The Impact of Recent Policy Developments on Enterprise Development and Competitiveness in Tanzania

Josaphat Kweka

Research Report 2020/05

Published by:

REPOA
157 Migombani/REPOA Streets, Regent Estate,
P.O. Box 33223
Dar es Salaam.

Author: REPOA

Suggested citation:
Kweka, J. (2020). The Impact of Recent Policy Developments on Enterprise Development and Competitiveness in Tanzania. REPOA, Dar es Salaam.

Research Report 2020/05

Suggested Keywords:
Policy, Enterprise Development, Competitiveness, Tanzania.

This study is part of a broader research and policy advocacy programme "Evidence Based Policy Making on Economic Governance in Tanzania", implemented by REPOA and Funded by the United Kingdom's Foreign and Commonwealth Development Office (FCDO). Its contents are the sole responsibility of REPOA.

UKaid
from the British people

CONTENTS

LIST OF ACRONYMNS 4

EXECUTIVE SUMMARY 8

1. INTRODUCTION 9

1.1 Background and Objective **9**

1.2 Methodological Approach **9**

2. NATIONAL POLICIES AND INITIATIVES 11

2.1 Generic policies **11**

2.1.1 Supply-side policies 11

2.1.2 Incentivizing Saving and Investment 11

2.1.3 Property Rights 12

2.1.4 Promoting Free Trade 12

2.1.5 Investing in Research and Development 12

2.2 Explicit policies **12**

2.2.1 Private Sector Development Policies and Initiatives 12

2.2.2 Entrepreneurship Development and Business Support Programs 17

2.2.3 Credit Guarantee Schemes 23

2.2.4 Investment Promotion Policies and Initiatives 24

2.3 Contemporary policies **30**

2.3.1 General Thrust of the 5th Phase Government 30

2.3.2 Annual Fiscal and Financial instruments 31

3. REGIONAL POLICIES AND INITIATIVES 33

3.1 Overview **33**

3.2 Policy framework at the EAC level **33**

3.3 Regional Trade Agreements **36**

3.4 Non-Tariff Measures (NTMs) and NTBs **36**

3.5 Trade Facilitation Initiatives **37**

4. GLOBAL POLICIES AND INITIATIVES 39
4.1 The EU-EAC EPA and Brexit **39**
4.2 AGOA **40**
5. SYNTHESIS: TAXONOMY OF POLICY DEVELOPMENTS ON EDC 43
6. CONCLUSIONS AND RECOMMENDATIONS 49
REFERENCES 50
ANNEXES 52
Annex A: Business Environment Regulatory and Institutional factors affecting EDC **52**
Annex B: Sample of Regional Trade Agreements and implication on EDC in Tanzania **57**

LIST OF ACRONYMNS

ACP	African Caribbean and Pacific
AEEA	AGOA Extension and Enhancement Act
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
AMSDP	Agriculture Marketing System Development Program
AQRB	Architect and Quality surveyors Registration Board
ATCL	Air Tanzania Company Limited
BDS	Business Development Services
BE	Business Environment
BEST	Business Environment Strengthening Tanzania
BRELA	Business Registration and Licensing Agency
BRN	Big Results Now
BRT	Bus Rapid Transport
CBA	Commercial Bank of Africa
CET	Common External Tariffs
COMESA	Common Market for Eastern and Southern Africa
COSTECH	Commission for Science and Technology
CRB	Constructors Registration Bureau
DANIDA	Danish Institutional Development Agency
DB	Doing Business
DDI	Domestic Direct Investment
DRM	Domestic Resource Mobilization
EAC	East African Community
EAMI	East African Monetary Institute
EAMU	East African Monetary Union
EBA	Everything but Arms

ECGS	Export Credit Guarantee Scheme
EDC	Enterprise Development and Competitiveness
EDF	Environmental Defence Fund
EPZ	Export Processing Zone
EPZA	Export Processing Zones Authority
ERB	Engineers Registration Bureau
ESRF	Economic Social Research Foundation
FDI	Foreign Direct Investment
FGDs	Focus Group Discussions
FSDT	Financial Sector Deepening Trust
FTAs	Free Trade Areas
GDP	Gross Domestic Product
GLC	Government-linked Corporations
GSP	Generalized System of Preferences
IIDS	Integrated Industrial Development Strategy
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LGAs	Local Government Authorities
MSMEs	Micro Small and Medium Enterprises
MIT	Ministry of Industry and Trade
MITI	Ministry of Industry Trade and Investment
NDC	National Development Corporation
NEEC	National Economic Empowerment Council
NEMC	National Environment Management Council
NHC	National Housing Corporation
NSDS	National Skills Development Strategy
NTB	Non-Trade Barriers
NTM	Non-Tariff Measures

ODOP	One District One Product
OSBC	One Stop Business Centre
OSHA	Occupational Safety and Health Authority
PAD	Pre-Arrival Declaration
PCR	Project Completion Report
PFIs	Participating Financial Institutions
PMO	Prime Minister Office
PSCP	Private Sector Competitiveness Project
PSD	Private Sector Development
RAHCO	Railways Asset Holding Company
RC	Regional Commissioners
REC	Regional Economic Communities
RIG	Regional Investment Guides
RTA	Regional Trade Agreements
SADC	Southern African Development Community
SCT	Single Customs Territory
SEZ	Special Economic Zones
SIDA	Swedish International Development Agency
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
SSA	Sub Saharan Africa
SWOC	Strengths Weaknesses Opportunities Challenges
TANESCO	Tanzania Electric Supply Company
TBDP	Tanzania Business Development Programme
TBS	Tanzania Bureau Standards
TBT	Technical Barriers to Trade
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture

TECC	Tanzania Entrepreneurship and Competitiveness Centre
TFTA	Tripartite Free Trade Area Agreement
TIC	Tanzania Investment Centre
TIFA	Trade and Investment Framework Agreement
TIN	Taxpayer Identification Number
TMDA	Tanzania Medicine and Medical Devices Authority
TPA	Tanzania Ports Authority
TPDC	Tanzania Petroleum Development Corporation
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
TRL	Tanzania Railways Limited
TTB	Tanzania Tourist Board
TTCL	Tanzania Telecommunications Corporation
TWG	Technical Working Group
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
URT	United Republic of Tanzania
VAT	Value Added Tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

This paper is the output of the second component of a research study on the institutional analysis of the enterprise economy in Tanzania. The overall objective is to examine the implication of policy developments at the global, regional and national level on enterprise development and competitiveness (EDC). Specifically, the paper (a) identifies and analyses policies that influence the creation, development and growth of enterprises; and (b) assesses the extent to which current and recent national, regional and multilateral development policies support EDC.

The study uses available literature and policy documents from which we improvised a less technical methodological approach involving three steps. First, we select and focus on a limited number of policies or policy initiatives for illustrative purpose. The identified policies are categorized into three groups: Generic, Explicit and Contemporary policies. Second, owing to the fact the national policies that affect EDC are also influenced by policies from regional or global institutions, we distinguish policies at different levels of jurisdiction: i.e. at the national, regional and global levels. Third and finally, we develop a synthesis of the various types/nature of policies and determine the level of priority that could be given to each in the Government's effort to promote EDC. Subsequently, we conduct a brief SWOC analysis (Strengths, Weaknesses, Opportunities, and Challenges) for each of the type/nature of policy to recommend policy actions on each of them.

The results show that, policies score differently across various criteria. For instance, while LGA type of policies may be quite spontaneous on EDC, the likelihood for occurring is rather low compared to national policies that are backed by central Government. Although likely to occur, Global and Regional policies are less effective on EDC given the clear lack of national level enforcement institutions. Apparently, the generic policies are too general to have tangible impact on EDC and may have long gestation period, unlike the specific and national-level policies which appear to be more reasonably related to EDC. The ranking of policies identified contemporary and LGA policies as priority policies with higher chances of transforming EDC.

A number of broad conclusions stand out. First, although it is a general understanding that policies are important for a country to promote EDC, it is the type of policy that matter. Some are more explicit, others take shorter gestation period, and others have potentially bigger impact on EDC than others. Furthermore, rather than accounting for the effect of different types of policies, it is the synergy across the policy ecosystem that appears to make support to enterprise economy effective. Perhaps more importantly, the bigger question is less about the types of policies but more about how the Government can leverage policies to achieve a more transformative enterprise economy.

Finally, the SWOC analysis highlighted a number of areas for improving the role of policy, including the need for a segmented approach due to the heterogeneous nature of the enterprise economy with varying needs. Furthermore, the segmentation approach underlines the need for improvement in coordination mechanisms across all the policies and institutions. We suggest a coordinating body that such as a National Competitiveness Council under PMO to steer the country towards the desired level of EDC.

1. INTRODUCTION

1.1 Background and Objective

The final component of the study is to examine the influence of policy developments on enterprise development and competitiveness (hereinafter 'EDC'), focusing on policy at the national, regional and global levels. In the context of Tanzania, and based on current interventions and studies, enterprise development may refer to measures aimed at improving performance of enterprises (productivity, diversification and competitiveness) from the Micro, Small and Medium Enterprises to large corporate sector. The overall objective of is to examine policy factors that influence the development of enterprises in Tanzania. This includes two specific objectives, namely (a) identifying and analysing policies that influence the creation, development and growth of enterprises; and (b) assessing the extent to which current and recent national, regional and multilateral development policies support EDC.

Apparently, the development policy frameworks in Tanzania recognize the role of the private sector in economic development, hence the need to support private sector development. As a result, one can distinguish policy influence on EDC depending on the extent to which a particular policy is directly or indirectly affecting private sector development. However, despite the general question of the relationship with EDC, our main issue for analysis is to what extent the formulation, practice or implementation of a particular policy affects EDC. Although legitimate, such analysis is less straightforward due to identification problem. That is, it is overwhelming to identify and outline the universe of policies that affect EDC[1]. One way around this challenge is to adopt a selective approach.

1.2 Methodological Approach

Assessing the implication of policy developments on EDC may be a clear objective but a challenging one methodologically. This is because such assessment may go as wider or and deeper as possible, and that it may mean different aspects of policy to different people. Even more importantly, the myriads of policies of different types imply the need for selectivity. Nonetheless, the study used the available literature and policy documents from which we improvised a less technical methodological approach involving three steps.

First, we adopt a selectivity approach in which we focus on a limited number of policies or policy initiatives for illustrative purposes. The aim is to identify a sample of national policies that affect or support EDC. Given limited scope, the paper does not delve into detailed impact analysis of how policies affect EDC, nor does it take comprehensive stock of the outcomes of the policy initiatives. The identified policies are categorized into three groups: Generic, Explicit and Contemporary policies. Second, we distinguish policies at different levels of jurisdiction: i.e. at the national, regional and global levels. The idea is that the national policies that affect EDC differently are at the same time influenced or are affected by policies from regional or global institutions. Third and finally, we develop a synthesis

[1]Identification problems are most severe when the researcher knows little about the population under study and the sampling process yields only weak data on the population (Manski, C.F., 1992).

of the various types/nature of policies and determine the level of priority that could be accorded to each in the Government's effort to promote EDC. Subsequently, we conducted a brief SWOC analysis (strengths, weaknesses, opportunities, and challenges) for each of the type/nature of policy to recommend the respective policy action on each of them.

To clarify, we adopted some concepts for convenience of exposition. First, the *generic policies* include a focus on traditional, basic or broad policies that generally affect EDC more or less explicitly and have no bias in terms of sectors or type of enterprises. Examples include common economic policies such as monetary (interest rate), fiscal (tariff), industrial (incentives) or agricultural (subsidy) policies which influence the functioning of markets, investment and decisions of economic agents. Second, the *explicit policies* are the policies or policy measures that are directly focused on EDC. Finally, the *contemporary policies* are the more recent or prevailing policies and policy initiatives that arise from the thrust of existing Government administration, and which affect the functioning of the market or economic agents, hence EDC.

The paper is organized as follows. Section 2, 3 and 4 focuses on policies or policy initiatives at the national, regional and global levels respectively. Section 5 provides a synthesis of the policy influence on EDC by providing taxonomy for assessing such influence and conducting a SWOC analysis on each of them. Section 6 concludes and offers some broad recommendations.

2. NATIONAL POLICIES AND INITIATIVES

2.1 Generic policies

Given their generic nature, and using existing literature[2], we list several macroeconomic policies and briefly describe how they influence EDC. The emphasis is not about the definition of the policy but how it could be deployed to promote EDC. Unfortunately, the analysis is abstract, and discussion is general but serves to outline how policies can influence economic growth through its effects on EDC. These include policies that affect productivity and the labour supply, increase infrastructure and technology, encourage research and development (R&D), protect intellectual property (such as patents), give incentive to private firms etc. Governments also play a key role in developing a country's infrastructure. That means that not only does the government spending on infrastructure raises government spending and real GDP, but also contributes to the growth of real GDP in the long run.

2.1.1 Supply-side policies

As Amsden (1992) points out, in those countries that industrialized later, the state always intervened to offer incentives. That is, supply-side policies focus their attention on government policies that influence aggregate supply using changes in taxes. Apparently, if business taxes are too high, it increases the cost of operating which lowers short-run aggregate supply. Similarly, a decrease in income taxes should lead to more disposable income for households, allowing households to supply more savings in the market for loanable funds. According to this theory, either of these actions leads to more investment. More savings make the amount of investment in capital cheaper. The investment in capital increases aggregate demand, and eventually increases both the long run and the short-run aggregate supply.

2.1.2 Incentivizing Saving and Investment

The government can incentivize savings and investment by changing fiscal and monetary policies. Monetary policy seeks to encourage investment by lowering interest rates, and to encourage savings by borrowing them. Governments give tax breaks to industries in which it wants to encourage investment. Governments can also make certain types of savings tax exempt if it wishes to encourage savings. Both savings and investment affect the overall economy. High interest rates encourage savings and discourage investment. The precise opposite is true for low interest rates. Central bank's actions are focused on adjusting how much people save and invest. The government can also incentivize savings and investment by adjusting tax rates. For example, the government uses tax reductions to encourage investment for companies.

---

[2] https://www.khanacademy.org/economics-finance-domain/ap-macroeconomics/ap-long-run-consequences-of-stabilization-policies/public-policy-and-economic-growth/a/lesson-summary-public-policy-and-economic-growth. https://courses.lumenlearning.com/boundless-economics/chapter/the-impact-of-policy-on-growth/

2.1.3 Property Rights

Property rights are theoretical constructs that determine how a resource is used and owned. Property rights protect not only land, but also goods, services, and finances associated with the land itself.

