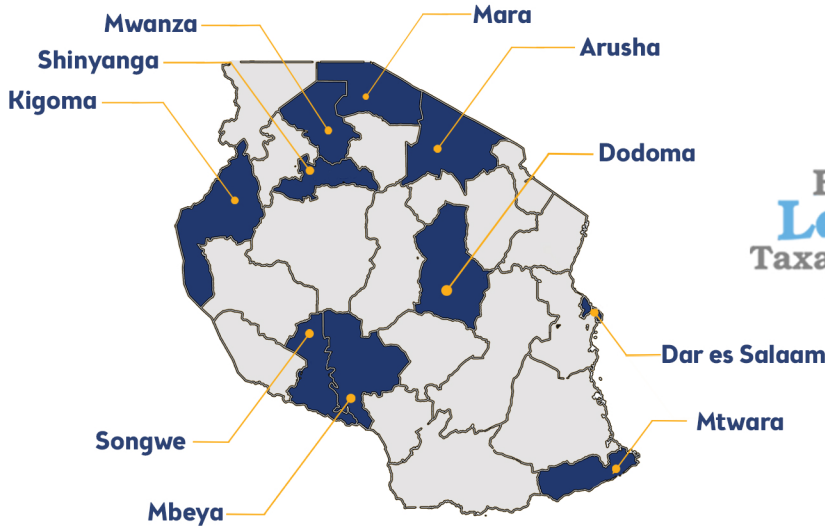


POLICY BRIEF

IMPROVING THE LEVEL OF TRUST IN THE BUSINESS ENVIRONMENT



 **4690**
MSMEs

 **1078**
Public Servants

 **27**
Government
Institutions

 **1370**
Private sectors
professionals

RECOMMENDATIONS FROM THE RESULTS

Recommendations to increase the level of trust in the business environment in Tanzania

Bridging the Education and Information gap

Only 9 in every 20 entrepreneurs have not studied past secondary school. We noticed that many challenges which entrepreneurs face and grievances which they hold against the government are because of lack of information and misinterpretation of information. We estimate that the government would significantly improve trust in the business environment by improving how it delivers information and receives feedback from businesses.

Audience-Centric Communication

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



Bridging The education and information gap - continued



Percentage of entrepreneurs who aren't educated on tax regulations, processes, and rates associated with their businesses who have a positive impression of the Tanzania Revenue Authority.

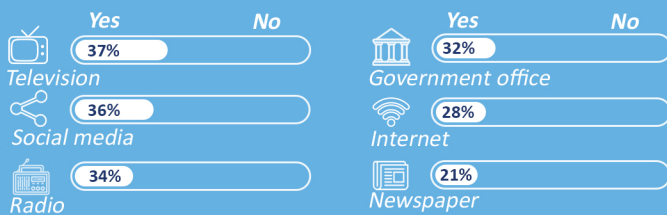


Percentage of entrepreneurs who are informed of tax regulations, processes, and rates associated with their businesses who have a positive impression of the Tanzania revenue authorities.

There is a difference of 44% in the positive rating of TRA and its systems between entrepreneurs who are uninformed and informed on tax policies.

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

Top 6 regulation news media sources



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

One stop business centres

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

Imagine if you went to a restaurant for food, and you had to order your drink at one store, your meal at another, and you had to go to three more stores to get a spoon, plate, and fork. That is how businesses feel when they are trying to get government services for their businesses.

Promotion of member-based associations



1 out of every 4 businesses are members of a business association.

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

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

Widening the tax base

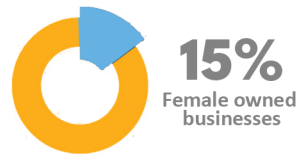
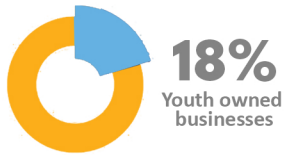
Faithfulness in paying taxes



7 out of 10 MSMEs had a basic idea of why they should pay taxes .

Only 1 out of every 5 businesses is well informed about tax regulations and policies pertaining to their businesses. The Ministry of Education, together with the Tanzania Revenue Authority, should introduce courses on the importance of tax, how to do taxes, and its benefits to society. This will build a spirit of patriotism among citizens and reduce the stigma around paying taxes.

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



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

Enticing Business formalisation



out of every 4 businesses said that they are negatively affected by other businesses which do not pay taxes (unregistered and informal businesses).



average number of days it took entrepreneurs to register their business.

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

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



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

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



57%
Government Competition



25%
Strong and formidable Competition

Government competition

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

Improving regional cross border trade

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

Providing information

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

Government Institutions

Recommendations from appraising the Responsiveness, reliability, integrity, and fairness of 16 government institutions which regulate the business environment.

The best rated institutions were the Tanzania Employment Services Agency, the Bank of Tanzania, and the Commercial Division of the High Court of Tanzania were the best rated government institutions. The Occupational Safety and Health Authority, the Tanzania Posts Authority, and the National Environment Management Council, were the lowest rated organisations.

Our recommendations are to:

- Instil additional measures of accountability for both public servants and service payers.
- Using technology for all service invoices and government payments to reduce human interaction and environments for bribery.
- Capacity building for government staff to strengthen pillars of integrity and their capacity to provide quality services within government institutions.
- Introduce a procedure to measure and rate the responsiveness, reliability, integrity, and fairness of government agencies and institutions and recognise and award the best ranking institutions.

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Awareness of regional integration opportunities

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

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

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

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