

# BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE IN TANZANIA



2008

*BEST-AC supports private sector organisations to engage in private public dialogue and to advocate an improved business environment in Tanzania by providing grant aid, training and mentoring.*

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## 1. INTRODUCTION

This report has been prepared to highlight priorities for action to improve the business enabling environment in Tanzania. It has been commissioned by BEST-AC whose role is to support private sector organisations (PSOs) to engage in private public dialogue and to advocate change in public policy with an objective to improve the business environment in Tanzania.

The World Bank asserts that improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation. The best way for government to understand how to improve the enabling environment is to involve the private sector through consultation and dialogue.

This report provides a snapshot of Tanzanian business leaders' views of the enabling environment and the government's role in making it easier to do business.

## 2. ENABLING ENVIRONMENT ASSESSMENTS

The World Bank researches a number of indicators and publishes its "Doing Business" reports annually.<sup>1</sup>

The Doing Business reports highlight a small number of indicators. Many countries are responding to the conclusions of the reports and aiming to cut bureaucracy and make a difference. However, it is possible to focus on just two or three of the indicators used by the World Bank – which may make a big difference to their ranking but not make much difference to the overall ease of doing business (that is, to their rating) and so the perception of the private sector may be that not much has happened.

According to Doing Business 2007, Tanzania was a top ten reformer in 2006, but it seems that reforms have slowed. In Doing Business in 2008, Tanzania is ranked at 130 (out of 178 countries surveyed) for the overall ease of doing business. For 'dealing with licences' it is ranked 170, almost at the bottom, with Kenya ranked 9. For 'paying taxes', it does better where it ranks 104 compared to Kenya's 154 and 'enforcing contracts', it is much better ranked at 35 compared to Kenya's 107.

**Table 1: World Bank: Doing Business in 2008 rankings**

Ease of doing business	130
Dealing with licences	170
Employing workers	151
Registering property	160
Paying taxes	104
Enforcing contracts	35

Source: World Bank, 2007 (Countries surveyed 178)

<sup>1</sup> World Bank, Doing Business: see [www.doingbusiness.org](http://www.doingbusiness.org)

Whilst the World Bank's work is incredibly valuable to policy makers in highlighting areas worthy of reform and promoting debate, it does not offer a holistic view. Furthermore, encouraging more people to start in business or encouraging more people to join the formal economy or encouraging more investment will be far more dependent on a broader perception of the ease of doing business rather than on the narrower score reported in Doing Business.

The World Economic Forum researches and publishes assessments of competitiveness, of which the enabling environment is part.<sup>2</sup>

**Table 2: Global Competitiveness Index – selected indicators**

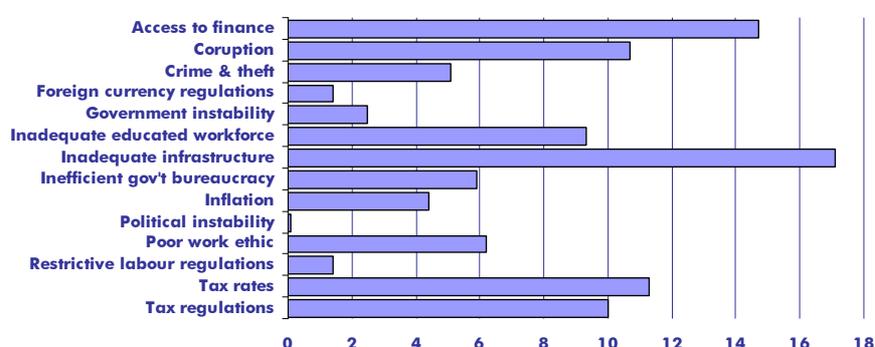
Global Competitiveness Index 2007/8	
Macro-economic stability	105
Infrastructure	114
Business competitiveness index 2007/8	
Quality of national business environment	79

Source: World Economic Forum 2007 (Countries surveyed 131)

Tanzania is ranked quite poorly by the World Economic Forum for the quality of its business environment.

The World Economic Forum also asks businesses about the most problematic issues that they face. Infrastructure is the most problematic, followed by access to finance, then tax rates, and then corruption.

**Figure 1: WEF: Most problematic factors for doing business**



Source: World Economic Forum ([www.gcr.weforum.org](http://www.gcr.weforum.org))

As well as the Doing Business research, the World Bank undertakes other research to seek insights into the way that economies perform. One research series, Enterprise Surveys, reviews, inter alia, the enabling environment.<sup>3</sup> The most recent surveys are a little out of date, but the results add to the overall picture. Selected results from the survey for Tanzania are shown in table 3.

<sup>2</sup> World Economic Forum – see [www.gcr.weforum.org](http://www.gcr.weforum.org)

<sup>3</sup> World Bank, Enterprise Surveys: see [www.enterprisesurveys.org](http://www.enterprisesurveys.org)

**Table 3: World Bank: Enterprise Survey results**

	Tanzania	Region	All
Bureaucracy: senior mgt time spent dealing with requirements of gov't regulation (%)	14.4	8	7
Corruption: Unofficial payments for typical firm to get things done (% of sales)	0.23	2.1	1.4
Courts: confidence level in the judiciary system (%)	45	60	59
Infrastructure: number of electrical outages (days)	67	56	27
Infrastructure: number of water supply failures (days)	105	37	16
Jobs: Firms offering formal training (%)	44	34	43
Tax: ave time spent in meetings with tax officials (days)	15	5.2	3.8
Trade: ave time to clear exports through customs (days)	11.7	5.2	4.7
Trade: ave time to clear imports from customs (days)	18.5	9.1	7.5

Source: World Bank, 2003

Tanzania seems to score particularly well on corruption, though more than a fifth of firms report that they are expected to give gifts in meetings with tax inspectors. Firms in Tanzania clearly do well providing training. This provides further indications of areas where the government may want to focus effort, but still fails to capture the views of the private sector about whether government is part of the solution or part of the problem and where the priorities lie.

### 3. RATIONALE FOR THE STUDY

With organisations such as the World Bank and World Economic Forum undertaking research reviewing problems of doing business, it may seem that there is no need for further studies. This study is different, however:

- Perception and reality may well be different, but it is perceptions that influence the way that people act. Having an understanding of perceptions may not only convince policy makers that more needs to be done but also, particularly where there is a big gap, provide clues to the government about how to communicate messages about reality.
- It has attempted to isolate the factors that are important to specific sectors. There are a wide range of factors which together comprise the enabling environment, though not all are important to every business, and not all make business more difficult. A self-employed consultant, for example, will not be concerned about employment law or the availability of skilled labour, but may be very concerned about taxation and the ease of enforcing contracts. A factor that is important to a business may not necessarily make doing business difficult, though we might expect to see some correlation.
- It has analysed the results by sector and by factor.
- It has not only asked about the factors that are problematic but also, for the first time, asked business leaders to identify the factors where the government is perceived to be making a positive effort to make a difference.
- It has also asked about the factors that will deter future investment. There is a danger that governments just assume that businesses will carry on investing irrespective of the enabling environment, but the results in this survey suggest that may not be the case.
- It has also attempted to quantify the costs to business of meeting the regulatory requirements imposed on them.

This first study has results that are revealing, identifying priority areas for action by the government if it wants to make a difference not only to the enabling environment but also to the way that it is perceived by business.

It is intended, funding permitting, to undertake this survey every 12 months enabling us to learn how perceptions are changing and to show trends over time. This will also provide regular feedback to the government.

## 4. PRIORITIES

Business leaders were asked about

- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- Their perception of whether and, if so, how, government is addressing each factor;
- Their view of whether each factor would be likely to deter future investment; and
- An assessment of the costs involved in meeting the requirement of regulation and red tape.

The factors seen by all sectors to be important to successful businesses are:

- Power
- Roads
- Ports and airports
- Availability of skilled labour

The factors that make it difficult for businesses to get on with running and growing their business, in order, are:

- Power
- Roads
- Corruption
- Availability of skilled labour

This shows a high degree of correlation with the factors that are important. Given that the World Bank views Tanzania as one of the worst places for licensing it was, perhaps, surprising that licensing didn't feature more strongly as a factor impeding business. It may be however that this is partly covered by the issue of corruption, since regulation and licensing often provide opportunities for corrupt practices, but may also be because established firms have learnt how to deal with it.

Our 'enabling environment priority index' takes into account both how the factor make business difficult and the perceived level of effort being made by the government to address the issue. This suggests that the issues to be addressed, in priority order, are:

- Power
- Corruption
- Availability of skilled labour
- Ports and airports
- Roads

These are the issues that the government should prioritise if it wishes not only to make a difference to the enabling environment but also to the perceptions held by business leaders. Ideally, it would also seek good quality media coverage for any changes to influence private sector perceptions.

It should be noted that the cost of complying with regulation takes a high proportion of businesses' expenditure. If it were possible to reduce this, then it would free up resources – both financial and managerial – which the businesses could then use for investment.

## 5. METHODOLOGY

The survey was administered by Steadman Group, an integrated market information business which provides clients across Africa with research (including market research, social research, media research and opinion polling) information, media monitoring and strategy and training services. They already undertake a six monthly Business Leaders (that is chairmen and CEOs) survey in the five countries (Kenya, Uganda, Tanzania, Ghana and Zambia) in which it has an office and agreed to add four investment climate specific questions (shown in full in appendix 1). The survey was undertaken between 12 May and 7 July 2008.

Anonymised raw results were provided to David Irwin who designed the questions and undertook the analysis for this paper on behalf of BEST-AC.

## 6. RESULTS: OVERVIEW

In the first question, respondents were asked to indicate which of a range of issues were important to the success of their business and were then asked to indicate whether that factor made doing business very difficult, somewhat difficult, had room for improvement or was not a problem at all.

The results for whether issues were important are shown in figure 2. The main factor, identified by 63 per cent of respondents, is power. This is followed by roads, port and airports and skilled labour. Taxation is often raised as an issue, but it ranks only ninth in the level of importance to business.

Businesses regularly complain about access to finance and, whilst not ranked amongst the biggest issues, comes 6<sup>th</sup> in order of importance, alongside licensing and regulation.

**Figure 2: Importance of issues (all respondents)**

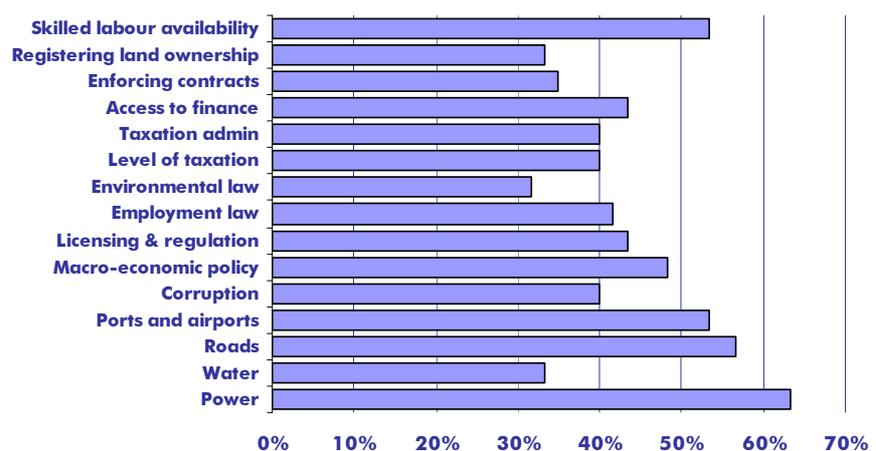
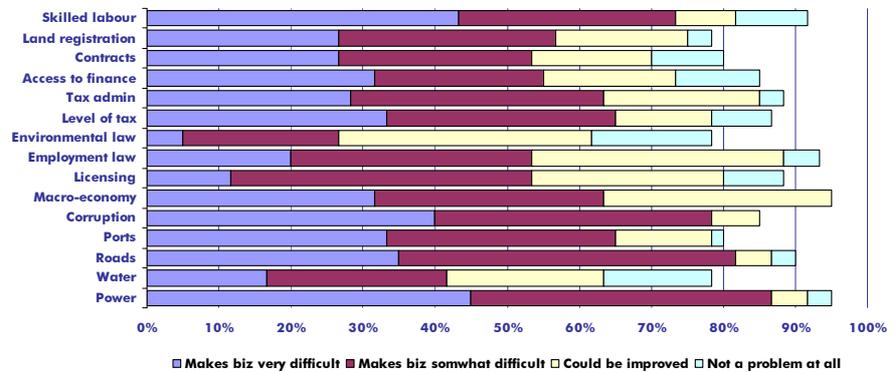


Figure 3 shows the factors that businesses perceive to make life difficult. The factors that 'make business very difficult' are, in order, power, access to skilled labour and corruption. When the factors that 'make business

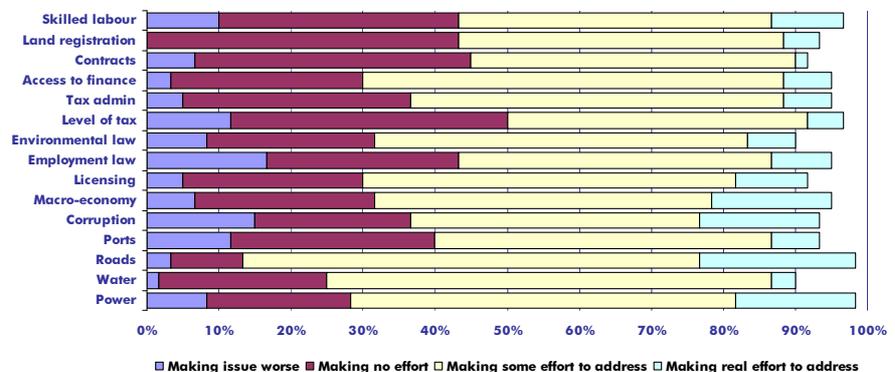
somewhat difficult' are added, then the factors that are most problematic are power, roads, corruption and then skilled labour.