2.1.4 Promoting Free Trade

Government can promote free trade by reducing tariffs, quotas, and non-tariff barriers. Free trade is a policy by which a government does not discriminate against imports or interfere with exports by applying tariffs (to imports), subsidies (to exports), or quotas. Tariffs and quotas are explicit government policies that are designed to protect domestic producers, even if they are not the most efficient producers. In addition, there are a number of other barriers to free trade that countries use, which are broadly categorized as non-tariff barriers (NTBs). NTBs come in a variety of forms, most notably through product standard requirements and through customs procedures. Countries that recognize the benefits for growth from promoting free trade can take unilateral, bilateral, or multilateral action to reduce some of these barriers to trade. Reducing barriers to free trade lead to increased surplus for each partner in the long run.

2.1.5 Investing in Research and Development

The government has the ability to encourage or discourage research and development by establishing intellectual property laws, directly conducting research, or finance research and development in a specific area of interest to the government or society that is not currently being addressed by the market. Investing in research and development is important because it can result in new products, technologies, or processes. Thus, research and development can improve productivity or improve the welfare of society.

2.2 Explicit policies

Explicit policy approach involves identification and analysis of the policies, strategies and initiatives by the Government with explicit objective or focus on EDC. Below we outline example of policies aimed at private sector development, entrepreneurship support, investment promotion policies or initiatives and credit guarantee schemes (CGS).

2.2.1 Private Sector Development Policies and Initiatives

1. *Overview*

For illustrative purposes, the Private Sector Development Policies include the Overall PSD policy and measures intended to improve the business environment. Overall, these policies and strategies aim to make the Tanzanian private sector more competitive and to create sustainable conditions for enterprise creation and growth. Although the Government is yet to establish a private sector development policy, it has been putting in place initiatives to improve and support the environment for conducive private sector development. This ranges from the direct initiatives to support youth businesses to promote self-employment, sector specific marketing strategies such as in the agriculture sector (AMSDP) and tourism sector (through TTB); SME Development policy, National Investment policy and the Blueprint initiative for strengthening business environment. Overall, these initiatives aim to provide policy support to promote enterprise economy and competitiveness. We provide a couple of examples below to illustrate the Government policy developments to support EDC.

2. *Blueprint Initiative*

It is generally agreed that, enabling business environment is critical if Tanzania is to have thriving business sector. Tanzania has already put efforts to improve her business environment including the Business Environment Strengthening Tanzania (BEST), BRN Business Environment Lab, core reforms, and sector reforms. More recently, the Prime Minister's Office in collaboration with the Ministry of Industry and Trade (MIT) prepared the Blueprint for Regulatory Reforms to improve Business Environment in Tanzania. The Blueprint comprehensively analyses the existing regulatory challenges taking into account international best practices and proposes robust principles and guidelines for reforms. It clearly articulates specific areas for reform and ways of implementing them with necessary adjustments to suit local conditions pertaining to the country. It sets out a benchmark for undertaking a holistic approach to overcoming the challenges and constraints affecting policy, regulations, delivery, and coordination, which retard the growth of the enterprise economy.

The various business environment challenges in Tanzania include existence of high compliance costs in monetary terms and time in starting and operating business; cumbersome pre-approval procedures; presence of a multiplicity and duplicity of processes; detrimental loopholes in some of the laws and regulations; and prevalence of high costs in enforcing implementation of regulations at the central and local levels (see URT, 2018). In response, the blueprint proposes a number of principles and recommendations to address the challenges, including the need to rationalize the revenue motives of regulatory agencies, eliminate unnecessary administrative processes in business registration and licensing, and simplify the regulations such that they are meant to promote rather than block competitiveness.

Clearly, if effectively implemented, the blueprint is potentially a major step by the government to promote EDC in Tanzania by providing a conducive environment for businesses to grow and become more competitive. The Blueprint document was made legally binding by Parliament in July 2019 to support its implementations. The Blueprint among others, recommended 34 business permits and licenses out of 380 to be removed. Contrary to mistaken beliefs, the easing of bureaucratic processes and reduction of fees/charges by some government institutions has increased revenues and customers to a record level. For instance, OSHA abolished its fees and charges including the workplace registration fee that was previously charged between TZS 50,000 to TZS 1,800,000; and reduced to TZS 2,000/=. As a result, OSHA increased its revenue collection from TZS 11 billion in 2016 to TZS 21 billion in 2019; while the registered workplaces (customers) increased from 3,354 in 2017 to 16,457 in 2019 (491% increase).

According to the Tanzania Investment Centre article (see Mgwabati, 2020), the Government has abolished fees of 176 business licenses, permits and registration certificates, and reduced the fees for 9 others. Other regulatory bodies such as TBS and NEMC amended their respective regulations for the sake of reducing fees and charges. For instance, NEMC reviewed the Environmental Management (Fee and Charges) Regulations of 2008, 2016 and 2018 to reduce fees and charges. The report further shows that there is significant improvement in terms of time spent to obtain business licenses and permits. Some of the regulatory bodies such as BRELA and TMDA adopted the use of ICT to promote e-business registration and licensing while others such as TIC, TBS, OSHA and NEMC had already developed their own information systems.

3. Recent initiatives on Doing Business Reforms

A recent REPOA study on the state of Business Environment (BE) in Tanzania which used World Bank Doing Business data highlighted that BE in Tanzania remains challenging and the country's global rankings continue to lag behind several comparator countries such as Kenya, Rwanda and Uganda. Annex A highlights the key points on the trend, challenges and recommendations for improving the Doing Business ranking indicators. For instance, the data show that the country's global rankings improved from 142nd position in 2007 to 127th in 2012 but fell again to the 144th position in 2019.

Generally, Tanzania improved her Doing Business (DB) ranking in such areas such as getting credit and enforcing contracts among others and deteriorated in others such as business registration and trading across borders, thus offsetting progress. Indeed, trading across borders stands out as the most significant constraint to DB in Tanzania. It has the lowest score of 20 (out of a maximum of 100) and correspondingly, Tanzania is ranked 182nd among 190 countries with only 5 countries in the world with less scores than Tanzania (DRC, Cameroon, Sudan, Liberia, and Congo Republic). More importantly, the report identifies slow progress in the implementation of policy prescriptions, which are well articulated in the '*Blueprint for regulatory reforms to improve the Business Environment in Tanzania*". As such the study reinforces the urgency of accelerating business environment reform processes to ensure better prospects for EDC. For each of the nine Regulatory/Institutional aspect of Doing Business report or Business environment, Annex C summarizes the detailed description of the trends in performance, recent reforms, key remaining challenges and recommendations for addressing them.

4. Prime Minister's Office - Private Sector Competitiveness Project (PSCP)

While there are many programs or initiatives to support EDC at all (international, regional, national and local) levels, we selected the Private Sector Competitiveness Project (PSCP) given its institutional significance and wide coverage, as an illustration of the scope and efficacy of a government institutional development program. Notably, the PSCP is a World Bank funded project implemented by the Prime Minister's Office (PMO) through a number of implementing and beneficiary Agencies. The original project development objective is to create sustainable conditions for enterprise creation and growth. The project's progress in achieving this objective will be measured by the increase in the number of formal enterprises, the increase in the value of titled land relative to untitled, and growth in sales and assets of firms participating in the project. The project supports the government program through four mutually reinforcing components: (i) strengthening business environment; (ii) developing enterprise competitiveness; (iii) improving access to financial services; and (iv) program management. Given its relevancy for this report, we focus our review on the second component, namely enterprise development competitiveness.

The objective of this component is to improve the capacity of the private sector in Tanzania to respond to viable opportunities in domestic, regional and international markets. To achieve this objective, the Tanzania Private Sector Foundation (TPSF) leads the implementation of four major sub-components, namely: (i) Cluster Competitiveness Program, (ii) Matching Grants Programme (comprised of Technical Innovation Scheme, and the Tanzania Business Development Programme (TBDS), (iii) Tanzania Business Gateway Programme, and (iv) the International Business School Linkage Program.

Technical evaluation of the project shows that, up to closure of the project, substantial achievements have been made on land administration reforms, access to finance and the extent of business enterprise development in Tanzania over time, to warrant project rating as Moderately Satisfactory. As part of its technical evaluation, the project undertook a survey of business enterprises in 2018 to illustrate progress on enterprise development and competitiveness. The survey results show notable decrease in time taken to access the critical business support services such as title deed, business registration, access to credit and land.

The number of days it took for firms to register businesses with BRELA ranged from a minimum of 1 day to a maximum of 31 days, with an average of 8 days. On average, time taken to get a business license as well as register a business has decreased. For instance, to get a license, time has decreased from 24 days in the previous 10 years to 4 days in 2018, while total time to register business has decreased from 37 days to 18 days. On the land services, the time it takes to get a title deed has decreased dramatically from an average of 249 days in the past 10 years to 94 days in 2018 (See table 1). Over 50 percent of the surveyed households report to have received their title deed in less than one year. Figure 1 show the improvement is evident across the spectrum of other services including getting a building permit, a credit from the commercial bank, TIN number from TRA and business license or registration services. More importantly, over 85 percent of firms report that it is now much easier to get these services compared to the past ten years.

Accordingly, 60 percent of households report that, the procedures for operating business now are simpler compared to the past 10 years. As shown in Figure 2, this improvement is mainly explained by decreased bureaucracy and availability of financial services among others. However, 41 percent of the surveyed (mostly small) enterprises are less enthusiastic about these improvements, citing such factors as decreased business turnover due to reduced money supply in the circulation (liquidity challenge) and stringent regulations by financial institutions.

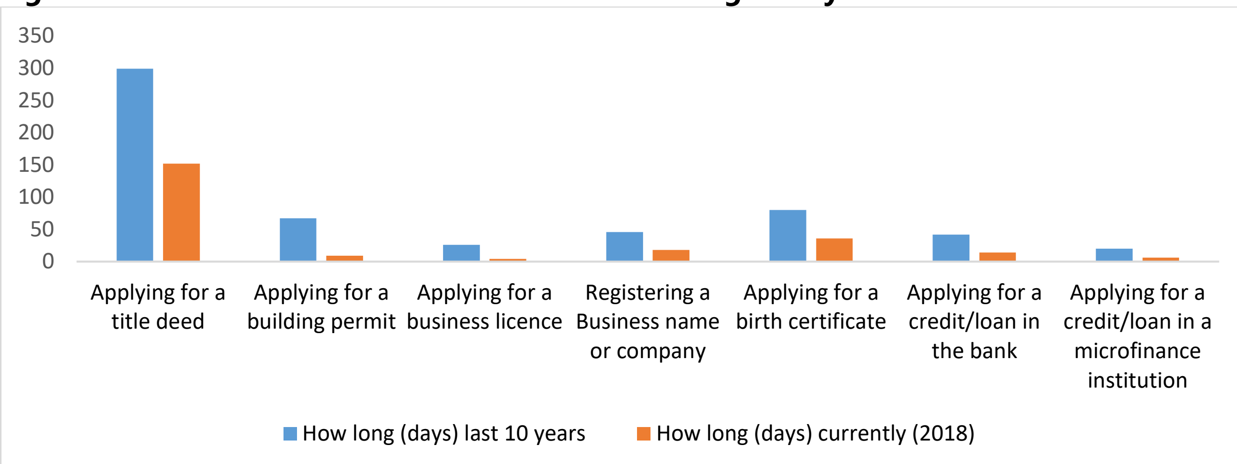
Table 1: The Number of days it takes to get a service last ten years compared to 2018

No.	Service	Last ten years	Now
1.	Title Deed	730	21
2.	Construction permit	30	7
3.	Business License	30	5
4.	Business or company registration	25	5
5.	Birth certificate	30	8
6.	Bank loans	30	5

7.	Loans from Savings and credit or other semi-formal or informal institutions	30	7

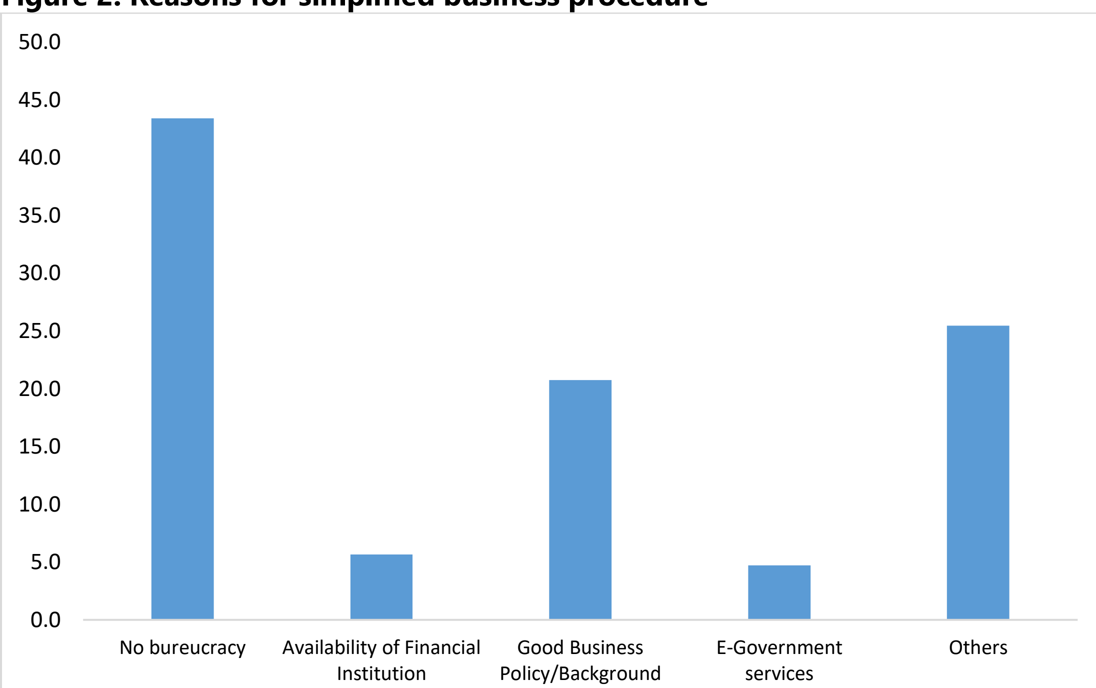
Source: *Based on FGDs participants in Moshi, Mbeya and Dar-es-Salaam as part of the PMO PSCP survey (2018).*

Figure 1: Time taken to access various services among surveyed households



Source: *PMO PSCP survey (2018)*

Figure 2: Reasons for simplified business procedure



Source: *PMO PSCP survey (2018)*

2.2.2 Entrepreneurship Development and Business Support Programs

1. Fostering the growth of entrepreneurial ecosystems

Government policies and principles are important for entrepreneurship to succeed in any country. Insights from the literature identified the measures government can adopt to stimulate entrepreneurial ecosystems. In a study of entrepreneurial ecosystems, Mason (2014) developed a set of general principles for government policy in the relation to these ecosystems. In summary, these recommendations include:

1. Make the formation of entrepreneurial activity a government priority – The formulation of effective policy for entrepreneurial ecosystems requires the active involvement of Government Ministers working with senior public servants who act as 'institutional entrepreneurs' to shape and empower policies and programs.

