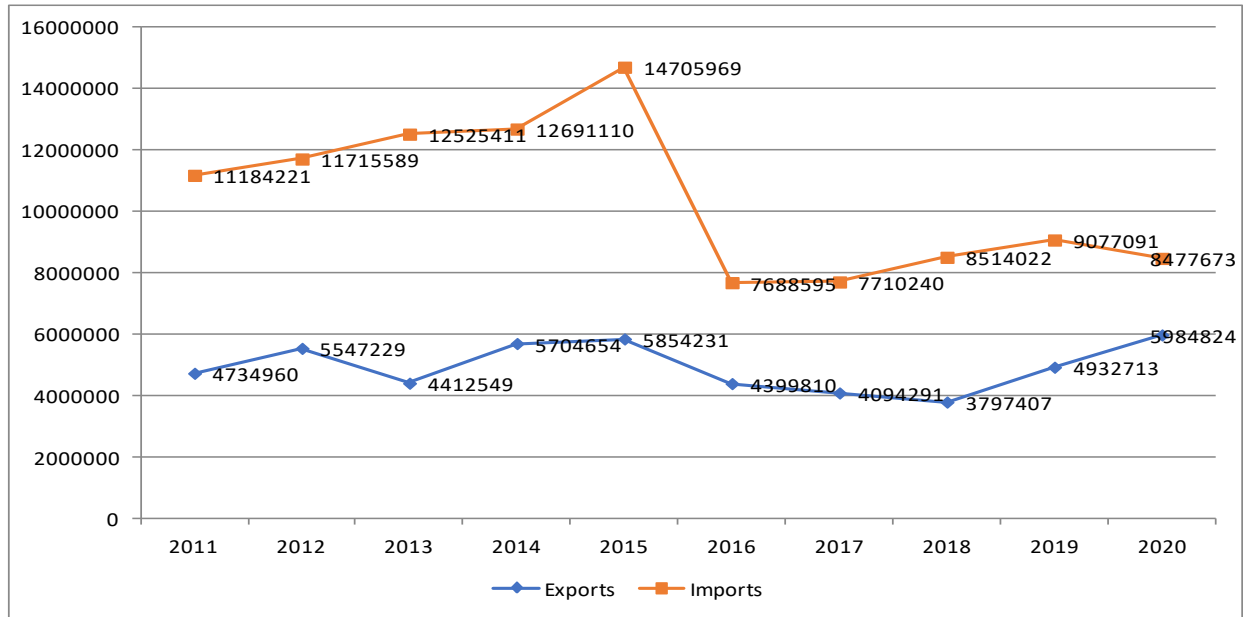
Figure I: Rank of Tanzania's' Products with Export Potential



Source: International Trade Centre, 2022 & Tantrade, 2022

In Tanzania, available data from the International Trade Centre (2022) and Tantrade (2022) reveal the products which have a great export potential (see Figure I). The Figure exhibits the ten leading products with export potential namely cashew nuts, sesame seeds, coffee, legumes, chickpeas, fish, cotton, rice, tea, and carboys, and other glass containers. Accordingly, the value chains considered in this study produce the Tanzania's export products such as sunflower and grapes (Dodoma), cotton and fish (Mwanza), rice and fruits (Mbeya), and tourism (Arusha). It is noted that fish and fish products rank number 6 and 13, cotton ranks number 7, rice ranks number 8, textile products rank number 11, and sunflower seeds rank number 23. This indicates that fish and its products as well as cotton rank high in the list of Tanzania's products with export potential. In view of the fact that exports generate the needed foreign currency and balance trade, deliberate policy measures are required to promote the export of the goods and services which have been identified.

Figure II: Export and Import Performance of All Tanzania's Products (in USD Thousand)



Source: International Trade Centre, 2022 & Tantrade, 2022

However, for the purpose of demonstrating how Tanzania is faring in international trade, data on total values of exports and imports are shown in Figure II for a period of ten years (2011 -2020). The available data show that during the implementation of the Second Five Year Development Plan (FYDP II) which took place from year 2016 to 2020, there was a decline in the exports of Tanzania's products for the first three years (2016 - 2018) before improvement in the final two years (i.e. 2019 & 2020), and a decrease in the value of imports in the year 2020. While a number of factors can explain the trend portrayed by the available data, at least two factors are identified. First, effectively from 2016, the fifth government adopted several merciless policy measures for the purpose of fast-tracking economic growth and domestic industrialization such repossession of unused land by investors, streamlining government expenditure, restricting international travels for civil servants, renegotiating contracts with investors, aggressive tax collection and curbing of corruption. While these measures were considered constructive, anecdotal evidence shows that they destabilized trade flow in the country. However, from 2018 when the government introduced the Blueprint for improving regulatory environment, some measures were taken to encourage investments and trade. Second, the outbreak of Covid-19 across the globe impacted both export and import trade, and accounted for decline in imports in 2020 largely because of disruption of the global value chains and logistics.

Table I: Export Performance of Some Tanzania's Products (in USD Thousand)

Product	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Edible fruit and nuts; peel of citrus fruits	128706	189859	193785	399550	279315	343324	549801	137976	368352	376794	2,967,462
Oil seeds and oleaginous fruits	103595	157082	170849	360450	166246	146092	88921	104372	196086	196330	1,690,023
Fish and crustaceans, molluscs	148795	166001	129151	188395	236648	142120	191194	156628	165781	137496	1,662,209
Cotton	69813	171259	115981	65283	43237	63640	53562	85683	98613	94138	861,209
Other made-up textile articles	81314	78091	71680	91976	69727	65701	58668	49502	58149	48853	673,661
Cereals	29059	81866	40724	146199	31112	23453	6823	55969	79426	171573	666,204
Articles of apparel and clothing accessories	9567	11015	15427	21203	17470	15219	17506	19837	22141	12905	162,290
Preparations of vegetables, fruit, nuts	3201	3227	13368	17481	45180	44972	3790	4794	7963	7796	151,772
laminated textile fabrics and articles	8310	6407	2300	25	9	9	55	83	38	61	17,297
Man-made filaments; textile materials	132	4168	1877	1408	848	492	347	430	2401	307	12,410
Special woven fabrics; tufted textile fabrics	643	194	220	320	124	1884	69	162	87	733	4,436
Preparations of fish meat	12	75	432	1152	109	455	134	225	92	138	2,824

Source: International Trade Centre, 2022 & Tantrade, 2022

Furthermore, Table I ranks the export performance of some products from Tanzania to other countries including the products that are part of the value chains studied. As indicated in the Table, fruits and fish rank high in the list of the products with export potential, while textiles and its materials were less exported during a period of ten years (2011-2020). Strangely, while the country experiences a serious shortage of cooking oil, it exported a significant amount of oil seeds and oleaginous fruits.

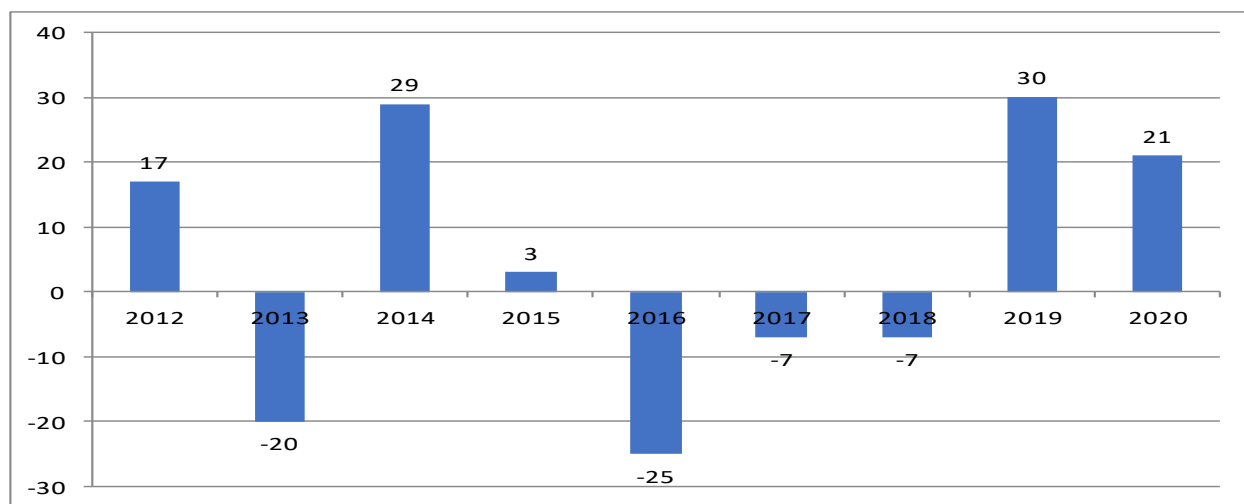
Table II: Importation Status of Some Products to Tanzania's Market (in USD Thousand)

Product	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Cereals	470705	471666	400107	346727	273494	213579	187836	30948	34348	201410	2,630,820
Other made-up textile articles;	87670	95669	93843	111206	109432	106258	87683	123055	1E+05	152740	1,113,635
Cotton	4114	4621	16406	8995	14140	40164	37586	47120	43001	33074	249,221
Articles of apparel and clothing	14448	18594	25710	28924	20934	23651	22848	27717	30917	26448	240,191
Oil seeds and oleaginous fruits	10216	61328	9209	31445	17489	20723	17637	18260	22324	18647	227,278
Man-made filaments; textile	17302	11611	14494	13080	12576	14906	11599	14972	15818	20559	146,917
Articles of leather; travel goods,	11059	10887	12015	12364	16659	10914	12064	14902	14124	14644	129,632
Fish and crustaceans, molluscs	3267	6091	9210	18007	17250	20288	14524	10270	591	402	99,900
Preparations of vegetables, fruit,	11139	8060	8149	9407	7046	7309	5092	5670	6218	5007	73,097
Special woven fabrics; tufted textile	10979	13703	10710	6468	14110	4746	1717	2220	2350	2047	69,050
laminated textile fabrics; textile	3615	4419	3680	4906	5147	5672	5498	6806	8344	8541	56,628
Edible fruit and nuts; peel of citrus	4802	4377	5801	5666	4689	3944	4432	4566	4093	3822	46,192
Preparations of meat, of fish	870	1552	1750	1694	1457	1175	1220	1381	807	683	12,589

Source: International Trade Centre, 2022 & Tantrade, 2022

Table II shows the imports status of some products from other countries to Tanzania, particularly the products associated with value chains considered in this study. The Table indicates that cereals including rice and textile articles were the leading products imported during the period of ten years, and fruits and fish ranked high in the list of the products imported to Tanzania. Overall, fish and fruits were less imported as compared to other products.

Figure III: Growth Rate for All Tanzania's Export Products (in %)



Source: International Trade Centre, 2022 & Tantrade, 2022

Figure III shows the growth rate of Tanzania's exports from 2012 to 2020. During this period, the exports growth rate fluctuated such that in some years it was negative (i.e. 2013 & 2016). The period in which the FYDP II was implemented, the worst scenario was experienced in 2016 when the growth rate was -25%, while the best time was in 2019 when the export growth rate of Tanzania's products was 30% before it decreased to 21% in 2020. In general, these data indicate that during the last year of FYDP II, there was a positive and significant growth rate of Tanzania's export.

Table III: Growth Rate for Some of Tanzania's Export Products (in %)

Product	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Other made-up textile articles	-4	-8	28	-24	-6	-11	-16	17	-16	(40)
Fish and crustaceans, molluscs	12	-22	46	26	-40	35	-18	6	-17	28
Articles of apparel and clothing accessories	15	40	37	-18	-13	15	13	12	-42	59
Cotton	145	-32	-44	-34	47	-16	60	15	-5	136
Oil seeds and oleaginous fruits	52	9	111	-54	-12	-39	17	88	0	172
Edible fruit and nuts; peel of citrus fruits	48	2	106	-30	23	60	-75	167	2	303
laminated textile fabrics; textile articles	-23	-64	-99	-64	0	511	51	-54	61	319
Preparations of vegetables, fruits	1	314	31	158	0	-92	26	66	-2	502
Cereals	182	-50	259	-79	-25	-71	720	42	116	1,094
Preparations of meat, of fish or of crustaceans	525	476	167	-91	317	-71	68	-59	50	1,382
Articles of leather; travel goods, handbags	-9	-7	-53	62	-82	39	1505	-92	60	1,423
Special woven fabrics; tufted textile fabrics	-70	13	45	-61	1419	-96	135	-46	743	2,082
Man-made filaments and textile materials	3058	-55	-25	-40	-42	-29	24	458	-87	3,262

Source: International Trade Centre, 2022 & Tantrade, 2022

Export growth rates of the products exported from the value chains considered in this study are indicated in Table III. The findings show that the growth rate for all products in the value chains were positive with exception of the other made-up textile articles that went down by an average of 40% for a period of nine years.

Table IV: Leading Importers of Tanzania's Products (in USD Thousand)

Importers	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
South Africa	857601	982828	764576	689170	675380	624482	700451	743929	958868	1145458	8,142,743
India	210175	480637	752174	1254632	1149437	753005	980493	727673	856478	521021	7,685,725
Switzerland	916321	798581	404709	148968	153933	618745	260994	257046	322291	858701	4,740,289
China	677367	525016	309420	683955	562322	353106	144705	143660	230712	235605	3,865,868
Kenya	221313	349691	228412	445965	793894	189455	197897	221946	266560	227269	3,142,402
United Arab Emirates	77854	95979	84671	85466	157555	63391	96104	88968	390026	744324	1,884,338
Congo, DRC	128102	187353	237559	281493	198290	157428	114323	144926	162642	142241	1,754,357
Japan	356177	298895	221192	247806	230444	138110	74063	66032	63309	55048	1,751,076
Belgium	84674	152715	87569	98859	149206	282935	196111	240738	184280	122808	1,599,895
Germany	229310	292443	160663	221942	225709	114700	49534	40721	41507	50333	1,426,862

Source: International Trade Centre, 2022 & Tantrade, 2022

Table IV shows a list of the leading importers of the Tanzanians' products. The data reveal that South Africa was the leading importer followed by India and Switzerland. In the list, there are only three African countries (South Africa, Kenya, and Democratic Republic of Congo-DRC) which imported goods from Tanzania. This is an indication that Tanzania is yet to take sufficient advantage of the EAC trade protocol and export its products to the regional market. Another positive observation is that even before the DRC became a member of EAC, Tanzania was able to export significantly to that market perhaps due to increased re-exportation from the port of Dar es Salaam. This implies that, in future, Tanzania is likely to export more products to DRC given that it is now a member of EAC.

Table V: Leading Exporters to Tanzania's Market (in USD Thousand)

Exporters	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
China	1056321	1162893	1595863	2046634	1853932	1631920	1495090	1762306	1992547	2146938	16,744,444
India	1564950	880629	2308712	2453793	1258872	1089652	1151526	1217501	1262258	1084452	14,272,345
United Arab Emirates	1243277	1025685	1193191	1175199	838810	588447	592172	871758	951635	820660	9,300,834
Saudi Arabia	149468	230904	223324	205007	5976236	217988	468864	568153	428404	341836	8,810,184
Switzerland	1102192	1581597	1621960	905636	429073	129010	204963	124066	163849	99632	6,361,978
South Africa	988151	934863	729672	603333	511348	654163	413315	437301	440501	344212	6,056,859
Japan	493208	518326	515988	559409	395895	382614	396384	398051	488764	374519	4,523,158
Kenya	339343	564243	335595	654714	237319	263685	200681	247504	266342	246642	3,356,068
USA	302140	239083	234305	369836	321534	215569	188081	237824	323742	240106	2,672,220
UK	291315	367982	277400	262969	181094	151087	159804	169678	140151	117764	2,119,244

Source: International Trade Centre, 2022 & Tantrade, 2022

In terms of leading exporters to Tanzania, it appears that China, India, and United Arab Emirates led from 2011 to 2020 (Table V). As for African countries, only two countries (i.e., South Africa and Kenya) were among the best 10 major exporters to Tanzania's market. Given that Kenya and South Africa are also among the leading importers of Tanzania's products (Table IV), indicating that Tanzania trades more with Kenya and South Africa than other countries in the region.

Table VI: Leading Tanzania's Export Products (in USD Thousand)

Product	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Natural or cultured pearls, precious stones	1764316	1911817	1621083	1361293	1459885	1582875	1615025	1600291	2295790	2964695	18,177,070
Ores, slag and ash	1027447	832828	400136	713718	471293	330509	64080	411	484	356790	4,197,696
Edible fruit and nuts; peel of citrus fruit or melons	128706	189859	193785	399550	279315	343324	549801	137976	368352	376794	2,967,462
Tobacco and manufactured tobacco substitutes	123316	223124	129077	322943	293555	367591	217744	290907	168849	164628	2,301,734
Coffee, tea, maté and spices	225496	281864	261063	213482	228975	209789	186103	195672	208859	200914	2,212,217
Edible vegetables and certain roots and tubers	74285	133596	105051	249765	398570	255167	120498	119057	141368	221050	1,818,407
Oil seeds and oleaginous fruits; miscellaneous grains	103595	157082	170849	360450	166246	146092	88921	104372	196086	196330	1,690,023
Fish and crustaceans, molluscs and other aquatics	148795	166001	129151	188395	236648	142120	191194	156628	165781	137496	1,662,209
Cotton	69813	171259	115981	65283	43237	63640	53562	85683	98613	94138	861,209
Animal or vegetable fats and oils and their cleavage	55561	53448	35458	277374	342473	30350	21694	12909	10432	14463	854,162

Source: International Trade Centre, 2022 & Tantrade, 2022

Table VI provides a list of the leading Tanzania's products exported to other markets for a period of ten years (2011-2020). The Table demonstrates that the leading products were natural or cultured pearls, precious metal; ores, slag, and ash; and edible fruits and nuts. From the value chains considered in this study the products that were on the top are: fruits; oil seeds and oleaginous fruits; fish; and cotton.

Table VII: Leading Imported Products to Tanzania's Market (in USD Thousand)

Product	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Mineral fuels, mineral oils and products	3596819	3827651	4858906	3563529	7451164	1096392	1529617	1773280	1918430	1377234	30,993,022
Machinery, mechanical appliances, nuclear reactors	1343647	1171535	852414	1308938	949980	910122	940182	1001042	1142500	947533	10,567,893
Vehicles other than railway or tramway rolling stock	1023471	1127142	1128986	1169284	843999	972411	618764	825902	930190	749542	9,389,691
Electrical machinery and equipment and parts	711369	743937	623870	745637	963230	612614	561421	507282	580543	666165	6,716,068
Plastics and articles thereof	430818	467238	479913	597659	444089	402577	395983	488785	489582	469543	4,666,187
Pharmaceutical products	271088	214847	312532	481371	403125	327625	412871	280522	339118	437223	3,480,322
Iron and steel	394470	426218	499909	384470	297918	278706	269436	425900	493138	411824	3,881,989
Articles of iron or steel	251478	246148	487673	439081	282537	211738	183895	303427	356473	362479	3,124,929
Miscellaneous chemical products	102661	118291	121955	168442	143545	150654	195385	247653	221347	252220	1,722,153
Cereals	470705	471666	400107	346727	273494	213579	187836	30948	34348	201410	2,630,820

Source: International Trade Centre, 2022 & Tantrade, 2022

In term of importation, it appears that mineral fuels and oils, machinery, and vehicles were the leading products imported to Tanzania from the year 2011 to 2020 (Table VI). With respect to the value chains considered in this study (rice, cotton, fruits, fish, grapes, sun flower, and tourism), only rice appeared in the list of leading imported products to Tanzania. This indicates that there is an opportunity for rice producers and processors to increase production and supply to the domestic market.

2.5 Second Five Years Development Plan (FYDP II) (2016/17-2020/21)

The government implemented the Second Five Years Development Plan (FYDP II) (2016/17-2020/21) which focused on nurturing industrialization for economic transformation and human development (FYDP II 2016, p. 158). The plan identified agro-processing activities as a priority for industrialization and transforming the country into a middle-income country. Actionable plans were in place for implementation by respective government Agencies, Ministries and Departments (MDAs). The government also intended to establish equity and venture capital funds in addition to matching funding schemes for easy access to finance. Furthermore, it strived to provide business development services, targeted human resources development to bridge the skills gap and collect industrial and trade data before disseminating them to inform policy and investment decisions.

The FDYP II identified several interventions that were expected to unlock different opportunities for SMEs. Specifically, the plan proposed the following: establish industrial sheds, working/production premises/facilities, incubation centres; increase use of local inputs instead of importing; increase use of modern technologies and extension services in order to increase productivity; lengthen and deepen value chains; develop appropriate skills in the value chains, commercialize value chains, promote quality standards, research and development, and innovation, and improve infrastructure (transport, energy, water supply and irrigation, warehousing/storage facilities including cold chains); promote producer groups; increase alternative products and promote marketing; improve access to financial services (LGA credit facilities); improve quality of local inputs; build capacity on value addition; increase research outputs; introduce tax reforms (PAYE, Excise Duty, VAT, Import Duty); and promote sharing of market information.