**Figure 3: Factors which make business difficult**



The second question asked respondents about their perception of what the government is doing to address these aspects of the enabling environment. Answers ranged from 'the government is making real efforts to address the issue', through 'some effort' and 'no effort', to 'government actions are making this issue worse'. Figure 4 shows the results. On the whole, the government does pretty well in the sense that it is not perceived by many businesses to be making the problems worse, though 17 per cent think that it is making employment law worse and 15 per cent think that it is making corruption worse.

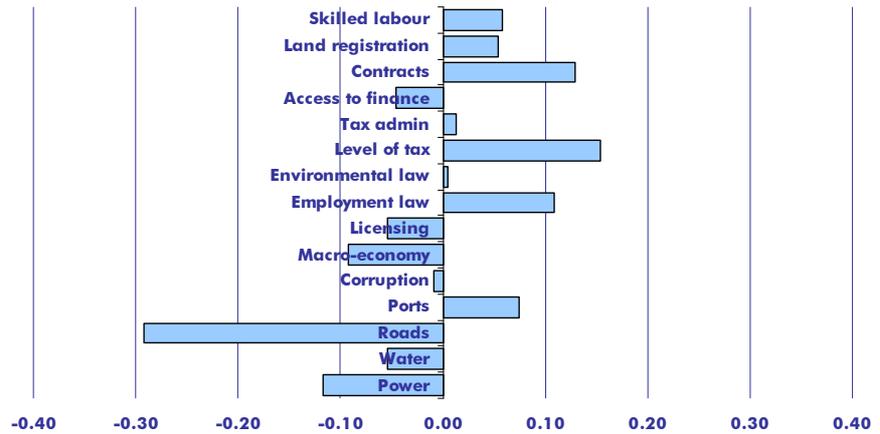
**Figure 4: Government performance in addressing key factors**



It is interesting to note that the government comes out well in relation to roads where not only do very few businesses think that it is making the position worse, but also 63 per cent think that it is making some effort and a further 22 per cent think that it is making a real effort to address the problem.

There are few factors where a significant number of respondents thought that the government was making a real effort to make a difference, but for most factors there was a perception that the government was making at least some effort. In an effort to seek more insight, an 'index of perceived government performance' has been prepared. The results are shown in figure 5. Note that the scale runs from -1 (every respondent thinks that the government is making a real effort) to +1 (every respondent thinks that the government is making the issue worse).

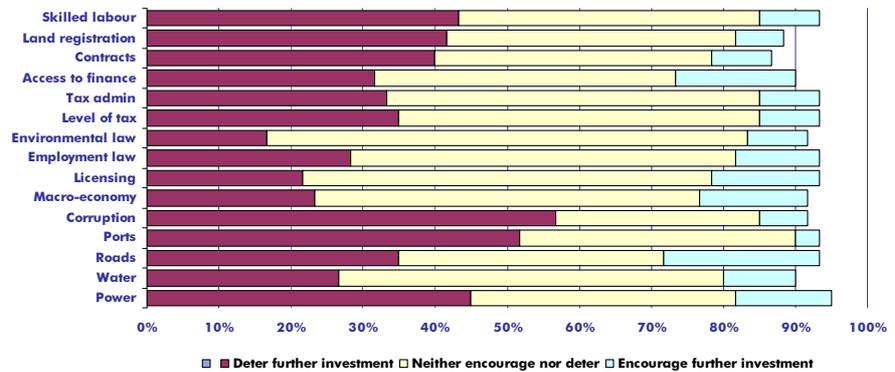
**Figure 5: Index of perceived government performance**



This suggests that the government should be commended for the effort that it is making to improve roads and power, but needs to make more effort on level of taxation, employment law enforcement of contracts and ports and airports.

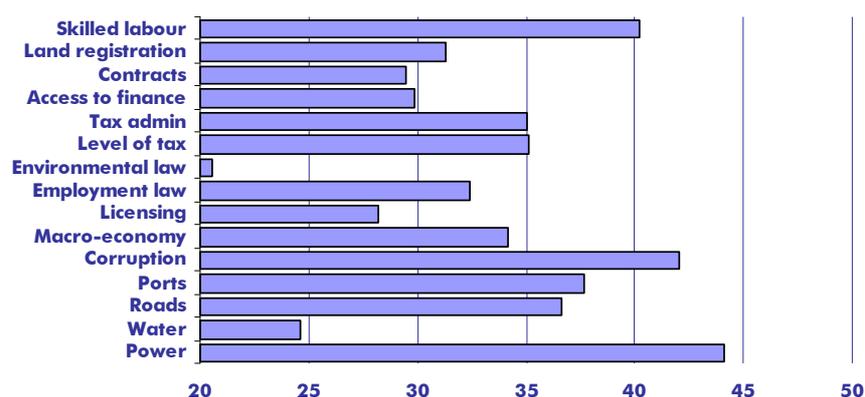
The third question asked respondents which factors were likely to influence investment decisions and how. Corruption is the biggest deterrent to investment, with 57 per cent of respondents saying that it would negatively affect their investment decision. Some 52 per cent said that the state of the ports and airports was a deterrent; 45 per cent said that power was a deterrent; and 43 per cent stated that access to skilled labour was a deterrent.

**Figure 6: Factors which affect investment decisions**



We have prepared an 'enabling environment priority index' based on how the factor makes doing business difficult and on perceptions of how the government is addressing the issue. The results are shown in the figure below. As can be seen, the top issue is power, closely followed by corruption, access to skilled labour, ports & airports and then roads. At first glance, it may seem curious that licensing comes so low in the ranking, but this is probably due to businesses in the sample population simply being more established and therefore better able to deal with regulation and licensing requirements though this has a cost.

**Figure 7: Enabling environment priority index**



Note that the scale does not start at zero

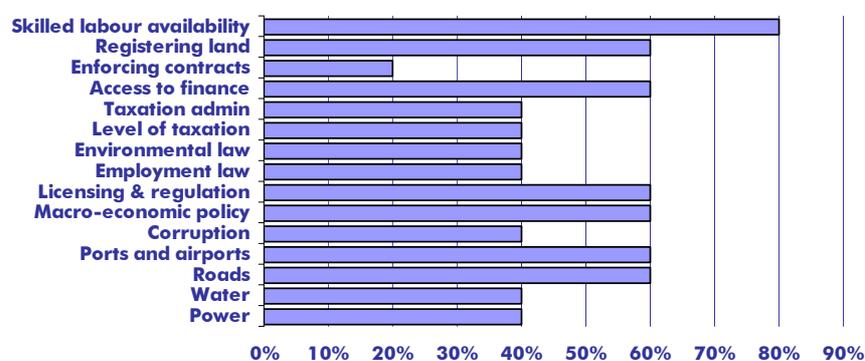
## 7. RESULTS BY SECTOR

In this section, we review the responses to each of the questions on a sector by sector basis

### 7.1 HOTELS & TOURISM

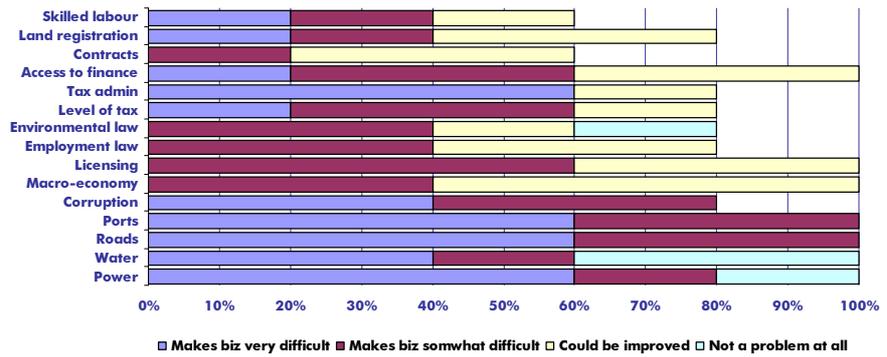
Hotels and tourism seem to worry about almost everything though it is slightly surprising to see that availability of skilled labour comes out as their most important issue, since hotels and tourism are notorious for relying on low skilled labour.

**Figure 8: Importance of issues to hotels & tourism**



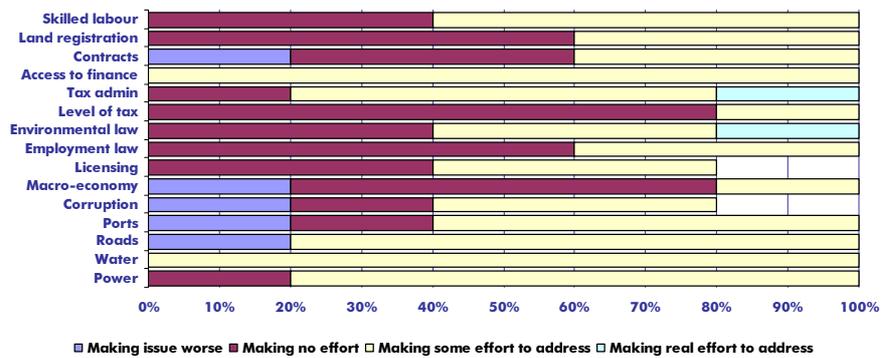
Responses for the factors that make business difficult, however, tell a rather different story, with access to skilled labour being a relatively small problem. The two biggest problems are roads and ports & airports, followed by power and then tax administration.

**Figure 9: Factors that make business difficult for hotels & tourism**



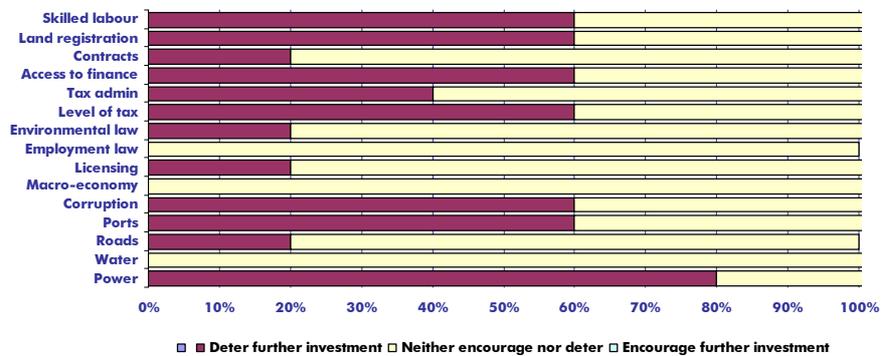
The government is not blamed to any great extent for making things worse. However, it is perceived by a majority of respondents to be making no effort to deal with the macro-economy or levels of taxation.

**Figure 10: Government performance in addressing factors**



Worryingly, hotel and tourism businesses appear unlikely to be investing any time soon, with power at the top of this list of deterrents.

