

DOING BUSINESS IN TANZANIA

What's next for Tanzania Economy?

Focus on Better Policy for Better Socio-Economic Development.

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Introduction

This study is focused more on looking at the way of Doing Business in Tanzania compared directly to the state of the economic growth of individuals and the whole nation, but this research is also focused on looking at how the effect of the war between Ukraine and Russia has been able to affect the way of doing business in Tanzania in general, starting with small businesses and with large investments as well.

Many businesses are currently struggling to find or make profits as they were before due to the rise in the cost of living that has been caused by the invasion of the Russians in Ukraine, this has led to the destruction of rare products that led to its need be large and at the end of the day cause the products to rise in their prices abnormally.

Now then, what is its direct effect on our economy, especially on doing business in Tanzania?

We see one of the products that has made doing business in Tanzania difficult is the availability of diesel oil, petrol and kerosene, the price of these products causes the inflation of almost all things to go up within four months and more and causes business increasingly difficult in the sense of making a profit.

It is very difficult at the moment for businesses to start thinking about the best way they can use it so that they can make a profit without thinking about raising the price of things if that is the answer to everything or the first thing. One of the effects of raising the price of things is to kill the relevant business directly. The government was supposed to think and come up with strategies that could bring relief in the rise in the prices of important products such as oil so that at the end of the day the inflation will not be too high but also cause many businesses to continue to be sustainable.

The main source of government income is these small, medium, large businesses and investments, which mean if these businesses fail to work well in the sense of making a profit, then the effect will go directly to the government in the sense of missing the income that is intended for that year but also if it lacks sufficient income, it means that even strategic development projects will fail to be carried out.

But also the effect on individuals, many businesses have currently reduced the number of workers due to fear and reduce the costs of running companies or organizations, the increase in production costs than the rise in the cost leads to companies or organizations reduce the number of workers and this at the end of the day brings an impact on the individual and the nation in the sense of increasing the number of unemployed people.

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Methodology

Let's look at the way of doing business in Tanzania which approximately to have more than 64 Million population 2022, the study focusing on the following things, How to start a business, relations between the government and businessmen, relations between local investors and how the government can protect them, doing business at our borders, how to pay taxes through our businesses, how to hire workers for our business or investment but also how to get permits to run our businesses including contracts, electricity and obtaining permits for other construction activities in the business area.

Finally we will look at how to get loans for all small, medium and large businessmen as well as investments. This research is focused on gathering information about 29 areas or districts but we have also tried to check and take at least a few districts for each zone to be able to get the opinion of each area of Tanzania.

General, if you look at the current state of doing business in Tanzania, it is not good based on the criteria mentioned above and by analyzing one by one criteria and its overall situation. if we start talking about a few things like how to start a business in Tanzania while it goes hand in hand with paying taxes, many businesses in Tanzania start on the day that you have already taken a TIN from TRA, then that is the same day that you start being counted as a taxpayer and you have to pay taxes, something that for business which are starting at least should be given a certain limit until they reach a certain condition before they start paying taxes, our past reports especially this one to look at the opportunities and obstacles facing our businesses include this one to start collecting taxes only when the business is registered with TRA.