In addition, the plan emphasized on increasing production capacity through industrial revolution, investment in key economic infrastructure, strengthening government expenditure discipline and access to social services. Some of the success stories of the plan include construction of central corridor Standard Gauge Railway (SGR), Julius Nyerere Hydropower Project; and revamping Tanzania Airline Corporation Limited. Notably, in the manufacturing sector, 105 percent of the targets were achieved whereby the sector's contribution to GDP reached 25.1 percent compared to 21.1 percent in 2015/16. Similarly, the growth rate of production activities increased from 5.2 percent in 2016/17 to 8.5 percent in 2020/21. This growth was attributed to execution of major infrastructure projects, particularly in transport and energy sectors; measures taken by the Government to improve management of the mining activities; enhanced efficiency in revenue collection and expenditure management; as well as improved performance of the agriculture

sector. Yet, there are some reported challenges which affected the efforts to achieve the intended goals such as lack of competence among government bodies, inadequate government regulation and enforcement, insufficient or lack of government support schemes and programmes, weak role of business associations, corruption and inadequate infrastructure.

2.5.1 FYDP II Interventions Targeting MSMEs

In line with the study objectives, the government interventions proposed under the FYDP II and their potential benefits to SMEs are presented in Table 8.

Table VIII: Government Interventions in FYDP II

Main Agenda of FYDP II	Government Intervention	Potential SME's benefits
Agenda 1: Fostering economic growth and industrialization	<ul style="list-style-type: none"> • Creating an enabling environment to support manufacturing 	<ul style="list-style-type: none"> • Benefit from manufacturing incentives (taxes, subsidies etc.) • Access to land for setting up manufacturing facilities
	<ul style="list-style-type: none"> • Promotion of SMEs local content (construction) <ul style="list-style-type: none"> i) Promoting consumption of locally produced goods and services 	<ul style="list-style-type: none"> • Local market access • Access to investors' markets and tenders
	<ul style="list-style-type: none"> • Promotion of mineral beneficiation and value addition <ul style="list-style-type: none"> i) Minerals beneficiation ii) Minerals value addition. iii) Establishment of bourses. iv) Hire purchase v) Conditional partnerships (foreign-local; large-small). 	<ul style="list-style-type: none"> • Access to mineral markets established by the government • Access to hire purchase opportunities • Access to mineral processing opportunities • Partnership established • Resources accessed through partnership • Participation on service delivery
	<ul style="list-style-type: none"> • Promoting and improving infrastructure (agriculture, technology, road construction) 	<ul style="list-style-type: none"> • Participation in road infrastructure development project (tenders) • Access to ICT facilities • Access to agriculture infrastructure (irrigation etc.)
	<ul style="list-style-type: none"> • Promoting tourism 	<ul style="list-style-type: none"> • Access to tourism capacity building opportunities • Access to tourist markets promoted by the

		<p>government</p> <ul style="list-style-type: none"> • Participation in tourism infrastructure development • Access to tourism value chain business
Agenda 2:Fostering human development and social transformation	<ul style="list-style-type: none"> • Training at different levels of skill requirement such as formal and entrepreneurial 	<ul style="list-style-type: none"> • Access to training and capacity building initiatives
	<ul style="list-style-type: none"> • Extending ICT applicability at all levels of skills training and learning 	<ul style="list-style-type: none"> • Utilizations of ICT in business processes • Access to ICT facilities
	<ul style="list-style-type: none"> • Promotion of SMEs skills (for youth, women, and people living with disabilities) 	<ul style="list-style-type: none"> • Access to capacity building initiatives • Access to finance • Access to land
	<ul style="list-style-type: none"> • Food security and nutrition 	<ul style="list-style-type: none"> • Access to market for food crops • Participation in supply of agricultural inputs
Agenda 3: Improving the environment for business and enterprise development	<ul style="list-style-type: none"> • Ease of doing business <ul style="list-style-type: none"> i) Legal and regulatory reforms to reduce the cost of doing business ii) Easing registration and license requirements in order to promote both domestic and foreign investors (amend laws, simplify regulations, improve the workings of courts and land registries); iii)National and regional measures geared on reducing the cost of doing business. iv)Enforcing Property Rights and legal instruments v) Ensuring availability of start-up capital. 	<ul style="list-style-type: none"> • Formalization of informal enterprises • Access to start-up capital • Revelation of innovations • SMEs growth and sustainability

	<ul style="list-style-type: none"> • Macroeconomic stability <ul style="list-style-type: none"> i) Strengthening productive capacity in order to meet the challenges of imported inflation ii) Shocks of exogenous economic factors, such as increases in oil prices, food, currency volatility iii) curtailing dumping of imports (such as counterfeits known to be of poor quality and in some cases unfit for human consumption) 	<ul style="list-style-type: none"> • Price stability • Fair competition
	<ul style="list-style-type: none"> • Provision of adequate infrastructure and services <ul style="list-style-type: none"> i) Improving availability and reliability of electricity ii) Construction and rehabilitation infrastructure (including railways, roads, bridges, ports) iii) Equipping SEZ, EPZs industrial parks and logistical/centres with the requisite infrastructure and other pertinent logistical services to facilitate establishment of viable production units for goods and services, mainly by the private sector. 	<ul style="list-style-type: none"> • Access to industrial parks • Participation in tenders for rehabilitation of infrastructure • Access to reliable electricity • Opportunities to establish production units in SEZs and EPZs • Access to support for industrial research and development • Benefit from the industrial research and development
Agenda 4: Promoting Investment and Trade		
Doing Business and investment	<ul style="list-style-type: none"> • Simplify business and investment processes: <ul style="list-style-type: none"> (i) Strengthen institutional, fiscal policies, legal and regulatory frameworks (ii) Pursue national and regional measures related to reduction in the cost of doing business. (iii) Promote awareness and compliance to international 	<ul style="list-style-type: none"> • Increased market access • Access to E-commerce trading platforms • Access to market Information • Elimination of the NTBS • Take advantage of traceability platforms

	<p>technical regulations and standards</p> <p>(iv) Improve gathering and dissemination of trade and market intelligence</p>	<ul style="list-style-type: none"> • Participate in the both foreign and domestic markets promoted • Participate in International exhibitions • Buy Tanzania products campaign • Access to Investment Guides • Participate in the national and international investment meetings
Trade Development	<p>(i) Identify and negotiate better market access opportunities for domestic produced goods and services</p> <p>(ii) Establish enterprise development and trade logistics centres.</p> <p>(iii) Simplify and streamline regulatory reforms to address non-tariff barriers.</p> <p>(iv) Reduce logistics costs through improved efficiency and reliability of transport infrastructure, border agencies, logistics regulators and service providers.</p> <p>(v) Improve trade facilitation and effective utilization of risk management as a tool for restricting the number of costly physical inspections.</p> <p>(vi) Coordinate and facilitate construction of strategic markets at border areas.</p> <p>(vii) Promote trade of domestically value-added goods and services; and</p> <p>(viii) Develop Tanzania National Brand for Tanzanian's products.</p>	<ul style="list-style-type: none"> • Reduce cost of doing business • Access to trade opportunities • SMEs' participation in global trade

Foreign Relations and Economic Diplomacy	<p>(i) Develop and implement a strategic framework for political and economic diplomacy:</p> <p>(ii) Strengthen and expand cooperation and participation in regional and international development.</p> <p>(iii) Construct and rehabilitate Tanzania's embassies' buildings abroad.</p>	<ul style="list-style-type: none"> • Participation in the regional trade • Access to embassy tenders
Human Development	<p>Improve social services infrastructure and facilities:</p> <p>(i) Introduce tailor made programmes to improve skills and knowledge of available and existing manpower.</p> <p>(ii) Develop and facilitate rare cadre training programmes.</p> <p>(iii) Promote vocational and technical training centres.</p> <p>(iv) Support private sector to invest in rare skills, both hardware and software.</p> <p>(v) Promote and support income generating activities for low-income earners.</p> <p>(vi) Promote social welfare programmes (safety nets), including access to health insurance and pension schemes as well as income smoothing mechanisms; and</p> <p>(vii) Promote training programmes related to learning by doing</p>	<ul style="list-style-type: none"> • Corruption free services • Participate in the supply of food via the school feed programmes • Credit facilities at the local government (4-4-2) • One business stops centre services • Participate in the tendering service for the education and health care • Enjoy safe use of biotech developed products

3. Methodology

3.1 Research Setting

The study focused on the issues identified from the FYDP II which are in line with the research questions and objectives. Precisely, it addressed the issues presented in Table VIII. It was undertaken in four regions namely Arusha, Mwanza, Mbeya and Dodoma in which the targeted value chains were found. While the study centered on the tourism value chain in Arusha, it focused on fisheries and cotton in Mwanza, rice and fruits in Mbeya, and grapes and sunflower in Dodoma. These value chains were chosen based on their contributions and significance in respective regions as well as their potential in creating jobs especially for women and youth. As already shown in trade data, all the value chains have a great potential to contribute to foreign earnings, jobs and national GDP.

3.2 Research Design

Given the diversity of research issues, the study adopted a mixed research design involving quantitative and qualitative approaches. However, before embarking on the field work, a comprehensive review of the various policies, national plans and studies on SMEs and business environment reforms was done. The secondary data were collected from different studies and reports from relevant and reputable authorities such as Tanzania Trade Development Authority (TANTRADE), United Nation Food and Agricultural Organization (FAO statistics), Tanzania National Bureau of Statistics, Tanzania government documents and Trias (T). Then, an inception report was prepared revealing the findings from the literature and proposing research design and tools. The tools were designed to capture the variables extracted from the FYDP II initiatives. After pre-testing and validating the tools, the field data collection began entailing a survey of SMEs, case studies, consultation and in-depth interviews. Some archive data and observations were also used to generate data for the cases studied.

3.3 Sampling and Data Collection

A study sample was developed through a network of TCCIA and other business associations that were connected with SMEs in the regions studied. Specific SMEs involved in this study were randomly selected after meeting key requirements including the year of establishment. The goal was to include both the firms which were established before the FYDP II and the one established after the introduction of FYDP II. Other criteria were the firms that were operating in the value chains studied in each region. The SMEs value chains considered during the sampling process were: fishing and cotton (Mwanza), fruits and rice (Mbeya), grapes and sunflower (Dodoma), and tourism (Arusha). In order to ensure an adequate representation of the SMEs, a sample of 100 enterprises from each of the four regions was targeted. Despite the minor variations of the usable sample from each region, the total sample size of 401 SMEs was achieved after cleaning the data (Table IX). For a qualitative phase, a sample of 7 firms (2 from each of the three regions -Mwanza, Dodoma, and Mbeya, and 1 from Arusha region) was covered. This sample was considered adequate in addressing research issues given the diversity of the cases studied and the study themes.

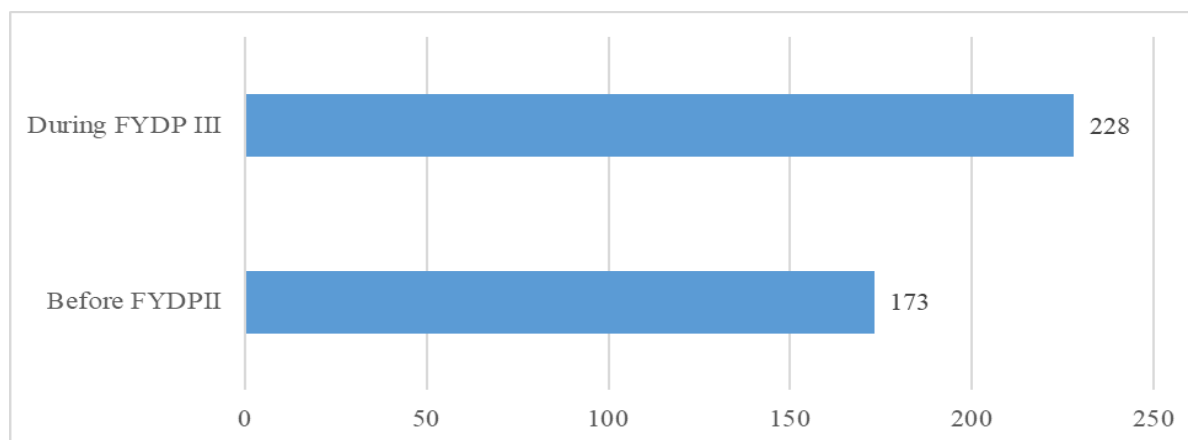
Prior to a fully-fledged data collection exercise, research instruments (a semi-structured questionnaire) (Appendices I & II) and the qualitative data collection checklists (Appendices III) were developed and tested. Research assistants were recruited from TCCIA and other business associations from the respective regions. They were trained and guided on how to administer the research instruments. However, in order to ensure quality data were collected, each assistant worked hand in hand with the researcher throughout the entire research process.

Table IX: Sample Distribution

S/N	Region	Number of Questionnaire Collected
1.	Mbeya	100
2.	Arusha	103
3	Dodoma	100
4	Mwanza	98
Total		401

Out of 401 questionnaires collected, 53% respondents were the owner-managers while the remaining 47% were managers, supervisors or senior employees. This shows that the respondents were well-informed given their managerial levels and experience in business. In addition, the composition of the sample entailed the enterprises that were established before and after the introduction of the FYDP II (Figure IV). The main aim of having a mixture of enterprises was to collect diverse data and information from a wide variety of enterprises within the value chains studied. This could also help to reduce bias in responses and increase validity and reliability of the findings.

Figure IV: Distribution of SMEs Studied



3.4 Data Analysis and Report Writing

The quantitative data were cleaned and analyzed using descriptive statistics generated from MS-Excel and the Statistical Package for Social Scientists (SPSS). The content analysis was used to analyze qualitative information generated from the semi-structured questionnaire in light of the study objectives and themes. The qualitative data were transcribed from the recorded audio into text which was divided into information segments. The segments were coded and analyzed for patterns and other key information. Findings from both qualitative and quantitative phases were integrated and used in writing a research report. Also, findings from seven SMEs that were studied in detail generated the cases incorporated in this report. The report is translated into policy briefs to be presented to the various stakeholders for validation and additional inputs. The report and policy briefs shall be reviewed based on the inputs to be collected from the stakeholders and the final versions of both the report and policy briefs shall be shared with the relevant authorities.

4. Research Findings

4.1 Enterprise and Respondent Profiles

A total of 401 questionnaires were collected from seven value chains in three different regions. The first step was to analyze the profiles of the respondents in order to understand the nature and characteristics of the SMEs studied. Results show that owner-managers accounted for the largest portion of respondents with about 53% followed by supervisors (26%) and non-owner managers (12%) (Figure V-a). This composition reflects the feature of SMEs in Tanzania where most of them are owned and run by the same person (owner-manager). In terms of gender composition, men formed almost two-thirds of all respondents (66%) while the rest were women (Figure V-b). Similarly, a study by AGRA (2020) on SMEs participating in cross-border trade indicated that most enterprises (73%) were owned by men. Dominance of men is evident in similar studies showing that women are underrepresented in most value chains studied. Relatedly, women were under-represented in all respondents' positions (owner-managers, managers, supervisors and others).

Although some previous studies report that about 54% of SMEs are women-led enterprises (e.g. Mori 2014, FYDP III pg. 45), most women-owned enterprises are micro enterprises falling under the informal sector (Nchimbi, 2003). It is also noted that the value chains studied (e.g. tourism, fishing and cotton) have traditionally been male-dominated, and where women are involved, they are under-represented in the higher and profitable value chain nodes facing greater constraints than their male counterparts in accessing essential productive resources such as land, finance, and market information. Unfortunately, the interventions proposed in the FYDP II did not articulate tenacious measures that could ensure inclusiveness of women in economic opportunities that could emerge from implementing the plan. This calls for deliberate interventions to facilitate women participation in strategic value chains such as the ones considered in this study and support them access opportunities created through the local content promotion, procurement by strategic and flagship projects and resources availed to available to entrepreneurs such as agricultural loans and farming blocks.

Figure V-a: The Distribution of Respondents by their Position

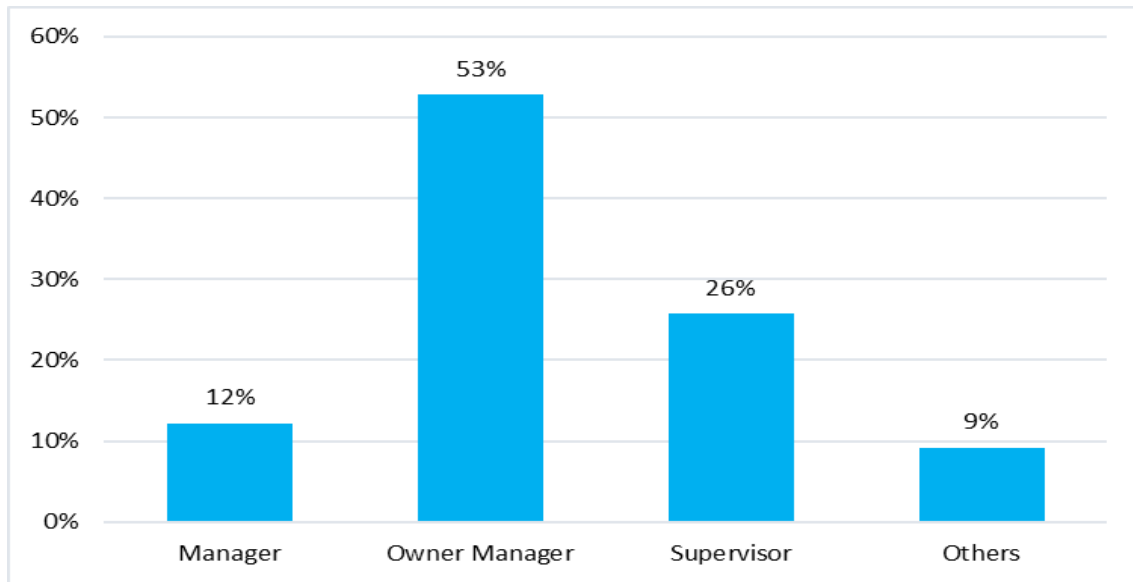
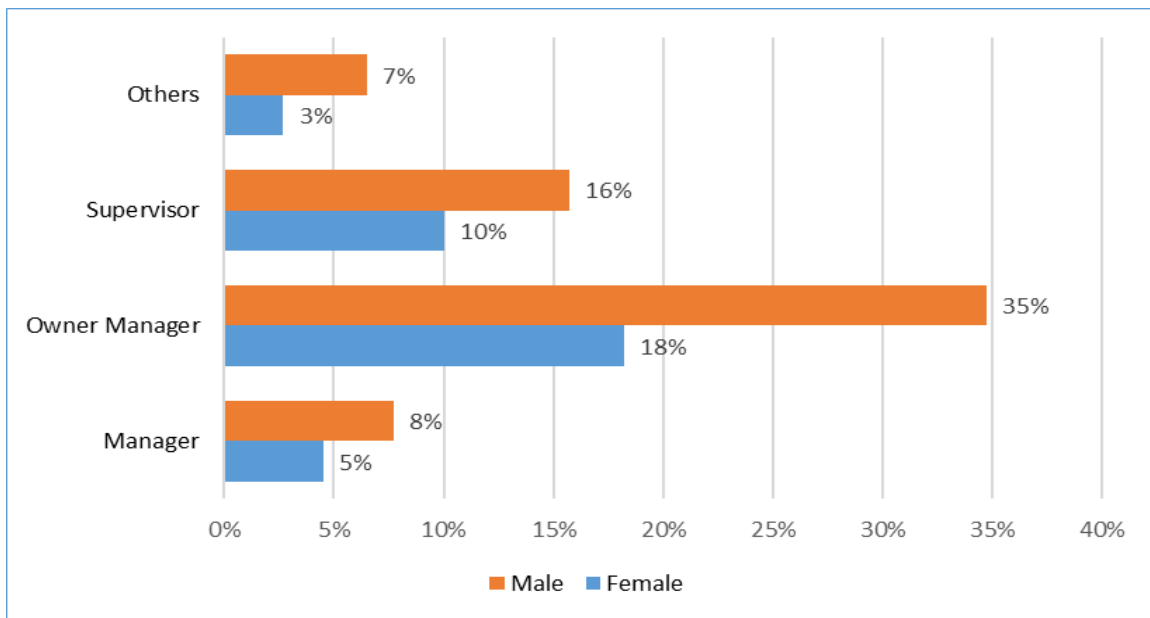