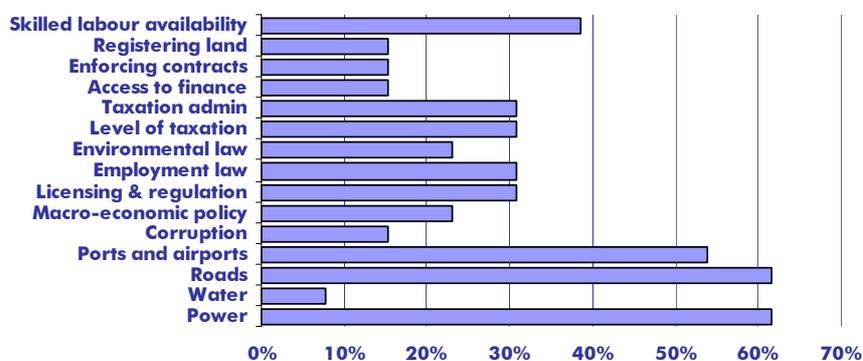
**Figure 11: Factors which affect investment by hotels & tourism**



## 7.2 MANUFACTURING INDUSTRY

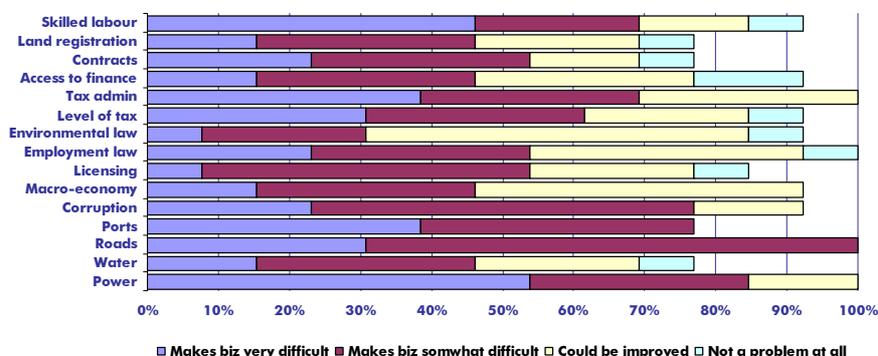
The manufacturing sector has some important issues: perhaps not surprisingly, power and roads top their list, closely followed by ports & airports and then availability of skilled labour.

**Figure 12: Importance of issues to manufacturing sector**



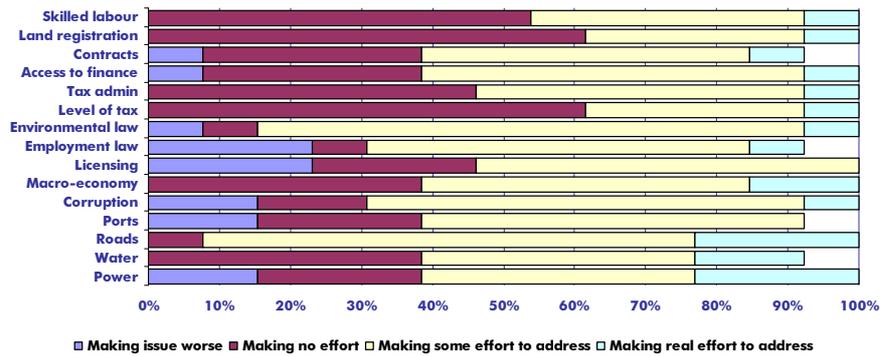
The factors that make business very difficult are mainly power (54%) and availability of skilled labour (46%). When the figures for 'somewhat difficult' are added to 'very difficult', roads is the most problematic, followed by power, and then corruption and ports and then availability of skilled labour.

**Figure 13: Factors which make business difficult for manufacturing**



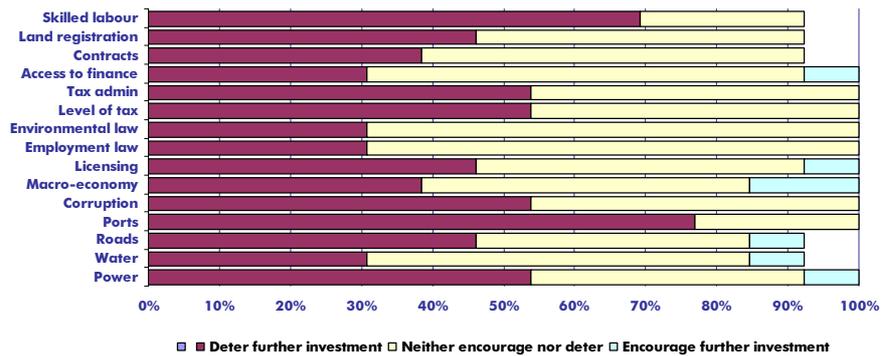
Overall, the manufacturing sector is not concerned to any great extent that government is making the position worse, though it doesn't really feel either that the government is making any real effort to address problems either.

**Figure 14: Government performance in addressing factors**



It seems that almost every factor, at least to some extent, deters manufacturers from making further investment. Ports & airports are the biggest deterrent followed by availability of skilled labour. Power, corruption, tax levels and tax administration all have more than 50 per cent of respondents saying that they would be deterrents as well.

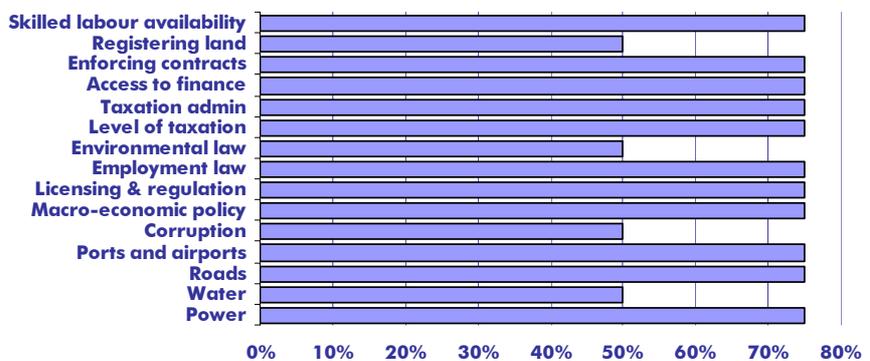
**Figure 15: Factors which affect investment by manufacturers**



### 7.3 COMMUNICATIONS

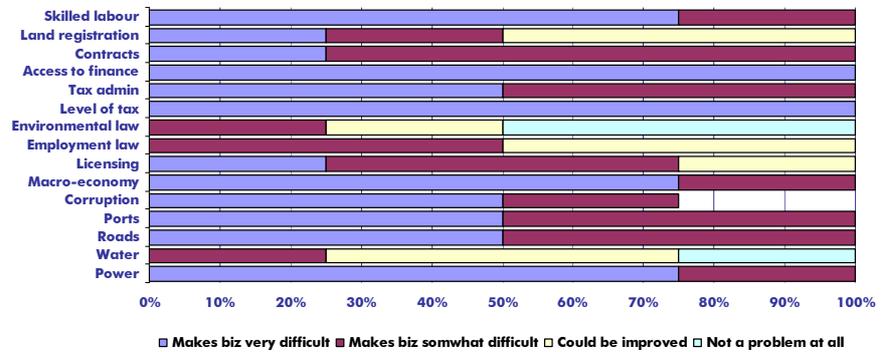
The communications sector sees almost every factor as important.

**Figure 16: Importance of issue to ICT sector**



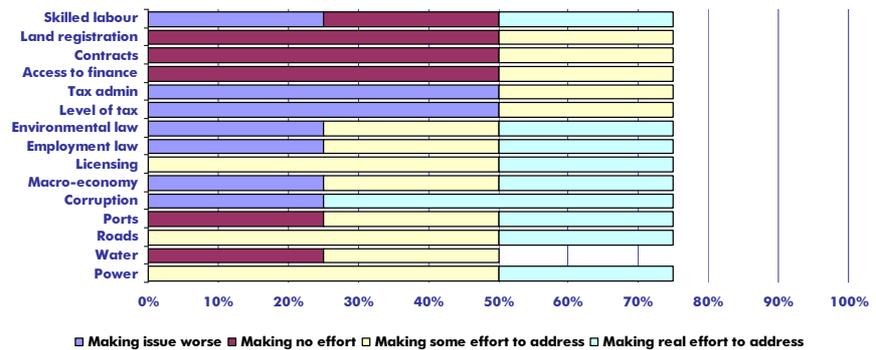
The factors which make life most difficult are level of taxation and access to finance, followed by power, the macro-economy and availability of skilled labour. Adding 'somewhat difficult' additionally highlights roads, ports & airports, the macro-economy, tax administration and contract enforcement.

**Figure 17: Factors that make business difficult for ICT**



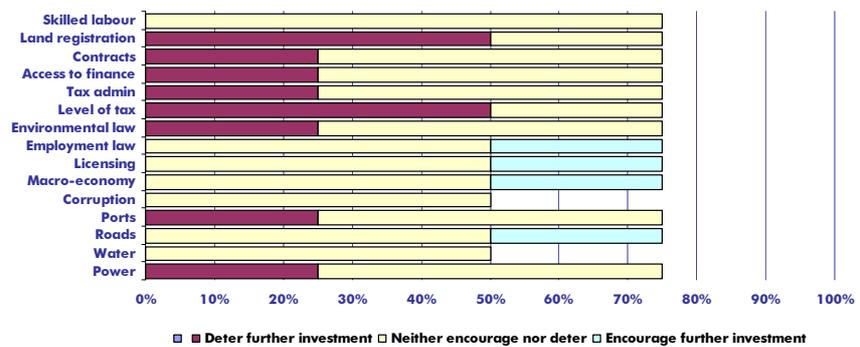
The Government is perceived, in particular, to be making worse tax levels and tax administration; interestingly it is perceived by communication businesses to be making a real effort to address corruption.

**Figure 18: Government performance in addressing factors**



The factors deterring further investment are corruption and the level of taxation, followed by roads.

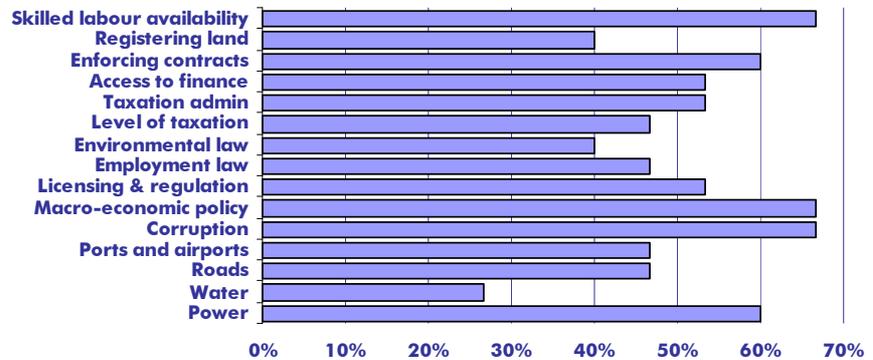
**Figure 19: Factors that affect investment by ICT**



## 7.4 FINANCIAL SERVICES

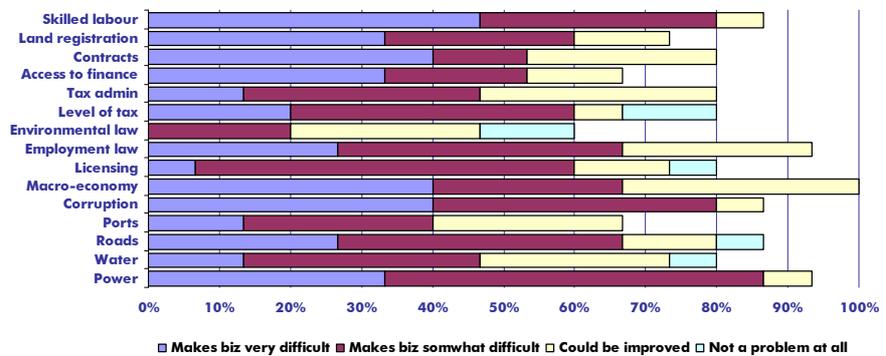
The three most important issues to businesses in financial services are corruption, macro-economic policy and availability of skilled labour, with power and enforcing contracts close behind.

**Figure 20: Importance of issue to financial services**



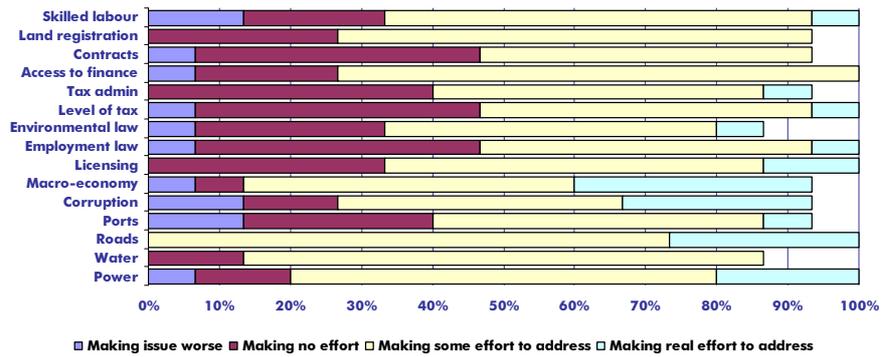
The main factor that makes business very difficult is availability of skilled labour. When 'very difficult' and 'somewhat difficult' are taken together, the issues are power followed by corruption and availability of skilled labour.