2. Ensure that government policy is broadly focused – Policy should be developed that is holistic and encompasses all components of the ecosystem rather than seeking to 'cherry pick' areas of special interest.

3. Allow for natural growth not top-down solutions – Build from existing industries that have formed naturally within the region or country rather than seeking to generate new industries from green field sites.

4. Ensure all industry sectors are considered not just high-tech – Encourage growth across all industry sectors including low, mid and high-tech firms.

5. Provide leadership but delegate responsibility and ownership – Adopt a 'top-down' and 'bottom-up' approach devolving responsibility to local and regional authorities.

6. Develop policy that addresses the needs of both the business and its management team – Recognise that small business policy is 'transactional' while entrepreneurship policy is 'relational' in nature.

Figure 3: The entrepreneurial ecosystem

Source: Entrepreneurial Ecosystem Mazzarol 2014. https://www.weforum.org/agenda/2014/12/6-ways-governments-can-encourage-entrepreneurship/

2. *Tanzania Entrepreneurship and Competitiveness Centre (TECC)*

Tanzania officially launched the Tanzania Entrepreneurship and Competitiveness Centre (TECC) to promote entrepreneurial innovation and competitiveness in the country. TECC aims to promote entrepreneurship and competitiveness in Small and Medium Enterprises (SMEs) in Tanzania through Skills development in entrepreneurship, innovation and competitiveness Promoting local economic development using the triple helix cluster approach (university-industry-government relationships for innovation) providing business intelligence through studies and advisory services. TECC was founded by the Tanzania Private Sector Foundation (TPSF), the National Economic Empowerment Council (NEEC), and the Commission for Science and Technology (COSTECH). The establishment of TECC is part of Tanzania's Private Sector Competitiveness Project (PSCP).

3. *Business facilitations services at the LGA level*

The Local Government Authorities (LGA) do facilitate business establishment and contributes to creating a business environment that affects EDC at the local level. Although the institutional structure is similar at the LGA level, actual effectiveness in facilitating business development may differ depending on the leadership style and regulations for the districts/municipal councils. For this study, we flag two important points to demonstrate the important role of policy at the LGA level for EDC.

First, the LGA institutional structure and efficiency of public service delivery at the local level play a critical role in EDC. This criticality emanates from the fact that, LGA provides licensing and enforces all other regulatory requirements for establishing and running business. Thus, even if the business and investment environment are favourable at the national level, the officials at the grassroots level (where the business is located) might make the business environment a lot worse or better, thus affecting business operational efficiency, productivity and competitiveness.

The second point is the challenge of BDS provision and empowerment by the LGAs. Based on the survey by PMOs office for the PSCP evaluation assignment, the LGAs provides regulatory services but no effective facilitation or empowerment services to (especially small) businesses. That is, businesses cannot turn to LGA for an advice of how to establish or grow a business. The Trade Officer is the only unit responsible for support enterprises but is largely overwhelmed with regulatory (particularly licensing) enforcement responsibilities. Business registration services are available online, but many users may obtain assistance from the local TCCIA offices, private BDS providers or the District Trade officers. However, registering a company takes much more time and services are available only at BRELA zonal offices or at the Head Office in Dar.

Nonetheless, the capacity of district or municipal trade officers has increasingly diminished due to exponential growth of business activities, thanks to the online and other reforms in streamlining business licensing which helped to ease the pressure on trade officers. Indeed, some of the trade officers have improved efficiency in issuing licenses. To illustrate some of these achievements, Table 2 shows performance of business licensing services by LGA from 2005-2017. For instance, according to the PMO 2018 survey, the Mbarali District Trade Office issues about 25 licenses per day in 2018 compared to 3 before 2010.

Clearly, although the monetary cost (charges) for obtaining a license has remained constant, the transaction and time delay costs have reduced dramatically. In the past, one could take from 30 to 60 days to obtain a license but now it only takes a few hours or just a day. Under the support of DANIDA, some pilot LGAs in Dodoma and Kigoma have established the One Stop Business Center (OSBC), which aims to bring all Agencies involved in business registration and licensing under one roof (TRA, LGA, and Commercial Bank). The project is being piloted in Dodoma, Kigoma Ujiji and Kasulu, and is at advanced stage of implementation (a building, furniture and representative officials).

Table 2: Performance of Business Licensing Service by LGAs: 2005-2017

	Number of Licenses			Time taken to Issue (days)			Revenue collected (TZS)		
	2005	**2010**	**2017**	**2005**	**2010**	**2017**	**2005**	**2010**	**2017**
Handeni District	536	675	690	3.0	2.0	2.0	-	25,976,150	33,909,847
Handeni Town	714	900	850	3.0	2.0	2.0	-	47,968,200	41,773,000
Lushoto District	350	800	1,700	2.0	1.5	1.5	-	-	-
Hai District	980	1,380	2,006	2.0	1.5	1.5	-	89,700,000	113,390,890
Moshi Municipality	78	302	5,783	3.0	3.0	1.5	-	-	505,727,967
Lindi Municipality	83	207	1,066	1.5	1.5	4.0	-	-	88,000,000
Liwale District	240	600	1,015	3.5	2.5	1.5	-	21,860,000	48,810,000
Mbarali District	250	1,118	1,326	3.5	2.0	1.0	-	35,000,000	67,014,450
Mbozi District	900	1,300	2,417	0.5	0.5	1.0	-	-	176,161,905
Kasulu District	401	663	303	7.5	5.0	4.0	-	-	6,945,000
Kigoma Municipality	456	760	1,001	2.0	2.0	1.0	-	-	214,413,221
Mbeya City	1,516	2,154	5,810	1.0	1.0	0.7	-	-	800,000,000
Kinondoni Municipality	15,000	22,000	24,000	2	1.5	1.5	-	2,749,264,504	6,975,488,000

Source: Field work for the PCR (2018). Note – (empty cells) data was not available.

A number of recommendations were made by LGA officials during the survey, including the need for the Government to (i) establish BRELA offices at the regional level or appoint agents for such services; (ii) upgrade Trade Office unit into an independent unit or a department rather than being part of treasury office, so that they can play a more useful role of promoting EDC rather than being limited to collecting revenues; (iii) establish electronic licenses to get rid of the paper based ones; (iv) determine license charges using amount of capital rather than the nature of business; (v) train trade officers to ensure they are updated on the competency of dealing with business actors; (vi) issues provisional tax clearance if license needs renewal before end of the financial year; (vii) abolish the need to fill forms when renewing the license as all information is in the system; (viii) review the liquor regulation for liquor license of 1972 for licenses to expire annually rather than the current six monthly (or allow payment of two instalments at a time); and finally, (ix) the Government could devise a system for issuing licenses outside the office (while in the field) to make supervision trips more productive.

4. SIDO One District One Product (ODOP) Initiative

One District One Product (ODOP) is a District-centered value addition development approach for poverty reduction, which was adopted from the One Village One Product (OVOP) in Japan. SIDO is applying the One District One Product (ODOP) strategy for developing industries in rural areas. The strategy supports development and promotion of products that are based on locally available resources in a particular district. ODOP strategy that focuses on achieving equitable rural economic development and reduction of constant rural urban migration through development and promotion of district specific products and services.

Activities to be implemented in collaboration with other stakeholders (Central government, LGAs, Private sectors and Development partners) include collection of district profiles, conduct sensitizing events, selection of a district specific product, support establishment/improvement of enterprises, capacity building of the participating communities/enterprises, and through value chain approach with emphasis on value addition (processing and marketing) of local resources. The SMEs in the rural areas will be assisted in development of technical economic profiles for selected products, business plans preparations for enterprises, and provide business development and financial services to primary producers and processors.

On the other hand, they will be provided with improved skills training, knowledge of access to markets to help increase productivity, profitability and off-farm incomes. The support will observe capacity requirement of all segments of the products' value chain starting from facilitating availability of agro inputs and seeds to marketing of value-added products. The strategy intends to meet the following targets for the coming three years that will be mainstreamed to other interventions for rural industrialization: (i) 3 ODOP performance review reports prepared by the end of June 2021; (ii) 2,500 new industries established by June 2021; and (iii) 10,000 Jobs created by June 2021.

Requirements/criteria for selecting one product include availability of raw materials and technology, market size, mass production and community involvement. Table 3 lists the selected ODOP products by ranking from top most frequently selected products. A total of 38 products are variably selected by different districts, whereas frequency analysis shows Sunflower oil, Cassava flour, Rice, Honey and beeswax, and Cashew nuts as the top five products selected by most districts. Other products are specific to districts.

Until 2017, SIDO had managed to mobilize establishment of 555 small scale industries with employment potential of 3,563. Although the project has not been formally evaluated, existing anecdotal sources show that financing is the biggest setback to realizing its full potential. Partly, it appears there was no budget allocated by SIDO Management for the ODOP project. Instead, the project has been using existing internal resources rather than fully-fledged project funding. Furthermore, it is not yet clear how the ODOP project is integrated in the existing institutional frameworks for EDC.

Our literature review shows a number of countries have successfully established the ODOP project as an essential approach to revitalize local businesses and promote potential products for export, and one of measures to improve livelihoods in local areas. These countries include India and Lao People's Democratic Republic. In most cases, these countries were provided with technical and financial assistance from JICA, owing to the fact that Japan would champion its adoption and development.

Figure 4: Sample of ODOP products

Table 1: Frequency distribution of selected products in ODOP (All products)

Product	Number of Districts	Product	Number of Districts
Sunflower oil	42	Coconut carpets	1
Cassava flour	15	Dried coffee	1
Rice	15	Dried sardine	1
Honey and beeswax	11	Fruits jam	1
Cashew nuts	8	Ginger	1
Banana wine	6	Grape wine	1
Processed skin	6	Hemp fibres	1
Processed milk	5	Honey	1
Leather shoes	4	Millet flour	1
Palm oil	4	Nutritious flour	1
Corn flour	3	Orange juice	1
Packed rice	3	Peanut butter	1
Coconut oil	2	Peanut oil	1
Dried fish	2	Pear jam	1
Sesame oil	2	Processed coffee	1
Soap	2	Processed garlic	1
Banana crisp	1	Processed ginger	1
Butter	1	Salt	1
Ceramic Pots	1	Tomato sauce	1

Source*: Authors' compilation based on the information from SIDO (2019).*

2.2.3 Credit Guarantee Schemes

Limited access to finance is commonly identified in literature as the biggest challenge constraining investment and growth of enterprises. Credit guarantee schemes are the most common government programs used to support SME financing (Beck et al, 2008). In the mid 2000's the GoT introduced the Export Credit Guarantee Scheme (ECGS) and the Small and Medium Enterprises Credit Guarantee Scheme (SME-CGS), both aimed at enabling borrowers with weak collateral to access loans through financial institutions, which would in turn be guaranteed by the Government through the Bank of Tanzania.

More specifically, export CGS aims to promote economic development in general by encouraging high value exports, such as horticulture and floriculture, and other value-added exports that will generate high level of employment and foreign exchange earnings. The SMEs CGS aims at supporting Small and Medium Enterprises (SMEs), given their significant role in the economy, by creating an enabling environment for its expansion and facilitating access to financing resources. These Credit Guarantees are with the Ministry of Finance and Planning, managed through the Bank of Tanzania. The Scheme are operated through designated commercial banks, termed Participating Financial Institutions (PFIs).

According to a recent review of CGS by the FSDT (see FSDT, 2016) identified challenges facing CGS including, low level of education among entrepreneurs, destructive government policies which adversely affects firm performance (e.g. regular food export ban), inefficiency of the BoT as a Manager (the BoT is also quite slow in paying approved claims). The review (FSDT, 2016) finally provides recommendations that will help improve CGS including the need to: harmonize the activities of the various (currently 15) schemes to maximize their impact; support CGSs and the financial sector in general by making the judicial system more efficient. There is currently too much emphasis on collateral-based lending. The adoption of methods that place a greater focus on determining project viability and risk would lead the banks to discover projects worth funding that they are currently overlooking.

2.2.4 Investment Promotion Policies and Initiatives

1. *Special Economic Zones (SEZ)*

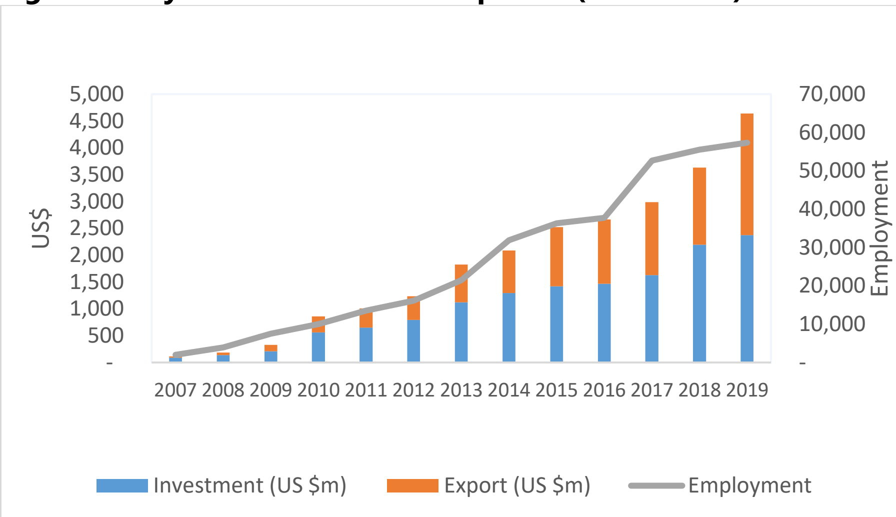
A Special Economic Zone is a geographical area that has more liberal economic laws than the country's typical laws and is used as an economic development tool to promote rapid economic growth by using fiscal and business incentives to attract investments and technology. The Government of Tanzania established Special Economic Zones (SEZs) in 2006 as strategy to achieve Mini-Tiger Plan 2020, aimed at promoting quick and significant progress in economic growth, export earnings and employment creation as well as attracting private investment in the form of both Foreign Direct Investments (FDI) and Domestic Direct Investment (DDI). An SEZ acts as a magnet for investment in desirable activities in specially designated areas by providing quality infrastructure, complemented by an attractive fiscal package, business support services, cluster formation and minimal regulations. As a sub-set of SEZ, an Export Processing Zone (EPZ) is a establishment of export oriented investments within a designated zones or location with the views of creating international competitiveness for export led economic growth. The EPZ scheme was established in 2002 following the enactment of the Export Processing Zones Act in 2002.