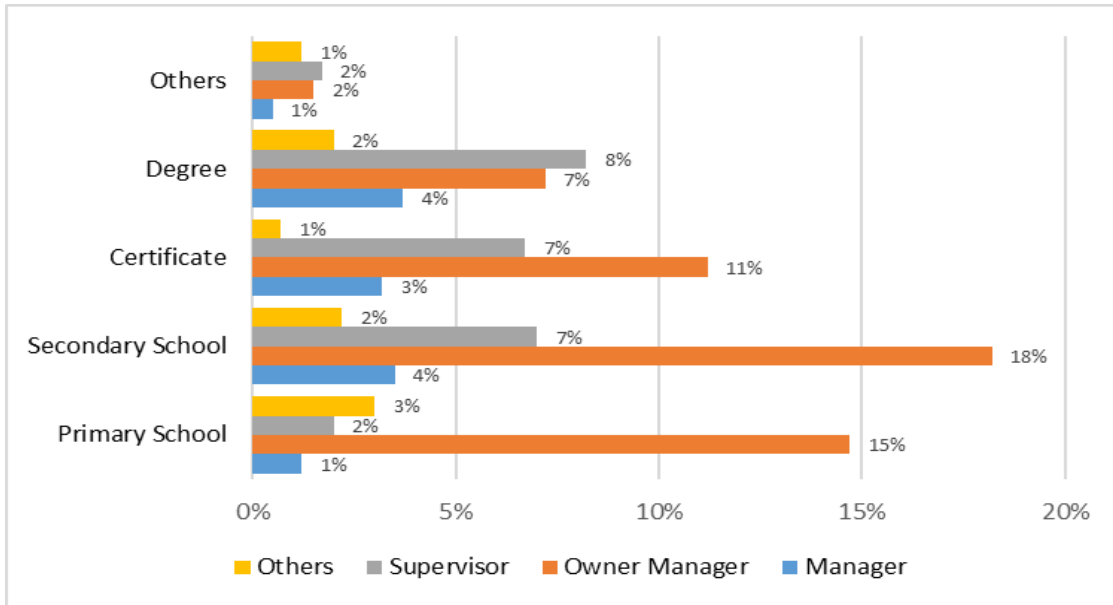
Figure V-b: The Distribution of Gender and Position of the Respondents



With respect to the level of education, the majority of SME owners had attained primary or secondary school education, with only a small percentage who had reached the degree level (7%) (Figure VI). Yet, it is interesting to note that only 14% of the owner-managers had primary education; the rest had attained at least secondary education, certificate or degree. More interestingly, most supervisors who were basically hired by the owner-managers had attained the secondary education, certificate, degree or other forms of qualifications. Indeed, it is encouraging to observe that the SME sector is gradually attracting educated people creating a great potential

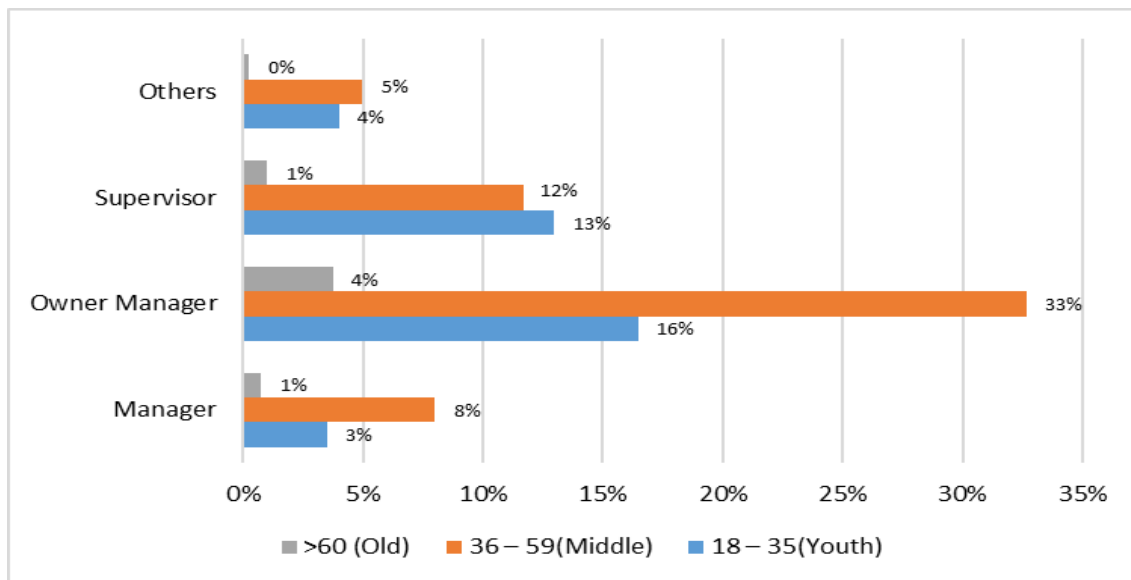
for modernization and growth of the sector. This shows that if the sector is promoted, it can create jobs for the young graduates whose employment is increasingly becoming a serious challenge in the country.

Figure VI: The Distribution of Education and Position of the Respondent



Further analysis showed that the majority of respondents were in the middle age category (58%), followed by the youth group (36%) and elders (6%) (Figure VII). The majority of owner-managers (33%) were in the middle age group. This age distribution pattern is similar to that of non-owner managers. However, the distribution was different in the supervisory position where youth was the largest group (13%).

Figure. VII: The Distribution of Age and Position of the Respondent



Notes: 18-35 is youth age group, 36-59 is middle age group, 60 and above is old age group

Generally, it is noted that there is a growing interest among youth to run their own enterprises demonstrates the potential of SMEs in addressing youth unemployment. A recent positive development is that the government envisions creating more than 3 million jobs for youth and women by 2025 by promoting youth entrepreneurship and investments in strategic sectors¹⁰. However, for this aspiration to be achieved, the government requires to speed-up designated interventions to empower youth economically. Unfortunately, the implementation of the FYDP II entailed training of a limited number of youth (i.e., 28,390) on entrepreneurship education, business administration and formalization of owned enterprises, as well as limited provision of soft loans worth TZS 32.6 billion to 2,560 youth groups¹¹. This calls for intensification of the youth empowerment programmes in future plans.

4.2 SMEs participation in the FYDP II: Fostering economic growth & industrialization

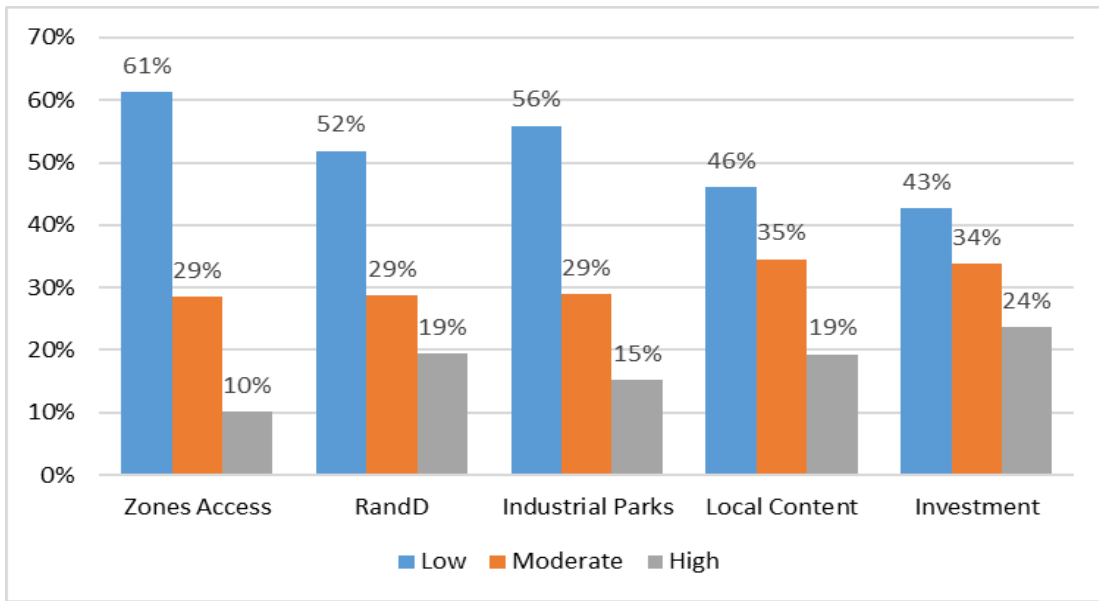
One of the goals of this study was to assess the SMEs' participation in industrialization initiatives taken by the government under the FYDP II. Participants were asked to rate the extent to which they had benefited from the establishment of the Special Economic Zones (SEZs), industrial parks, research and development (R & D), promotion of local content as well as investment in developing productive capacity. The findings reveal that most SMEs received limited benefits from all these initiatives. As shown in Figure VIII, respondents largely rated the extent to which they benefited from those interventions quite low. For instance, only 10% of the respondents indicated that they had highly benefited from the SEZs, while almost 61% felt that the benefits were low. Likewise, only 15% felt that they had benefited from industrial parks. The findings also indicate that around 43% of the respondents experienced low benefits from the local content and only 19% experienced high benefits, while 35% experienced moderate benefits. With respect to R&D, only 19% had the opinion that they highly benefited from it, largely because of the limited R&D budget allocated to support research activities at the enterprise level. In general, 43% of SMEs felt that they had low benefits from investment in industries, 34% reported moderate benefits and 24% felt that they highly benefited from investing in industries.

In addition, qualitative interviews revealed that most SMEs did not participate in initiatives designed to foster economic growth and industrialization partly because they were unaware of those opportunities and some of them had limited resources and skills to effectively take advantage of the opportunities which emerged from the implemented activities. Overall, respondents demonstrated very limited understanding of how industrial parks and SEZs function, and how SMEs could be integrated into them.

¹⁰ National Budget Speech 2022

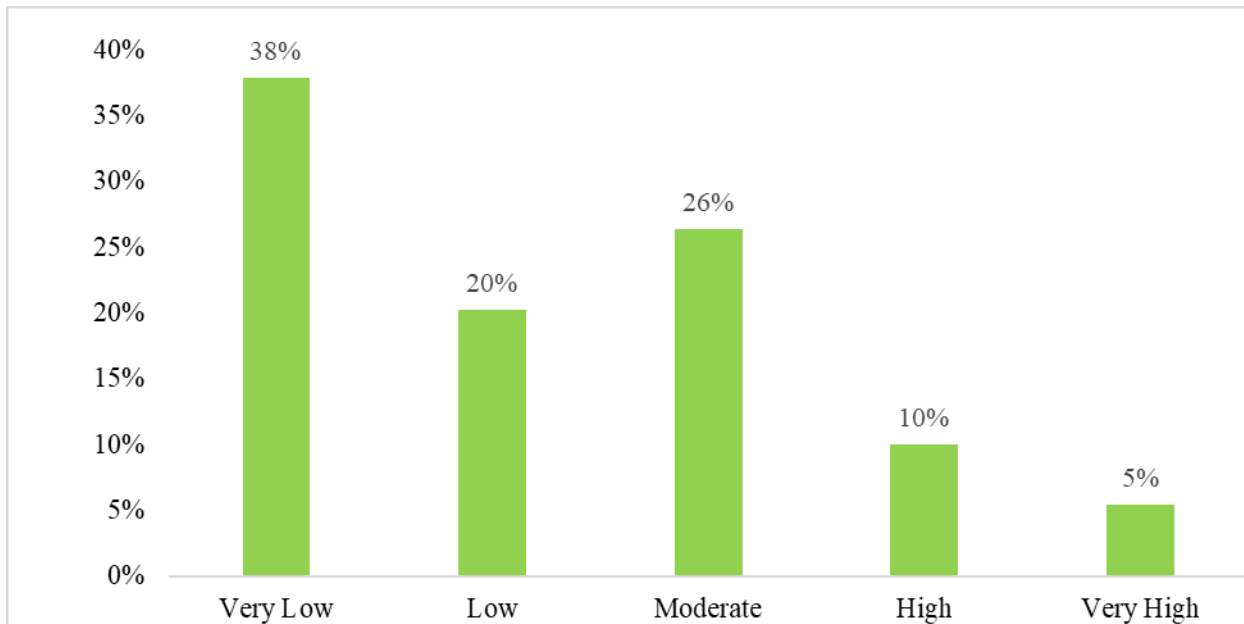
¹¹ According to the assessment made in Chapter II (FYDP III).

Figure VIII. The extent to which SMEs have benefited from the industrialization initiative



To provide an overall picture of the perception of SMEs’ participation in the industrialization agenda, the results presented in Figure VIII were integrated and generated the overall rating shown in Figure IX. In this case, most SMEs (58%) reported they experienced very low/low benefits from the initiatives taken, while 26% experienced moderate benefits and only 15% benefited highly from the industrialization strategy.

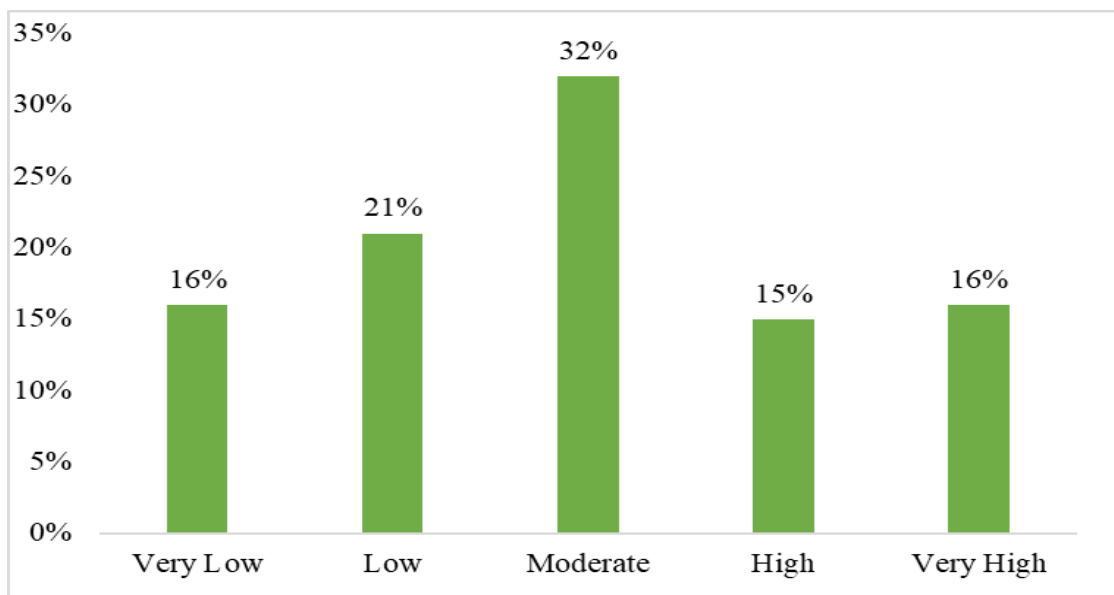
Figure IX: Extent to which SMEs have benefited from the government industrialization initiatives (overall assessment)



4.3 Initiatives to strengthen specific sectors

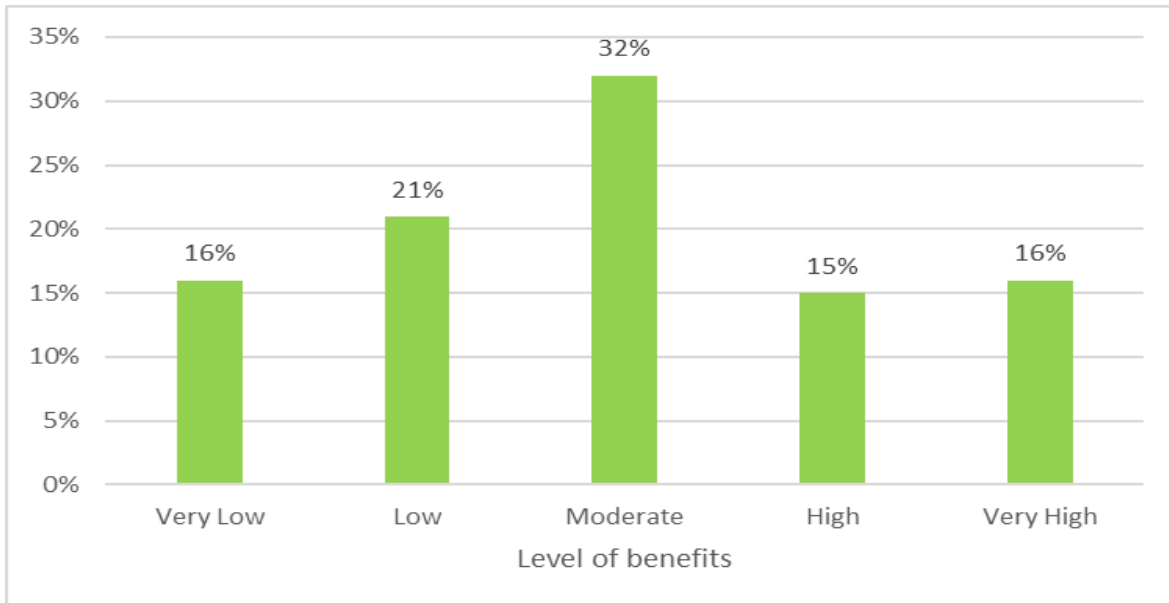
The value chains analyzed in this study fall under two major sectors being i) agriculture and fisheries, and ii) services (in this case tourism). In view of this, the quantitative phase of this study examined the extent to which SMEs benefited from the initiatives geared to strengthening the two sectors while specific findings on each value chain are subsequently reported. Thus, in terms of government initiatives to strengthen the contribution of agriculture and fisheries to the economy, most SMEs (69%) reported very low/low/moderate benefits in all aspects presented in Figure X. However, some minor variations were indicated in those results. For example, SMEs benefited slightly more from the initiatives taken to: promote quality goods that meet international and domestic demand/standards; promoted agricultural produce markets; and improved infrastructure, technology and extension services. They gained less benefit from the improved access to finance, inputs, extension services as well as research, training and development.

Figure X: Government Initiatives in Strengthening the Agriculture and Fisheries to the Economy



A further analysis provided in Figure XI indicates the overall assessment of the extent to which SMEs benefited from government initiatives to strengthen the contribution of agriculture and fisheries to the economy. Results show that only 31% of SMEs experienced high/very high benefits, while the majority reported very low to moderate level of benefits (69%). This implies that most SMEs' perceived benefits from the initiatives taken to strengthen agriculture and fisheries as relatively low. It was further noted from the qualitative interviews that most respondents from the value chains had persistent challenges of accessing agricultural inputs and services, markets and finance. The issues of finance, infrastructure and technology were also raised by SMEs in the fisheries value chain.

Fig. XI: The extent which SMEs benefit from the government initiatives to strengthen the agricultural and fisheries sectors



With respect to tourism, the findings show that unlike other value chains, the majority of SMEs (78%) experienced moderate and high benefits from the government initiatives taken (Figure XIII). Such initiatives are the promotion of new tourism products, branding of Tanzania as a unique tourist destination, improvement in infrastructure and improved training and skill development. However, high benefits were reported in the promotion of new tourism products and branding of Tanzania as a unique tourist destination.