**Figure 21: Factors that make life difficult for financial services**



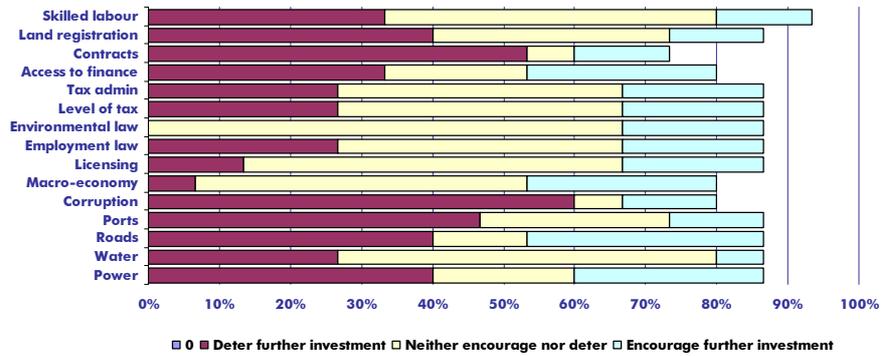
Financial service businesses do not think that the government is making issues worse. They are quite positive about the efforts being made to address issues of the macro-economy, corruption and roads.

**Figure 22: Government performance in addressing issues**



Financial services are primarily deterred from investment by corruption and the difficulty of enforcing contracts.

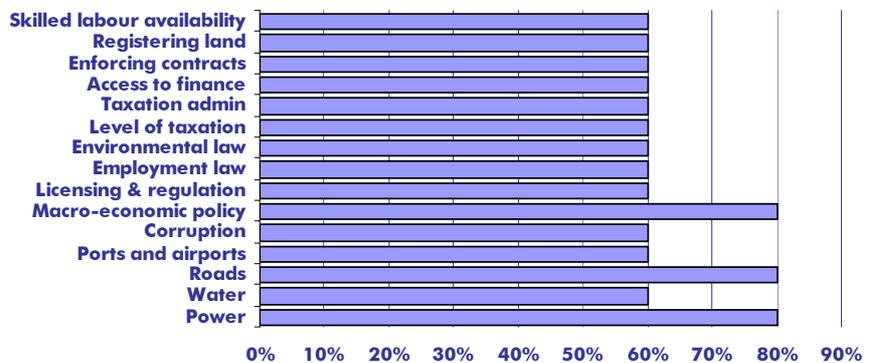
**Figure 23: Factors that affect investment by financial services**



## 7.5 AGRICULTURE

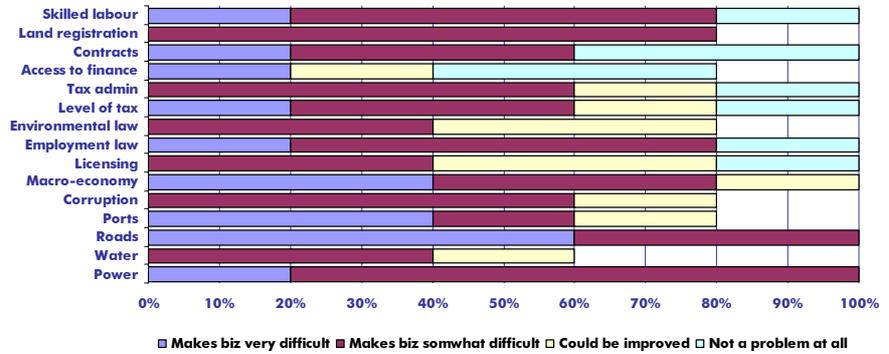
Agriculture thinks that every issues is important, with power, roads and macro-economic policy marginally more important than the rest.

**Figure 24: Importance of factors to agriculture**



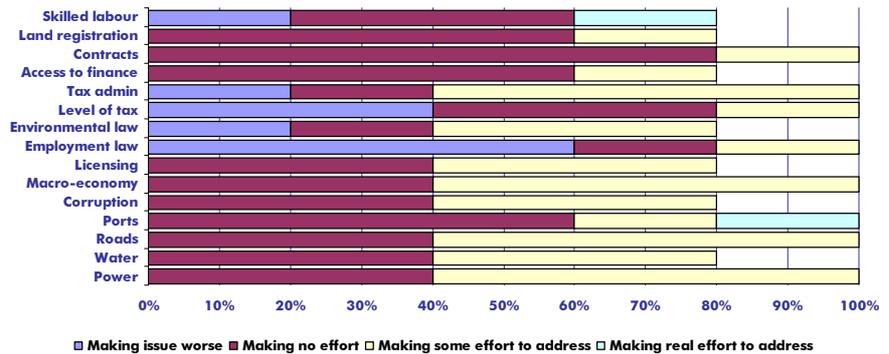
Roads is the issue which make business most difficult for agriculture. When 'somewhat difficult' is added, every respondent thinks that power and roads make business difficult. However, the macro-economy, availability of skilled labour, employment law and land registration are all close behind.

**Figure 25: Factors that make life difficult for agriculture**



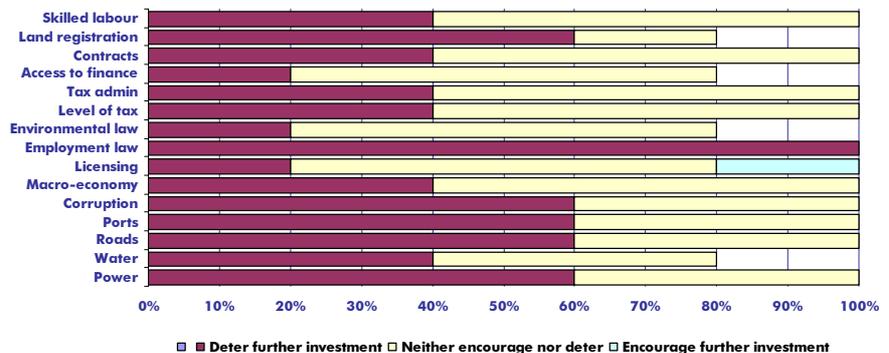
The government is perceived to be making worse employment law and, to a lesser extent, levels of taxation. It is not perceived to be making any real efforts to address the issues.

**Figure 26: Government performance in addressing issues**



Every respondent said that employment law would deter further investment.

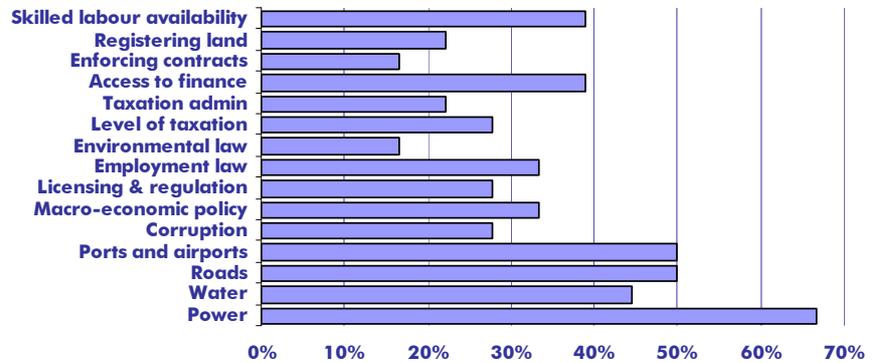
**Figure 27: Factors that affect investment by agriculture**



## 7.6 SERVICE SECTOR

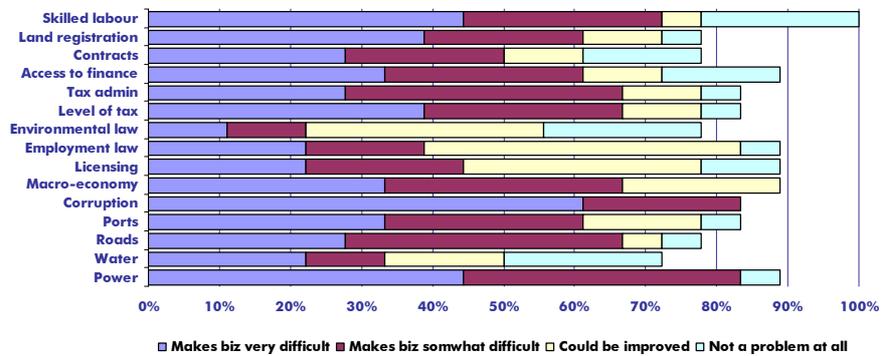
The service sector says that power is the most important factor, though roads and ports & airports are close behind.

**Figure 28: Importance of factors to the service sector**



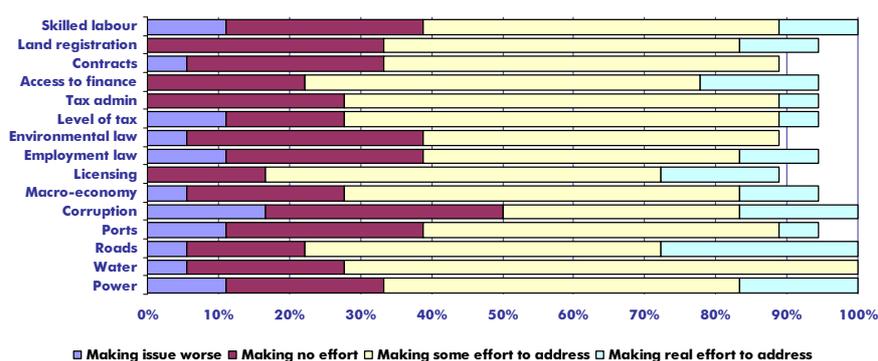
Corruption is the key issue that makes business very difficult with 61 per cent of respondents highlighting it as a problem. When 'somewhat difficult' is added, corruption still tops the list, along with power, and then availability of skilled labour.

**Figure 29: Factors that make business difficult for the service sector**



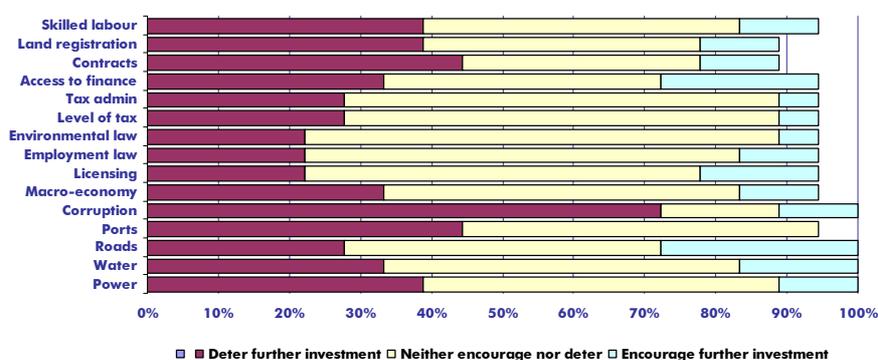
The service sector seems unconcerned that the government is making issues worse, though only perceives that the government is making any real effort to address the issue of the roads.

**Figure 30: Government performance in addressing issues**



It is the issue of corruption that is most likely to deter service sector businesses from further investment.

**Figure 31: Factors that affect investment by the service sector**



## 8. REVIEW BY ISSUE

In this section we review the issues, looking at the relative importance to each of the sectors.

Answers to the question on whether factors make business more difficult were coded from 1 (not a problem at all) to 4 (makes doing business very difficult). For the whole sample, and for each sector, the results were averaged, to show which factors impact most on which sectors. In the charts on making business difficult, remember that the higher the score, the more difficult it is for the business.

Similarly, answers to the question on how the government is performing in addressing these factors were coded from 1 (making real efforts to address the issue) to 4 (making the issue worse). In the charts on perceptions of government effort, therefore, the higher the number the less helpful the government.

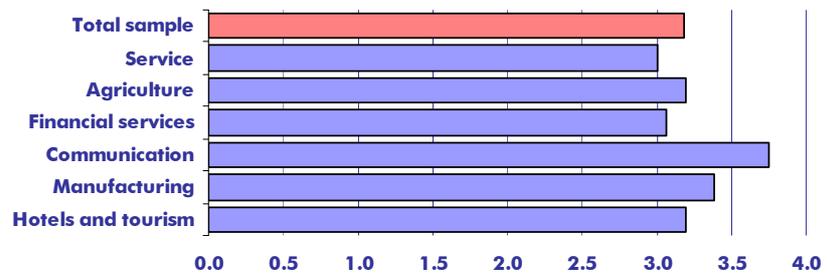
Answers to the question on investment were coded from 1 (would encourage further investment) to 3 (would deter further investment); so the higher the number in the charts, the more of a deterrent it is to investment.

Note that the x-axis scale in all the charts is set so that the maximum on the chart is also the maximum possible, to ease comparison between charts.