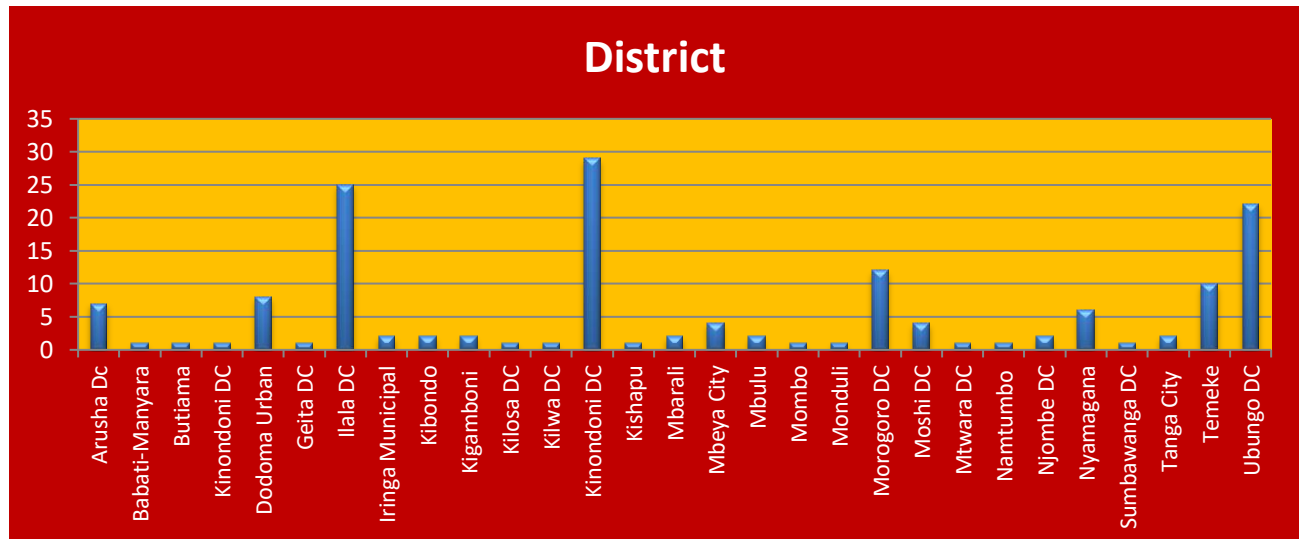
75% of the businesses that are established every year end up dying due to environmental reasons including the way of tax payment. Taxes are the economy, but business is also the economy, so the more businesses there are, the more stable the country's economy is, but it also leads to the simplification and increase in the circulation of money.

The methodology adopted in this study is mixed approach where by both qualitative and quantitative data were collected, for a qualitative study, in depth interview with key informants were conducted. The results found from a qualitative suggested that there should be Doing Business.

Furthermore, for the quantitative study a survey questionnaire was employed, and data analyzed by STATA and SPSS. The quantitative also found significant direct and positive effects on doing business in Tanzania for both on attracting domestics and foreign investors and small business growth.

Tanzania Business Insights

Data Evaluation and Analysis



This research is focused on gathering information about 29 areas or districts but we have also tried to check and take at least a few districts for each zone to be able to get the opinion of each area of Tanzania. And make a total of 159 average numbers of the all respondents.

Tanzania need to have a comparative advantage on having a favorable policy mainly including macro-economic policies, a significant pool of skilled workers, frequently develop investment-promotion programs, which can include marketing.