Fig. XII: The Extent which SMEs benefit from government initiatives to strengthen tourism to the economy

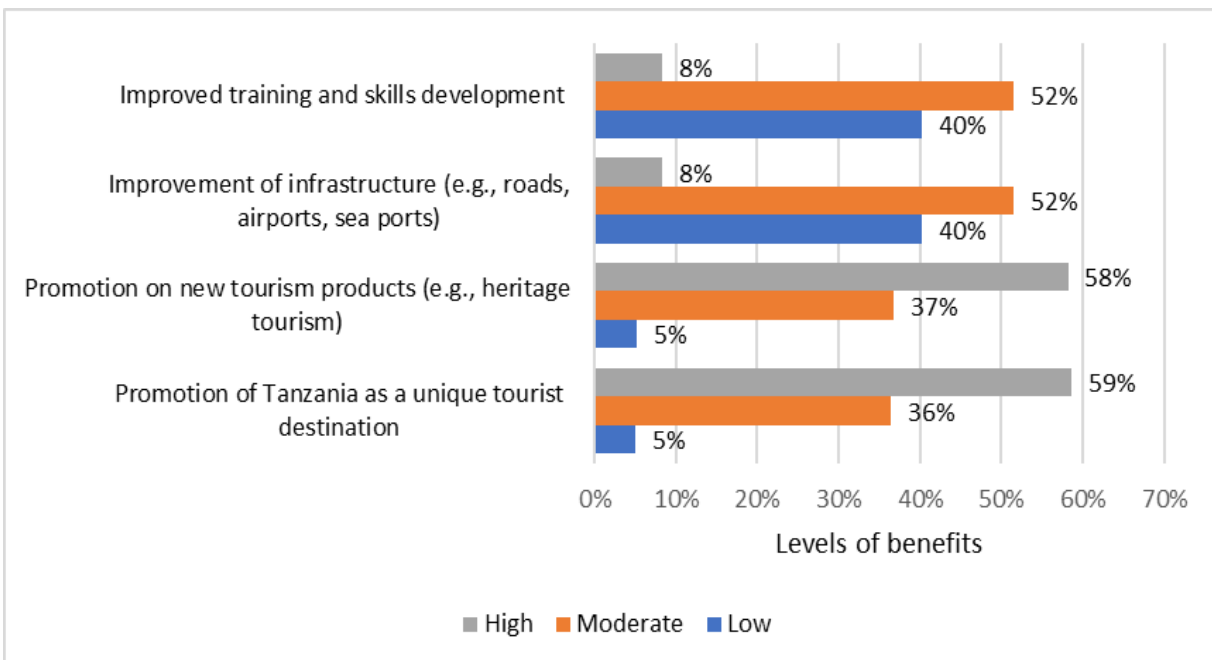
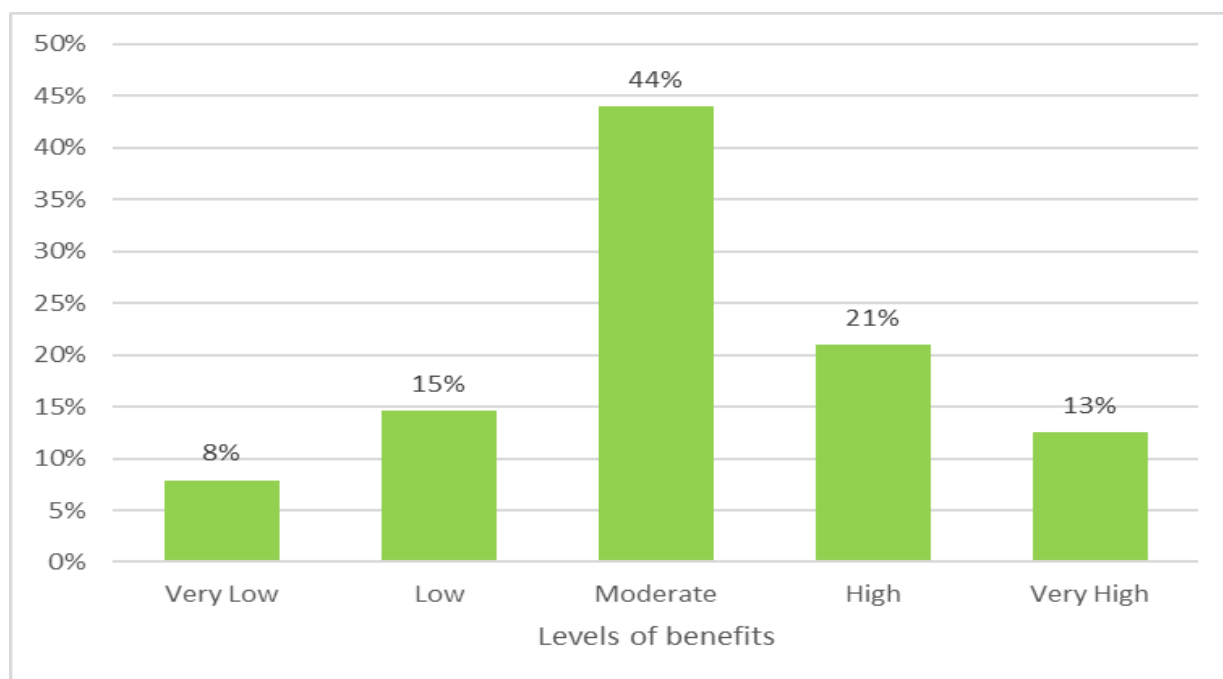


Figure XIII: The extent which SMEs in Tourism benefit from the government initiatives to strengthen the tourism Sector



In terms of the government initiatives towards specific sectors, it was revealed that there were some benefits realized from the initiatives taken. In the tourism sector, for instance, the government initiatives involved the private sector resulting to higher benefits compared to the other sectors. Perhaps, a similar strategy could be used to promote other value chains.

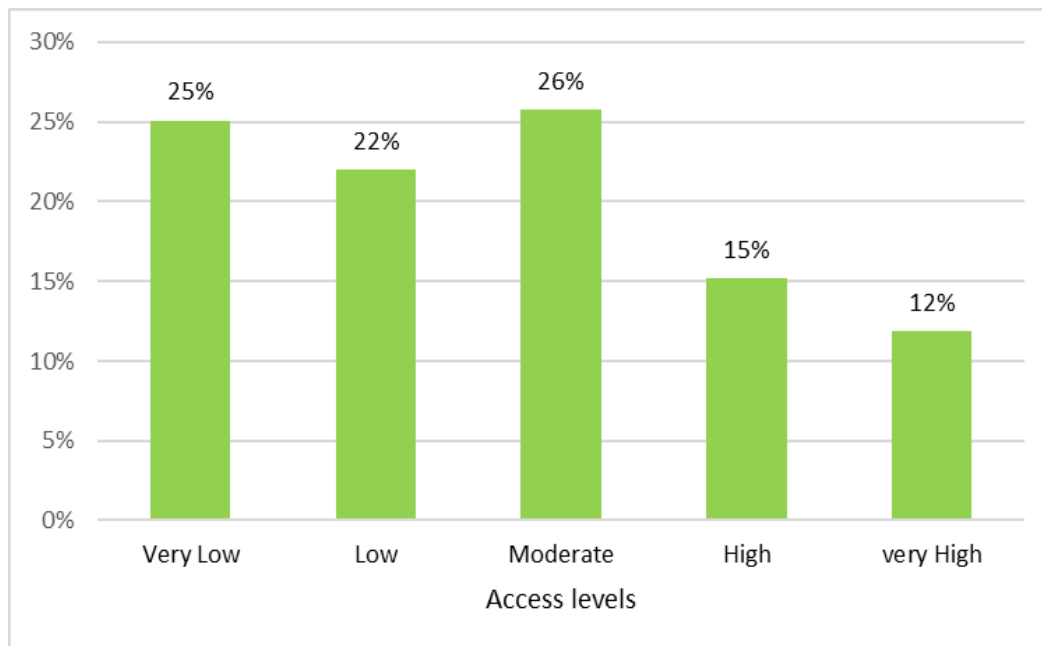
4.4 Access to human development interventions

Regarding human development, the study examined the extent to which SMEs accessed trainings being one of the proposed interventions under FYDP II. Results reveal that only 27% of the respondents had high/very high access to entrepreneurship training while nearly half (47 %) had limited access to training opportunities and the rest (26 %) had a moderate access (Figure XIV). Among the components of skills training, financial management appeared to be very limited. A follow up of the findings from other sources indicates that limited opportunities were available for training during the entire period of the plan. For example, only 28,390 youth received training on entrepreneurship education, business administration and formalization of youth owned business companies¹². This number is small given the envisaged goal of empowering 3 million youth by 2025¹³.

¹² FYDP III (p. 24)

¹³ National Budget Speech 2022.

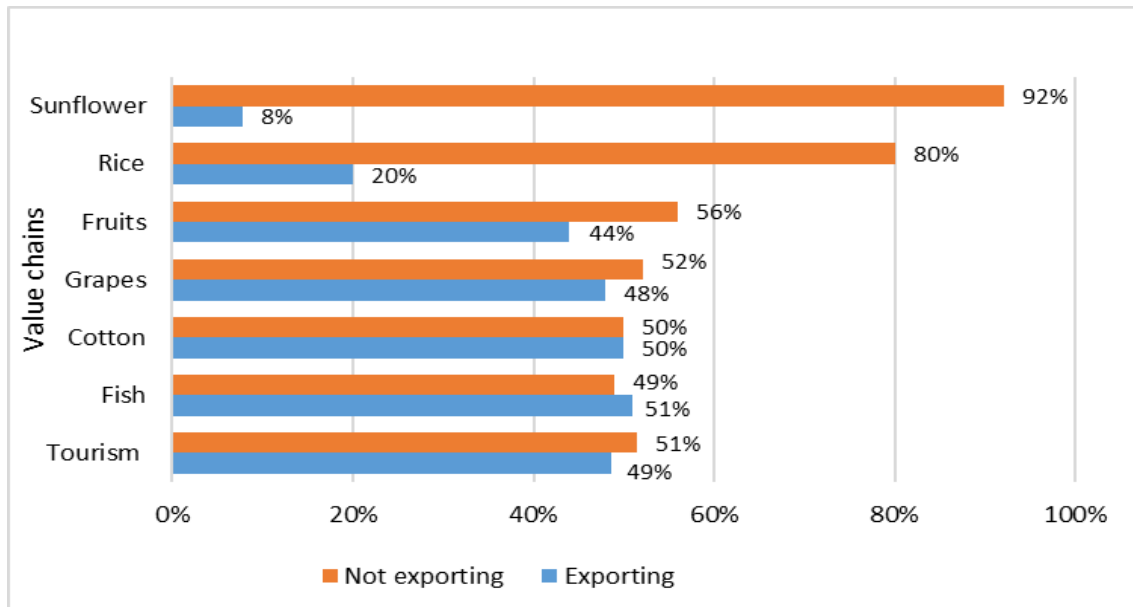
Figure XIV: Access to entrepreneurship training at different levels of skill among SMEs



4.5 SMEs participation in the regional and global trade flows

This analysis entailed ascertaining the countries which traded with the SMEs studied. Findings indicate that only 40% of the respondents participated in either importing or exporting goods or services, while 60% did not. This means the majority of SMEs trade within the country limiting the country from an effective participation in international trade. However, at least 49% of tourism enterprises (Figure XV) participated in the regional and global markets. An interesting observation is that close to half of the SMEs in fisheries (51%), cotton (50%), grapes (48%), and fruits (44%), participated in international trade demonstrating potential to expand the value chains in the global markets. The sunflower value chain demonstrated the lowest share in the regional and global trade partly because of the huge domestic demand and low productive capacity within the sub-sector.

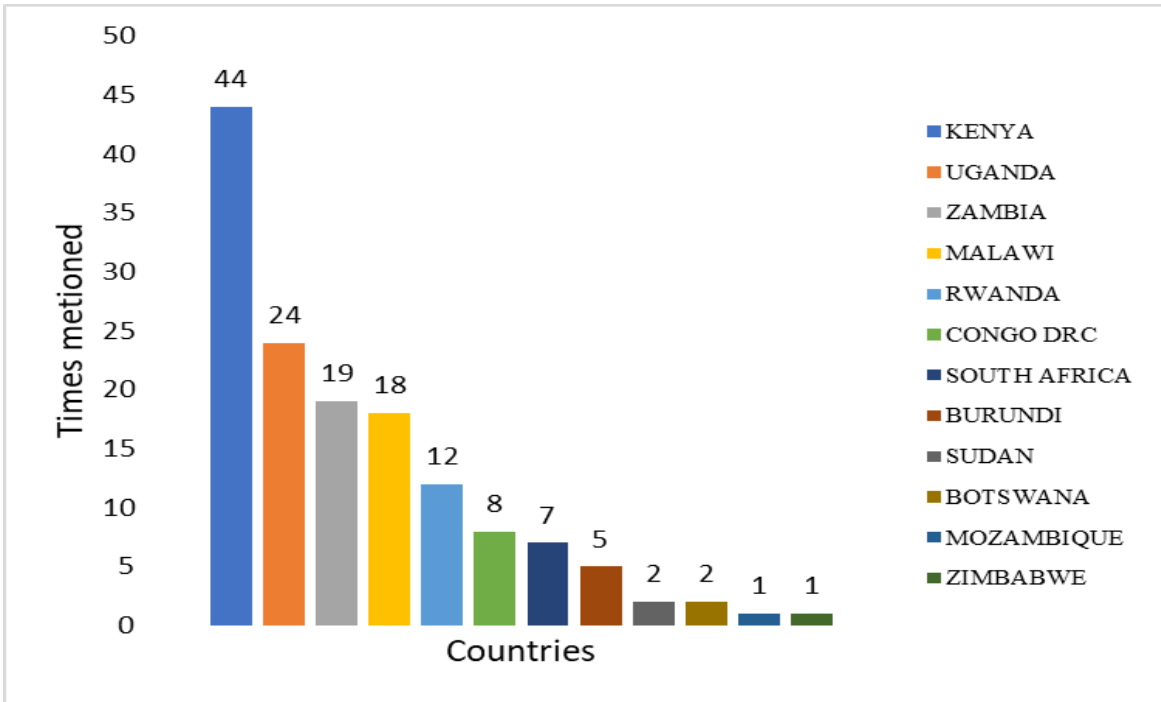
Figure XV: Level of Imports and Exports among SMEs in various Value Chains



4.5.1 Participation of SMEs in regional integrations and global trade (i.e., EAC, SADC, COMESA, Middle East, Europe, and US markets)

Further analysis on imports and exports indicates that SMEs largely engaged in international trade with nearby countries in the region (Figure XVI). Kenya, Uganda, Zambia, Malawi and Rwanda formed the largest regional markets for the SMEs studied while Europe, America and China constituted the largest markets in the global context (Figure XVII). Notably, Kenya is a leading trade partner with the highest frequency (44). Some of the reasons for SMEs to trade with Kenya are the market size, existing good bilateral trade relations and ongoing efforts to improve the business environment between the two countries. In general, the findings indicate that there is low SMEs’ participation in the global trade as compared to regional trade.

Figure XVI: SMEs Participation in the Regional Trade



While there is more regional trade with Kenya, Uganda, Zambia, Malawi Rwanda, and Congo, few SMEs trade with South Africa, Burundi, Sudan and Botswana.

Figure XVII: SMEs Participation in the Global Trade

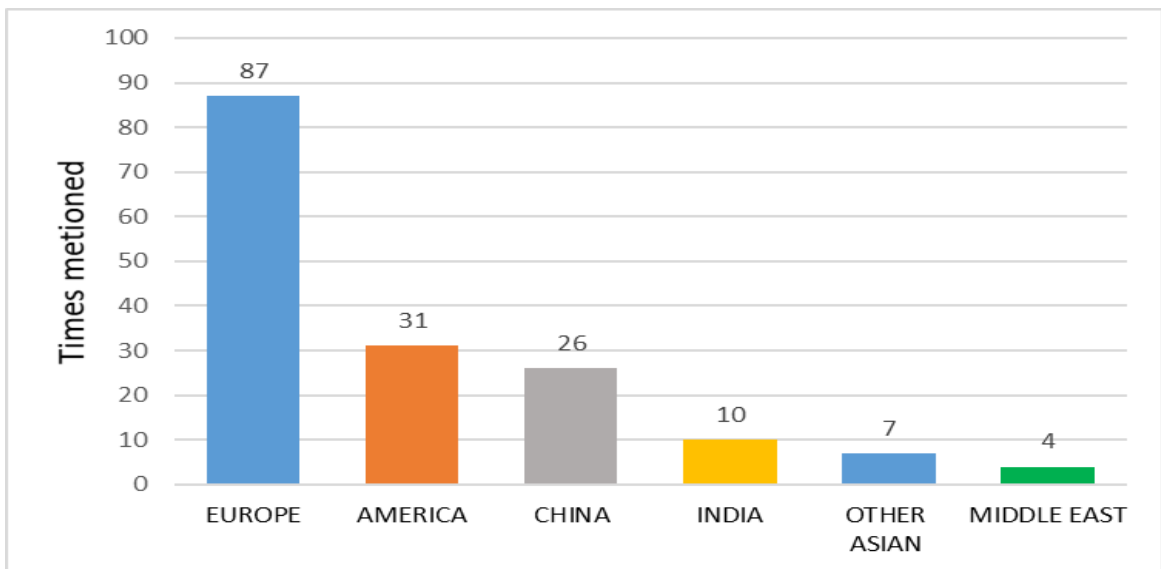
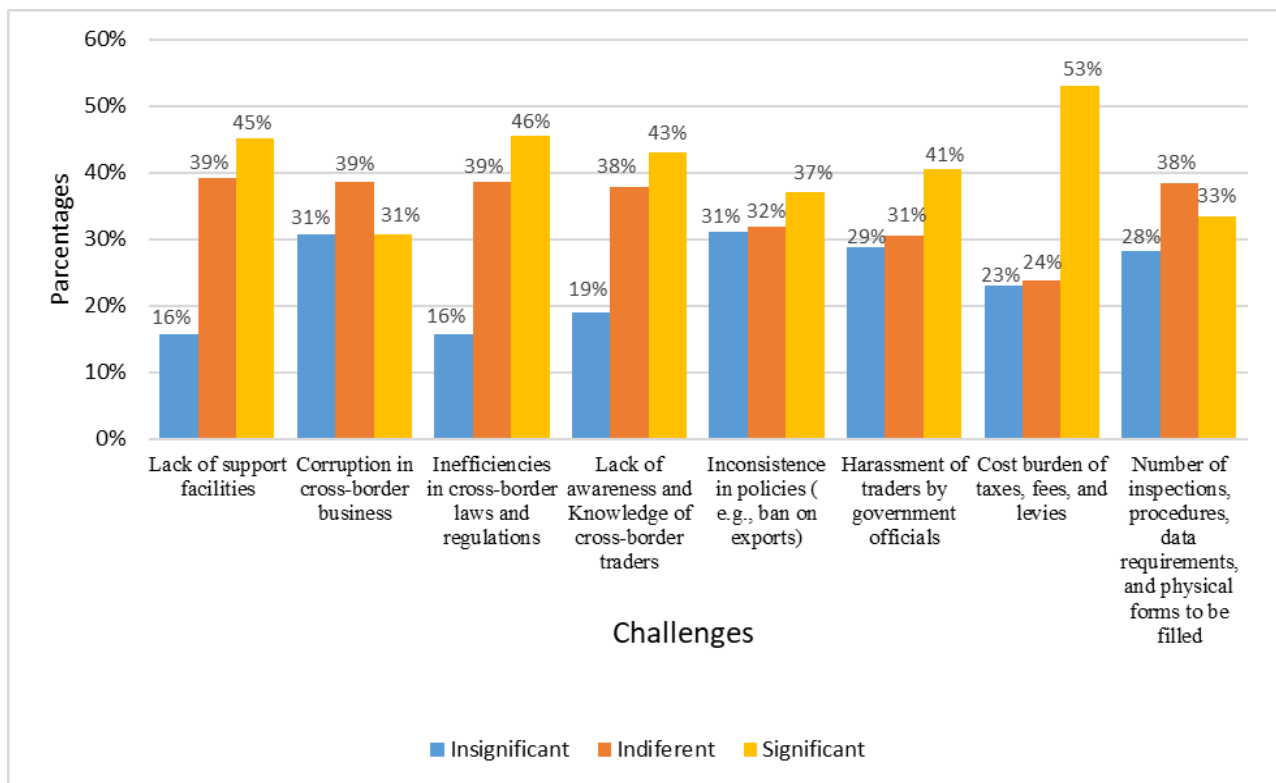


Figure XVII shows that more SMEs trade with Europe, America and China, and few of them trade with India, Middle East and other Asian countries.

4.6 Cross-Border Challenges of SMEs

Analysis of the challenges of SMEs’ participation in export and import of goods and services was performed. In this case, respondents were asked to rate the challenges experienced in cross-border trade in a scale ranging from very significant to very insignificant. This question was followed by another question that asked respondents to state the challenges of cross-border trade. Figure XVIII indicates that the most crucial challenge was the cost burden of taxes, fees and levies, followed by harassment of traders by government officials and unavailable facilities. Other challenges were inefficiencies in cross-border laws and regulations; lack of awareness and knowledge among cross-border traders on laws and regulations; and unavailable support services at cross-border areas.