## 8.1 POWER

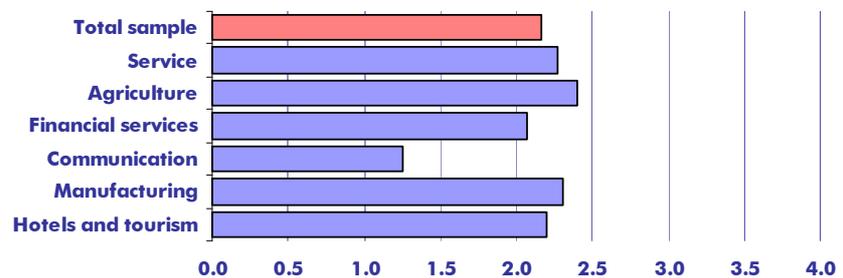
The World Bank's Enterprise Surveys report that there are rather more power outages than in the rest of the region – and that the region in turn is worse than the average for all countries. One might have expected manufacturing to be the sector most concerned about power, but actually it turns out to be the communications sector.

**Figure 32: Makes business difficult for...**



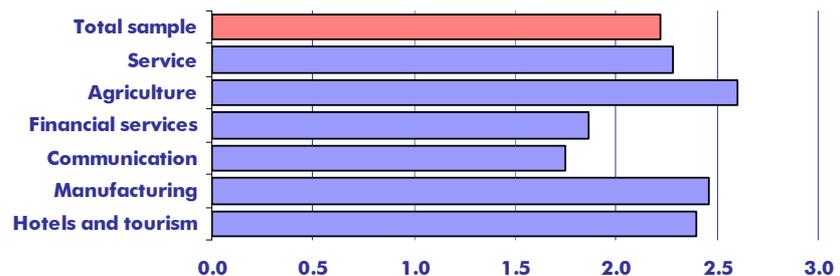
The overall perception is that the government is making effort to improve the provision of though that view is not shared by everyone. Agriculture and manufacturing would like to see more effort.

**Figure 33: Government perceived to be making the issue worse**



Given their concern, it is curious that the communications sector is least deterred from future investment by power, whereas agriculture, manufacturing and tourism all say that they would be deterred.

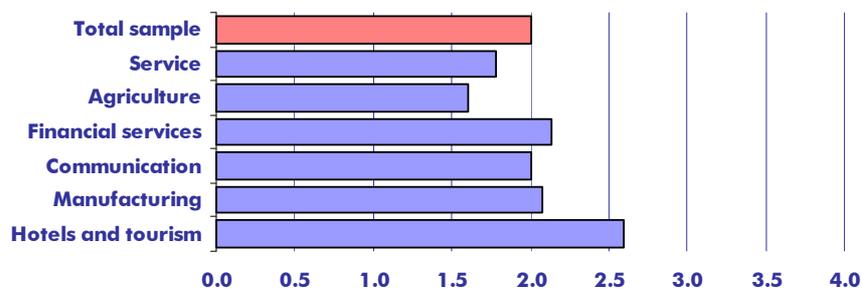
**Figure 34: Would deter further investment by...**



## 8.2 WATER

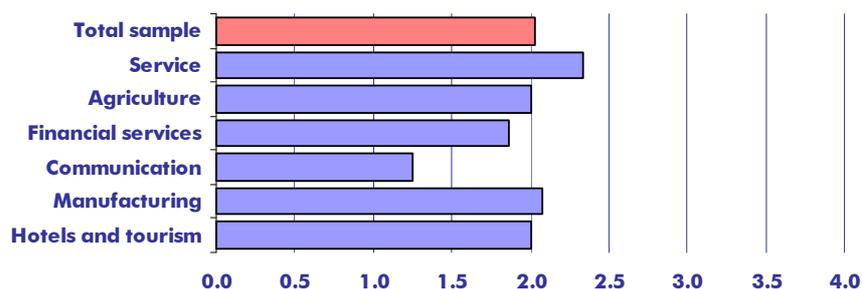
The World Bank's Enterprise Surveys report that there are many more water supply failures than in the rest of the region – and that the region in turn is worse than the average for all countries. It is hotels and tourism that see water as a problem, presumably because tourists complain.

**Figure 35: Makes business difficult for...**



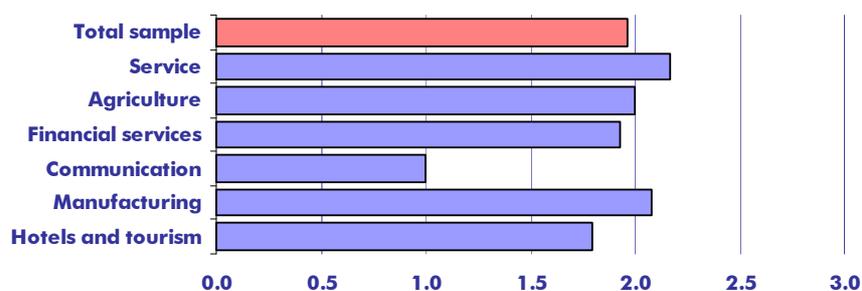
Only the service sector thinks the government is making this issue worse, and they only just think that. Overall, business is positive about government effort.

**Figure 36: Government perceived to be making the issue worse**



The service sector, despite being ranked second lowest for seeing water as making business difficult, is deterred the most from future investment, closely followed by manufacturing.

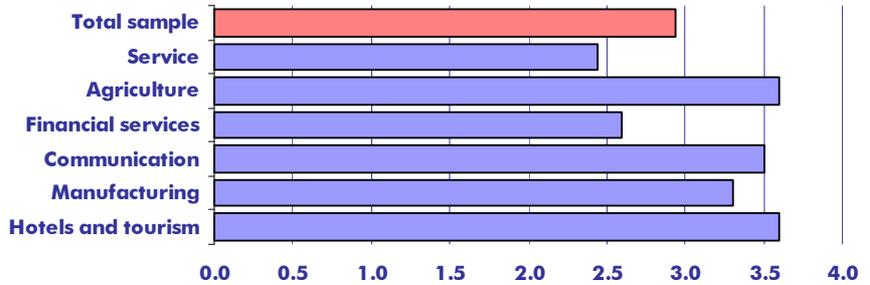
**Figure 37: Would deter further investment by...**



### 8.3 ROADS

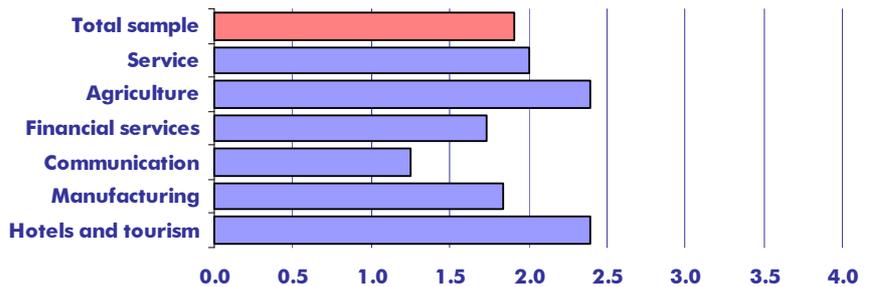
The roads are seen by every sector to make business more difficult. Agriculture and tourism give the government the worst possible score, but communications and manufacturing are also fairly scathing about the roads.

**Figure 38: Makes business difficult for...**



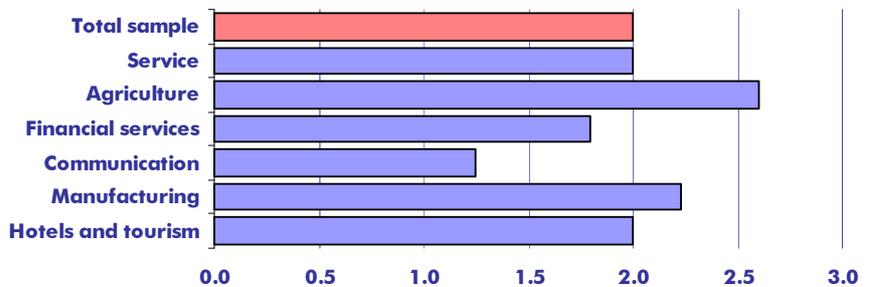
Generally the government is perceived to be making efforts to improve the roads, though agriculture and tourism do not share that view.

**Figure 39: Government perceived to be making the issue worse**



Every sector, apart from communications, says that the state of the roads would deter further investment.

**Figure 40: Would deter further investment by...**



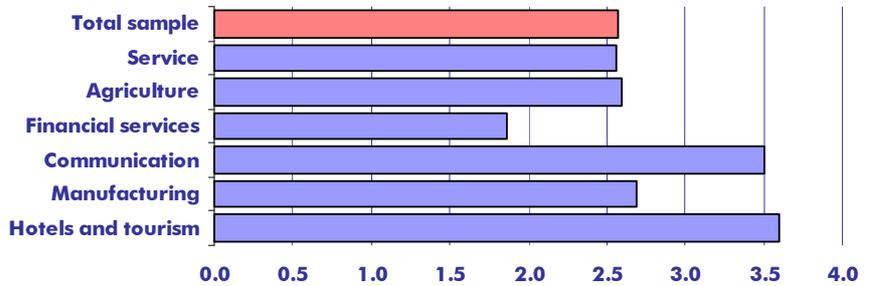
## 8.4 PORTS AND AIRPORTS

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The tourism and communications sectors are concerned that ports and airports make doing business difficult.

**Figure 41: Makes business difficult for...**

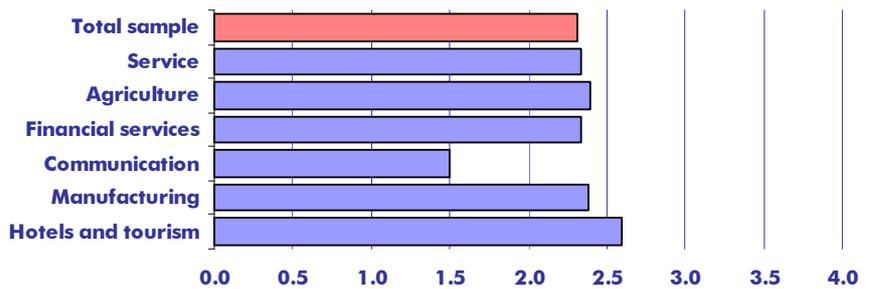
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There is a general feeling, by all except the communications sector, that the government is making the issue worse.

**Figure 42: Government perceived to be making the issue worse**

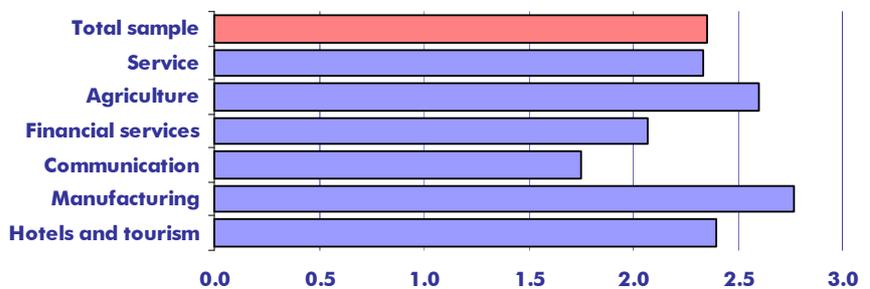
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But all sectors except for communications say that ports and airports would be a deterrent to further investment.

**Figure 43: Would deter further investment by...**

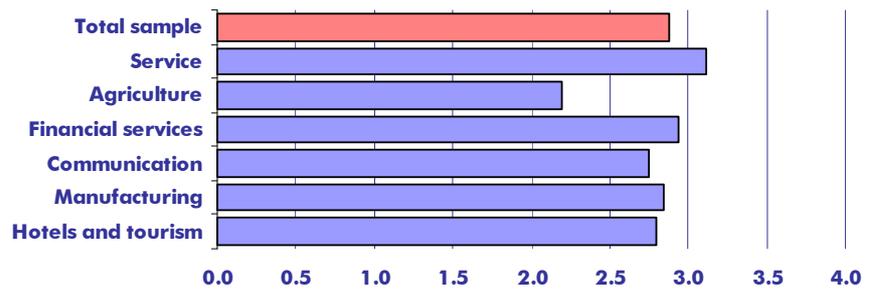
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## 8.5 CORRUPTION

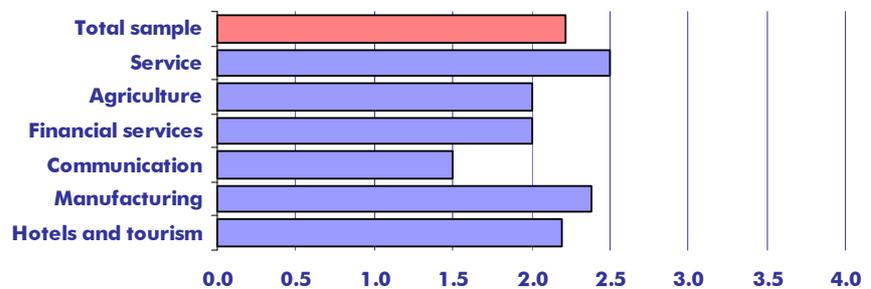
The World Bank's Enterprise Surveys show that corruption is much lower in Tanzania than the region and somewhat lower than the average for all countries. The World Economic Forum, however, identifies corruption as the fourth most important problem in doing business. This is reflected in Transparency International's Corruption Perceptions Index 2007 ranks Tanzania 94 out of the 179 countries surveyed – considerably better than Kenya's 150. Nevertheless, corruption makes business difficult for everybody – and the survey confirms it.