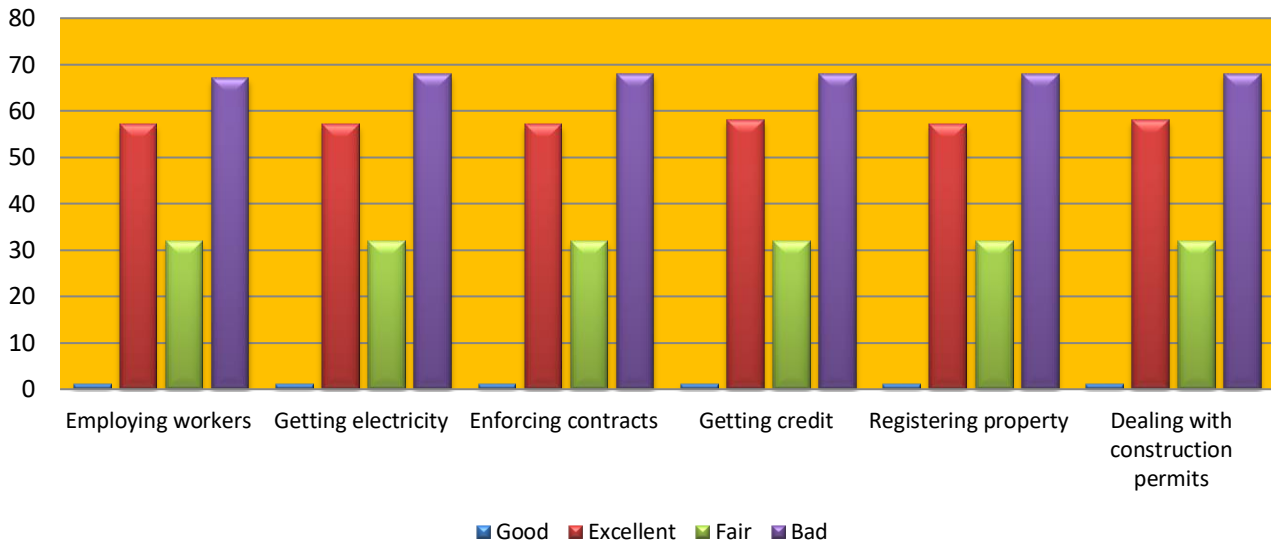
Doing Business in Tanzania



Findings shows that with average of more than 69 numbers of the respondents respond to BAD on Doing Business in Tanzania, average of more than 55 responds to Doing Business in Tanzania is EXCELLENT while others responds to fairs and good regarding on the followings variables respectively, Starting Business, Contracting with the government, protecting minority investors, trading across borders, paying taxes and resolving insolvency.

Bureaucratic procedures that affect much new business and investments since it slow down the process of starting up a business or investments and also it cost too much money to those who required to accomplish those procedures due to payments they made during registering the business in various public authority such BRELA, TRA, TIC, LATRA, SUMATRA, OSHA and other business and investment related authorities.