The main purpose for establishing EPZs is to attract and promote export-led industrialization with a view of diversifying and facilitating Tanzania's exports and promoting international competitiveness to boost foreign exchange earnings, create jobs, attract investment, and encourage transfer of new and advanced technology. While the EPZ scheme specifically promotes investment in manufacturing sector to boost export, an SEZ scheme is much more flexible and broader in that it may cover a wider range of permissible activities/sectors such as ICT, Engineering, Tourism, Forestry, Trade, Mining, Agriculture, and such services as real estates and amusement parks or residential areas, etc. Indeed, SEZ is also amenable for accommodating a designated area for SMEs. Notably, unlike an EPZ that focuses on exports markets, a Special Economic Zone is meant to exploit both export and domestic markets, hence providing more opportunities to (especially market seeking) investors. Another important distinguishing feature of SEZ is that, unlike EPZ which can operate as standalone factory, SEZ operates as cluster of companies and activities in a geographically delineated area, supported with offsite and onsite infrastructures.

Overtime and across the globe, SEZs have been leveraged by Governments as instruments for driving competitiveness and attracting FDI. At a global level, the World Investment Report (UNCTAD, 2019), show that, the top-ranked economies in growth (particularly in Asia and Latin America) tend to have a higher number of SEZs relative to bottom-ranked ones. However, that relationship appears blurred in the case of African countries. In the case of Tanzania, the progress Tanzania has prioritised development of special economic zones (SEZs) as a critical lever for supporting industrialization and economic transformation. A review of experience shows that the Government of Tanzania (GoT) has made notable progress in putting in place the policy, regulatory and institutional framework for supporting SEZs. Starting with the mini-tiger plan of 2005, the GoT mainstreamed SEZ in its plans and strategy for enhancing growth and poverty reduction and was the first country in East Africa to prepare specific policy and regulatory frameworks on SEZ. Furthermore, the Government has also earmarked land in several locations in the country to support SEZ development. However, compared to successful experiences elsewhere, the actual progress in terms of number of zones developed, the value of investment made in existing zones, and their contribution to the economy has been less dramatic (Kweka, J. 2018).

However, the impact registered so far from the SEZS/EPZs firms are illustrative of the potential for leveraging the schemes to promote competitiveness. As shown in Figure 5, the number of companies, investment, exports and jobs from the SEZ operations has been growing at impressively trend but from a low base. Implementation of SEZ policy has been hindered mainly by lack of regulation to enforce the Act (e.g. to license SEZ operators). Consultations made on the subject show that progress to establishing the regulation requires amendments of the EAC Customs Management Act (2004) – which would need sign off by all Partner States. However, agreement around this milestone has been difficult to achieve due to alleged practical difficulties of demarcating and potential resentments in dispensing the fiscal incentives for investors operating in the SEZs vs. those operating outside SEZs. As a result, individual Partner States are considering other alternative arrangements, including promoting Industrial Parks. Indeed, a policy direction around Zone development; and commitment in terms of priority and public investment to develop at least one or two more zones of the likes of BWM is critical for Tanzania to realize the potential role of SEZ in attracting foreign and domestic investment to support industrialisation drive and create sufficient jobs. Understandably, there are potential trade-offs and options on the Table. On the one hand, the Government is keen to keep EPZ regime given its effectiveness in promoting exports; and is eager to leverage SEZ benefits as a critical mechanism for achieving the transformative role of industrialization.

Figure 5: Key Trends in SEZ Development (2007-2019)



2. Tanzania Investment Centre (TIC)

The Tanzania Investment Centre (TIC) was established in 1997 by the Tanzania Investment Act to be the Primary Agency for promoting and facilitating both foreign and local investors. Although the eligible investors for TIC services are mainly medium to large scale investment[3], it is expected that all businesses of all sizes and sectors are positively impacted by TIC role through the value chain approach.

The centre provides a One Stop Facilitation Service by hosting 10 Government Institutions under one roof, aimed at cutting down the bureaucracy and time involved in investment approvals and permits. To ensure effective access, TIC has established seven Zonal offices to serve Investors in the nearby regions without necessarily travelling to Dar es Salaam. TIC is under the new Ministry of Investment in the PMO. Note that, while TIC is responsible for coordinating, encouraging, promoting and facilitating all categories of eligible investment in all sectors, EPZA is mainly focused on promoting and facilitating export-oriented manufacturing investments.

Interview with TIC officials show that, the role of TIC as the national Investment Promotion Agency could be improved. The OSS is not yet "online", and investors must come in person to register for services. In some cases, TIC has mandate to issue licenses, in others they liaise with other agencies (i.e. TRA). Furthermore, TIC does not have a policy advocacy function. Finally, TIC needs to improve investor aftercare services, and effectively and proactively advocate for key investment climate reforms.

3. The National Development Corporation (NDC)

NDC is a leading industrial development and promotion organization. It has been established to catalyse economic development in all sectors of the economy. It has a broad mandate as a development and promotion institution to stimulate industrialization in partnership with private sector.

[3] The threshold for investment capital must be at least US$100,000 for projects which are wholly owned by local Tanzanian and US$500,000 for projects which are wholly owned by foreign investors or joint venture.

NDC is mandated to promote a resource-based industrialisation model, which encompasses synchronisation of agro-processing (to promote feedstock to manufacturing industries, hence value addition), basic industries (industrial parks) and infrastructure development (economic corridors). NDC reports directly to the MIT and implements strategic industrial development projects in partnership with private sector.

4. The Small Industries Development Organisation (SIDO)

SIDO was established in October 1973 as a parastatal organisation under the Ministry of Industry and Trade (MIT) with a mandate to promote small-scale industries. SIDO was expected to fulfil a very wide range of functions, from policy formulation to direct support to industries, to hands-on involvement in the establishment of SMEs in both rural and urban areas. Some of the best-known activities are the industrial estates, technology development centres, training cum production centres, hire purchase schemes for equipment, technology development, technology transfer through twinning arrangements and exchanges with industries in Europe and Asia, and direct marketing. These programs were strongly supported by the Government and Donors such as SIDA, the World Bank, the Netherlands, India and Hungary. In the context of a centrally planned economy, the virtual absence of a private sector, and an initially very low level of industrial activity, SIDO's efforts played a big role in cultivating enterprise development.

5. The National Economic Empowerment Council (NEEC)

The National Economic Empowerment Council (NEEC) was established with the responsibility of planning, designing, coordinating, facilitating, supervising and monitoring implementation of the National Economic Empowerment Policy of 2004 (NEEP, 2004). The National Economic Empowerment Council is under the Prime Minister's Office and has been established by the National Economic Empowerment Act No. 16 of 2004.

The National Economic Empowerment Policy came into force in February 2004. The primary objective of this policy is to provide general guidelines which will ensure that the majority of the citizens of Tanzania have access to opportunities to participate effectively in economic activities in all sectors of the economy. In this regard, sector policies will give preferential treatment to nationals where necessary to enhance their bargaining position and opportunities. The policy focuses on 13 areas, which appears ambitious compared to reality on the ground and resources needed to accomplish the intended outcomes. They include creating a favourable business environment, reforming laws and regulations, simplifying taxes, raising skills and knowledge and improving capacity to produce quality products etc.

Clearly, from its annual reports, the only activity that appears to be quite successful is training to impart business skills, especially for youth. Furthermore, the Council acts as secretariat in various national initiatives aimed at improving business environment.

6. Regional Investment Promotion Initiatives

The Economic and Social Research Foundation (ESRF), with the financial support from the United Nations Development Programme (UNDP) has developed a number of Regional Investment Guides (RIGs) and forums. According to ESRF, the RIGs provide investment information to prospective local and foreign investors for the aim of attracting them to exploit investment potentials in the respective regions to stimulate business and enterprise development as well as executing the development pathways of the regions. The Guides are also intended to enhance the regional competitiveness in areas where they have strengths as well as emerging potentials. The enhanced investments in the regions are expected to augment the Gross Domestic Product (GDP) and promote inclusive and resilient economic growth needed to accelerate societal development and wellbeing of respective regions and Tanzania at large. The initiative has so far covered 13 regions, namely: Songwe, Mtwara, Pwani/Coast, Geita, Ruvuma, Kilimanjaro, Simiyu, Manyara, Dodoma, Mwanza, Kagera, Kigoma and Lindi.

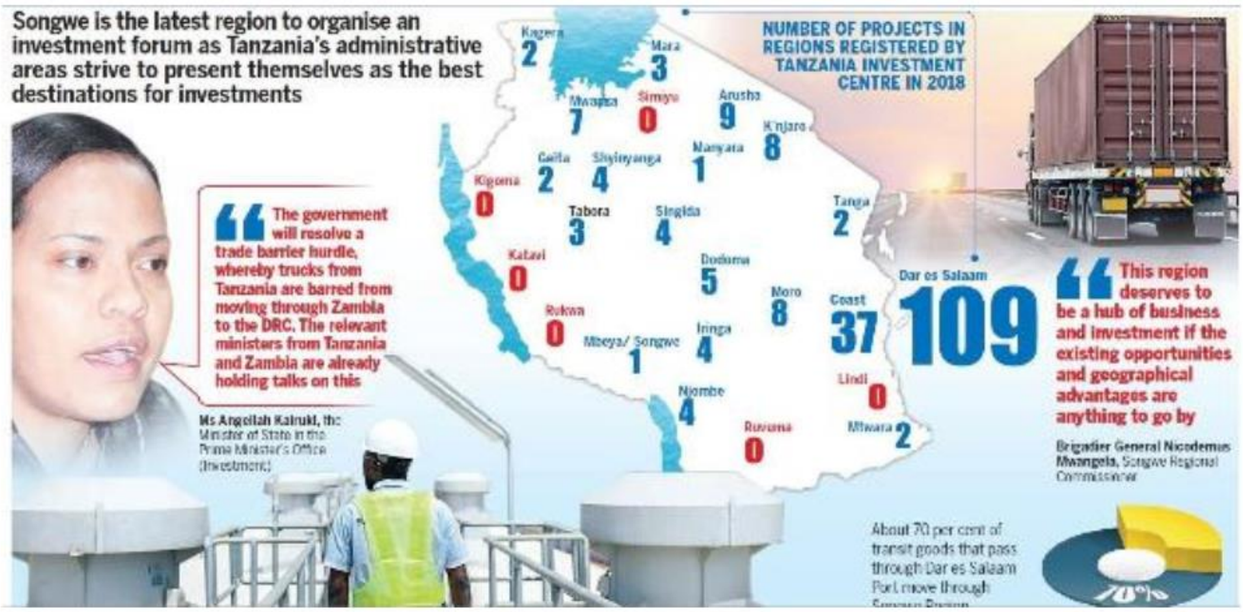
The Government through the PMO instructed all the Regional Authorities to prepare Regional Investment Guides (RIGs). The pronouncement arose from the successful self-initiatives by the Simiyu Regional Administration (Regional Commissioner in particular) to prepare and implement their RIG, and one which has become a model to emulate. The Simiyu Regional Administration has since then succeeded to use their RIG to attract viable investments, some of which have grown to become large national wide company. An all-time example for demonstrative purposes is chalk production, which Simiyu is the leading region in Tanzania. Based on successful attempt by a few other regions, the PMO instructed all RCs in Tanzania to ensure they prepare RIGs. In response, the Government formed a national committee that spearheads and provides policy support for implementing the directive. For instance, the committee solicited funding from the UNDP and appointed the ESRF as the implementing agency in partnership with the respective Regional Administration.

In line with other national development policy frameworks including the prevailing industrialization, this directive has already been adopted as a national policy. It complements the earlier directive for all the Regional and Local Government Authorities to set aside land for investors in the form of industrial parks (SEZ) or standalone areas. In addition to setting aside land for investors, the Regional Authorities have as well introduced One-Stop Centre for facilitating (both foreign and domestic) investors. More broadly, these initiatives complement the TIC role of attracting investment into the country's identified investment attractions.

Clearly, although the policy has significant potential in attracting investment, its actual impact is difficult to establish as it is at the early stages of implementation. However, a few regions have already started earning the benefits. In Simiyu – the chalk factors have expanded rapidly and become a demonstration case of Regional Leadership in attracting and fostering tangible investments. The Coast region has succeeded to attract a large number of investors, currently the second after Dar-es-Salaam with largest number of investments. Other regions such as Morogoro, Kagera, Mbeya and Iringa have managed to conduct their respective Investor Forums, hence attracting a number of investors. Other regions are in the process of finalizing the RIGs or preparing to conduct investor forums. More detailed information on these RIGs and investor forums are available at ESRF website (http://www.esrf.or.tz/invest.php) and respective regional Authorities. Indeed, some regions such as Kilimanjaro have established special website for promoting regional investment opportunities (http://investkilimanjaro.org/).

As shown in Figure 6, the Regional Authorities are effectively leading the process, with the support of the central Government through the (relatively) new ministry of investment. The policy aspiration is to attract investment in value addition sectors (especially agricultural commodities and natural endowments) to support industrialization drive for job creation. For instance, Iringa are bracing for investment to add value to milk processing etc. It is expected that the RIGs will foster enterprise development and enhance Tanzania's competitiveness through new investment projects.

Figure 6: Regional Investment in Tanzania



Source: Alfred Zacharia, 2020 "What regions are doing to attract investments" 17th February 2020. (https://www.thecitizen.co.tz/news/1840340-5458606-aejaii/index.html) – *The Citizen*, Dar es-Salaam.