**Figure 44: Makes business difficult for...**



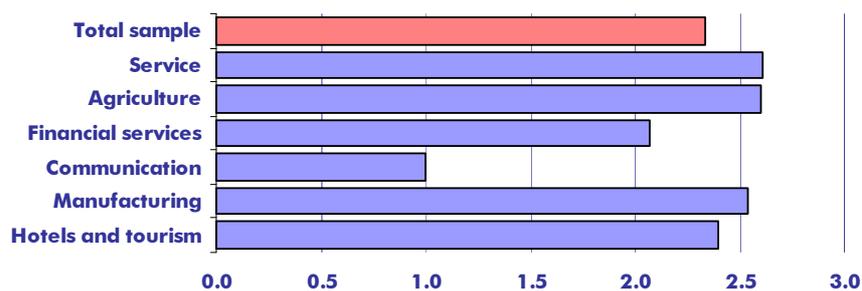
The government is perceived to be making a small but positive effort to improve the position.

**Figure 45: Government perceived to be making the issue worse**



However, it would deter all but the communications sector from further investment.

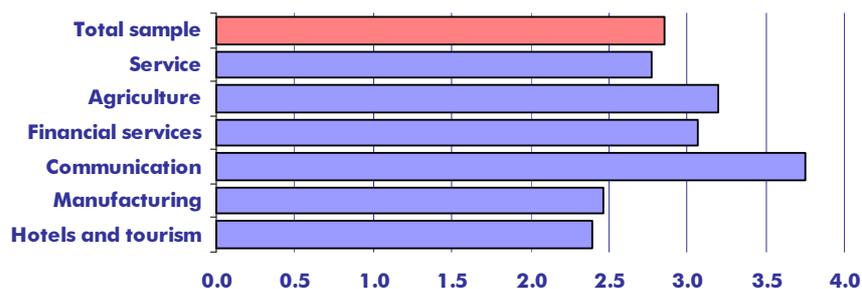
**Figure 46: Would deter further investment by...**



## 8.6 MACRO-ECONOMY

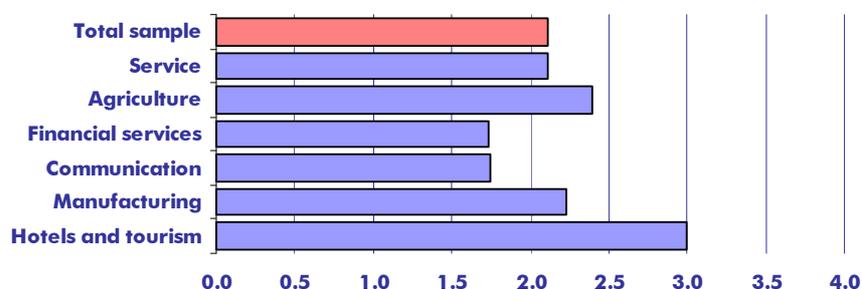
The Global Competitiveness Report ranks Tanzania 114 out of 131 countries for macro-economic stability. All sectors see the macro-economy as something of a problem with the communications sector particularly concerned.

**Figure 47: Makes business difficult for...**



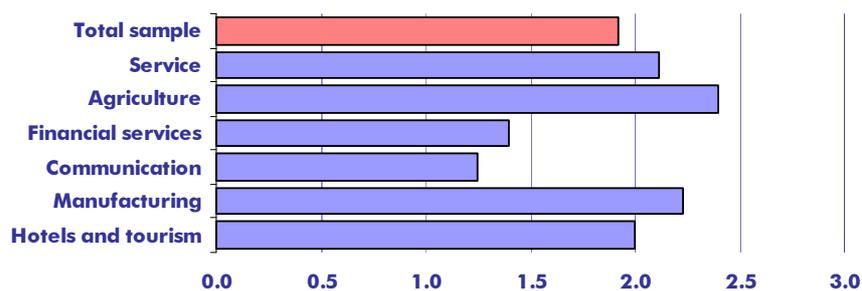
They don't think, however, that the government is making this issue worse, though tourism, agriculture and, to some extent, manufacturing do.

**Figure 48: Government perceived to be making the issue worse**



Agriculture is the most deterred from further investment by macro-economic policy, though manufacturing is also deterred to some extent.

**Figure 49: Would deter further investment by...**

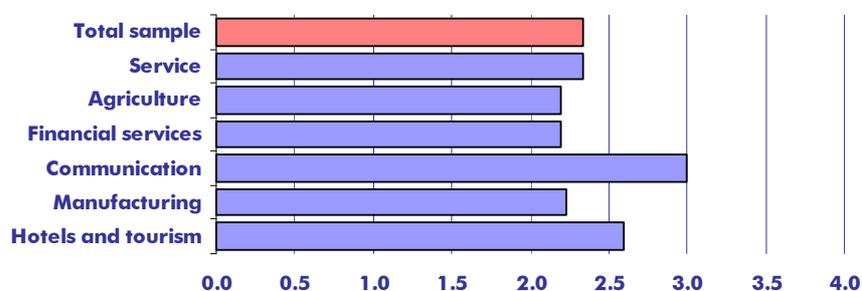


## 8.7 LICENSING

The World Bank's Doing Business survey suggests that Tanzania is one of the worst places to do business in relation to licensing. The Enterprise Surveys confirm this, showing that senior management spend almost double the time dealing with the requirements of government regulation compared to elsewhere in the region.

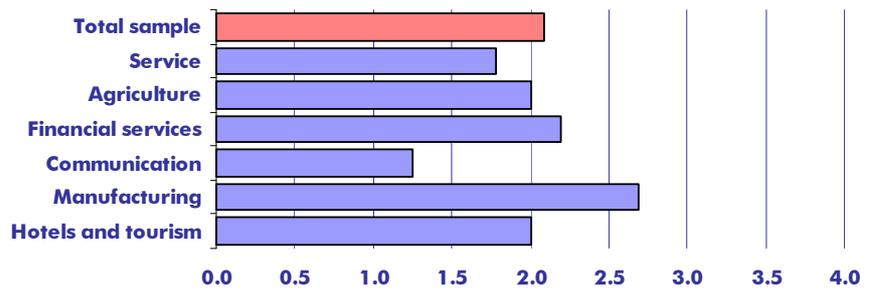
On the whole, however, licensing has not been seen as a major problem by any of the respondents. The communications sector does see it as a problem and, though to a lesser extent, so does tourism. All other sectors say that it makes business more difficult, but it is clearly not at the top of their agenda for issues that need to be improved.

**Figure 50: Makes business difficult for...**



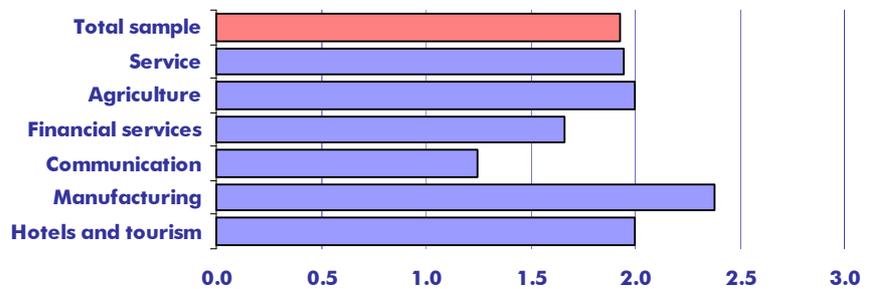
Only the manufacturing sector thinks that government is making licensing worse; every other sector thinks that the government is making efforts to improve licensing.

**Figure 51: Government perceived to be making the issue worse**



All sectors, apart from communications, however are deterred by licensing from further investment with manufacturing most deterred.

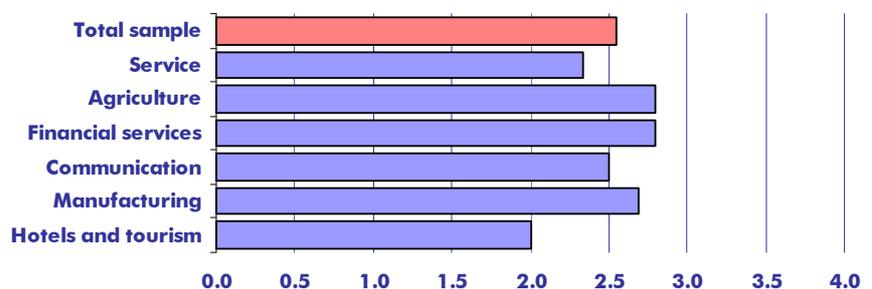
**Figure 52: Would deter further investment by...**



## 8.8 EMPLOYMENT LAW

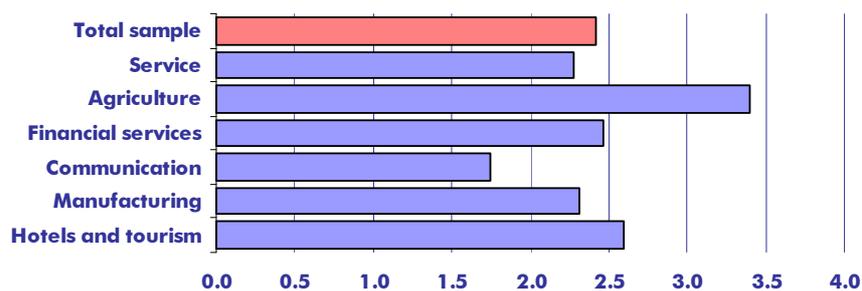
The World Bank's Doing Business report ranks Tanzania 151 out of 178 countries for the ease of employing people. Apart from tourism all sectors think that employment law makes doing business more difficult.

**Figure 53: Makes business difficult for...**



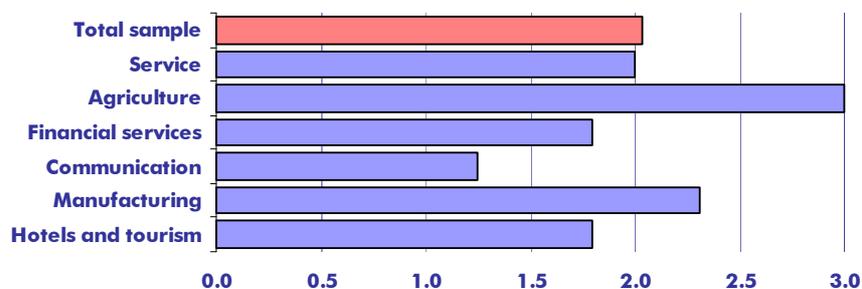
The agricultural sector, in particular, thinks that government is making this issue worse.

**Figure 54: Government perceived to be making the issue worse**



Agriculture and manufacturing are the sectors that are most deterred from further investment. Note that every agricultural business said that they would be deterred.

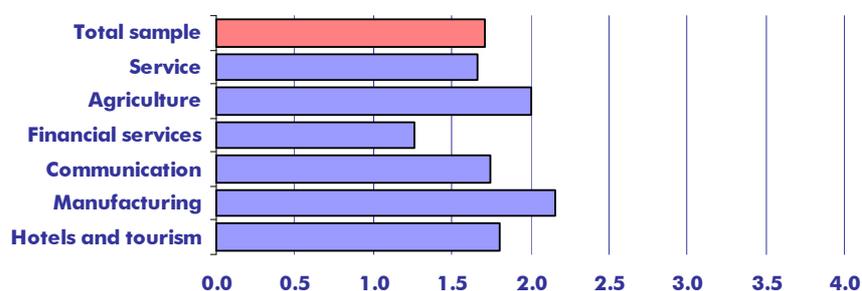
**Figure 55: Would deter further investment by...**



## 8.9 ENVIRONMENTAL LAW

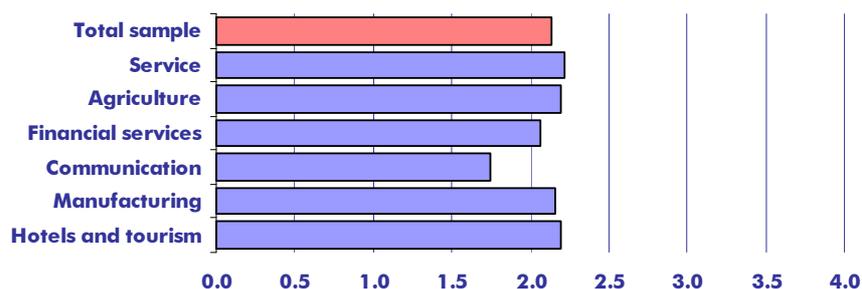
Environmental law has yet to make a big impact. Only manufacturing sees this as making business difficult and then only to a very small extent.