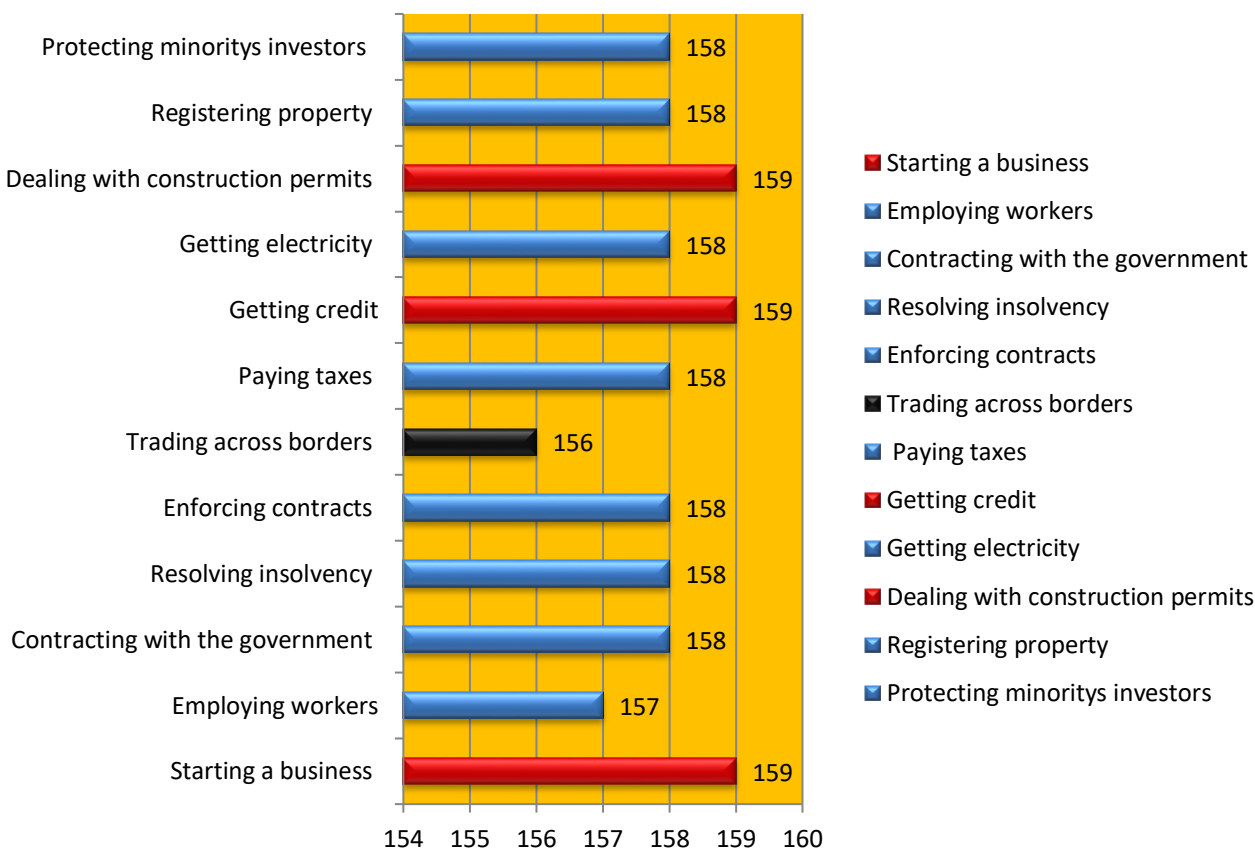
Doing Business in Tanzania



Findings shows that with average of more than 65 of the respondents responds to BAD on Doing Business in Tanzania, average of 55 of the respondents respond to EXCELLENT while others responds to Fair and Good regarding on the following variables respectively on Employing workers, Getting electricity, enforce contracts, getting credit, registering property and dealing with construction permits

One of the most advantage of Doing Business in Tanzania is the presence of large number young people who make up the country's large workforce for nearly 17% (Low labor cost) of the total population, while most of them have completed higher level of education but were not lucky enough to find a chance to be self-employed or employed who create a level of dependence ration in a family level to be large at present.

Doing Business in Tanzania Variables



At present, the way of establishing a business has been very challenging in the sense of running a business compared to the environment of paying taxes and others fees that the government has been imposing on businesses, but also the availability of loans to run a business has been a challenge due to the rise in the cost of living has even led to a decrease in the circulation of money, thus causing difficulties in the collection and repayment of loans, but also if you look at the business at our borders, it is currently going well but due to the challenge of our money, the shilling is not doing well and leads to a small profit compared to the money of others countries like Kenya (ksh), but also the money of Zambia (kwacha) is currently seen to be doing better than us.

Another challenge we face when we start a business is the delay in obtaining permits for the construction of business areas, including the urgency of getting electricity and water connected quickly. But also With the existence of business competition between domestic and foreign investors, most leads to dirty games that lead to killing the businesses of foreign investors,

In addition to that the fact that when the government prevents killing the industries of domestic investors but also needs to protect the businesses of foreign investors eg. 'The Dangote Cement' factory which we currently rely on in the country should be a factory that will produce cement in greater quantities, if you compare its systems that use natural gas for production which has led to a decrease in production costs but also to increase production which could bring relief and reduce the price and costs of one bag of cement but it seems to have gone differently than what you are mentioning because of the assumption that we are protecting local industries while killing foreign investment which is also important for the government's income and the economic growth of its citizens.

Uber and Bolt business in Tanzania

The closure of online taxi business in Tanzania has three major disadvantages to our economy. **First** the government's revenues decrease through taxes collections resulting from closure of online taxi, online taxi is one of the biggest businesses in Tanzania because it makes easy request which make easy for a customers to find a driver, safe and it facilitate easy movements especially on this big city like Dar es Salaam with a lot of people movement , the government expected to lose more revenues obtained through online taxi, revenues collected through online taxi was also one of the government's sources of revenues, despite the fact that the government had and is looking for ways to increase the scope of taxpayers therefore online taxi business was one of the other opportunities to enable the government to get more revenues, the **second** is increase rates of unemployment due to closure of the online taxi, many young people were employed and self-employed through online taxi and many have been helping their families through this online taxi business, and **thirdly** we are expecting to see a further decrease in the money circulation in the street, online taxi despite helping to increase employment but they were also helping to simplify the circulation of money in the street, as more businesses lead to increase money circulation on the street, when money circulation increases then increase levels of economic growth while few businesses lead money circulation of money becomes small and leads to poor economic growth from micro levels to macro levels.



Government levy-TOZO on Doing Business in Tanzania

The presence of government levy causes a decrease the money circulation in the street, due to the facts that more money are being removed from the circulation through government levy by using telephone and banking transactions, but also causes an increase in the cost of productions, operation cost, and hence cause difficult environmental on doing business in Tanzania , which brings more business and investments fail to generate enough income or profit to sustain and hence unemployment rates increases and also decrease the levels of government revenue to be used on a development projects.

How Doing Business in Tanzania

A number of factors influence a business decision to engage in doing business or investment, including analysis of the trade costs within our country. If these costs including tariffs (taxes on imports), trade barriers such as quotas, and transport cost, the costs of production, the business will maximize its profits through investment.