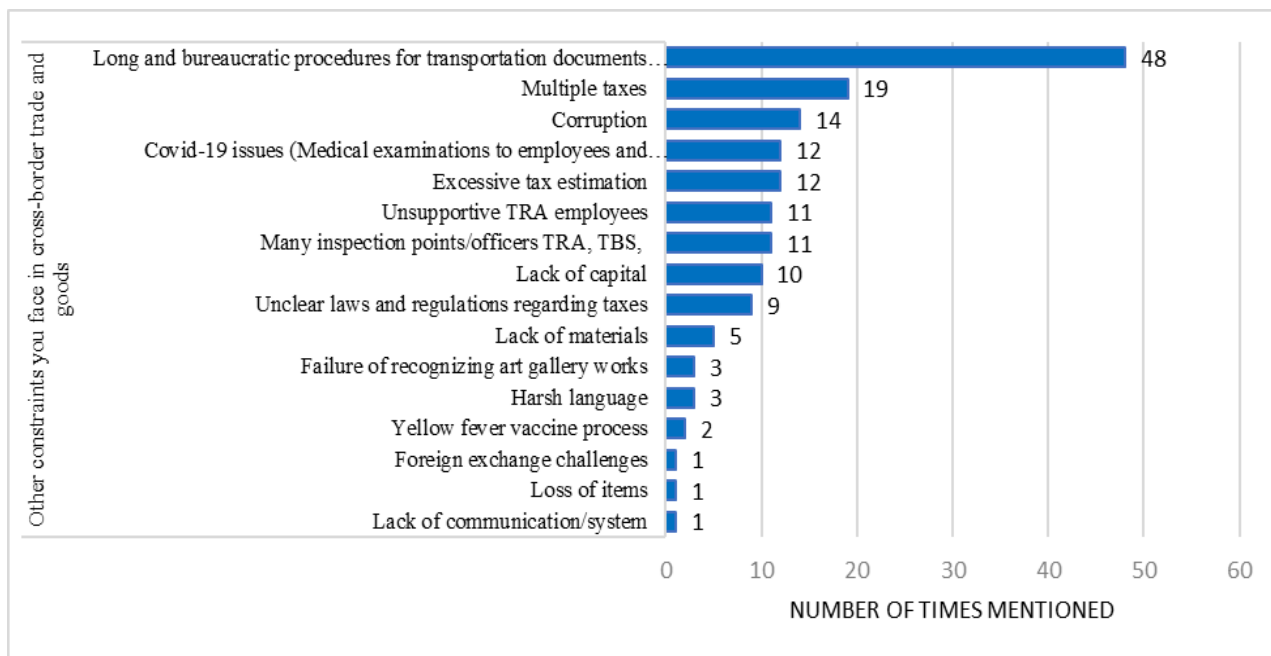
Figure XVIII: Challenges Facing Cross Border Trade



However, variations of challenges shown in Figure XVIII triggered another analysis of the challenges raised by respondents through an open-ended question. Accordingly, the results presented in Figure XIX indicate that the most critical challenges were long and bureaucratic procedures for transportation, multiple taxes, corruption, Covid-19, multiple inspections, lack of capital and unclear taxes. Looking at the challenges identified, it can be noted that the biggest

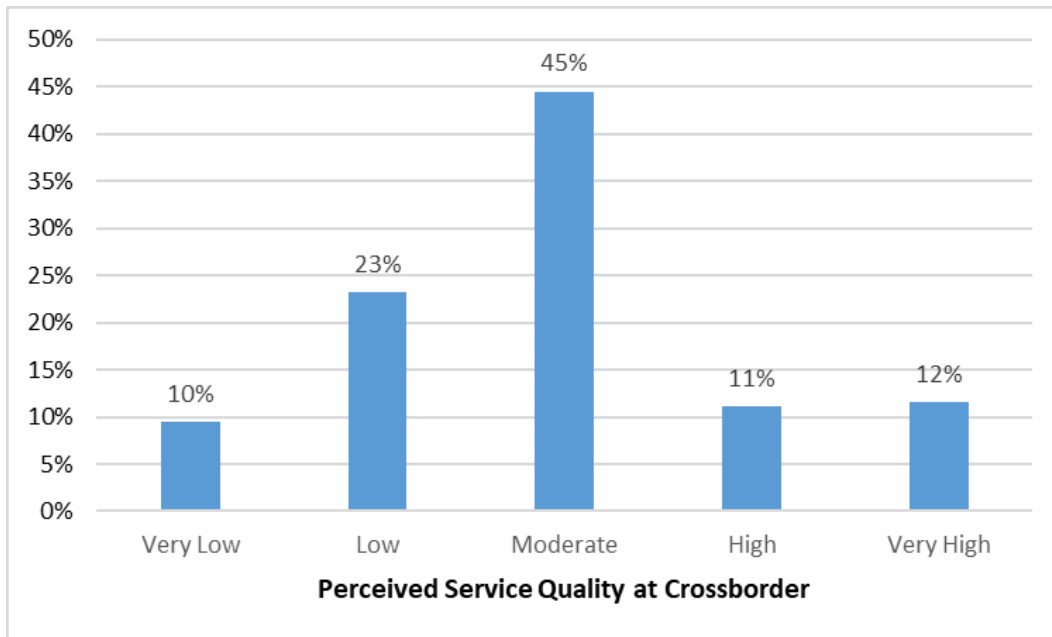
challenges relate to regulatory procedures and costs, logistics and finance. When respondents asked about agencies governing them they report that at least 11 agencies were directly involved namely Tanzania Revenue Authority (TRA), Tanzania Port Authority (TPA), Tanzania Medicine and Medical Device Authority (TMDA), Tanzania Bureau of Standards (TBS), immigration Services Department, Tanzania Atomic Energy Commission Agency (TAEC), Business Registration and Licensing Authority (BRELA), TANROADs, Ministry of Health and Social Welfare, Police Force, and local government authorities.

Figure XIX: Cross borders Challenges facing SMEs



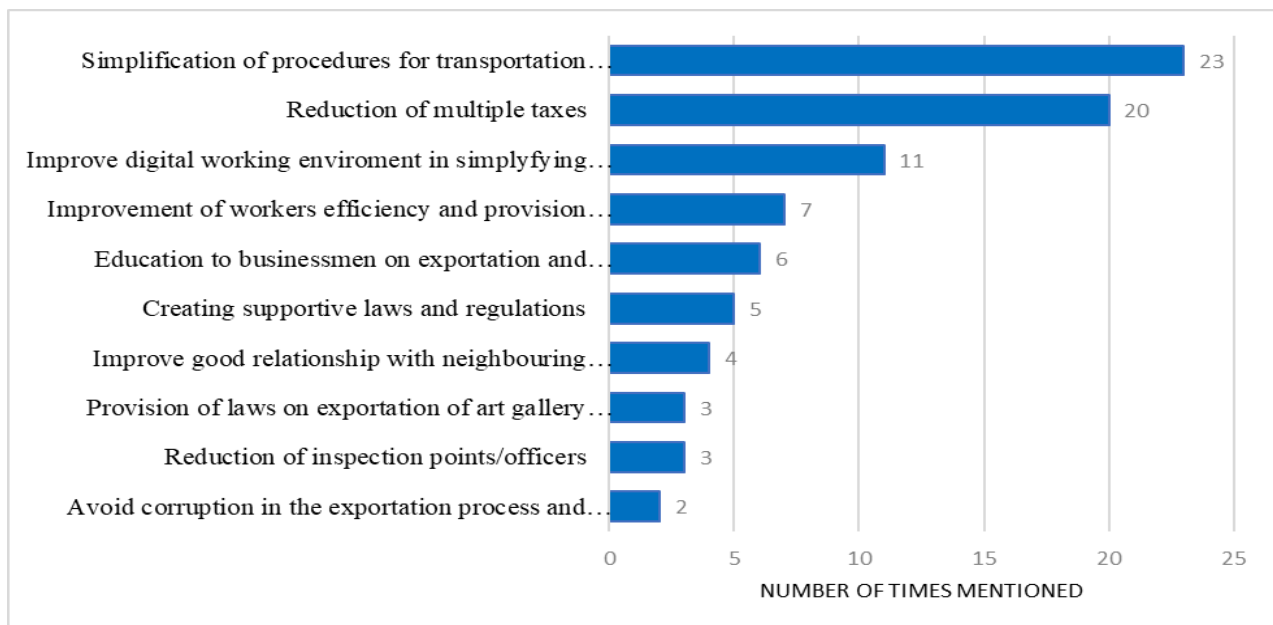
In terms of the quality of services offered by regulatory agencies, the findings show that 33% of SMEs were generally unsatisfied while 23% of SMEs were satisfied (Figure XX). Specifically, SMEs acknowledged that an unfriendly treatment, lack of knowledge on cross-border procedures among cross-border officials, and incompetence in customer service contributed to less satisfaction with their services. The procedures for filling the forms were also reported to be a serious challenge of cross-border trade. This calls for the improved customer service among government officials operating in cross-border areas.

Figure XX: Perceived Service Quality at Cross border



For the purpose of establishing the views of SMEs on what should be improved with regard to cross-border trade, respondents were asked to suggest specific areas of improvement. Findings indicate that the leading areas were reduction of multiple taxes, digitalization of the processes, efficiency in service provision and educating business people on cross-border trade procedures (Figure XXI). Other areas are shown in Figure XXI.

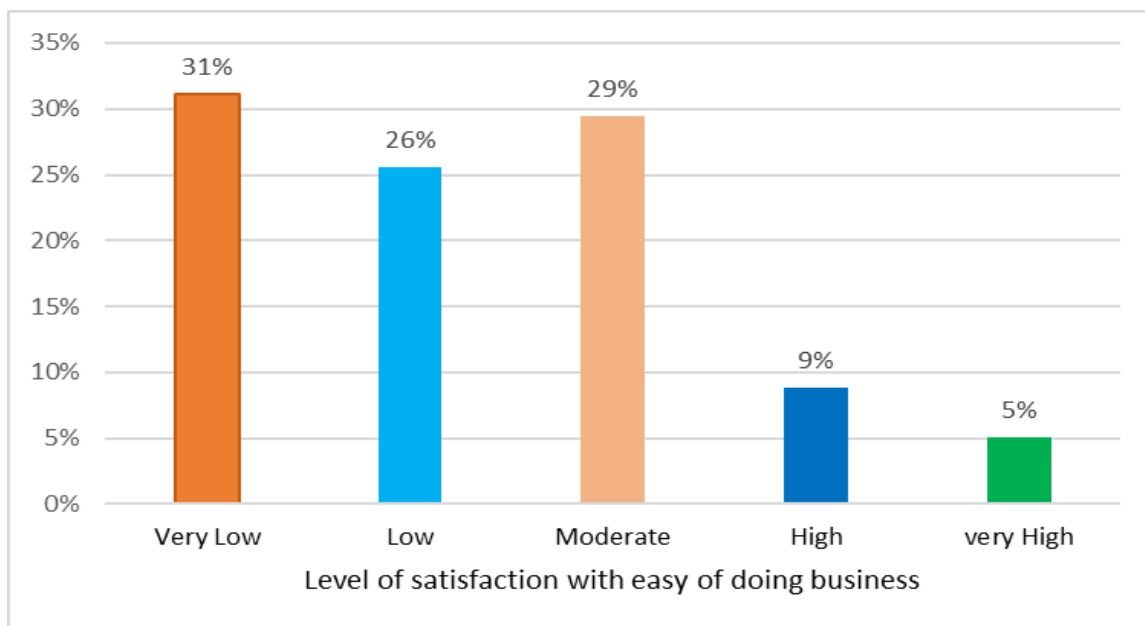
Figure XXI: Suggested improvement on cross-border trade



4.7. Enabling business environment for growth and competitiveness of domestic industry

Although during the five years of implementation of the FYDP II, several efforts were done by the government to improve the business environment and investment climate, the ranking of Tanzania by the World Bank did not improve as the country ranged from number 131-144 (World Bank 2020). In this study, we examined the perception of SMEs of the improvement in the easy of doing business during the same period. Results indicate that the overall business conditions for SMEs to do business were tough. As shown in Figure XXII, more than 50% of the SMEs experienced challenges when doing business such as lack of tax incentives to industrial sector, lack of startup capital, high fees and charges, corruption, lack of transparency and inefficiencies in the tax laws. However, about 14% of respondents felt that it was relatively easier to do business during the same period.

Figure XXII: Easy of Doing Business for SMEs



In addition, the assessment of the SMEs' perception of the instability of macroeconomic factors indicates that almost 64% of SMEs were highly affected. Some of the factors identified were instability of the Tanzanian currency, unstable prices of imported goods and services, and importation of counterfeit products.

Figure XXIII: Effect of Instability of Macroeconomic Factors

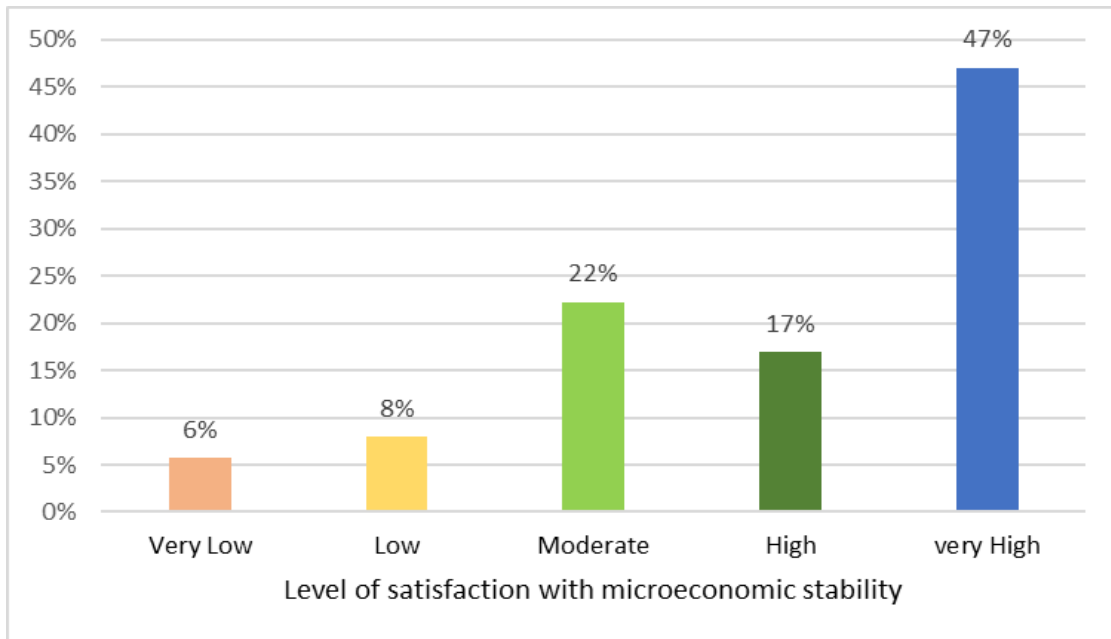
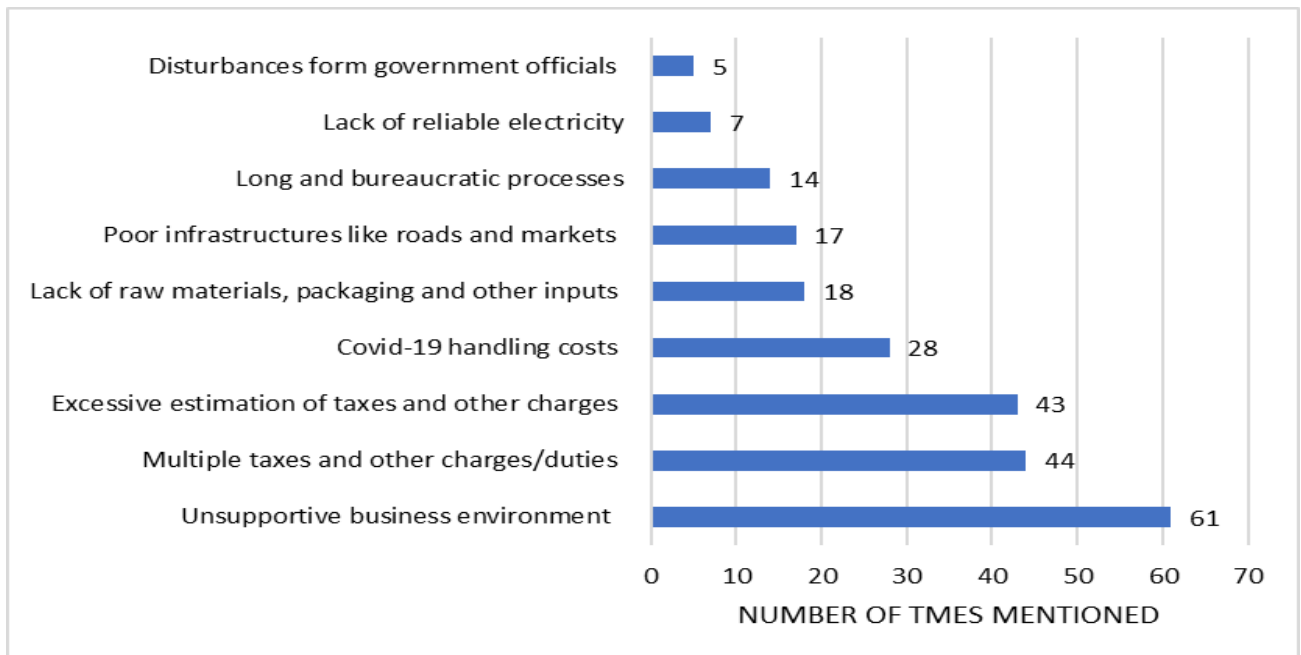


Figure XXIV shows the extent to which SMEs experienced challenges in doing business during the implementation of the FYDP II. As with cross-border trade, the most challenges were related to the tough business environment and the impact of Covid-19.

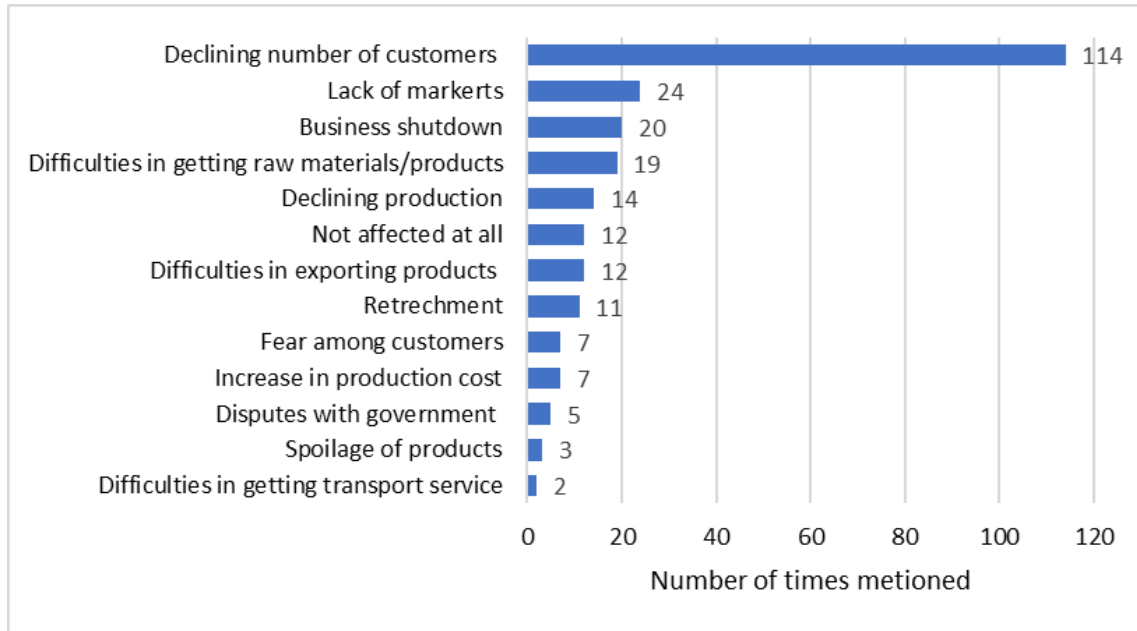
Figure XXIV: Other challenges facing SMEs in the cause of doing business



With respect to Covid-19, qualitative interviews revealed that SMEs were largely affected in trading with regional and global partners from January 2020 to the time the interviews were conducted. The main challenges which faced the enterprises involved in cross-border trade and

tourism emanated from cross-border and global travel restrictions. Following closure of hotels and decline in global trade and restrictive export processes and movement of people, some value chains including, rice, fishing and tourism were more affected.