2.3 Contemporary policies

Contemporary approach means identification and analysis of the prevailing policies or current policy measures by the Government, which affects EDC. The contemporary aspect includes both documented policies and policy actions by the current Government administration. Given our objective, the contemporary approach will focus on the prevailing development policy frameworks and policy actions at the national, regional and global levels.

2.3.1 General Thrust of the 5th Phase Government

Realizing some of the critical weaknesses in the structure of the economy, the current Government administration has to a large extent focused on building a strong foundation for local enterprise economy. First, the Government is supporting the informal sector and small businesses with the objective of promoting self-employment and livelihood to address the critical shortage of jobs especially in the urban and semi-urban areas. As a result, the relationship between Government and small/informal businesses appears to be more favorable and supportive. Furthermore, although he Government recognizes the private sector is the mainstay of the economy, it has relentlessly revamped the ailing state-owned enterprises (SOEs) especially in the strategic sectors with the objective of strengthening their operational performance. These include telecommunications (TTCL), Air transport (ATCL) and railways (TRL), to mention a few. These companies contribute in facilitating enterprise development.

In view of addressing the enormous infrastructure gaps, the fifth phase Government made resolute decision to implement major flagship infrastructure projects, which require massive public investment but are expected to put Tanzania in a steady state of growth in the long run. The Government launched an industrialization drive as a cornerstone of the economic growth and job creation, in which the response has been extremely positive with significant results. In support of these economic policy decisions, the Government pursued a persistent war against corruption, economic sabotage and mismanagement of public funds, thereby improving public image on accountability of public funds, hence reducing the transaction costs to businesses.

In parallel with the war against corruption, the Government has enormously improved enforcement in accountability and responsibility across the civil service, leading to improvement in service delivery, reduction in time and money for accessing basic services including those with significant bearing on the business startups, registration, access to regulatory permits and property rights. Seven and finally, owing to its zero tolerance on compliance and accountability, the Government has achieved high rate of domestic resource mobilization (DRM) leading to improvement in tax collection and public expenditure management.

Based on anecdotal sources, the public view on the impact of the above-mentioned policies and policy actions on EDC have been rather mixed. On the one hand, most of the policy initiatives are associated with enormous public investment which crowds out private investment. View show that, the economy has suffered liquidity constraints which limit demand and hence low business turnover and overall decline in business growth and low level of EDC since more businesses closed than opened up. On the other hand, a more positive view indicates that, these policies have reinstalled discipline in reckless public expenditure, and that the increase in tax collection, zero tolerance on corruption, the

Government has increased its ability to improve service delivery and addressed infrastructure challenges hence improvement in business operational performance and favourable environment for EDC.

A third type of viewpoint is more focused on the dynamic aspects. That is, most of the policies will pay off in the future, such that the long run benefits to EDC will outweigh the short run costs. In either case, every reform has an underlying short run costs to bear with. Finally, the general view that the Government has become more biased in Favor of the state ownership compared to private sector is worth pursuing further. Others feel that, by revamping some ailing SoEs, the Government might be backpedalling the achievements of privatization and market reforms. However, most of these issues are anecdotal, and given the scope of this paper, cannot be verifiable. Nonetheless, the Government needs to embrace a reasonable balanced between state-owned enterprise and private enterprise to keep economy flourishing.

The East Asian economies leveraged SOEs to support their economic transformation and to build a vibrant economy (Kweka, J. 2019). Through the "back the winners" approach, State support was focused on strategic sectors and enterprises that contributed to transforming the economy. Where necessary, hard reforms were adopted which allowed divestiture to foreign direct investment (FDI) of poorly performing SOEs with the government taking majority or minority shares. At the same time, strong alignment and partnership with the private sector was viewed as a critical force in formulating and implementing national EDC and industrialization strategies. Underlying this collaboration was the strong need for public-private sector dialogue to ensure that activities of the two sectors were coherent not contradictory. In Singapore, SOEs and foreign direct investment (FDI) were combined as government-linked corporations (GLCs).

While these lessons are generally useful, in Tanzania, SOEs play an important role but are not dominant in the economy. Currently, around 270 fully registered SOEs are operating in Tanzania, managed under the Office of the Treasury Registrar. They are clustered around major sectors of the economy, including power, transportation, water, ICT, land and housing, and financing. In total, the investment in SOEs represents about 10% of GDP. In value terms, about 60% of Government investment is held in 10 corporations, of which four are service providers: Reli Asset Holding Company (RAHCO), which holds railway assets, Tanzania Electric Supply Company (TANESCO), Tanzania Ports Authority (TPA) and the National Housing Corporation (NHC). A further four are pension funds. Several important corporations, such as the Tanzania Petroleum Development Corporation (TPDC), Tanzania Railways Corporation (TRC) and Air Tanzania are not in the top ten.

2.3.2 Annual Fiscal and Financial instruments

Policy to support EDC also includes explicit use of fiscal and financial instruments to support competitiveness of the private sector. The two clear examples of such instruments include the Annual Finance Bills by the Minister of Finance, and the Credit Guarantee Scheme. Indeed, the Government through the Ministry of Finance and Planning established the Annual Tax review consultative mechanisms in which the private sector is invited to make tax changes proposals for Government consideration.

The annual budget speeches play an important role in delivering the 'fiscal policy' by outlying new and revised corporate and individual taxes within the framework of the existing tax laws. After the speeches are endorsed by the parliament, the new taxes are consolidated into the annual Finance Acts purposely to enforce the application of the new tax rates. The annual Finance Acts are enforced together with the existing tax laws including the Tax Administration Act 2015, Income Tax Act Cap. 332 Revised Editions 2008, Value Added Tax Act, 2014, Stamp Duty Act Cap. 189, East African Community Customs Management (Amendment) Act, 2011, Tax Revenue Appeals Act Cap. 408 etc.

The main objective of the annual fiscal and financial policies is to increase competitiveness of the Tanzanian businesses and producers by reducing tax burden and simplifying tax regime to further improve the business environment. Alongside with the annual finance bills, the EAC Customs Management Act also provides the opportunity for respective Partner States Government to present tax changes proposals aimed at supporting efforts to build competitiveness through trade policy space. In the case of financial instruments, the Government established credit guarantee schemes aimed at supporting two respective policy objectives, namely: SMEs access to credit and development of export markets.

3. REGIONAL POLICIES AND INITIATIVES

3.1 Overview

Tanzania has embraced regional integration as one of the key features of her growth strategy. Overall, the policy objective is to foster regional cooperation on key strategic issues, as well as seeks economic opportunities including to regional export markets and investment flows. Such objective is supported by a number of regional institutions as well as regional policies and initiatives. As per the ToRs for this study, the aim is to assess how the recent policies and initiatives at the regional level have affected EDC in Tanzania. For selectivity purpose, we will focus on selected policy developments at the EAC.

The East African Community (EAC) is a regional economic bloc involving 6 Partner States (Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda), with its headquarters in Arusha, Tanzania. The block is home to 177 million citizens, with a combined GDP of US$ 193.7 billion (2019), thus proving a large market for the constituent member countries. As stipulated in its vision, mission and strategic objectives of the EAC, the EAC aspires to build a strong and competitive economic block for the people of East Africa through increased competitiveness, value added production, trade and investments. Indeed, effective implementation of the 5th EAC Development Strategy is expected to steer the region towards greater regional and international competitiveness.

Overall, the EAC Development Vision is clearly aligned with the objective of the paper, that is, *to create wealth and enhance competitiveness through increased value addition in production, trade and investment in the region*. In addressing private sector developments in the region, the vision embraces linkages and networks with SMEs as one of the mechanisms for promoting empowerment and competitiveness.

3.2 Policy framework at the EAC level

The EAC five-year development policy (currently the fifth) is the main policy framework guiding EAC secretariat and Partner States in managing regional integration and cooperation development. However, despite its importance, the EAC regional development framework does not override but rather complements the development policy frameworks of the respective individual partner states. In most cases, individual country's development policy may duplicate or contradict the regional policy framework to a varying extent. For instance, each of the four main EAC Partner States (Kenya, Tanzania, Uganda and Rwanda) are pursuing vigorous industrialization policies aimed at generating jobs and value addition.

Although such policies are aligned with the EAC industrialization policy or strategy, individual countries use different industrial and trade policy instruments (such as development of industrial parks, protection of domestic market etc.), which are hardly coordinated at the regional level, hence compromising the potential synergy. Such weaknesses limit the extent to which regional policies influence EDC at the individual country level. The challenge remains clear, that although the EAC secretariat is desirous in supporting EDC of EAC regional block, the progress is dismal due to the political economy nature of regional integration policies (see Daima Associates, 2018). Daima Associates (2018) study identified a variety of enterprises operating in the region and of various size and forms, and categorized business models with identifiable linkages between large and small local enterprises and various organizational structures with different implications on competitiveness.

The 5th EAC Development Strategy for the period 2016/17-2020/21 outlines the broad strategic development objectives that the Community will pursue during the five years in line with the Treaty for the Establishment of the East African Community and the EAC Vision 2050. Formulation of the Strategy considered the obligations of the Community within the development frameworks at intra and inter-regional, continental and global levels (EAC Partner States, COMESA, SADC, AU Agenda 2063 and the Post-2015 UN Development Agenda). The overall goal of the strategy is to build a firm foundation for transforming the East African Community into a stable, competitive and sustainable lower-middle income region by 2021.

Among other agendas, the new policy aspires to transform its micro, small and medium enterprises (MSMEs) into viable and sustainable business entities capable of contributing at least 50 percent of manufacturing GDP from 20 percent base rate; and promoting labour intensive industries as one of the opportunities for job creation. The priority labour intensive manufacturing includes cotton, textiles and apparels; livestock, leather and footwear; and agro-food (dairy, cereals, fruits and vegetables) sectors. These three sectors account for over 70 percent of the value addition, exports and employment generation in the region. Value addition and productivity improvement aims to promote beneficiation and commercialization of resources, improve labour and total factor productivity and to promote resource efficiency, as well as improved competitiveness at the industrial and manufacturing enterprise levels.

Notably, the development policy strategy for the region is highly supportive of enhancing EDC in the region through direct intervention and by putting in place facilitative infrastructure, regulations and institutions at both the regional and Partner State levels, while also maintaining macro-economic stability in the region. First, it recognizes the importance of institutional and regulatory framework for realizing the strategic objectives. Secondly, it aims at enhancing harmonization of the development policies, laws and regulations. Third and finally, it aims at developing an implementation framework for enhancing the competitiveness position and productive capacity of enterprises in the region. The EAC key priorities are also largely supportive of EDC at country level – namely: measures aimed at accelerating implementation of EAC Industrialization; enhancing investment, skills development; fast-tracking implementation of EAC Common Market and Monetary Union Protocols; increasing efficiency of the public sector and competitiveness of the private sector; enhancing the institutions and legal frameworks for good governance; and mainstreaming of the key cross-cutting issues.

A logical question is whether previous EAC Development strategies have had any tangible impact on EDC. We focus on the fourth strategy to highlight any documented achievements and challenges encountered related to EDC. According to official documented information from EAC, achievements registered during the 4th strategic plan period included (i) the commencement of implementation of the Single Customs Territory (SCT), which has enhanced clearance of goods through a reduced turn around period, reduced documentation and enabled real-time exchange of information between Customs and other agencies; (ii) promotion of EAC as a single investment area and initiation of common trade policy frameworks and reviews; (iii) continued diversification of the product range, improved market access, and business activities for the region's SMEs; (iv) increased cross-border investments and resource flows; as well as improvement of intra-EAC trade performance.

These achievements led to significant increase in trade integration, and growth in exports. For instance, in total, during this period, intra-EAC trade increased from US$2.2 billion to US$5.4 billion, while exports increased from US$1.2 to US$3.3 billion, and imports from US$0.9 billion to US$2.1 billion over the period. The number of enterprises operating at the regional level is growing with concentration in the manufacturing sector (such as BIDCO for edible oil, Bakhresa and Azania for flour), the financial sector (such as Equity Bank, CBA, Kenya Commercial Bank), retail trade such as Nakumatt, Uchumi) and ICT (such as Maxcom Africa). Kenya is leading in cross-border investment but there is also an increasing number of actors from Tanzania (such Mt. Meru and Bakhresa).

Challenges. Notably, the main challenge persisting in realization of the EAC development policy objectives is weak coordination across different policies and among relevant institutions in partner state countries. For instance, although EAC Governments have framed their industrialization policies, they discuss Common External Tariffs (CET) in isolation with industrial policies. Industrial policies should be crafted to reflect the spirit of CET. The spirit of CET is promoting competitiveness at the regional level before fully opening for imports from outside the region. However, export competitiveness has been mainly constrained by limited production capacity, high costs of utilities and inadequate infrastructure. Harmonization of investment policies especially the legal and regulatory framework would facilitate further growth of enterprises operating at regional level. Competitiveness has been constrained by low level of technological learning and innovation, inward looking trade policies, low level of productivity growth and the limited range of goods in which EAC Partner States are competitive. One source of technological learning is Research and Development (R&D) and incubation by Science and Technology (S&T) institutions. Box 1 shows the case of MaxMalipo as an example to illustrate the point.

Box 1. The Case of MaxMalipo (now Maxcom Africa)

MaxMalipo is an ICT enterprise that has emerged from incubation at the Commission for Science and Technology (COSTECH). From the incubator, the enterprise started from very modest levels in Tanzania with its product of prepaid electricity by Tanzania Electric Supply Company (TANESCO). It has grown into a competitive enterprise that is operating in several countries in Africa (Tanzania, Rwanda, Burundi, Uganda, Zambia). It deals in services engaging linkages with banks, shops and supermarkets using applications and mobile phones. The motive was to provide convenience and time saving as well as getting communication closer to individuals. The enterprise operates in financial applications for mobile banking and is financially viable. It operates in Bus Rapid Transport (BRT) in Dar es Salaam – collection of fares, and in hospitals – electronic means of medical processes (administration solutions). The enterprise has increased employment as technology advances, and it is operating with a network of over 18,000 agents (small enterprises) and has continuous human development offered through training and development to enable them to remain competitive in the market.