Companies may invest with the idea of producing components that become part of a bigger product. A company may invest in a plant that is shipped to a final assembly plant in another country. This so-called vertical direct investment accounts for most of the investment by advanced economies in other countries. The cost advantages associated with investing (Doing Business) in a country like Tanzania and in many cases performing only a portion of the production process in that country drive such investment. Tanzania have abundant and unique natural resources with low labor costs which influence easy decision on production and but also presence of Dar es Salaam Harbor(Port) which is the large on EAST AFRICA influence importation of intermediate and final products from subsidiaries in host economies to the parent company's country (intra firm trade).

A company may also invest in our country by duplicating their home country manufacturing processes. This may be done to supply goods or services to our market. That's called horizontal direct investment.

For a foreign firm may find that setting up local operations allows it to circumvent the barriers. Even though trade taxes have been falling over the years, such tariff jumping is still a common way to enter markets where the greatest benefit of direct investment is access to the local market. Another factor driving horizontal direct investment, specifically between advanced economies, is access to a pool of skilled employees and technology. In contrast to vertical direct investment, horizontal direct investment is likely to compete directly with local firms for local market share.

Of course investment need not be purely horizontal or vertical. A foreign subsidiary may provide goods to the parent company and receive services from the headquarters a clear example of vertical direct investment. But the same subsidiary may also supply the local market, as part of the parent company's horizontal direct investment strategy. Direct investment takes different shapes and forms. A company may enter a foreign market through so-called Greenfield direct investment, in which the direct investor provides funds to build a new factory, distribution facility, or store, for example, to establish its presence in the host country. But a company might also choose brownfield direct investment. Instead of establishing a new presence the company invests in or takes over an existing local company. Brownfield investment means acquiring existing facilities, suppliers, and operations and often the brand itself.

Efficiency and effectiveness of Doing Business locally

Tanzania may encourage inward direct investment to improve finances and increase money circulations which will lead to increase of the standard of living. Firms that set up operations in Tanzania are subject to local tax laws and often significantly boost the Tanzania tax revenues. Direct investment can also help Tanzania balance of payments. Because portfolio investments can be volatile, Tanzania financial circumstances could worsen if investors suddenly withdrew their funds. Direct investment, on the other hand, is a more stable contributor to a Tanzania financial structure. Direct investors do not wish to take actions to undermine the value or sustainability of their investments.

Other positive effects associated with inward investment include increased employment, improved productivity, technology and knowledge transfer, and overall economic growth. Increased competition from foreign firms, whether new or acquired, often forces competitors to increase their productivity so that they don't go out of business. Suppliers and service providers to the direct investment enterprise may also increase their productivity, often because the investor requires higher-volume or higher-quality orders. The increase in volume and variability of products and services in the economy leads to overall improvement in the market's quality and size.

Tanzania also will benefit from a transfer of knowledge and technology, which often stems from workforce turnover. Incoming firms frequently offer more training opportunities than local employers. This knowledge is later transferred to local companies when trained employees leave the foreign enterprise for local businesses. In addition, there may be some incidental spillover of knowledge through informal networks, when employees exchange ideas and opinions about their workplace practices.

But direct investment may not always be viewed positively perspective. Because some productive companies engage in direct investment, the increased competition they provide may force the least productive local companies out of business. Opponents of direct investment argue that foreign, especially brownfield, investment is a simple ownership transfer that does not generate new jobs. Some critics, moreover, point to the risk of a sudden reversal of the direct investment and a fire sale of assets, drastically reducing their value and, in extreme cases, forcing facilities to close and companies to lay off workers.

What should we do to attract Doing Business or investment in Tanzania

Tanzania need to develop a very advanced economy to attract direct investment because in the presence of advance economy which goes along side with having stable policies, pool of skilled workers and sizable markets but also interested in green field investment which creates new facilities and jobs. Governments needs to set up special economic zones, provide the property for construction of facilities, and offer generous tax incentives or subsidies to attract capital. These special economic zones, if properly designed, allow industries to concentrate in one geographic area, often placing suppliers close to buyers and providing the necessary infrastructure to meet investors' requirements. Tanzania need to have a comparative advantage on having a favorable policy mainly including macro-economic policies, a significant pool of skilled workers, frequently develop investment-promotion programs, which can include marketing.

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