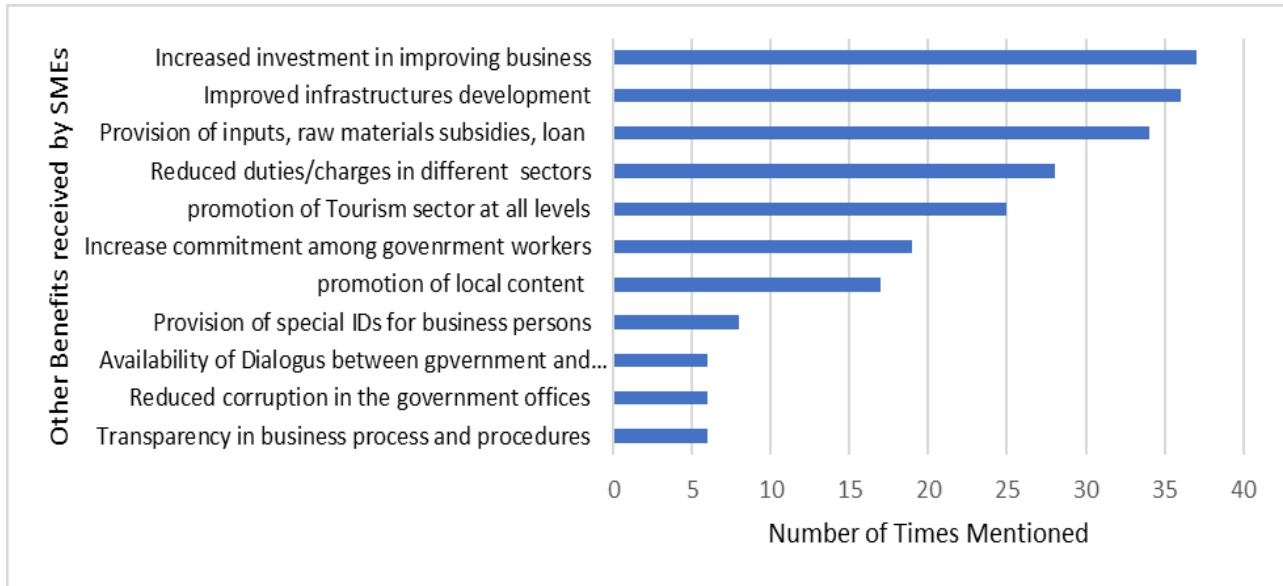
Fig XXV: Business challenges caused by COVID 19



4.8 Perception of the Overall Benefits of the FYDP II

Despite the challenges of SMEs in participating in the implementation of the FYDP II, they were asked to indicate their overall rating of the benefits the country might have got from the implementation of the plan. Figure XXVI indicates the benefits ranked high by SMEs being: increased investments in improving business environment; improved infrastructure such as availability to electricity, roads, railways etc.; provision of inputs, raw materials, subsidies and loans. The benefits rated low include availability of dialogues between government and private sectors; reduced corruption from government offices and transparency in business process, procedures and charge/duties.

Figure XXVI: Other benefits received by SMEs from various government initiatives



4.9 Findings from Selected SMEs

One of the phases of this study focused on an in-depth analysis of selected SMEs from the value chains studied. The selected cases were identified to capture important information regarding: the SMEs’ participation in the FYDPII; the extent to which SMEs benefited from the government initiatives (i.e., industrialization initiative and other initiatives to strengthen specific sectors); the SMEs’ participation in the regional and global trade; participation of SMEs in regional integrations and global trade; and challenges of the SMEs when engaging in the cross-border trade. The cases studied from the cotton, fishing and fish products, sunflower, grape, horticulture and fruits, rice, and tourism value chains are presented as follows.

Case I: Sariaki Fish Processing Company

Sariaki is a local medium fish processing Company located in Mwanza. The owner began **the business** as a fisherman in 2000 and later he became a fish supplier to **the** various fish processing companies. After several years, he established a small fish firm **which was** freezing and selling tilapia to the various markets in Dar-es-Salaam, Arusha and Kilimanjaro. In December 2020, he established the fish processing factory with a capacity to process up to 15 tons per day. Yet, the company processes only 4 to 5 tons per day because of the lack of raw materials. Currently, it deals with various Nile perch products **being** gutted fish, headless, fillets, fish maws chest and fish chips. They obtain raw Nile perches from Musoma, Bukoba, Chato, Ukerewe and Sengerema. In 2015, they started exporting Nile perch/African snook fillets to Nairobi, Kenya and, in 2018, they expanded to Burundi. Unfortunately, the company stopped exportation in 2020 **due to** the COVID-19 pandemic where most of the countries closed their borders. Prior to COVID 19 pandemic, the company used to have 50 employees, most of whom were casual labourers. As a result of a slowdown in production due to COVID19, the number of employees declined to 7 permanent and 5 temporary staff.

With respect to the FYDP II, the owner was unaware of the plan, its interventions and potential benefits. Actually, the owner associates his success and growth with personal efforts rather than the government support. He reported that *the government played a negligible role to where I am today*". In spite of the government intervention to improve access to **finance**, the owner tried unsuccessfully to secure a loan from the Tanzania Investment Bank (TIB) and Tanzania Agricultural Development (TADB) to expand his business by constructing a factory. They eventually secured a loan from a commercial bank which was claimed to be expensive. **Of recent, they** have been trying to engage TADB to acquire their loan from the commercial bank in order to reduce the finance costs, yet, the efforts have not brought positive results. The challenges reported are as follows: competition from informal firms; limited access to credits; limited market information; **large number of licenses and permits** leading to duplication of regulatory requirements and increased cost; corruption; high costs of utilities; unfair tax assessment by TRA; unavailability of **fresh fish, rising cost of fuel; frequent and unplanned** visits by regulators; and theft of working equipment.

Regulatory charges and fees imposed on the company:

- Tshs. 300 per Kg to local authorities at the source of raw fish
- Tshs. 375,000 for Municipal Business License
- \$ 1000 for Fillet license
- Tshs. 50 per Kg as a municipal levy when transporting fish to markets in other regions
- Tshs. 1400 per Kg as volume levy when selling fish maws (newly introduced levy)
- 0.03% of revenue as service levy to municipal.
- About 0.03% of revenue as export levy
- OSHA charges around 900,000 TZS
- Fire charges per extinguisher
- 0.25% as loyalty for headless
- Export loyalty of Tshs. 500 per kg (0.2%)
- 4% of the total employees' emoluments as Skills Development Levy
- 0.6% WCF

Case II: Batik Enterprise

A micro-enterprise established in Mwanza in 2009 by a female entrepreneur through the support of the development fund and financial support from SIDO. The enterprise has 4 full-time workers and necessary sewing machines. It tried to go global but they failed due to limited

finance. Since 2018, the enterprise has received several capacity building supports from the government and development programmes. The challenges experienced are counterfeit materials, high cost of loans, high mobile money transaction costs and unfair treatment in processing local government loans. The tax authority (TRA) has been estimating their taxes without site visits and in most cases they over-estimate the taxes to be paid. In 2020, for instance, the firm was estimated to pay TZS 300, 0000/= but, after several back and forth, they eventually paid TZS. 100,000/=. The enterprise was severely affected by COVID19 due to decline in demand from tourists and limited local market. Consequently, the firm stopped producing batik in 2020 as the stock produced before was still available.

Case III: Sunflower Processor

Established in 2005 by a fresh graduate, Sunflower Processor supplies sunflower cooking oil to local markets in Dodoma. The company employs 15 permanent staff and 20 on a temporary basis. Perceived positive interventions by the government are: merging of some TBS and TMDA regulatory activities; training offered and professional support to develop products by SIDO; contract farming support; provision of inputs; access to market information from TIC as well financial assistance from the development funds. The company links with 500 farmers in 17 villages in Dodoma being the main source of raw materials. However, even though they have installed new machines, TBS has not visited them for certification despite several follow-ups. In addition, they have not been able to receive the NEMC certificate despite the fact that they have already paid for it. The company sales dropped by 35% partly being a result of COVID-19.

Case IV: Grapes Estate

Grapes Estate was established in 2005 in Dodoma to produce wine and supply it to the local and foreign markets. The company produces 1.5 million liters of wine per year. It has 25 employees serving Tanzanian and foreign markets (China, Burundi, Ghana, & Nigeria). The success of the company is attributed to the government incentives (relief of tax on importation of raw materials, restriction of imported wines, provision of foreign market information, wine festivals organized in Dodoma & an opportunity to supply wine to Air Tanzania), as well as streamlining of TBS and TMDA regulatory processes. While in 2005, the company had a linkage with only 85 out-growers, in 2022, it is linked with 2000 farmers who are their main source of raw materials. The company is largely affected by high operational costs triggered by high prices of chemicals and charges imposed by the regulatory agencies. The certification bureaucracy by the Ministry of Agriculture and Weights and Measures Authority (WMA) are also their crucial challenges. Actually, officers from those institutions demand transport allowances and per diems when they visit the company. It is also unfortunate that some officials are not aware of the technical aspects of the company's operations.

Case V: Milling Group Limited

A grain milling company established in Mbeya in 1995. The greatest market for their products is local (80%), exporting 20% to Kenya, Zambia, Rwanda, Burundi, Uganda, Malawi, South Africa and Belgium. The company procures 90% of its raw materials from 20,000 out-growers. It has its own demonstration farms which are used to build capacity of upcoming farmers. Recently, they received financial support from TADB at the rate of 9% to adopt a modern technology. The owner appreciates a good relationship with TRA, access to information through exhibitions and trade missions, infrastructure development by the government and capacity building by USAID.

Going global was facilitated by a link with the USA firm owned by the Tanzanian. An attempt to access the Kenyan market led to a loss of TZS 50 million due to dishonest of some traders in Kenya. The greatest challenges have been: access to large loans to finance exports; power rationing; fees demanded by WMA officers for conducting frequent inspections; multiple charges by the local government; mistreatment by regulatory agencies, high tax estimates by TRA; insufficient packaging materials, corruption, and negative attitude of some public officials. The company suffered huge losses resulting from COVID 19 largely because of the export restrictions imposed by some targeted countries.

Case VI: Vegetables and Fruits Company

The Vegetables and Fruits Company was registered in 2019 by three shareholders from the same family. The Managing Director who is the major shareholder is a graduate in Procurement, also with a Master Degree in Nutrition. While she has four years' experience in the horticulture business, she was previously involved in nutritional business (as a coach/mentor) for eleven years. Realizing the demand for quality vegetables and fruits she humbly began selling nutritional fruits and vegetables with a single acre of tomatoes, and gradually began to work without-growers following an increase in demand. Their total capacity per week is about 49 tons (12 tons from her own farms and the rest from out growers). The major markets for their products are mainly Mbeya and Dar es Salaam accounting for about 14% of the market share. The company has a total of 12 employees whereas five (5) are permanent and the rest are on temporary bases. The success of the company is partly accounted for by linkages with various stakeholders (e.g. out-growers, fertilizer and pesticide suppliers, agronomists and other technical experts) and technical support from the government and USAID. While they started with 10 out-growers, the number has reached 250 most of them being youth with less than 35 years. NMB Bank supports their out-growers through micro-credit facilities. The key challenges facing the business include limited capital for the out-growers, lack of irrigation schemes that could ensure availability of water throughout the season and decline in business during COVID 19. Changes in the fuel prices have also been a serious challenge to the business.

Case VII: Maggie's Tour Company

Meggie's Tour Company is a tour operating company **located in Arusha, with 12 full-time** employees. The company was established in 2018 by **a** woman who is the Managing Director. The owner started working in the tourism industry as a local safari guide in 2008 being one of the very first female guides in Tanzania. Her firm is **actually** one of the famous female-owned businesses in the industry offering both wildlife and cultural tourism services. **It** has a network of more than 100 women tour guides. It offers training to its tour guides on customer care, first **aid and hospitality issues. In terms of the** market access, the company engages in various collaborations with other tourism stakeholders, exhibition, festivals, online marketing, and **it** has highly invested in good practices **that** produce high recommendation rates. Other key success factors include owners' strong passion of her business, enthusiasm to business and hard working.

Despite minimal participation in national plans and limited awareness of the FYDP II, the **owner**

reported that government efforts to improve transport infrastructure, airports (e.g., Terminal III in Dar Es Salaam) and online payment systems have **increased efficiency and tourist flows**. **Still, the main challenges facing the company are:** insufficient institutions that offer certificates/diploma courses on tour guiding; high and unaffordable training costs and inadequate marketing of the tourism destinations¹⁴. For instance, a short course on tour guiding offered at Mweka costs TZS 800,000 **excluding meals and accommodation**. **In addition, there are challenges relating to** multiple and replicative taxes which vary with specific tourism value chains. Other challenges are related to inadequate road infrastructure during rainy season; inadequate communication networks in the park's areas; disfunctioning payment's portal such as in Loduare Gate, Naabi Gate and the MNRT Portal **especially** during high seasons **leading to network failure** to issue permits on time. During COVID 19 most businesses closed down and did major retrenchment to their employees depicting the industry volatility and vulnerability to pandemics.

5. Synthesis, Implications and Policy Recommendations

5.1 Synthesis of the Findings

The findings generated from the literature reviewed and field works reveal several issues that have policy implications. Overall, the following observations are made from the documents reviewed:

- i) Tanzania has had three major FYDPs geared toward attaining its long-term perspective and development vision. The FYDP I focused on unleashing growth potentials by de-bottlenecking binding constraints to growth, the FYDP II focused on nurturing industrialization and the FYDP III focuses on realizing competitiveness and industrialization for human development. Although all of them do not contain a section that targets SMEs per se, they have several provisions targeting the private sector.
- ii) Owing to significance of SMEs, the country has a policy framework that stipulates the interventions which have implications on SMEs growth and sustainability including TDV, 2025, SME Development Policy of 2003, the National Trade Policy (2003), SIDP) (1996-2020), IIDS (2025), NAP (2013) and the Blueprint for Regulatory Reforms (2018).
- iii) SMEs in Tanzania face a number of challenges the major ones being: limited access to resources (finance, skilled labour, information and technology), inadequate infrastructure, insufficient working premises, cumbersome and bureaucratic regulatory procedures, and limited access to markets. The trade related challenges are clustered into firm level, business environment and destination market challenges.

¹⁴ Yet, marketing of Tanzania as a destination through the National Team (Simba) with a slogan "*Visit Tanzania*" was one of the effective marketing with great impact, hence football related avenue is a proposed for the marketing approaches.

- iv) The international trade data (Figure I) exhibit the ten leading products with export potential in Tanzania which include the value chains considered in this study (fisheries, cotton, sunflower fruits, grapes, rice and tourism). The value chains are also prioritized by the government as they are the source of raw materials, food, employment and foreign currency.
- v) The FYDP II stipulated four agenda and related interventions that had potential benefits to SMEs being: fostering economic growth and industrialization; fostering human development and social transformation, improving the environment for business and enterprise development; and promoting investment and trade.

Findings from the field study revealed the following:

- i) The SMEs studied were largely owned and run by the same person (owner-manager) of which men owned almost two-thirds of all firms. Women were under-represented at all levels (owner-managers, managers, supervisors and others) partly because most of the value chains studied (e.g., tourism, fishing and cotton) have been traditionally dominated by men. Where women are found in the SME sector, they run micro enterprises falling under the informal sector and they are under-represented in the higher and profitable value chain nodes.
- ii) Women face greater constraints than their male counterparts in accessing essential and productive resources, such as land, finance, and market information. Unfortunately, the interventions proposed in the FYDP II did not articulate tenacious measures that could ensure the inclusiveness of women in economic opportunities which were expected to emerge from the proposed interventions to implement the plan.
- iii) While most SME owners had primary or secondary school education, with only a small percentage having degree level education, most supervisors possessed higher education levels of which the majority had certificates and degrees. This is an indication that in the face of limited employment in larger firms, SMEs can employ educated managers who can modernize and grow the sector.
- iv) Over one-third of enterprises were owned by youth, showing the potential of SMEs in addressing youth unemployment. This requires the government to speed-up designated interventions to empower youth economically. Unfortunately, the implementation of the FYDP II entailed empowerment of very few youths (less than 1% of the envisaged number) through training and provision of soft loans.
- v) With respect to the SMEs participation in fostering economic growth and industrialization initiatives stipulated in the FYDP II the findings indicate that:
 - a. Most SMEs (58%) received very limited benefits from SEZs, local content, industry clusters, R&D and investment in industries, while 26% experienced moderate benefits.
 - b. Majority of SMEs did not participate in the designated initiatives to foster economic growth and industrialization partly because they were unaware of those opportunities and some of them had limited resources and skills to effectively take advantage of the opportunities which emerged from the implemented activities.
 - c. Respondents demonstrated very limited understanding of how industrial parks and special economic zone's function, and how SMEs could be integrated into them.

In some areas, SMEs were not even aware of the existing opportunities of the industrial parks and other initiatives made by the government to support their activities. This could be due to the fact the concept of industrial parks and how they function is new, and when they were introduced, the government did not create awareness of the opportunities available for SMEs to utilize them.

- d. The government prioritized large investments in strategic projects, attracting foreign investors and direct involvement in manufacturing through the social security funds. However, SMEs were not supported sufficiently partly because of: lack of awareness on the opportunities available for them; lack of adequate financial support; and inadequate documentation and procedures for both imports and exports.
 - e. During the implementation of the FYDP II, the emphasis of local content was on oil and gas, and mining, the sectors in which SMEs are under-represented.
 - f. Opportunities created through the local content policy were still accessed by large firms some of which were owned jointly with foreign investors leading to repatriation of profits.
 - g. Besides SMEs being unaware of the local content opportunities, those which were aware had a limited capacity to meet the requirements for procurements created by large firms.
- vi) Regarding SMEs participation in initiatives to strengthen specific sectors (agriculture & fisheries and services (tourism), the findings reveal that:
- a. Only 31% of SMEs experienced high/very high benefits, while the majority reported very low to moderate benefits (69%). However, minor variations were observed as SMEs benefited slightly more from the initiatives taken to promote quality goods that meet international and domestic demand/standards, promote agricultural produce markets, and improved infrastructure, technology and extension services. They gained fewer benefits from improved access to finance, inputs, extension services as well as research, training and development.
 - b. Most respondents expressed the persistent challenges of accessing agricultural inputs and services, infrastructure, technology, markets, and finance.
 - c. With respect to tourism, the majority of SMEs (78%) experienced moderate to very high benefits from the government initiatives. Such initiatives are the promotion of new tourism products, branding of the Tanzanian destination, improvement in infrastructure and improved training and skill development.
- vii) In terms of access to human development interventions, only 27% of the respondents had high/very high access to entrepreneurship training while nearly half (47%) of them had limited access to training opportunities, and the rest had a moderate access.
- viii) With respect to SMEs participation in the regional and global trade, the findings reveal that:
- a. While 40% of SMEs either import or export goods or services, at least 49% of tourism enterprises export in the regional and global markets. Given that on average close to 50% of goods and services form the export portion, with more improved export conditions, reduced procedures and prevailing bureaucratic operations, the country has great potential to expand the regional and global markets across these value chains.
 - b. Kenya, Uganda, Zambia Malawi and Rwanda form the largest regional markets for the SMEs while Europe, America and China constitute the largest markets in the global context. However, Kenya was a leading trade partner with nearly a half of SME

studied (44) other countries also with high export participation include Uganda (24), Zambia (19), Malawi (18), Rwanda (12). With the current trend, Tanzania holds a great potential of regional trade in its agricultural produce (rice, cotton, sunflower) and the fish products.

- c. SMEs had less participation in the global trade as compared to regional trade partly because of their inability to deal with the sophistications of the highly developed markets, with high quality demand, more procedures and stiff tax complacencies across various regulatory bodies and institutions.
 - d. The most crucial cross-border challenges rated by SMEs are: the cost burden of taxes, fees and levies; harassment of traders by government officials; unavailable/limited infrastructure facilities; inefficiencies in cross-border laws and regulations; lack of awareness and knowledge among cross-border traders on laws and regulations; and unavailable support services at cross-border areas. Other challenges are long and bureaucratic procedures for transportation, Covid-19, multiple inspections, lack of capital and unclear taxes. Overall, the biggest challenges relate to regulatory procedures and costs, logistics and finance.
 - e. At least 11 agencies were directly involved in regulating cross-border trade, resulting in difficulties in complying with facilitating agencies' requirements, unfriendly taxation practices, challenges in filling forms and providing required data, and in executing export and import procedures. Such factors account for an informal cross-border trade among SMEs'.
 - f. About one-third of SMEs were very unsatisfied with the services offered by regulatory agencies, 45% were somehow satisfied and 22.7% were satisfied. SMEs raised concerns about unfriendly treatment, lack of knowledge of cross-border procedures among cross border officials, and incompetence in customer service.
 - g. SMEs recommended reduction of multiple taxes, digitalization of the processes, efficiency in service provision and educating business people on cross-border trade procedures and other interventions (Figure XXI).
- ix) About creating an enabling business environment for growth and competitiveness of domestic industries, it was revealed that:
- a. Despite the efforts made, the ranking of Tanzania by the World Bank did not improve during the implementation of the FYDP I as the country ranged from number 131-144.
 - b. Over 50% of the SMEs experienced challenges when doing business such as challenges include lack of tax incentives to industrial sector, lack of startup capital, high fees and charges, corruption, lack of transparency and inefficiencies in the tax laws. Only 14% of respondents felt that it was easy doing business during the period.
 - c. 64% of SMEs were highly affected by the instability of macroeconomic factors, particularly instability of the Tanzanian currency, unstable prices of imported goods and services and importation of counterfeit products. The biggest challenges were related to a tough business environment and the impact of Covid-19 which led to a reduced number of customers, declining markets, of some businesses and unemployment (Figure XXV).
- x) With regard to general benefits of the FYDP II, it was shown that despite the challenges reported, SMEs felt that the government: increased investments in improving business environment; improved infrastructures such as availability to electricity, roads, railways etc.; and provided inputs, raw materials, subsidies, and loans. The benefits rated at low level

include availability of dialogues between government and private sectors; reduced corruption from government offices and transparency in business processes, procedures and charge/duties.