**Figure 56: Makes business difficult for...**



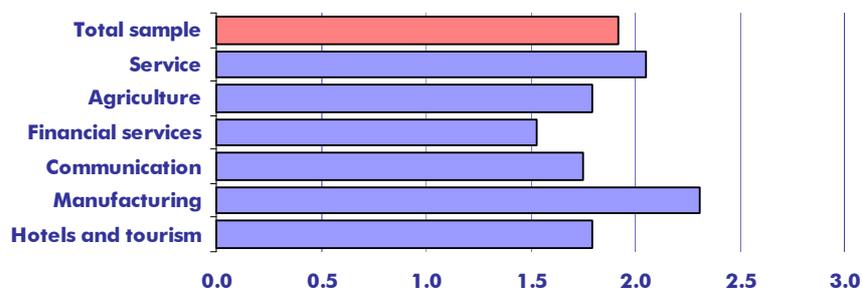
Overall, business is neutral on this issue, with no sector particularly complaining that the government is making this issue worse.

**Figure 57: Government perceived to be making the issue worse**



Given the responses to the two previous questions, it is somewhat surprising to see every sector except finance saying that environment legislation would deter further investment

**Figure 58: Would deter further investment by...**



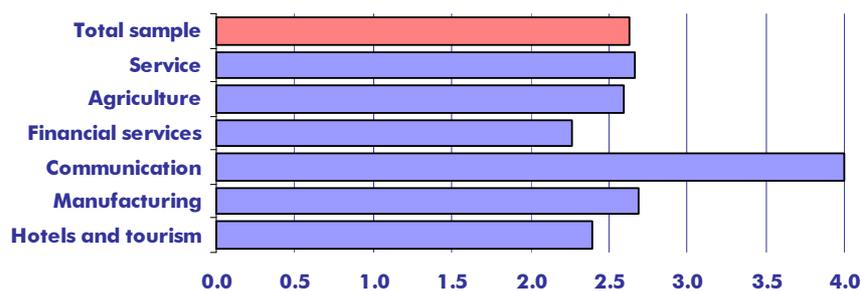
## 8.10 LEVEL OF TAXATION

The World Bank's Doing Business report ranks Tanzania 104 out of 178 countries for paying taxes (compared to Kenya's 154), though that still leaves room for improvement.

Surveys often ask only one question about taxation, so it is never clear whether it is the level of taxation that is the real issue, or the administration associated with it, perhaps because there are several different taxes that need to be paid or because of the complexity of calculating the level of tax that is due. We therefore separated these two issues.

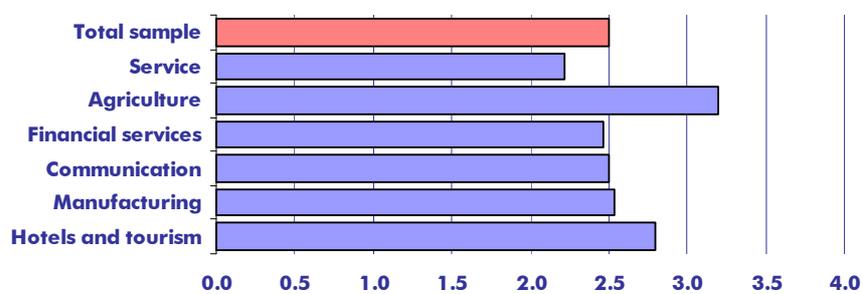
All sectors complain that, to some extent, the level of taxation makes business difficult, though the communications sector is particularly concerned with every respondent saying that it makes business very difficult.

**Figure 59: Makes business difficult for...**



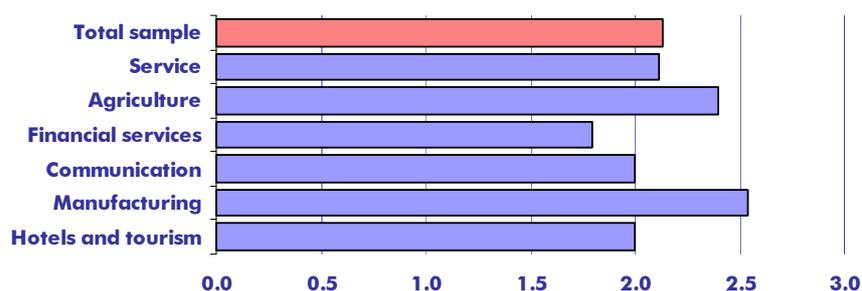
It is agricultural sector, however, that thinks the government is making this issue worse, though every other sector thinks the same to some extent.

**Figure 60: Government perceived to be making the issue worse**



Every sector would be deterred from further investment, with manufacturing and agriculture most deterred.

**Figure 61: Would deter further investment by...**

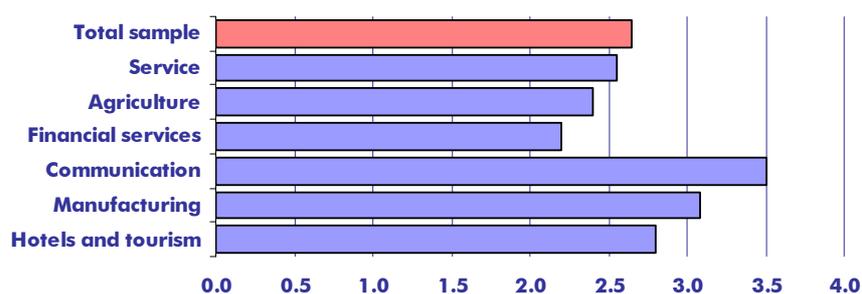


## 8.11 ADMINISTRATION OF TAXATION

The World Bank's Enterprise Surveys report that businesses spend almost three times longer in meetings with tax officials than elsewhere in the region and four times more than the average for all countries.

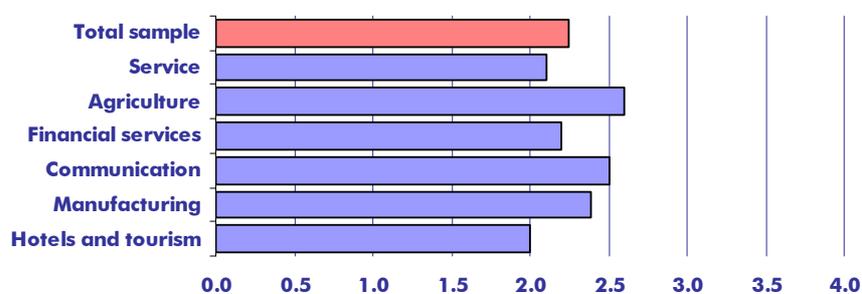
All sectors were concerned about tax administration. Communications were most concerned, followed by manufacturing and then tourism.

**Figure 62: Makes business difficult for...**



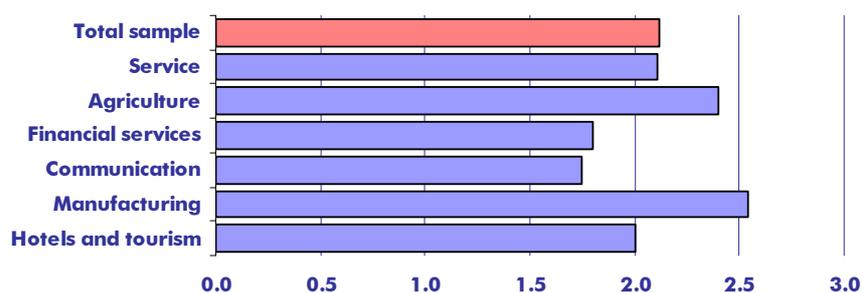
All sectors felt that the government was making the issue worse, though no-one was too worried.

**Figure 63: Government perceived to be making the issue worse**



Every sector felt that it would deter further investment, especially manufacturing and agriculture.

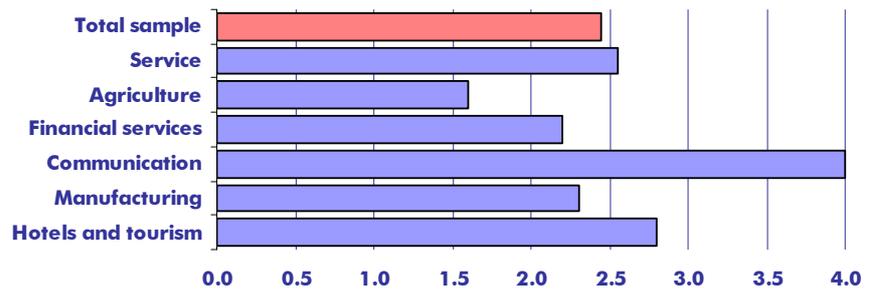
**Figure 64: Would deter further investment by...**



## 8.12 ACCESS TO FINANCE

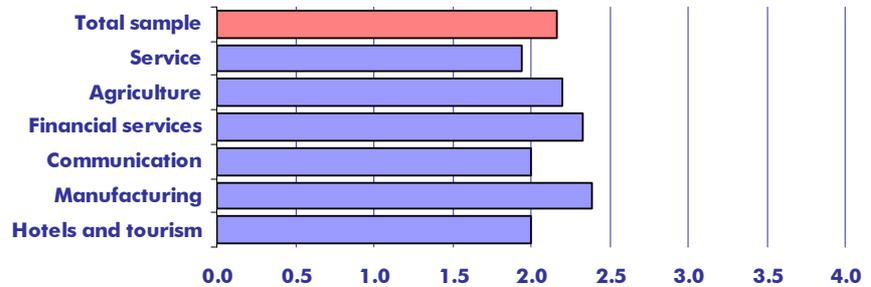
The communications sector saw access to finance as a factor that makes business difficult, possibly reflecting the inexperience of financial institutions supporting new technologies in developing countries. Tourism was also concerned about access to finance.

**Figure 65: Makes business difficult for...**



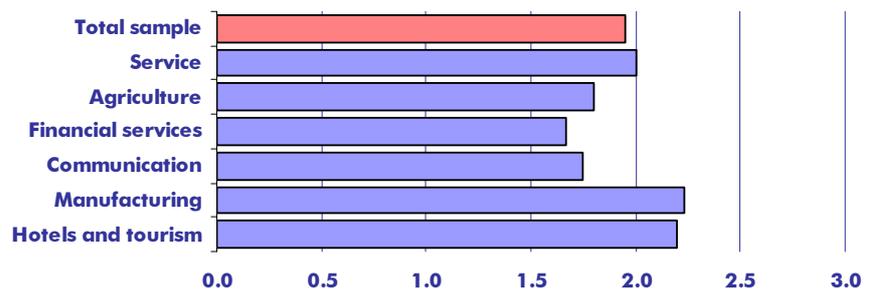
Whilst there is some variation, the overall view is that the government is making some effort in relation to access to finance.

**Figure 66: Government perceived to be making the issue worse**



All sectors however see access to finance as a possible deterrent to further investment.

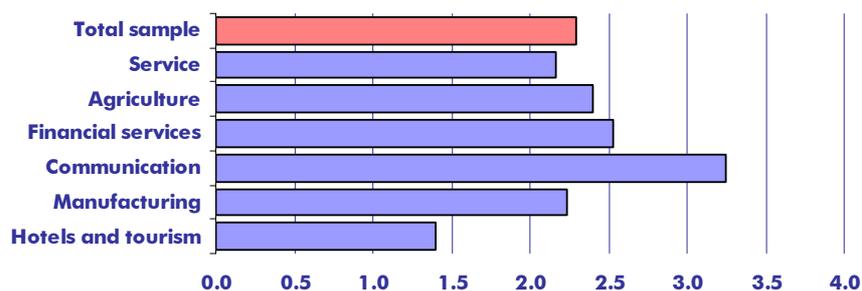
**Figure 67: Would deter further investment by...**



### 8.13 CONTRACTS

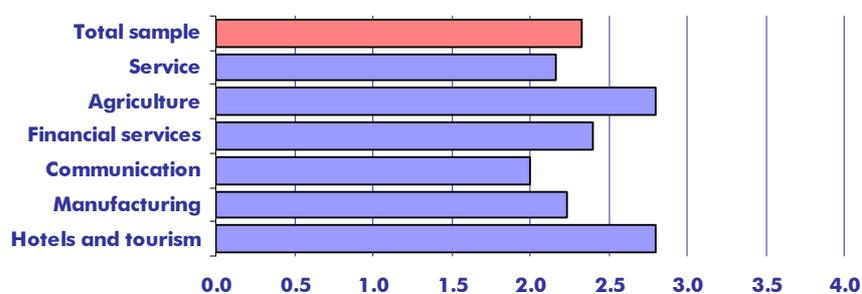
The World Bank's Doing Business report ranks Tanzania 35 out of 178 countries for the ease of enforcing contracts (compared to 107 for Kenya). However, enforcement of contracts is seen by several sector, with communications at the front, to be a factor that makes business difficult.