3.3 Regional Trade Agreements

A regional trade agreement (RTA) is a treaty between two or more governments that define the rules of trade for all signatories. RTAs have direct and indirect influence on EDC given the main objective of supporting member countries to attain the benefits of integration including bigger market and investment flows. The EAC has been pursuing different forms of RTAs both among its member states (e.g. Customs Union and Common Market protocols), or in collaboration with other regional blocs (e.g. EAC-EU-EPA and the COMESA-EAC-SADC T-FTA). These efforts reflect a generally agreed idea that regional blocs can drive sustainable development. In Annex B, we go through some of the RTAs and explain their status (i.e., progress, achievements and challenges), and how they may influence EDC in Tanzania.

3.4 Non-Tariff Measures (NTMs) and NTBs

Non-tariff Barriers (NTBs) are generally understood as those factors other than tariffs which make import/export trade difficult and/or costly. They include those relating to costly and difficult trade facilitation for example multiple, unharmonized and cumbersome border procedures, rules of origin as well as unjustified and/or improper application of Non-Tariff Measures (NTMs). NTMs are compatible with the WTO Charter and many NTMs have primarily non-trade policy objectives such as the protection of public health notably sanitary and phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) and/or the environmental protection. Generally, it is estimated that, imposing NTBs leads to unnecessary costs on exporters, tends to raise consumer prices, undermines the predictability of the trade regime, and reduce investment in the region. These costs are estimated to be around 50% higher than in East Asia relative to EAC region.

NTBs are a major concern to the integration process in the east and southern Africa with attempts in COMESA, EAC and SADC (and by extension the T-FTA) to address their trade impacts and prevalence. Consequently, bilateral, regional and multilateral trade negotiations/engagements are increasingly paying more attention to the removal of NTBs. Specifically, Article 49 of the COMESA Treaty provides for Member States to remove immediately all existing Non-Tariff Barriers (NTBs) to intra-COMESA trade upon entry into force of the Treaty and to refrain from imposing more NTBs-related restrictions or prohibitions. There are National NTB Monitoring Committees and NTB Focal/Enquiry Points in COMESA Member States to handle and manage NTB issues and concerns including the development of database on NTBs, etc.

Notwithstanding the measures taken and progress in addressing NTBs, many NTBs remain which adversely impact on intra-regional trade growth. The most frequently logged complaints[4] include those related to lengthy and costly customs procedures throughout the region; issues related to the application of rules of origin; costly road user charges; and issues related to the application of SPS, technical regulations and standards. Even with the monitoring and resolution system in place in TFTA

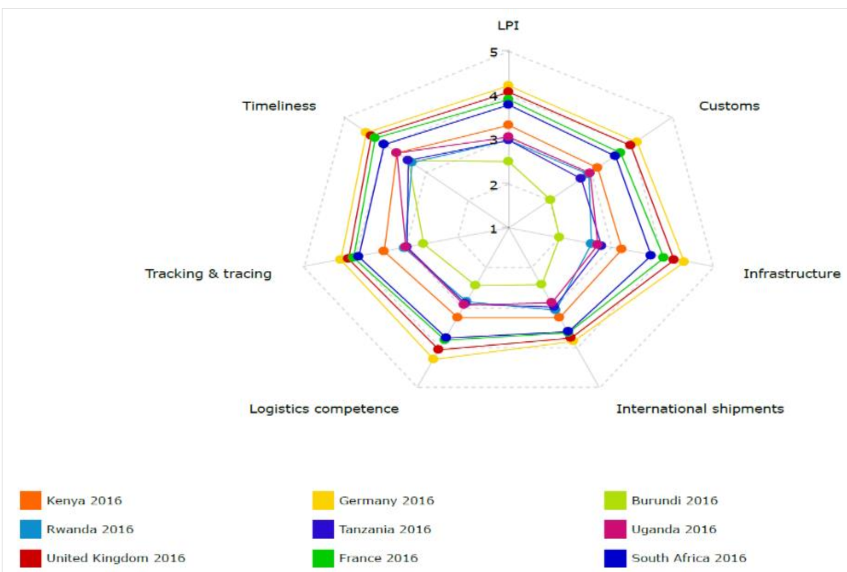
[4] East African Community Secretariat: EAC Time Bound Programme on Elimination of Non-Tariff Barriers, June 2012; and OECD/ WTO: Aid for Trade - Connecting to value chains: the role of trade costs and trade facilitation, 2015

over the last few years, the incidence and form of NTBs in the region continue to rise and to become more complex.

3.5 Trade Facilitation Initiatives

In a regional block, Partner States countries can reduce costs of doing trade and improve competitiveness by, among other things, enhancing trade facilitation capacities. World Bank (2018) logistics performance measures[5] show that EAC Partner States have weaker logistics performance compared to EU countries and regional comparator South Africa in respect of efficiency of the clearance process by border control agencies. Performance of EAC Countries in 2018 against these indicators is compared with other more advanced countries as shown in Figure 7. Generally, EAC Partners' logistics performance improved over the past decade from 2007 to 2018 although recent (e.g. 2018) performances floundered in all but one (Rwanda) country. Kenya is shown as a relatively more advanced country while Burundi had the weakest logistic performance in the region in 2018. Although EAC Partner States have made notable improvements with respect to timeliness and international shipments, major challenges remain with respect to trade supporting infrastructure, customs, logistics competence and tracking and tracing.

Figure 7: Logistics performance of EAC Partner States and selected EU countries 2016



Source: Chart by *amcharts.com* in World Bank (2018).

[5] World Bank (2018) measures the overall logistics performance index (LPI) as a weighted average of the country scores on the six key dimensions, namely, customs and trade clearance efficiency, quality of trade and transport related infrastructure, international shipments, logistics competence, tracking and tracing consignments, and timeliness of shipments in reaching destination within the scheduled or expected delivery time. The LPI is measured on a five-point scale where 1 is the lowest score and 5 is the highest score.

At continental level, EAC Partner States generally performs better than most African countries in terms of efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by customs and other border control agencies, a reflection of the relatively advanced stage of their single customs territory. In relation to major global trade partners in the EU and elsewhere, however, EAC Partner States have weaker trade facilitation capabilities in general and customs in particular.

4. GLOBAL POLICIES AND INITIATIVES

4.1 The EU-EAC EPA and Brexit

The United Kingdom (UK) officially left the European Union (EU) in December 2019 following a referendum on 23 June 2016. The departure of the UK from the EU (commonly termed 'Brexit') will reduce the membership of the EU to 27 countries. The UK has an important historical trade and economic relationship with East African Community (EAC) Partner States and other African Caribbean and Pacific (ACP) states. Thus, Brexit raises important research and policy questions including the implications for imports, tariff revenue and welfare for EAC Partner States more so in the context of an Economic Partnership Agreement (EPA) between the EAC Partner States and the EU that is still under negotiation since 2009.

EPAs will entail the creation of Free Trade Areas (FTAs) involving tariff liberalisation of 'substantially all trade' in compliance with WTO rules. According to the EU, the aims of the EPA are to promote ACP-EU trade, and ultimately contribute, through trade and investment, to sustainable development and poverty reduction. Improvements in market access conditions would entail, for example, less stringent rules of origin and sanitary and phyto-sanitary, technical barriers to trade as well as reduction and elimination of import tariffs on some of the products of export and development interest to ACP states, which had hitherto undermined meaningful utilization of the preferential treatment granted to ACP states under the disbanded Lomé Conventions. The EU also undertakes to provide ACP EPA signatories trade and development assistance to develop export capacities and capabilities, for example, trade-related assistance to acquire equipment and facilities towards developing the signatory ACP states' SPS and TBT compliance capabilities[6].

However, the like other ACP states, EAC Partner States have concerns that, amongst other things, import growth associated with EPAs will cause serious injury to their underdeveloped import-competing production and deny them opportunities to grow and develop stronger import competing and exporting capacities to supply domestic, regional and global markets. Concerned ACP states have negotiated for substantial adjustment support from the EU that goes beyond addressing issues of customs duty revenue losses (as a result of FTAs) and favourable market access conditions to include addressing export supply-side constraints to enable them to expand exports and benefit from the EPA, among other issues (e.g. extensive list of products on the exclusion list, extended implementation period).

---

[6] Note that, the Non-signatory ACP states would have the option to trade with the EU under other preferential trade arrangements such as the 'Everything But Arms' (EBA) initiative and the Generalized System of Preferences (GSP) which both have more stringent rules of origin, SPS and TBT requirements besides being non-contractual (between the EU and the beneficiary ACP country) meaning these can be withdrawn or altered by the EU without obligation.

The negotiations for the regional EPA were successfully concluded on 16^{th} October 2014 and on 1 September 2016, Kenya and Rwanda signed the interim EPA (between the EAC and the EU). Apparently, other EAC countries led by Tanzania have not (yet) signed the agreement, citing concerns with perceived EPA costs vis-à-vis benefits. Those who signed the EPAs were driven either by concerns that they would lose substantial export earnings from exporting to the EU on poorer preferential market access terms such as those under EBA or worse still GSP (GSP+, the enhanced GSP).

Given the prominence of The UK as a key traditional trade partner for EAC Partner States, its departure from the EU raises key economic policy implications on the fate of EPAs. That is, will the Brexit weigh in to deter or hasten the agreement? Zgovu and Kweka (2019) showed that, Brexit will produce limited change in EPA effects at the macro level but relatively appreciable EPA effects at product and sector levels due to the prevailing patterns of imports from the UK. Specifically, EPAs will likely result in import increases which will 'injure' certain import-competing products, weakened intra-EAC trade integration, tariff revenue losses and net welfare losses in the short-run.

Other studies have also indicated that Brexit poses risks to EAC states in proceeding with EPA due to increased trade links between EAC states and the UK. For instance, it is estimated that in 2016, about 17 percent of EAC exports was destined to UK worth 0.4 billion Euro, most of which originated from Kenya (93 percent). Following Brexit, there is high risk that the export market of EAC to EU will shrink by 17 percent, reducing the expected benefits of EPA to EAC (Gustafsson et al., 2017). Further, UK is the third largest contributor to EDF (14 percent) after Germany and France, exit of which may reduce the funding envelope. And one of the key concerns for EAC is that the UK will not be able to extend the preferential trade arrangements to the bloc after its exit[7]. Zgovu and Kweka (2019) recommended the EAC Partner States to, among other measures, reduce costs of doing trade and increase capacity to comply with EU market access conditions with a view to maximize trade opportunities under EPAs with the EU27 and UK post-Brexit thereby contribute to compensating for their negative effects.

4.2 AGOA

Tanzania is one of the 40 sub-Sahara African (SSA) countries that has benefited from the enactment of the African Growth and Opportunity Act (AGOA) in 2000 and stands to benefit even more from the AGOA Extension and Enhancement Act (AEEA) of 2015. The opportunity covers over 6,500 products through a combination of AGOA and GSP preferences. For Tanzania, these benefits include export to the U.S. of garments with a total value of over US$25 million in 2015, just from two firms: Mazava in Morogoro and Tooku in Dar es Salaam, with a combined total employment of over 4,000. The performance of these two firms is a powerful illustration of the benefits that Tanzania can realize from, and provide the rationale for, the AGOA market access. It is on this basis that, the GoT through the MIT prepared a National AGOA strategy in 2016 with technical assistance from the USAID East Africa Trade and Investment Hub. The overall objective of the strategy is to enhance Tanzania's

---

[7] Much of the EAC exports to the UK are facilitated under two preferential arrangements: the EU standard Generalized System of Preferences (EUGSP) and the EU GSP's Everything but Arms (EBA).

competitiveness by identifying and developing specific sectors and products for export to the U.S. market to increase trade under the AGOA preference.

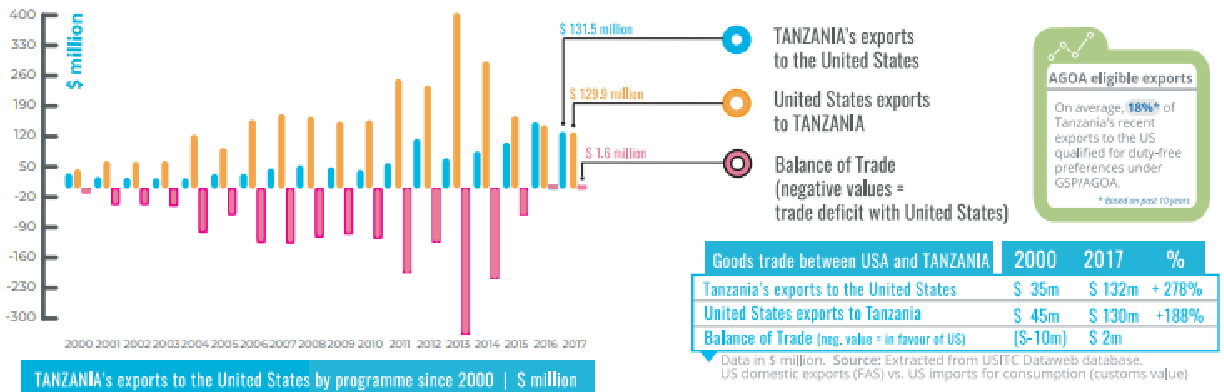
The strategy identified objectives, targets and intervention actions to enhance the competitiveness of the priority (including textiles) sectors by taking full advantage of the AGOA opportunities. The interventions include investment promotion, skills and human capacity development, market entry mechanisms, expansion and modernization of production capacity, and measures for improvement of the business environment. More importantly, the strategy recognizes the critical role of government service delivery in support of private sector competitiveness. Consistent with the objectives of the Integrated Industrial Development Strategy (IIDS) and the second national Five-Year Development Plan (2016/17 to 2020/21), the strategy seeks to enable Tanzanian products to use domestic resource base and leverage the AGOA market opportunity to kick-start the industrialization.

The strategy has identified four sectors that can be developed rapidly for the purpose of increasing Tanzanian participation in AGOA market access opportunities: (i) Textile and Garments (T&G) sector especially the low-hanging fruits in the garments subsector; (ii) agro-processing sector, which includes horticultural products, spices and edible nuts; (iii) leather goods and footwear; and (iv) handicrafts. For each of these sectors, the strategy identified the state of the business environment, and developed specific, fast-track recommendations that respond to sector needs. Cumbersome business registration and licensing procedures, the multiplicity of taxes, fees and other charges are the common impediments cited across all sectors. More generally, the absence of an effective institutional framework and institutional capacities for coordinating and driving the trade development agenda remains a critical constraint. The strategy recommended establishment of Export Development and Cluster Competitiveness Councils for each sector as best practice solution. As a short-term intervention, the strategy recommended establishment of an inter-institutional technical working group (TWG) supported by a secretariat that will be located inside MIT[8].