5.2 Reflections and Policy Implications

The study shows that the country development plans acknowledge the value of the private sector and articulate some measures to promote it, even though they lack specific interventions targeting SMEs. It is also apparent that the country has a policy framework that stipulates strategic interventions with implications on SMEs growth and sustainability. Regardless of this, SMEs still face persistent challenges at the firm, business environment, and market levels. While the FYDP II stipulated the agenda to foster economic growth and industrialization; human development and social transformation, and improve the business environment investment and trade, the majority of SMEs were not able to effectively benefit from this agenda.

The empirical analysis has demonstrated that SMEs are largely owned and run by owner-managers, most of them being men. Unfortunately, women are under-represented in the value chains studied and where they are found, they run micro-enterprises which are under-represented in the higher and profitable value chain nodes. Much as women face greater constraints than their male counterparts in accessing essential productive resources such as land, finance, and market information, deliberate measures are needed to empower women to participate in strategic value chains. Unfortunately, the FYDP II did not integrate such measures. While the SME sector is gradually attracting educated people and youth, creating the potential for its modernization and growth, the FYDP II entailed limited initiatives toward empowering the youth. To address this gap, future plans ought to have dedicated and specific interventions toward youth empowerment.

Even as the FYDP II envisioned fostering economic growth and industrialization, the measures taken did not avail the desired benefits to SMEs. Consequently, very few SMEs benefited from the SEZs, local content, industry clusters, R&D and investment in industries. Unfortunately, SMEs were unaware of the initiatives, as they did not effectively participate in the planning process. As a result, they had a limited understanding of how they could be integrated into those initiatives, let alone other constraints such as limited resources, skills and capabilities to take advantages of the opportunities created. More so, the government prioritized flagship projects, attracting large investors and creating business opportunities for public institutions. SMEs could not be integrated into those opportunities despite some efforts to promote local content. This suggests three interventions to ensure SMEs participate in the opportunities created by national plans being: effective involvement of SMEs in the process; creation of an awareness of the opportunities; and empowerment of SMEs in terms of resources and capabilities to integrate into the strategic projects.

In addition, the SMEs participation in initiatives taken to strengthen specific sectors varied across enterprises. While some SMEs gained some benefits from initiatives to promote quality

goods, agricultural produce markets, infrastructure, technology and extension services, they benefited less from improved access to finance, inputs, as well as research, training and development. Still, the challenge of agricultural inputs and services, infrastructure, technology, markets and finance are reported. However, most tourism enterprises experienced moderate to high benefits from the promotion of new tourism products, branding of Tanzania, improved infrastructure and training and skill development. Altogether, the impression of this finding is that SMEs need to be empowered to take advantage of the opportunities created by the national plans. Unfortunately, less than one-third of SMEs had access to training opportunities during the implementation of the FYDP II.

It is further shown that the SMEs in the value chains studied export/import goods and services in the regional and global markets, of which the export represents an average of 48% of the activities in this study. Nevertheless, this export is largely accounted for by the regional trade unlike the global trade. This calls for empowerment and facilitation of SMEs to take more advantage of the regional markets in the EAC and SADC countries. However, there are serious challenges facing SMEs involved in cross-border trade accounting for the largest portion of informal trade. The most crucial challenges are related to the regulatory frameworks and institutions, logistics, pandemic and firm-specific challenges. Efforts to promote cross-border trade should therefore focus on addressing those challenges. Among the areas requiring interventions are improving the services offered by regulatory agencies, streamlining multiple institutions and compliance costs, digitalization of the processes, and provision of education on cross-border trade procedures.

It is further demonstrated that the ranking of Tanzania by the World Bank was still unfavorable despite the implementation of the FYDP II. SMEs experienced impediments such as lack of tax incentives to the industrial sector, lack of startup capital, high fees and charges, corruption, lack of transparency and inefficiencies in the tax laws. Over two-third of SMEs were highly affected by the instability of macroeconomic factors and Covid-19 which led to a reduced number of customers, markets and unemployment, among others. On the contrary, SMEs felt that while the government took some measures to increase and improve the business environment, infrastructure, supply of inputs, raw materials, subsidies and loans, further interventions are needed to strengthen public-private dialogues, reduce corruption and enhance transparency in business processes, procedures and charge/duties.

5.3 Policy Recommendations

In view of the findings reported in this study, the following policy recommendations are made:

5.3.1 Integrate specific SME agenda in the national plans

Although the national plans envisage promoting the private sector, most interventions are quite general lacking a specific focus on SMEs. As a result, the government, development organizations, SMEs and other stakeholders lack a clear framework indicating how SMEs would

benefit from the planned interventions and activities. In order to address these gaps, it is proposed that the FYDP documents be translated into actionable interventions, and mapping is done to indicate the proposed agenda, specific interventions and activities with implications on SMEs and how SMEs can access those opportunities. Yet, as much as the FYDP II is over and the government is implementing the FYDP III, it is recommended that mapping of the SME opportunities and areas they can participate in be done and shared widely with SMEs through business associations and mass media. This kind of analysis can be done by the Ministry of Finance and Planning in collaboration with the Ministry of Trade, Industry, and Investment. Participation of Business Associations such as Tanzania Private Sector Foundation (TPSF), Tanzania Chamber of Commerce Industry and Agriculture, and Confederation of the Tanzania's Industry (CTI) could help in ensuring the SME agenda is fully incorporated and a popular version is produced indicating the interventions geared to empower SMEs. In the future, the government ought to review its development plans to ensure that the SME agenda is better articulated (see for example Table VIII).

5.3.2 Facilitate SMEs' participation in the planning process

Evidence shows that SMEs do not effectively take part in the planning process. Looking at how FYDP II & III were developed, the process entailed an evaluation of the implementation of the previous plans, literature review and consultation of the stakeholders. While the government claimed that the private sector was consulted, surveyed and interviewed respondents from selected SMEs reported that they were not consulted. In order to address this gap, participation of the private sector in the development of national plans is recommended. Once the draft plan is developed, it can be shared with SMEs through business associations for their inputs and for them to own the agenda that focuses on SMEs. SMEs can also be involved in the planning process through more participation in the budget cycle given that the budget is developed in line with the national FYDP.

5.3.3 Empower SMEs to participate in the implementation of the national plans

While the national plans have several opportunities for SMEs, these enterprises should be empowered by creating an awareness of those opportunities, capacity building and facilitation of SMEs to access the required resources to take advantage of activities implemented. Specific interventions such as an allocation of specific proportions of government tenders to SMEs, creation of specific SEZs and industrial parks for SMEs and intensification of the local content policy to cover the locally owned SMEs can help to empower them. More so, specific programmes aimed at facilitating women and youth to participate in national plans are required. These include intensification of women and youth loans, building the capacity of women and youth enterprises to access government procurements and creating a slot of women's access to procurements from flagship projects. Specific post-Covid-19 measures are needed to strengthen SMEs in national plans, including tax reliefs to SMEs that were hit by Covid-19 (e.g. in tourism)

and set-up of the special fund for SMEs Covid-19 relief. In the future, the disaster management budget could extend to cover such kind of pandemics or catastrophes.

5.3.4 Address cross-border challenges and trade facilitation for SMEs

The findings show that the stringent regulatory requirements associated with cross border trade contribute to informal trade. Likewise other studies indicate that the informal trade forms a substantial part of the informal sector constituting almost 60% of the regional trade, of which, about 76% of informal cross-border trade is accounted for by women¹⁵. The main challenges of cross-border trade identified are complexity, high cost, inconsistent application of these regulations, procedures, taxes, and fees; low levels of awareness by traders and staff of regulating and facilitating agencies. Difficulties in complying with facilitating agencies' requirements, process of issuing certificates of origin, unfriendly taxation practices, challenges in filling forms and providing required data, and in executing export and import procedures add more complexity to cross-border trade. Lack of harmonization of data required, forms and procedures used by different facilitating agencies and poor coordination of agencies leads to duplication of cross boarder processes, increased costs and time required for compliance.

Much as the SMEs in the value chain studied have demonstrated a great potential to participate in cross-border trade especially in the regional market, deliberate actions are required to address the challenges identified in this study. Specifically, the following policy measures are recommended:

- i) Raise awareness and educate cross-border traders on: laws, policies and procedures; compliance process; issuing certificates of origin; taxation; acquiring required data and effectively filling-in different forms and necessary documents; providing required data; and in executing export and import procedures. This can be done by business associations such as TCCIA in collaboration with the regulatory agencies responsible for governing cross-border trade.
- ii) Build the capacity of officials of facilitating agencies with adequate knowledge and skills in aspects of cross-border laws, policies and procedures; market protocols; and taxation and business practices. This will enable them to provide an effective support to SMEs participating in cross-border trade.
- iii) Facilitating agencies link their data systems into an integrated database, such as a single-window system, where information furnished to one agency can be accessed and integrated into other agencies. While this has started, responsible institutions need to fast-track digitalization of the processes and create awareness of the developments to be done.

¹⁵ AGRA (2020)

- iv) Introduce trade facilitation mechanisms for SMEs at all borders including but not limited to the establishment of One-Stop Business Posts (OSBPs), activation of the Joint Border Committees (JBCs), establishment of Trade Information Desks (TIDs), Trade Information Portals (TIPs), facilitation of electronic submission and processing of information, electronic single windows, electronic payment systems, as well as conflict tracking and dispute settlement mechanism and a non-tariff barrier reporting system.

5.3.5 Address the regulatory challenges experience in the SMEs business environment

Tanzania is still ranked unfavorably in ease of doing business because of several challenges experienced in the business environment. Most impediments identified in this study are related to regulatory and compliance challenges in terms of the duplication of process, bureaucracy, and costs. This has been a long overdue concern of the SMEs and to address it, the following actions can be taken:

- i) Fast-track the measures recommended by the Blueprint for improving business environment, which was intended to be achieved in three years.
- ii) To expedite the implementation of the Blueprint, an evaluation of the progress made in implementing it needs to be done to identify the remaining interventions and develop a revised strategy that will be aligned with the FYDP III. This is important given that the Blueprint was prepared in line with the FYDP II which has already ended.
- iii) Facilitate and sustain dialogues at sectoral and local level to ensure that SMEs regulatory challenges are identified and dealt with in appropriate channels.

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Appendices

APPENDIX 1: INTERVIEW GUIDE (ENGLISH VERSION)

PART ONE: BASIC INFORMATIONS

SECTION A: INTERVIEWEE PROFILE

- 1.1 Your gender []
- a. Male
b. Female
- 1.2 Which group best describes your age in years? []
- a. 18 – 35
b. 36– 59
c. 60 and above
- 1.3 What is your highest education level? []
- a. Primary education
b. Secondary education
c. College (certificate/Diploma)
d. Degree
e. Others_____
- 1.4 What is your position in this company?
- a. Owner manager
b. Manager
c. Supervisor
d. Others:_____

SECTION B: ENTERPRISE PROFILE

- 2.1 What is the name of your enterprise:_____
- _____
- _____
- 2.2 How long has your company/enterprise been in operations
- Years: _____
- 2.3 How many employees does your company have (both temporary and permanent):_____
- _____
- 2.4 What is the nature of ownership of your business? []
- a) Sole ownership
b) Partnership
c) Limited company
c) others: _____
- 2.5 What kind of products does your company produce:
- _____
- _____
- _____
- _____
- 2.6 In what state do you sell your products?
- a) In raw form
b) Semi-processed
c) Final products
d) Others (state)_____
- e) Not applicable
- 2.7 Do you have any collaboration with other firms []?
- a) Yes
b) No
- 2.8 If your answer is “YES” in question 2.7, please explain the nature of your collaboration:
- _____
- _____
- _____

SECTION C: INTERNATIONAL TRADE INFORMATION

- 3.1 Which of the following best describes your involvement in international trade
- a) Importation
 - c) Exportation
 - e) Both
- 3.2 Which of the following accounts for the largest portion of your international trade
- b) Importation
 - d) Exportation
- 3.3 How long have you been engaging in international trade?
Years: _____
- 3.4 In which countries do you sell your products/service to? _____

- 3.5 Of the countries you have mentioned, which one account for the largest portion of your business: _____

- 3.6 Does your company have any collaboration with a foreign company/buyer?
[]
a) Yes
b) No

PART TWO: MEASURING SMEs PARTICIPATION LEVELS IN THE IMPLEMENTATION OF FIVE YEAR DEVELOPMENT PLAN (FYDPII)

The Instrument employed in this study consists of the five Likert-Scale (Very low, low, moderate, High, very high) to establish the level of participation of the SMEs in the implementation of the FYDP II. Depending on how you feel the firm participated or its operations were affected; please rate the statements based on Likert scale of 1-5 scores depending on the extent to which each question is similar to your organization. Indicate by ticking once (√) as appropriate with regard to its significance as; 1= Very low; 2=Low; 3=Moderate; 4=High; and 5=Very high.

I. FOSTERING ECONOMIC GROWTH AND INDUSTRIALIZATION

Rate the extent to which you have benefited from government efforts to create enabling environment to support manufacturing		Very low	Low	Moderate	High	Very high	Not Applicable
a	Establishment of Special Economic Zones and Export Processing Zones	1	2	3	4	5	
b	Access to SEZs/EPZs	1	2	3	4	5	
c	Establishment of industrial parks	1	2	3	4	5	
d	Access to industrial parks	1	2	3	4	5	
e	Support for industrial research and development	1	2	3	4	5	
f	Promotion of local content promotion/initiative	1	2	3	4	5	
g	Investment in developing productive capacity of manufacturers	1	2	3	4	5	
Other							
Rate the extent to which you have benefited from the following government initiatives in strengthening the contribution of agriculture and Fisheries to the economy		Very low	Low	Moderate	High	Very high	Not Applicable

a	Increased availability of extension services	1	2	3	4	5	
b	Increased use of modern extensions service	1	2	3	4	5	
c	Increased use of modern production technology	1	2	3	4	5	
d	Promotion of quality goods that meet domestic standards	1	2	3	4	5	
e	Promotion of quality goods that meet international standards	1	2	3	4	5	
f	Provision of inputs (pembejeo) to improve productivity	1	2	3	4	5	
g	Provision of subsidies to facilitate production	1	2	3	4	5	
h	Improved access to in research, training and development services	1	2	3	4	5	
i	Improved infrastructure (e.g., transportation, production, marketing and infrastructures)	1	2	3	4	5	
j	Government promotion of agricultural produce markets	1	2	3	4	5	
k	Improved access to finance	1	2	3	4	5	
Other							
Promoting tourism		Very low	Low	Moderate	High	Very high	Not Applicable
a.	Promotion of Tanzania as a unique tourist destination	1	2	3	4	5	
b.	Promotion on new tourism products (e.g., heritage tourism)	1	2	3	4	5	
c.	Improvement of infrastructure (e.g., roads, airports, sea ports)	1	2	3	4	5	
d.	Improved training and skills development	1	2	3	4	5	
Other							

II. FOSTERING HUMAN DEVELOPMENT AND SOCIAL TRANSFORMATION

Training at different levels of skill requirement such as formal and entrepreneurial		Very low	Low	Moderate	High	Very high	Not Applicable
a.	Promotion of entrepreneurial skills by different government institutions	1	2	3	4	5	
b.	Promotion of technical skills on manufacturing products by SIDO	1	2	3	4	5	
c.	Training of marketing skills	1	2	3	4	5	
d.	Promotion of selling skills	1	2	3	4	5	
e.	Promotion of financial management skills	1	2	3	4	5	
f.	Promotion of business management skills	1	2	3	4	5	
g.	Promotion of business start-ups skills	1	2	3	4	5	
h.	Incubation services to business owners by government institutions	1	2	3	4	5	
Other							

III. IMPROVING THE ENVIRONMENT FOR BUSINESS AND ENTERPRISE DEVELOPMENT

Easy of doing business		Very low	Low	Moderate	High	Very high	Not Applicable
a.	Simplifying tax payments	1	2	3	4	5	
b.	Easing registration and license requirements promoted both domestic and foreign investors	1	2	3	4	5	
c.	Streamlining (reducing multiplicity) charges and fees	1	2	3	4	5	
d.	Reducing costs of compliance	1	2	3	4	5	
e.	Ensuring availability of start-ups capital	1	2	3	4	5	
f.	Tax incentives to industrial sector	1	2	3	4	5	
g.	Improved efficiency and transparency in tax laws and regulations	1	2	3	4	5	
h.	Improved quality and timely delivery of public services	1	2	3	4	5	
i.	Improved efforts in eradicating corruption	1	2	3	4	5	
j.	Decentralization of government services supporting businesses	1	2	3	4	5	
Other							
Macroeconomic stability		Very low	Low	Moderate	High	Very high	Not Applicable
a.	The persistent increase in prices of raw materials affects the level of output/ production	1	2	3	4	5	
b.	The increase in oil prices affects production level	1	2	3	4	5	
c.	The lack of stable local currency (TZS) against foreign currencies affects exportation	1	2	3	4	5	
d.	The availability of the imported sub-standard goods affects the performance of your business in the domestic market	1	2	3	4	5	
Other							
Provision of adequate infrastructure and services		Very low	Low	Moderate	High	Very high	Not Applicable
a.	Improved and availability and reliability of electricity	1	2	3	4	5	
b.	Construction and rehabilitation infrastructure (including railways, roads, bridges, ports)	1	2	3	4	5	
c.	Equipping SEZ, EPZs industrial parks and logistical/centers with the requisite infrastructure and other pertinent logistical services to facilitate establishment of viable production units for goods and services	1	2	3	4	5	
d.	Availability of government funds for business start-ups and entrepreneurs	1	2	3	4	5	
Other							

IV. CROSS-BORDER TRADE AND IMPLEMENTATION OF THE FYDPII

Quality of Service and support offered by facilitating cross-border officials in the following aspects:		Very low	Low	Moderate	High	Very high	Not Applicable
a	Filling of forms	1	2	3	4	5	
b	Provision of information	1	2	3	4	5	
c	Listening and friendly treatment	1	2	3	4	5	
d	Knowledge of cross-border procedures	1	2	3	4	5	
e	Commitment in serving customers	1	2	3	4	5	
Other							
Cross-border Trade Challenges		Very insignificant	Insignificant	Indifferent	Significant	Very Significant	Not Applicable
a	Availability supporting facilities	1	2	3	4	5	
b	Corruption situation in cross-border business	1	2	3	4	5	
c	Level of compliance to cross-border laws and regulations	1	2	3	4	5	
d	Awareness and Knowledge of cross-border traders	1	2	3	4	5	
e	Inconsistence in policies (e.g., ban on exports)	1	2	3	4	5	
f	Harassment of traders by government officials	1	2	3	4	5	
g	Cost burden of taxes, fees, and levies	1	2	3	4	5	
h	Number of inspections, procedures, data requirements, and physical forms to be filled	1	2	3	4	5	

V. OTHER BENEFITS

a. Please, identify other ways that your business has benefited from various government initiatives in the last five years (2016-2020):

b. Please, identify other challenges that your business has faced from various government initiatives in the last five years (2016-2020):

VI. BUSINESS ENVIRONMENT CHALLENGES

a. Please, Describe any gender-based opportunities available in your business:

b. Please, identify any gender-based challenges you faced in your business:

VII. BUSINESS ENVIRONMENT CHALLENGES

1. Multiplicity/overlapping of regulatory roles and control

- ❖ How many taxes and levies do you pay to various government institutions and agents:

- ❖ How many government institutions are involving in issuing license /permit /certificate required to operate in your business? _____
- ❖ How many license /permit /certificates do you need to operate in your business?

- ❖ How long does it take to get license/permit and other relevant documents required to operate in your business? _____
- ❖ How many different fees do you normally pay in order to get license/ permit/ certificate for your product? _____. Please mention them _____

- ❖ How many times is your business normally visited by the government officials/inspectors
Per week _____
Per month: _____
Per year: _____

2. License/Permit/Certificate renew

- ❖ What is the validity duration of your business license? _____
- ❖ How long does it normally take you to renew the business license other relevant documents?

❖ How many supporting documents do you need when you want to renew your business license?