**Figure 68: Makes business difficult for...**



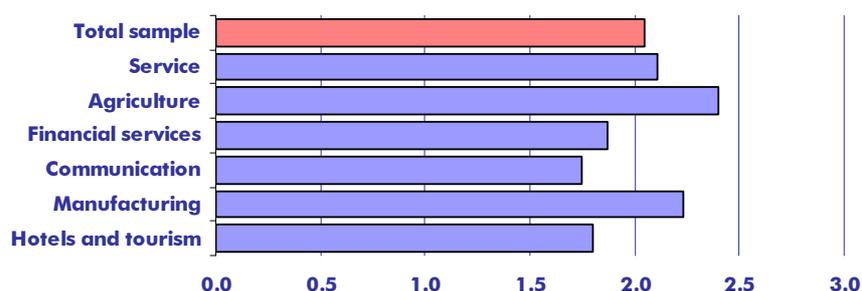
Agriculture and tourism both think that the government is making this worse, reflecting the overall view.

**Figure 69: Government perceived to be making the issue worse**



Every sector would be deterred from further investment, with agriculture and manufacturing particularly deterred.

**Figure 70: Would deter further investment by...**

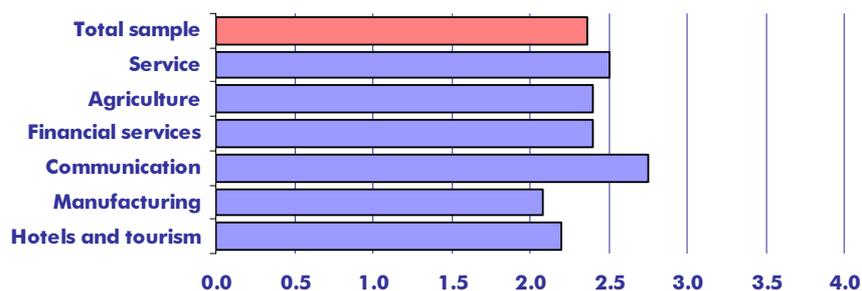


## 8.14 LAND REGISTRATION

The World Bank's Doing Business report ranks Tanzania 160 out of 178 countries for property registration, so there is considerable room for improvement.

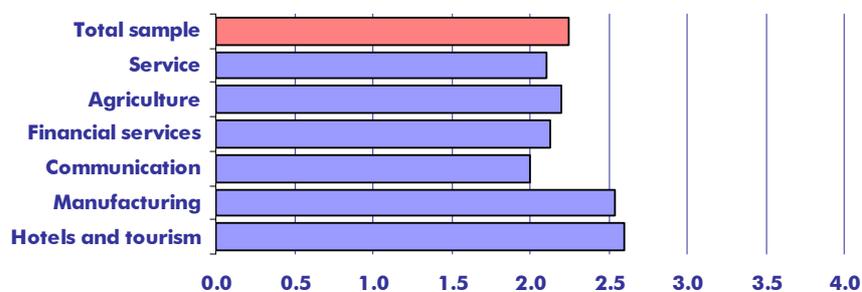
It is interesting to note, however, that only communications is particularly concerned that land registration makes business difficult.

**Figure 71: Makes business difficult for...**



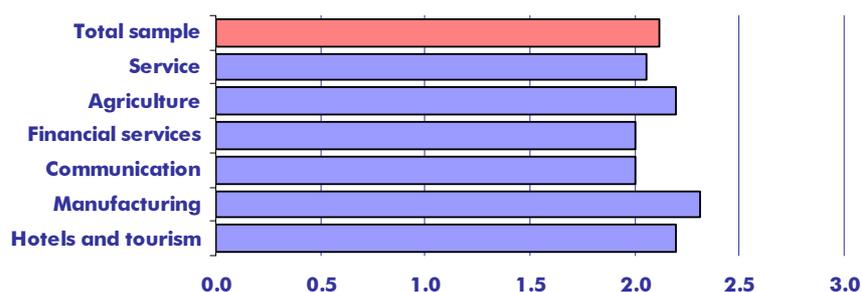
Tourism and manufacturing think that the government is making this worse, reflecting the overall view.

**Figure 72: Government perceived to be making the issue worse**



All sector are deterred from further investment by land registration.

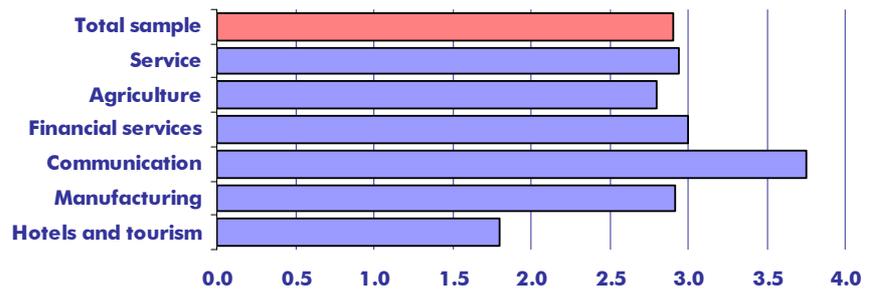
**Figure 73: Would deter further investment by...**



## 8.15 ACCESS TO SKILLED LABOUR

The communications sector is very concerned about access to skilled labour though all sectors apart from tourism are concerned.

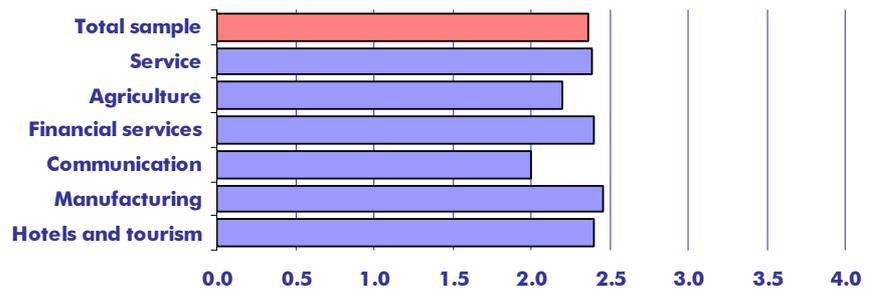
**Figure 74: Makes business difficult for...**



On a positive note, the World Bank’s Enterprise Surveys suggest that Tanzanian businesses offer much more training to their employees than elsewhere in the region and a little more than the average for all countries.

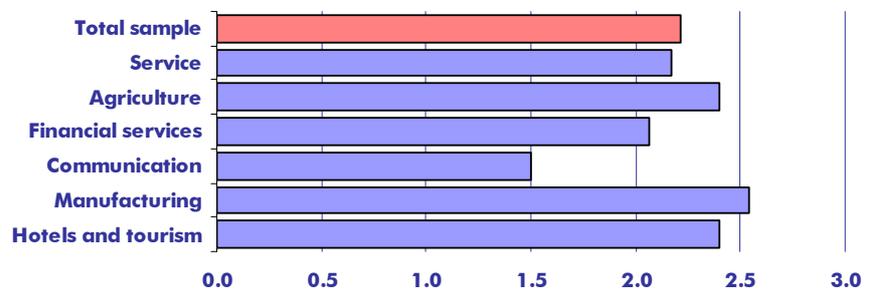
All sectors, except for the communications sector, think that the government is making the situation worse.

**Figure 75: Government perceived to be making the issue worse**



And all apart from communications would be deterred from further investment.

**Figure 76: Would deter further investment by...**

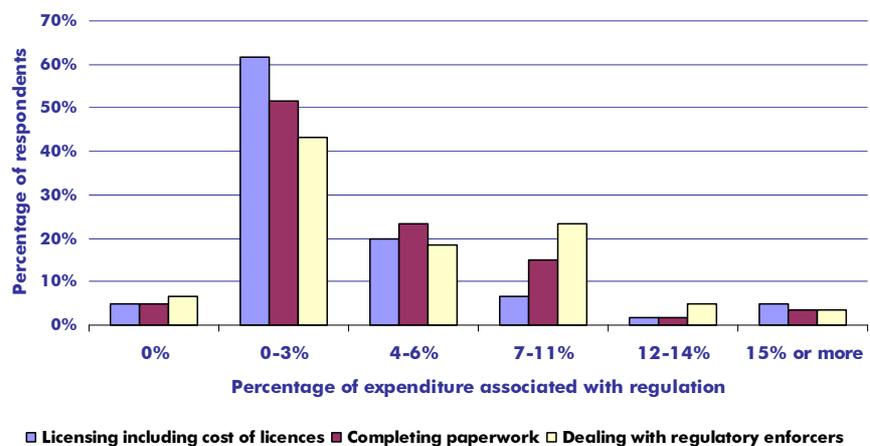


## 9. COST OF RED TAPE

Respondents were asked about the costs of red tape and regulation – with costs split into three groups: the direct cost of licensing including the cost of the licences themselves, the effective cost through the staff time required to complete paperwork associated with regulation and the effective cost through staff time of dealing with the enforcers of regulation. Respondents were asked to say in which of a number of bands they believed that each of these categories of cost fell. In future surveys, we will aim for greater accuracy by asking respondents to estimate actual percentages.

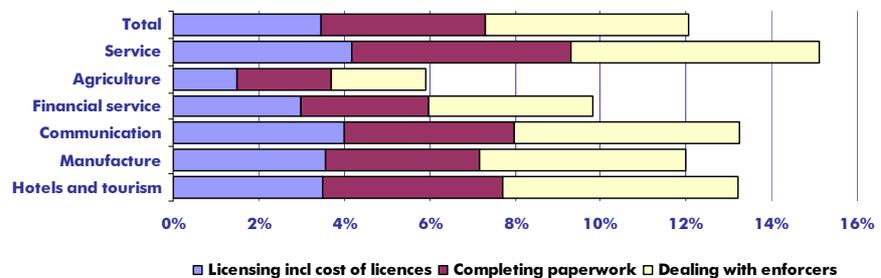
As can be seen from figure 76, most respondents thought that each required expenditure of less than three per cent. This is fairly modest, though when you add the three together they can quickly mount up.

**Figure 77: Cost of red tape and regulation**



If one looks at each sector individually, the picture is rather different, with the service sector paying a large proportion of its total expenditure coping with the costs of regulation. As can be seen from the figure below, the average across the entire sample is around 12 per cent which, if respondents have answered accurately, is a high proportion of costs to be spending on red tape and regulation. Getting this down would not only make businesses feel that the government was really trying to make a difference, but would free up a lot of resource that could be invested in business expansion.

**Figure 78: Cost of red tape and regulation**



## Appendix 1: Survey questions

In this appendix, we reproduce the questions that were posed.

There is much talk about the business enabling environment, sometimes known as the investment climate. We are keen to understand what you think about the business enabling environment as it is currently.

### 1. Please indicate how the current state of each of the following impacts on the ease of doing business.

In this column, please indicate whether each aspect is important to the success of your business

Please tick one cell in each row of these four columns to indicate which statement applies to each aspect.

	Makes doing business very difficult	Makes doing business somewhat difficult	Neither difficult nor good and could be improved	It is not a problem at all
Power				
Water				
Roads				
Ports and airports				
Corruption				
Macro-economic policy (including exchange rates and interest rates)				
Licensing & regulation (including consumer protection, health & safety etc)				
Employment law				
Environmental law				
Level of taxation				
Administration of taxation				
Access to finance				
Ease of enforcing contracts				
Ease of registering ownership of land				
Availability of skilled labour				

### 2. Please indicate your perception of the government's performance in addressing these aspects of the business enabling environment.

Government is making real efforts to address the issue

Government is making some effort to address the issue

Government is making no effort to address this issue

Government actions are making this issue worse

Power				
Water				



**3. In considering these aspects, how does the current situation in your country affect your investment decisions?**

They encourage further investment

They neither encourage nor deter further investment

They deter further investment

Power			
Water			
Roads			
Ports and airports			
Corruption			
Macro-economic policy (including exchange rates and interest rates)			
Licensing & regulation (including consumer protection, health & safety etc)			
Employment law			
Environmental law			
Level of taxation			
Administration of taxation			
Access to finance			
Ease of enforcing contracts			
Ease of registering ownership of land			
Availability of skilled labour			

**4. Please estimate the proportion of your total expenditure associated with complying with all aspects of regulatory requirements (such as licensing, completing paperwork for government including paperwork associated with taxation, etc) but excluding taxation payments:**

	0-3%	4-6%	7-9%	9-11%	12-14%	15% or more
Licensing including cost of licences						
Completing paperwork						
Dealing with enforcers of regulation						
Other						