Apparently, the textile and garment sub-sector has been the most celebrated as the main beneficiary and successful example of potentials existing in the AGOA market opportunities. This also arises from the fact that, the sector has gone through extreme trends in its development; and the policy priority given to it in the ongoing industrialization drive owing to its potential for job creation and value addition. Clearly, compared to the old glory of the thriving T&G sector of the 1970s, the industry faced tremendous challenges related to the inefficiency of public ownership that led to its collapse in the early 1990s. The challenges included decrease of public support as part of the general reform process, and the increased competition from other low-cost producers coupled with massive imports of second-hand clothing following trade liberalization of the early 1990s. It is in this context that the Government of Tanzania is providing a significant policy push to support restoration of the industry from twin strategic directions. First, promoting export market based on the successful AGOA export cases; and secondly, exploring opportunities in the domestic and regional markets.

[8] It is not yet clear whether the recommended Competitiveness Councils or the Technical Working Groups were (or are being considered to be) formed, an issue which can be flagged for follow up to this report.

Figure 8: USA's trade in goods with Tanzania since the start of AGOA in 2000



Goods trade between USA and TANZANIA	2000	2017	%
Tanzania's exports to the United States	$ 35m	$ 132m	+ 278%
United States exports to Tanzania	$ 45m	$ 130m	+188%
Balance of Trade (neg. value = in favour of US)	($-10m)	$ 2m	

Data in $ million. Source: Extracted from USITC Dataweb database.
US domestic exports (FAS) vs. US imports for consumption (customs value)

TANZANIA's exports to the United States by programme since 2000 | $ million

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Exports under AGOA	0	0.02	0.64	1.11	2.98	2.81	3.02	2.81	1.53	1.01	1.85	5.13	10.45	10.36	17.49	28.17	36.95	40.54
Exports under GSP	1.39	0.89	0.65	0.46	0.62	0.98	0.67	1.7	0.52	0.85	0.27	0.62	1.4	0.63	0.79	0.43	0.53	0.31
No preferences claimed	33.9	26.33	24.05	22.67	20.22	30.27	30.87	41.67	51.75	47.51	40.7	53.2	103	59.34	67.93	78.09	115.17	90.6
TOTAL country exports to US	35.3	27.2	25.3	24.2	23.8	34.1	34.6	46.2	53.8	49.4	42.8	58.9	114.9	70.3	86.2	106.7	152.7	131.5

Data in $ million. Source: Extracted from USITC Dataweb database. Totals may not perfectly correspond due to rounding

Source: https://agoa.info/images/documents/15560/tanzaniacountrybrochureagoa-final.pdf

Figure 9: Some of Tanzania's product exports to USA

Source: https://agoa.info/images/documents/15560/tanzaniacountrybrochureagoa-final.pdf

5. SYNTHESIS: TAXONOMY OF POLICY DEVELOPMENTS ON EDC

In this section, we synthesize the different policies outlined in the previous sections into taxonomy for assessing the implication of policy developments on EDC in Tanzania. The analysis is two folds. First, based on three criteria, we assessed the policies in terms of their usefulness in promoting EDC. The criteria are impact/influence, likelihood, and effectiveness.

Impact or influence criteria score the policy in terms of its perceived impact or influence on EDC, whereas a policy can have low, medium or high impact on EDC. In this case, the significance of the policy on EDC increases from low to extraordinary influence. The likelihood criterion rates a policy to show the extent to which it will be formulated, implemented or work to touch on EDC. An 'Utmost' score implies that the policy actors are desirous to have it in place or implement it for EDC, while the 'low' score show the policy formulation or implementation is not necessarily going to touch on EDC. Finally, the effectiveness criterion assesses the timeframe it may take to have tangible impact on EDC. For some, the impact is immediate, while for others might take longer (medium to long term) for the impact on EDC to come through.

Subsequently, we convert the individual scores across the three criteria to generate a quantitative estimate as a ratio of 5. That is, a policy with the top most score get an estimate of 5 and 1 for the lowest. Accordingly, we ranked the policies according to the estimate from the highest to the lowest. Our objective is to provide a sense of which type/nature of policies are a real priority for the Government to support EDC more effectively and dramatically. In this case, a policy that has a significant influence on EDC and one which is likely to be formulated/implemented for this purpose will be given priority especially if its gestation period is short.

While usefulness of a policy is a necessary condition, it is not sufficient to make it work on EDC as there are many other factors to consider beyond the three criteria. It is therefore important to understand the positive and negative characteristic features of a policy, which would inform policy Actors on which areas of reforms need to be addressed as sufficient condition. In the second part of the synthesis, we conduct a SWOC analysis of each type of a policy.

The results of the two assessments are respectively shown in Tables 4 and 5. The results show that, policies score differently across the three criteria. For instance, while LGA type of policies may be quite spontaneous on EDC, the likelihood for occurring is rather low compared to national policies that are backed by central Government. Although likely to occur, Global and Regional policies are less effective on EDC given the clear lack of national level enforcement institutions. Apparently, the generic policies are too general to have tangible impact on EDC and may have long gestation period, unlike the specific and national-level policies which appear to be more reasonably related to EDC. Finally, only contemporary policies are best suited to all the criteria, in that they are likely to occur and potentially have high and immediate impact on EDC. The ranking of policies in Table x6 identified contemporary, LGA and national level policies as policies that should be accorded highest priorities in promoting EDC. The SWOC analysis complemented the ranking by highlighting the positive and negative attributes of the policies. Subsequently, the analysis recommended a number of policy actions for improving the role of a particular type of policy in supporting EDC.

Table 4: Taxonomy for assessing the implication of policy developments on EDC in Tanzania

Type or Nature of Policy/Initiatives	**How affects EDC**	**Subjective rating**			**Results (Priority) score:** 5= Highest 1= Lowest
		Impact or Influence: 1= Low 2= Medium 3= High 4= Extraordinary	*Likelihood for the Policy/Impact to occur*: 1= Low 2= Medium 3= High 4= Utmost	*Effectiveness:* 1= Long-term 2= Medium-term 3= Short-term 4= Immediate term	
Global	Global market opportunities and the attendant supply/value chains	LOW	LOW/LOW	LONG-TERM	1.3
Regional	Regional Trade Protocols, and regional market opportunities	MEDIUM	HIGH/HIGH	MEDIUM-TERM	3.3
National	Through economic policy management and Government initiatives to build a prosperous economy through private sector and industrial development	HIGH	UTMOST/MEDIUM	SHORT-TERM	4.0
LGA*	Bylaws and LGA level regulations and initiatives to service, support and promote enterprises/investors	EXTRAORDINARY	LOW/UTMOST	IMMEDIATE-TERM	4.3
Generic	Providing favourable macroeconomic environment, regulatory, thematic (e.g. exports) and sectoral initiatives	LOW	UTMOST/LOW	LONG-TERM	2.3
Specific	Regular, isolated or programmatic interventions deliberately designed to build and promote entrepreneurship and national competitiveness for job creation, livelihood or value addition	MEDIUM	UTMOST/MEDIUM	SHORT-TERM	3.7

Contemporary	Ad hoc, time-bound or subjective policy actions, pronouncements or Government outlook whether official or unofficial that have ultimate effect on enterprise, industrial or private sector development	EXTRAORDINARY	MEDIUM/UTMOST	IMMEDIATE-TERM	4.7

* The main text did not cover the Local Government aspects of policy development since they are implied in the national level policies. However, it is included in this matrix for illustrative purposes.

Source: Authors own compilation based on the insights from literature and general understanding of the subject.

Table 5: SWOC Analysis by Priority Policies affecting EDC in Tanzania

Type or Nature of Policy/Initiatives	**Priority score:** 5=Highest 1=Lowest	**STRENGTH**	**WEAKNESS**	**OPPORTUNITY**	**CHALLENGE**	**Recommendation**
Contemporary	4.7	Often from the top Authorities hence assured implementation and Government-wide support	It is ad hoc. Cannot be solicited, projected or sustained beyond the particular time	High level of effectiveness on EDC as reflects the political will and political economy of the time	Lack of sustainability raises serious implications on institutional validity and business continuity	Leverage high political will on demand-led EDC and use evidence-based policy advise to refine it
LGA*	4.3	At the grassroots level of hence relevance and local knowledge on the EDC needs in the jurisdiction	Apply to specific LGAs with little if any opportunity for replication	LGAs may design and implement own EDC policies or initiatives as long as they are within the Law	Limited financial and human resources beyond those by Central Government. Institutional structure of LGAs is not flexible to accommodate innovative solutions	Provide policy space for LGAs to undertake own EDC policies. Reform the institutional framework of LGAs to establish an EDC support unit
National	4	Economy-wide application to EDC with strong institutional management and regular support, including reviews	Too many policies, often times with weak or inadequate coordination	A significant policy space, and room for synergy across various related institutions that support private sector development	Too many policy priorities which appears to overwhelm implementation and may compromise effectiveness on EDC	Earmark policies that are most effective for supporting EDC and establish a coordination unit (e.g. a National Competitiveness Council) within PMOs or PO for effective prioritization and implementation. Establish M&E system for EDC.

Type or Nature of Policy/Initiatives	**Priority score:** 5=Highest 1=Lowest	**STRENGTH**	**WEAKNESS**	**OPPORTUNITY**	**CHALLENGE**	**Recommendation**
Specific	3.7	Theme – based, and specific to the respective institutions, hence easier to garner support from stakeholder	Standalone and may not appeal to Government-wide support depending on subjective view of the particular thematic focus	Easier to drive support as can be distinguishable from other policies and evaluate outcomes	Vulnerable to Government or Donor views regarding the program/initiatives	Bolster support to ensure pronounced impact on EDC, including by propagating successful cases
Regional	3.3	Supported by supranational institutions including Treaties and Protocols and organs of the EAC	Secretariats have no enforcement mechanisms at Partner State level	Negotiation and pursuit of expanded market opportunities	Vulnerable to trade wars, reciprocity and xenophobic tendencies that translate into NTBs/NTMs that halt trade and disrupt value chains	Increase engagement and adopt offensive trade policy by supporting measures to increase competitiveness of Tanzanian firms
Generic	2.3	Grounded in economic theory and institutions with stable environment for EDC	Remote association hence difficult to leverage for EDC	Wide room for leveraging variety of policy mix and synergy across various related institutions that support EDC	Difficult to attribute and evaluate outcome for soliciting/justifying further support.	Undertake evidence-based policy analysis of impact of various policies to identify those with optimum impact on EDC
Global	1.3	Supported by human and financial resources of the multinational institutions including	Top-down, arm's length approach (Principal-Agency theory), with programs are time-	Negotiation and pursuit of expanded global market opportunities	Difficult to attribute, measure and evaluate outcome for soliciting/justifying further support.	Increase engagement and support to measures that would increase competitiveness of Tanzanian firms

Type or Nature of Policy/Initiatives	Priority score: 5=Highest 1=Lowest	STRENGTH	WEAKNESS	OPPORTUNITY	CHALLENGE	Recommendation
		Treaties and Protocols	bound with no assured sustainability			

* The main text did not cover the Local Government aspects of policy development since they are implied in the national level policies. However, it is included in this matrix for illustrative purposes.

Source: Authors own compilation based on the insights from literature and general understanding of the subject.

6. CONCLUSIONS AND RECOMMENDATIONS

This paper is part of the research study on the institutional analysis of the enterprise economy in Tanzania. The overall objective is to examine the implication of policy developments at the global, regional and national level on enterprise development and competitiveness (EDC). Using insights from the literature, policy documents and consultation with key informants, the paper outlined a range of different policies that are relevant to EDC and organized in different categories to examine the extent in which they can be leveraged to support EDC in Tanzania. These include general, specific and contemporary policies, and policies at the global, regional and national levels. Given the wide-ranging policies, we developed a synthesis of the various types of policies and determine the level of priority that could be accorded to each in the Government's effort to promote EDC. Subsequently, we conduct a brief SWOC analysis for each type to recommend the respective policy actions for improving their role on EDC.

A number of broad conclusions can be deduced from the analysis. First, although it is a general understanding that policies are important for a country to promote EDC, it is the type of policy that matter. Some are more explicit, others take shorter gestation period, and other have potentially bigger impact on EDC than others – so it is the synergy across the policy ecosystem that makes support to enterprise economy effective. Perhaps more importantly, the bigger question is less about the types of policies but more about how the Government can leverage policies to achieve a more transformative enterprise economy. The paper identified contemporary policies, and policies at LGA and national level as priority types of policies compared to the general, global and regional policies. Finally, the SWOC analysis highlighted a number of areas for improving the role of policy.

From the analysis, we recommend several policy actions. First, to leverage policies to support EDC, it is necessary for the Government to adopt a segmented approach, given the heterogeneous nature of the enterprise economy with varying needs (traders vs. producers, large vs. SMEs, market seeking vs. efficiency seeking investors, export vs. domestic market-oriented firms). Second, the segmentation approach adds to the urgency for a coordinating body that could be highly powered and capacitated to steer the country towards the higher levels of EDC. For instance, a National Competitiveness Council under PMO. Third, some low hanging fruits could be harvested by leveraging the contemporary policies (e.g. annual finance act or President's directives) to support best performing enterprises excel more (picking the winner approach). Fourth, enhance policy predictability through evidence-based policy making by supporting evaluation of recent policies and draw lessons for sustaining positive results. Fifth, encourage (provide more space for) LGAs to design and implement own policies that would dramatically transform EDC at the local level. Finally, embrace M&E mechanisms to evaluate policy impacts on EDC as ways of soliciting more resources to replicate successful cases.

REFERENCES

Abrego, L., de Zamaroczy, M., Gursoy, T., Nicholls, G.P., Perez-Saiz, H. and Rosas, J.N., 2020. The African Continental Free Trade Area: Potential Economic Impact and Challenges (No. 20/04). International Monetary Fund.

Abrego, L., M. A. Amado, T. Gursoy, G. P. Nicholls, and H. Perez-Saiz. 2019. "African Continental Free Trade Agreement: Welfare Gains Estimates from a General Equilibrium Model." IMF Working Paper 19/124, International Monetary Fund, Washington, DC.

Amsden (1992), Asia's Next Giant: South Korea and Late Industrialization, Oxford University Press. London.

Beck, T., Klapper, L.F. and Mendoza, J.C., 2008. The typology of partial credit guarantee funds around the world. The World Bank.