❖ How many institutions are normally involved in the renewal process of your license /permit /certificates? _____

3. How has your business been affected by the COVID19?

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

VIII. OTHER ISSUES IN CROSS-BORDER TRADE AND IMPLEMENTATION OF THE FYDPII

1.1 Can you please describe any other constraints you face in cross-border trade?

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

1.2 In your opinion what should be done to improve cross border trade:

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

******END******

APPENDIX 2: MWONGOZO WA USAILI

SEHEMU YA 1: TAARIFA ZA MSINGI

KIFUNGU A: TAARIFA ZA MSAILIWA

- 1.1 JINSIA []
a. ME
b. KE
- 1.2 Kundi gani linafafanua kwa usahihi zaidi umri wako? []
f. 18 – 35
g. 36 – 59
h. 60 na zaidi
- 1.3 Ni kipi kiwango chako cha Juu cha elimu?[]
Je, unakiwango gani cha elimu?
c. Elimu ya Msingi
d. Elimu ya sekondari
e. Cheti/Diploma
f. Shahada
g. Nyingineyo: _____

- 1.4 Ni ipi nafasi yako katika Biashara/Kampuni hii?
a. Meneja Mmiliki
b. Meneja
c. Msimamizi
d. Nyinginezo: _____

KIFUNGU B: TAARIFA ZA KAMPUNI

- 2.1 Kampuni/biashara yako inaitwaje?

- 2.2 Kampuni/biashara yako ilianzishwa lini?
Mwaka: _____
- 2.3 Kampuni/biashara yako ina wafanyakazi wangapi (wa kudumu na wa muda kwa ujumla)

- 2.4 Umiliki wa Biashara/Kampuni yako ni wa namna gani?
a) Ubia wa pekee
b) Ubia na Watanzania
c) Ubia na watu kutoka nje ya Tanzania
c) Kampuni ya ukomo (Limited Company)
d) Aina nyingine: _____

- 2.5 Aina gani ya bidhaa huzalishwa/huduma hutolewa kwenye biashara/kampuni yako?

- 2.6 Unauza bidhaa /unatoa huduma zako zikiwa katika hali gani?
c) Ghafi
d) Iliyochakatwa kiasi
e) Ikiwa tayari kwa matumizi
f) Nyingineyo (taja) _____

- 2.7 Je, una ushirikiano na wowote na biashara/kampuni nyingine []
a) Ndiyo
b) Hapana
- 2.8 Ikiwa jibu lako ni “NDIYO” katika swali 2.7, tafadhali eleza aina ya ushirikiano ulio nao: _____

KIFUNGU C: TAARIFA ZA BIASHARA ZA KIMATAIFA

- 3.1 Kundi gani kati ya yafuatayo linafafanua kwa ufasaha zaidi biashara yako/huduma zako []
- a) Uingizaji wa bidhaa ndani ya nchi
- b) Uuzaji wa bidhaa nje ya nchi
- c) Yote mawili
- 3.2 Kati ya makundi ya uliyotaja, ni lipi unajishughulisha nalo kwa kiasi kikubwa?
- a) Uingizaji wa bidhaa ndani ya nchi
- b) Uuzaji wa bidhaa nje ya nchi
- 3.3 Kwa wastani, kampuni/biashara yako imekuwa ikijishughulisha na biashara za kimataifa kwa muda gani?
- Miaka: _____
- 3.4 Ni katika nchi zipi (taja nchi zote) unakouza bidhaa/huduma zako? _____
- 3.5 Kati ya nchi unazouza bidhaa/huduma zako, ni nchi gani inachangia mapato ya kampuni/biashara yako kwa kiwango kikubwa? _____
- 3.6 Je, kampuni/biashara yako inashirikiana na kampuni/mfanyabiashara yeyote kutoka nje ya Tanzania nyingine []
- a) Ndiyo
- b) Hapana

SEHEMU YA II: KUTATHMINI VIWANGO VYA USHIRIKI WA BIASHARA/MAKAMPUNI MADOGO NA YA KATI KATIKA KUTEKELEZA MPANGO WA MAENDELEO WA MIAKA MITANO AWAMU YA YA PILI (MMMM II/FYDPII)

Nyenzo iliyotumika katika utafiti huu imejumuisha kipimo chenye hatua tano (1-5) (ndogo sana, ndogo, wastani, Juu, Juu sana) katika kutathmini kiwango cha ushiriki wa biashara/makampuni madogo na ya kati (SMEs) katika kutekeleza MMMM II/FYDP II. Tafadhali pima kauli zifuatazo kwa kurejelea hatua tano (1-5) kwa kutegemea na jinsi unavyoona biashara/kampuni ilivyoshiriki au jinsi utendakazi wake ulivyoathiriwa na kwa kutegemea na jinsi ambavyo unaona kila swali linahusiana na utendakazi wa kampuni yako. Onesha kwa kuweka (√) mara moja pembezoni mwa kauli hizo huku ukifahamu kuwa 1=ndogo sana;2=ndogo;3=Wastani;4=Juu; na 5=Juu sana.

I. KUONGEZA KASI YA KUKUZA UCHUMI NA UCHUMI WA VIWANDA

Ni kwa kiwango gani umenufaika kutokana na juhudi za serikali katika kutengeneza mazingira wezeshi kusaidia ukuzaji wa viwanda		Ndogo sana	Ndogo	Wastani	Juu	Juu sana	Hausihani
a	Kuanzishwa kwa Kanda maalum za kiuchumi (SEZs) na Kanda za Usindikaji wa Bidhaa za kusafirisha nje ya nchi (EPZs)	1	2	3	4	5	
b	Fursa ya kuzifikia SEZs/EPZs	1	2	3	4	5	
c	Kuanzishwa kwa Maeneo maalum ya viwanda	1	2	3	4	5	
d	Fursa ya kuyapata maeneo maalum ya viwanda	1	2	3	4	5	
e	Kusaidia tafiti zinazolenga kukuza viwanda na kuleta maendeleo	1	2	3	4	5	
f	Kuhamasisha uchumi wa ndani	1	2	3	4	5	
g	Kuwekeza katika kukuza uwezo wa uzalishaji katika makampuni	1	2	3	4	5	
Nyingin							

e		Ndoto sana	Ndoto	Wastani	Juu	Juu sana	Hausihani
Ni kwa kiwango gani umenufaika kutokana na juhudi zifuatazo za serikali katika kuimarisha mchango wa kilimo na uvuvi katika kukuza uchumi							
a	Kuongeza kiwango cha upatikanaji wa huduma za ugani	1	2	3	4	5	
b	Kuongeza kiwango cha matumizi ya huduma mpya za ugani	1	2	3	4	5	
c	Kuongeza kiwango cha matumizi ya teknolojia mpya ya uzalishaji	1	2	3	4	5	
d	Kuhamasisha bidhaa bora zinazokidhiwango vilivyowekwa ndani ya nchi	1	2	3	4	5	
e	Kuhamasisha bidhaa bora zinazokidhi viwango vya kimataifa	1	2	3	4	5	
f	Kutoa pembejeo ili kuongeza uzalishaji	1	2	3	4	5	
g	Kutoa ruzuku ili kuwezesha uzalishaji	1	2	3	4	5	
h	Kuimaridhwa kwa mfumo wa upatikanaji huduma za utafiti, mafunzo na maendeleo	1	2	3	4	5	
i	Kuimarisha miundo mbinu(kama vile usafishaji, uzalishaji, masoko na mawasiliano)	1	2	3	4	5	
j	Serikali kuhimiza kilimo chenye tija	1	2	3	4	5	
k	Kuimarishwa kwa mfumo wa kupata huduma za kifedha	1	2	3	4	5	
Nyingine							
Kuhamasisha Sekta ya Utalii		Ndoto sana	Ndoto	Wastani	Juu	Juu sana	Hausihani
a.	Kuitangaza Tanzania kama kitovu cha utalii	1	2	3	4	5	
b.	Kuvitangaza vivutio vipya vya utalii(kama vile utalii wa urithi)	1	2	3	4	5	
c.	Kuboresha miundombinu (Mfanobarabara viwanja vya ndege, na bandari)	1	2	3	4	5	
d.	Kuimarisha maendeleo ya mifumo ya utaoji mafunzo na stadi mbalimbali	1	2	3	4	5	
Nyingine							

II. KUHIMIZA MAENDELEO YA RASLIMALI WATU NA MABADILIKO YA KIJAMII

Mafunzo katika ngazi mbalimbali za uhitaji wa ujuzi kama vile elimu rasimi na ujasiriamali		Ndoto sana	Ndoto	Wastani	Juu	Juu sana	Hausihani
a.	Taasisi mbalimbali za serikali kuhamasisha stadi za ujasiriamali	1	2	3	4	5	
b.	SIDO kuhimiza stadi za ufundi katika uzalishaji wa bidhaa.	1	2	3	4	5	
c.	Mafunzo kuhusu stadi za utafutaji masoko	1	2	3	4	5	
d.	Kuhimiza stadi za uuzaji bidhaa	1	2	3	4	5	
e.	Kuhimiza stadi za usimamizi wa fedha	1	2	3	4	5	
f.	Kuhimiza stadi za usimamizi wa biashara	1	2	3	4	5	

g.	Kuhimiza stadi za uanzishaji wa biashara	1	2	3	4	5	
h.	Huduma za kiushauri kwa wafanyabiashara zinazotolewa na Taasisi za serikali	1	2	3	4	5	
Nyingine							

III. KUIMARISHA MAZINGIRA YA BIASHARA NA MAENDELEO YA MAKAMPUNI

Urahisi wa kufanya biashara		Ndogo sana	Ndogo	Wastani	Juu	Juu sana	Haiusihani
a.	Kurahisisha mfumo wa ulipaji kodi	1	2	3	4	5	
b.	Kurahisisha mfumo wa usajili na masharti ya kupata leseni kumeimarisha wawekezaji wa ndani na wa nje	1	2	3	4	5	
c.	Kupunguza utitiri wa gharama/kodi na tozo mbalimbali	1	2	3	4	5	
d.	Kupunguza gharama za kufuatilia vibali	1	2	3	4	5	
e.	Kuhakikisha upatikanaji wa mitaji ya kuanzisha biashara	1	2	3	4	5	
f.	Misamaha ya kodi katika sekta ya viwanda	1	2	3	4	5	
g.	Kuimarisha mifumo ya sheria na kanuni za kodi kwa ufanisi na kwa uwazi	1	2	3	4	5	
h.	Kuimarisha upatikanaji huduma bora na kwa wakati katika taasisi za uma.	1	2	3	4	5	
i.	kuimarisha juhudi za kupambana na rushwa	1	2	3	4	5	
j.	Ugatuaji wa huduma za serikali zinazosaidia kuimarisha ukuzaji wa biashara	1	2	3	4	5	
Nyingine							
Utulivu na Msimamo wa Kukuza Uchumi		Ndogo sana	Ndogo	Wastani	Juu	Juu sana	Haiusihani
a.	Kuongezeka kwa gharama za malighafi kwa muda mrefu kunaathiri kiwango cha tija/uzalishaji.	1	2	3	4	5	
b.	Kuongezeka kwa bei ya mafuta kunaathiri kiwango cha uzalishaji.	1	2	3	4	5	
c.	Kushuka kwa thamani ya Sarafu ya Tanzania kunakotokea mara kwa mara na kupanda kwa thamani ya sarafu za kigeni kunaathiri usafirishaji wa bidhaa nje ya nchi	1	2	3	4	5	
d.	Upatikanaji wa bidhaa duni kutoka nje ya nchi kunaathiri utenda kazi wa kampuni yako kuhusiana na soko la ndani	1	2	3	4	5	
Nyingine							

Kutolewa kwa Miundo Mbinu na Huduma mwafaka		Ndoto sana	Ndoto	Wastani	Juu	Juu sana	Haiushani
a.	Kuboreshwa kwa kiwango cha upatikanaji wa huduma ya umeme kwa wakati	1	2	3	4	5	
b.	Ujenzi na ukarabati wa miundo mbinu (ikiwamo reli, barabara madaraja, bandari na viwanja vya ndege)	1	2	3	4	5	
c.	Kutoa na kuweka miundo mbinu zinazohitajika kwa SEZ, EPZ zinazohusika na maeneo yaliyotengwa kwa ajili ya viwanda ikiwa ni pamoja na mifumo sahihi ya utoaji wa huduma ili kuwezesha uanzishwaji wa vinu bora vya uzalishaji na utoaji huduma	1	2	3	4	5	
d.	Kupatikana kwa ruzuku kutoka serikalini kwa ajili ya kuanzisha biashara na kuendeleza sekta ya ujasiriamali	1	2	3	4	5	
Nyingine							

IV. BIASHARA MIPAKANI NA UTEKELEZAJI WA MMMM II/FYDPII

Ubora wa huduma na msaada unaotolewa na Maofisa katika Biashara Mipakani kwenye vipengele vifuatavyo:		Ndoto sana	Ndoto	Wastani	Juu	Juu sana	Haiushani
a	Kujaza fomu	1	3	3	4	5	
b	Kutoa taarifa/maelezo/maelekezo	1	3	3	4	5	
c	Kuwasikiliza na kuwahudumia vyema	1	3	3	4	5	
d	Kufahamu taratibu za biashara mipakani	1	3	3	4	5	
e	Uthabiti wa kuwahudumia wateja	1	3	3	4	5	
Nyingine							
Changamoto za Biashara Mipakani		Ndoto asan	Ndoto	Wastani	Juu	Juu sana	Haiushani
a	Upatikanaji wa vifaa/nyenzo za kutendea kazi	1	3	3	4	5	
b	Mazingira ya rushwa katika biashara zinazofanyika mipakani	1	3	3	4	5	
c	Kiwango cha kufuatwa kwa kanuni na miongozo ya Biashara Mipakani	1	3	3	4	5	
d	Ufahamu na ujuzi wa Biashara mipakani	1	3	3	4	5	
e	Kukinzana kwa sera(kwa mfano, kuzuiwa/kupigwa marufuku kusafirisha bidhaa)	1	3	3	4	5	
f	Wafanyabiashara kunyanyaswa na Maofisa wa serikali	1	3	3	4	5	
g	Mzigo mkubwa wa kodi, tozo na ushuru	1	3	3	4	5	
h	Idadi ya wakaguzi, taratibu, taarifa zinazohitajika na fomu mbalimbali zinazohitajika kujazwa	1	3	3	4	5	
Nyingine							

V. FAIDA ZINGINE

5.1 Tafadhali, ainisha namna nyingine zozote ambazo biashara yako imefaidika kutokana na hatua mbalimbali zilizokuchukuliwa na serikali katika kipindi cha miaka mitano iliyopita (2016-2020):

5.2 Tafadhali, ainisha namna nyingine zozote ambazo biashara yako imepata changamoto kutokana na hatua mbalimbali zilizokuchukuliwa na serikali katika kipindi cha miaka mitano iliyopita (2016-2020):

VI. BIASHARA ZINAZOMILIKIWA/ENDESHA NA WANAWAKE

6.1 Tafadhali, elezea fulsa zinazohusiana na jinsia yako zilizopo katika biashara yako

6.2 Tafadhali, elezea changamoto zinazohusiana na jinsia yako unazokutana nazo katika biashara yako

VII. CHANGAMOTO NYINGINE MUHIMU ZITOKANAZO NA MAZINGIRA YA BIASHARA

7.1 Utitiri na Mwingiliano wa Sheria na Mifumo ya Udhibiti

- ❖ Tozo na kodi ngapi unazilipa kwa taasisi mbalimbali za serikali na mawakala: _____
- ❖ Taasisi ngapi za serikali zinahusika katika kutoa leseni/vibali/hati zinazohitajika katika kuendesha biashara/kampuni yako? _____
- ❖ Vibali/leseni/hati ngapi unahitaji ili kuendesha kampuni/biashara yako? _____

- ❖ Inachukua muda gani ili kupata leseni/kibali/hati na nyaraka nyingine muhimu zinazohitajika kwa ajili ya kuendesha kampuni/biashara yako? _____
- ❖ Unalipa ada ngapi ili kuweza kupata leseni/kibali/hati kwa ajili ya uzalishaji wa bidhaa zako? _____

- ❖ Kwa kawaida ni mara ngapi kampuni yako imekuwa ikitembelewa na maafisa/wakaguzi wa serikali
Kwa wiki/Juma _____
Kwa mwezi: _____
Kwa mwaka: _____

7.2 Kuhuisha Leseni/Vibali/Hati

- ❖ Muda halali wa kutumika kwa leseni yako ya Biashara ni upi? _____
- ❖ Kwa kawaida inachukua muda gani kuhuisha leseni ya biashara na nyaraka nyinginezo zinazohusika?

- ❖ Unahitaji kuambatisha na nyaraka ngapi unapohitaji kuomba kuhuisha leseni yako ya biashara

- ❖ Kwa kawaida, ni taasisi ngapi zinahusika katika mchakato wa kuhuisha leseni/kibali/hati yako ya biashara? _____

7.3 Ni kwa kiwango gani biashara yako imeathiriwa na janga la UVIKO 19?

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

VIII. MASUALA MENGINE YA BIASHARA MIPAKANI: BIASHARA NA UTEKELEZAJI WA MMMM II/FYDPII

8.1 Tafadhali, Je, unaweza kufafanua vikwazo vyovyote vingine unavyokutana navyo katika kufanya biashara mipakani?

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

8.2 Kwa maoni yako, nini kifanyike ili kuimarisha au kuboresha biashara za mipakani:

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) _____

*****MWISHO*****

APPENDIX 3: INTERVIEW GUIDE FOR SUCCESSFUL SMES

Aim: Explore success strategies in effective participation in the FYDP II

Note: The questions in the interview guide will differ from one value chain to another

Part A: Preliminary Information

- 1. Firm Information:** Year of establishment, type of ownership, type of value chain (business area), production capacity, turnover, number of employees, products on offer, markets served.
- 2. Owner's/person responsible details:** Experience, level of education, gender

Part B: Explore Success Stories

1. Identify the level of growth/success of the respective firms: Products, markets, sales, profitability (if possible)
2. Identify the growth trends since the commencement of the business.

PART C: Success drivers: the interviewer must probe the factors behind the success stories

1. Success Drivers-External to the firm
 - a. Benefit from government incentives (taxes, subsidies etc.)
 - b. Improved local markets due to government promotion of the consumption of domestic products
 - c. Resources accessed through partnerships/networks
 - d. Access to hire purchase opportunities
 - e. Access to ICT facilities
 - f. Access to agriculture infrastructure
 - g. Access to new tourism markets promoted by the government (Tourism)
 - h. Access to capacity building
 - i. Access to finance
 - j. Access to land
 - k. Access to markets.
 - l. Access to supportive infrastructure: Access to land for setting up manufacturing facilities (SIDO, TEMDO and other stakeholders in the market).
 - m. E-commerce platforms
 - n. Access to Market information
- 2. Internal factors**
 - a.** Ability to meet international standards
 - b.** The vision and leadership of the owner
 - c.** Highly skilled and specialized employees
 - d.** Superior technology
 - e.** Ability to produce at low costs
 - f.** Good relations with politicians/ Collaboration with local firms)

PART D: Challenges/Obstacles encountered and how they were resolved

1. Very low level of production technology
2. Very low level of productivity
3. Lower level of commercialization
4. Low use of improved inputs
5. failure to meet international standards
6. lack of information on preferential markets
7. Weak managerial capabilities

8. Lack of qualified man power (labor e.g customer care, marketing, safety, hygiene standards)
9. Limited access to technology
10. lack of e-commerce skills
11. Low level of diversification of products
12. Weak marketing strategies
13. Lack of productive capacities to add value
14. Inability to access the R&D services
15. Inability to participate in the SEZ and EPZ
16. Lack of modern equipment/technology/software
17. Lack of market information
18. Cost of capital
19. Stagnant market demand
20. Competition is restricted by dominant firms
21. Lack of a strong brand
22. Existence of non-tariff barriers
23. High input costs undermine ability to compete
24. high cost of doing business (e.g high compliance costs, etc)
25. Impact of COVID 19
26. Lack of cold chain facilities
27. Outdated laws and provisions
28. Existence of bureaucratic procedures from government offices
29. Lack of quality inputs
30. Untimely delivery of inputs
31. Challenging tax policies
32. Political interference in business
33. Lack of understanding of business realities in government
34. Corruption among authorities
35. Non-existing and/or incapable business associations
36. Lack of collaboration among local firms
37. Lack of competent suppliers and service providers
38. Lack of competent distributors and sales agents,
39. Unfair competition from foreign firms
40. Lack of support from donors and development agencies,
41. (Poor) Infrastructure
42. Corruption
43. Lack of competence among Government bodies – locally and nationally
44. Inadequate government regulation and enforcement – nationally and locally,
45. Insufficient/lacking government support schemes and programs and weak role of business associations

KEY THEMES IN THE LITERATURE OF SELECTED VALUE CHAINS

1. Opportunities in the FDYP II: Awareness and Participation Level
2. Participation Impact on the Industrialization agenda
3. Success strategies for SMEs that participated
4. Obstacles for participation
5. Cross border Trade obstacles
6. Linkage between Industrial policy and trade policy.