Chauvin, D., N. Ramos, and G. Porto. 2016. "Trade, Growth, and Welfare Impacts of the CFTA in Africa. CSAE 2017, paper_id=749.

FSDT. (2016). Review of Guarantee Schemes in Tanzania. Financial Sector Deepening Trust.

Gustafsson, M., A. Mishra, H. Kisamo, and R. Ssuuna (2017), "The EAC-EU EPA and Brexit: Legal and Economic Implications for EAC LDCs", Institute of International Economic Law, Georgetown University, Washington DC.

Jensen, H. G. (2011). The TRipartite Free Trade Agreement: A Computer Anaysis of the Impact. In R. a. Sandrey, Cape to Cairo - An Assessment of the Tripartite Free Trade Area. Stellenbosch, South Africa: Trade Law Center for Southern Africa.

Manski, C.F., 1992. "Identification Problems in the Social Sciences," Working papers 9217, Wisconsin Madison - Social Systems.

Mason, C., and Brown, R. (2014): Entrepreneurial Ecosystems and Growth Oriented Entrepreneurship, The Hague, OECD-LEED Programme, 38 pages

Mgwabati Faraja (2020), "Blueprint reforms pull off miracles" in The Investor, Tanzania Investment Center, Dar-es-Salaam.

Mold, A. a. (2016). Modeling the Economic Impact of the Tripartite Free Trade Area: Its Implications for the Economic Geography of Southern, Eastern and Northern Africa. Journal of African Trade (3), 57-84.

PMO PSCP survey (2018) "Prime Minister's Office (PMO), Private Sector Competitiveness Project: Project Implementation Completion and Results Report", Dar-es-Salaam.

SIDO (2019) "The One District One Product Strategy" SIDO HQ, Dar-es-Salaam.

URT. (2018). Blueprint for Regulatory Reforms to Improve Business Environment. Dodoma: Ministry of Industry Trade and Investment (MITI).

World Bank. (2018). Regional Trade Agreements. The World Bank.

Zgovu and Kweka (2019), "Import, Revenue and Welfare implications of Economic Partnership Agreements with EU27 post-Brexit for EAC Partner States", A Draft Framework Paper prepared for the AERC Collaborative Research Project on "*Rethinking Regional Integration in Africa for Inclusive and Sustainable Developmen*t", AERC, Nairobi.

ANNEXES

Annex A: Business Environment Regulatory and Institutional factors affecting EDC

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
1.	Business registration	Tanzania ranking deteriorated from 95th in 2008 to 162nd in 2020	Launching an online company registration. The Business Act of 1972 was repealed, and the new act has a reduced number of license categories, such that it now takes half a day to register a company.	Multiplicity of agencies and the unpredictable, uncertain and duplicative licenses fees and taxes Limited awareness on post registration activities	Tax reforms and other measures (training facilities and credit access) to facilitate business establishment Carry out detailed needs assessment in MDAs with regulatory roles to establish resources needed, skills and expertise gaps as a basis for building capacity initiatives
2.	Dealing with construction permits	Tanzania ranking improved from 177th in 2014 to 149th in 2020 mainly due to a decline in number of days to process construction permits.	Tanzania streamlined its regulations on dealing with construction permits by improving coordination among agencies and increasing the frequency of building council meetings	Existing multiple and uncoordinated regulatory agencies (Contractors Registration Bureau (CRB), Engineers Registration Bureau (ERB) etc) which create high costs as a result of their imposed multiple charges	Establish one body that will constitute CRB, ERB and AQRB as departments by amending their respective Acts Harmonize VAT administration including VAT credit clearance between the Mainland and Zanzibar

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
				Short validity of certificates, licenses and permits for engineers leading to unnecessary reapplication challenges The design of tax laws does not consider sector specific needs	
3.	Getting electricity	Tanzania ranking has been fluctuating but recently improved from 102nd in 2014 to 85th in 2020 (gained 17 places) Getting electricity is the best performing indicator for Tanzania on DB rankings	Tanzania continues to invest in rural electrification and erecting more power plants Through Tariff Order 2016, TANESCO has reduced the time to obtain an electricity connection to a maximum of 30 days	Multiple regulations and permits. URT (2017) lists eight licenses that are issued under the Electricity Act, 2008 However, electricity remains insufficient compared to other countries	Put in place one-stop-centre, operated through an online system, where an entrepreneur can be attended by all the regulators and where permits can be processed, and fees collected Accelerate the ongoing financial assessment of TANESCO in order to put TANESCO on a sustainable financial footing.
4.	Registering property	Tanzania ranking has improved from 158th in 2012 to 146th by 2020	GoT has reduced the time to issue title deeds for investors within 30, and improved electronic systems of delivering land services.	Long process of acquiring land in urban areas	GoT needs to heavily invest in town planning including titling of land and allocation of land for investments related to industries, business centres etc.

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
			Estimation for rental amount for titled land is now generated electronically with the option of payment through mobile phones Enactment of several legislations and rehabilitation and modernization of district land registries.		
5.	Getting credit	Tanzania has shown a significant improvement in this area (152nd in 2016, moved up to 67th position in 2020)	Improvement of the guidelines for financial markets, credit bureau regulations have been released and licenses issued to 2 credit bureaus at the end of 2012	The use of bank financing by firms is still limited by international standards - mainly due to the high transaction costs involved in administering small loans	Efforts to strengthen the legal and judicial framework supporting lending; Deepen the regulatory, information and technology infrastructure for households and micro enterprises; and encourage long-term pension and insurance funds to finance longer-term private investments
6.	Taxation	Since Tanzania position has deteriorated from 104th in 2008 to 165th in 2020	Reviewing the tax system has been an ongoing process; The introduction of a New VAT Act in July 2014.	High level of the informal sector, fragmentation of the tax system, tax evasion, limited public and business knowledge on the tax regime, frequent	Rationalize and harmonize several levies and fees by various central and local authorities Tax administration reforms need to be accelerated

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
			Giving amnesty to accumulated penalties and interest, that resulted from non-compliance Revising individual tax rates (skills development levy, excise duty rate on non-petroleum products etc.)	amendments of tax legislations.	Institute credible and independent monitoring systems that focused on outcomes
7.	Trading across borders	The ranking in trading across borders indicators has been declining from ranking 67th position in 2007 to 182nd in 2020	GoT has introduced the electronic Single Window System (eSWS) for payments to regulatory agencies and upgrading infrastructure at the port of Dar es Salaam; and improved border cooperation, pre-arrival declaration (PAD) system, risk-based inspections at customs and electronic submission of customs declaration	Inefficient port and border/customs clearance operations that increase the time and costs associated with international transactions Unethical behaviour by Traders to under declare value of imported goods hence affecting revenue collection Unpredictability of policy decisions on agricultural trade (ban of exporting food crops and importing permits)	Authorities should treat regulations as an integral part of trade policy, competitiveness, protection of consumers and safeguarding the public goods. Need to harmonize roles and functions of regulatory agencies. Formulate a one-stop-shop (preferably an online system) where the relevant businesses can meet all regulators

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
				Multiplicity of regulatory agencies and export taxes	
8.	Enforcing contracts	Tanzania deteriorated from 35th position in 2008 to 71st in 2020.	GoT has launched the mobile court services to improve delivery of judicial services in primary courts. Establishment of electronic JSAS (the system that facilitates registration of cases) has eliminated the need for concerned individuals to physically travel to open a case in the high court offices Legal Aid Act 2017 was enacted to improve access to justice especially for the poor and vulnerable	Judicial system mainly uses English language while majority of litigants in the courts are not well versed in the language. Judicial system is largely urban based leaving majority in rural areas unattended.	Rolling out the commercial courts to regions; capacity building initiatives and infrastructure development Introduction of an integrated ICT strategy and modernization of the courts' registries Improvement in resources for the Law Reform Commission including timely release of funds to adequately and expedite reforms
9.	Labour market	The World Bank DB report no longer provide rankings on this indicator	In early 2000s reforms were made to liberate the then state managed labour market system to a labour market based on bi- and tri-partyism.	Underdeveloped skilled labour force. Most business owners are young and uneducated and	Reform the teaching and curriculum at all levels to include skills and competencies that would meet the changing needs of the private sector

S/no.	Regulatory /Institutional aspect	Trends in performance	Recent reforms	Key challenge(s)	Key recommendation(s)
			Tanzania is currently implementing the National Skills Development Strategy (NSDS) 2016-2027 with a vision of having skilled competitive workforce.	do not employ skilled employees. Lack of coordination of skills policies and initiatives at national and sector levels.	Harmonize the technical education in secondary schools with that in technical colleges The private sector needs to be well integrated into the decision-making processes for human resource development policies and programs in order to capture their needs more effectively.

Annex B: Sample of Regional Trade Agreements and implication on EDC in Tanzania

S/no.	Regional Trade Agreement	Description/Objective	Potential impact on EDC	Current Status

1.	EAC-EU-EPA (East Africa Community-European Union Economic Partnership Agreement)	The objectives of EAC-EU-EPA are many, but all converge to fostering the smooth and gradual integration of the ACP States into the world economy, thereby promoting their sustainable development	EAC-EU-EPA will potentially increase firm sales through increased exports resulting from expanded markets and reduced trade barriers. Further, the removal of trade barriers will help reduce costs of imported factors of production and improve firm productivity.	The signing of the EPA agreement has been stalled because of discussions within the EAC
2.	The Tripartite Free Trade Area Agreement (TFTA)	TFTA is a proposed African free trade agreement between the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC). Its main objective is strengthening and deepening economic integration of the southern and eastern Africa region through harmonization of policies and programs across the three Regional Economic Communities (RECs) in the areas of trade, customs and infrastructure development.	Studies (Jensen, 2011; Mold, 2016) show that TFTA will potentially increase intra-regional trade and more importantly, to light and heavy manufacturing and food processing sectors. In addition, TFTA will improve mobilization of land, labour and capital, increasing net investment and improve terms of trade. This will in turn create gains that could enhance EDC.	Twenty four of the 27-member states (including Tanzania) have signed the Declaration; only Libya, Eritrea and South Sudan have yet signed. As of February 2020, eight countries have ratified the Agreement: Burundi, Kenya, Egypt, Rwanda, Uganda, South Africa, Namibia and Botswana. The Agreement requires 14 ratifications to enter into force.
3.	The African Continental	The main objectives of the AfCFTA are to create a single continental market for goods and services,	Overall, studies (Abrego et al, 2019); Chauvin et al, 2016) show that AfCFTA will	AfCFTA was signed on 21st March 2019 and later entered into force on 30 May 2019. By the end of January 2020, 54 (of 55) member countries of the

	Free Trade Area (AfCFTA)	with free movement of persons and investments; expand intra-Africa trade, and enhance competitiveness and support economic transformation	increase intra-regional trade volumes and welfare gains for member countries. This implies Tanzania stands to gain from expanded market and availability of low costs factors of production that would ultimately enhance EDC.	African Union (AU) had signed the AfCFTA agreement (Abrego et al, 2020). In EAC, only Kenya, Uganda and Rwanda have indeed ratified the agreement.
4.	EAC-AGOA	The main objective of AGOA is to expand U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy	AGOA has helped increase Tanzania exports to the US as a result of duty and quota free access. As a result, the number and size of the related businesses have grown bigger.	Since the year 2000, AGOA has given eligible African countries (including those in EAC) duty and quota free access to the United States' markets. Currently, the agreement has been extended, therefore giving Tanzania more opportunities to increase benefits by addressing the supply side constraints to raise quality and increase her share of the market opportunity.
5.	EAC Customs union protocol	The objectives of the Customs Union include furthering the liberalization of intra-regional trade in goods; promoting production efficiency; enhancing domestic, cross-border and foreign investment; and promoting economic development and industrial diversification	Through EAC customs union protocol, trade facilitation has been enhanced and markets have expanded. This has been reflected through increased intra-regional trade flows. In the context of Tanzania, this has helped firms access cheaper factors of production and more markets thus improving EDC.	Signed in March 2004, the protocol came into force upon ratification by the then three EAC member countries and became effective in January 2005. Implementing the Common External Tariff (CET) has been challenging to the Partner States. Customs valuation procedures have been varying, resulting in different computed values for taxation. Further, although many of the NTB's have been addressed, they persist and recur.

6.	EAC Common market protocol	The overall objective of the EAC Common Market is to widen and deepen cooperation among the Partner States in economic and social fields for the benefit of the Partner States and their citizens.	This helps increase market and investments as a result of the agreed free movements of goods and capital. It also helps firms acquire new technology from other EAC member states and cheap imported factors of production thus enhancing firm competitiveness.	Although there has been some progress, implementation of the protocol is hold back by myriads of challenges. As a result, the extent of liberalization by member countries has been far less than planned.
7.	The East African Monetary Union (EAMU).	The EAMU Protocol was adopted and signed on 30th November 2013 – whose objective is lay a ground for the Partner States to progressively converge their currencies into a single currency in the Community	Convergence and simplified exchange rate regime across the region will facilitate business, reduce transaction costs, hence promote trade and investment in the region	EAC is behind schedule on setting up key institutions that were supposed to deliver the monetary union. For example, the East African Monetary Institute (EAMI) that was to be established in 2015 remains on paper. In a race for infrastructure development, the countries have accumulated significant number of debts, which is unfavourable for Monetary union.
8	Trade and Investment Framework Agreement (TIFA) between the US and EAC	The purpose of the TIFA is to strengthen the United States-EAC trade and investment relationship, expand and diversify bilateral trade, and improves the climate for business between U.S. and East African firms.	Improving business climate between Tanzania and US will help the former to attract more FDI from US and provide opportunities for technology upgrading and innovation.	The EAC-US "Cooperation Agreement on Trade Facilitation, Sanitary and Phytosanitary Measures, and Technical Barriers to Trade was signed in February 2015. In September 2016, The US and EAC officials held a meeting to discuss its implementation and efforts to increase bilateral trade through AGOA and strategic ways to deepen the Trade and Investment Partnership.

REPOA HQs

157 Migombani/REPOA streets, Regent Estate, P.O. Box 33223,
Dar es Salaam, Tanzania.
Tel: +255 (22) 270 0083 Cell: +255 (0)784 555 655
Website: https://www.repoa.or.tz
Email: repoa@repoa.or.tz

Branch Office

2nd Floor Kilimo Kwanza Building
41105 Makole East, Kisasa,
Dodoma, Tanzania