

# What's Next For Tanzania Economy?

Enhancing Tanzania's Business Landscape

# DOING BUSINESS IN TANZANIA

[www.ticgl.com](http://www.ticgl.com)

**FOCUS ON BUSINESS OWNERS, BUSINESS LEADERS AND  
INVESTORS**

# **ECONOMISTS TALK MAGAZINE**

## **Doing business in Tanzania**

Published by:

**TICGL**

Tanzania Investment and Consultant Group Ltd

Economic Consulting Group

Email: [ticgl@ticgl.com](mailto:ticgl@ticgl.com)

Website: [www.ticgl.com](http://www.ticgl.com)



*All rights reserved 2023-2024 by TICGL and ACEDIAL. The author's moral rights have been asserted. Without the express written permission of the author and publisher, no part of this work may be reproduced, offered for sale, sold, traded, or used in any form by any means, electronic or mechanical, including photocopying, microfilming, and recording, or by any information storage or retrieval system.*



## CONTENTS

EXECUTIVE SUMMARY 4

KEY INSIGHTS: 4

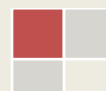
PROPOSED SOLUTIONS: 5

INTRODUCTION 6

ENHANCING TANZANIA'S BUSINESS LANDSCAPE 8

ECONOMIC EFFECTS IF THESE ISSUES PERSIST: 12

POTENTIAL SOLUTIONS THAT CAN BE DERIVED TO ADDRESS THE IDENTIFIED CHALLENGES: 14



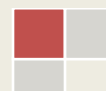
## EXECUTIVE SUMMARY

**Enhancing Tanzania's Business Landscape**

This executive summary encapsulates the findings and recommendations derived from a comprehensive study focused on refining Tanzania's business environment. The research, which involved 450 businesses across various scales, aimed to identify key challenges and propose actionable solutions to foster economic growth, facilitate trade, and empower entrepreneurs.

**KEY INSIGHTS:**

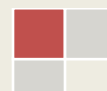
1. **Starting a Business:** Respondents indicated a need to simplify and expedite business initiation procedures. While 75% found the environment unfavorable, over a quarter perceived it favorably, emphasizing the need for streamlined registration processes.
2. **Government Contracting:** Although 74% disagreed that contracting with the government is unfavorable, more than 9% recognized its benefits. Addressing transparency and negotiation bottlenecks can facilitate smoother engagement.
3. **Workforce Engagement:** 75% acknowledged the ease of recruiting from a surplus of informal workers, hinting at untapped potential. A significant percentage found hiring challenging, necessitating innovative approaches to connect available talent with opportunities.
4. **Insolvency Resolution:** The alarming 88% who considered insolvency resolution detrimental emphasize the urgent need for strategies to support struggling businesses, from debt management to fostering sustainable practices.
5. **Cross-Border Trade:** With a mix of sentiments, cross-border trade requires immediate attention. By enhancing infrastructure and streamlining procedures, trade can be made more efficient and conducive to growth.
6. **Taxation and Financing:** The majority perceived taxation as a hindrance, highlighting the necessity for a balanced system that takes into account genuine growth and regional dynamics. Similarly, credit access remains an issue, warranting tailored solutions to match business stages and economic realities.



**PROPOSED SOLUTIONS:**

1. Simplify business registration and provide accessible resources for aspiring entrepreneurs.
2. Enhance transparency and efficiency in government contracting procedures.
3. Invest in skill development and vocational training programs to harness the potential of the informal workforce.
4. Implement mechanisms to prevent business insolvency, including financial counseling and stricter debt repayment regulations.
5. Improve cross-border trade infrastructure and procedures through partnerships and streamlined processes.
6. Revise the taxation system to align with actual economic growth and business environments.
7. Collaborate with financial institutions to create flexible credit solutions suited to various business needs.

Therefore, this research underscores the need for concerted efforts between government bodies, private enterprises, and stakeholders to drive tangible improvements in Tanzania's business landscape. By addressing these challenges head-on and adopting the proposed solutions, Tanzania can harness its entrepreneurial potential, foster economic growth, and create an environment conducive to sustained prosperity.



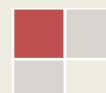
## INTRODUCTION

The research aimed to enhance Tanzania's business environment by focusing on various scales of business operations, ranging from small to large enterprises. These businesses play a pivotal role in the country's economy, contributing through tax payments that fuel diverse development initiatives. The prosperity derived from conducting business in Tanzania not only leads to increased tax revenue for the government but also channels these payments into strategic and developmental ventures.

75% of participants indicated that the business environment in Tanzania still lacks favorability, while a quarter of respondents believed it to be currently positive. Concerning government contracts, 74% of participants found the process problematic, yet 91% acknowledged its benefits, leaving 17% with a neutral stance.

Employing workers was identified as both advantageous and uncomplicated at present, largely due to a significant pool of individuals seeking work outside formal employment. However, challenges persist in the employment process, with 8% expressing neutrality. Resolving insolvency remains a challenge in Tanzania, as many enterprises struggle to meet monthly obligations such as bills and taxes, leading to business closures and shifts in economic dynamics. Another critical concern that could lead to business collapse and revenue loss for the government is the prospect of liquidation.

*Access to financing also presents a hurdle for numerous business owners, given the prevalence of loans with unfavorable interest rates that do not align with the pace of economic expansion.*

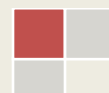


Cross-border trade garnered mixed sentiments, with 39% viewing it positively and 29% considering it unfavorable. Taxation continues to pose obstacles for Tanzanian firms, as it fails to account for actual economic growth and the relevant business environment. Access to financing also presents a hurdle for numerous business owners, given the prevalence of loans with unfavorable interest rates that do not align with the pace of economic expansion.

---

*How might the perceived benefits of streamlined government contracting, identified by more than 9% of respondents, contribute to a more transparent and mutually beneficial relationship between businesses and the government, potentially fostering a conducive environment for sustainable economic growth in Tanzania?*

---

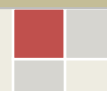
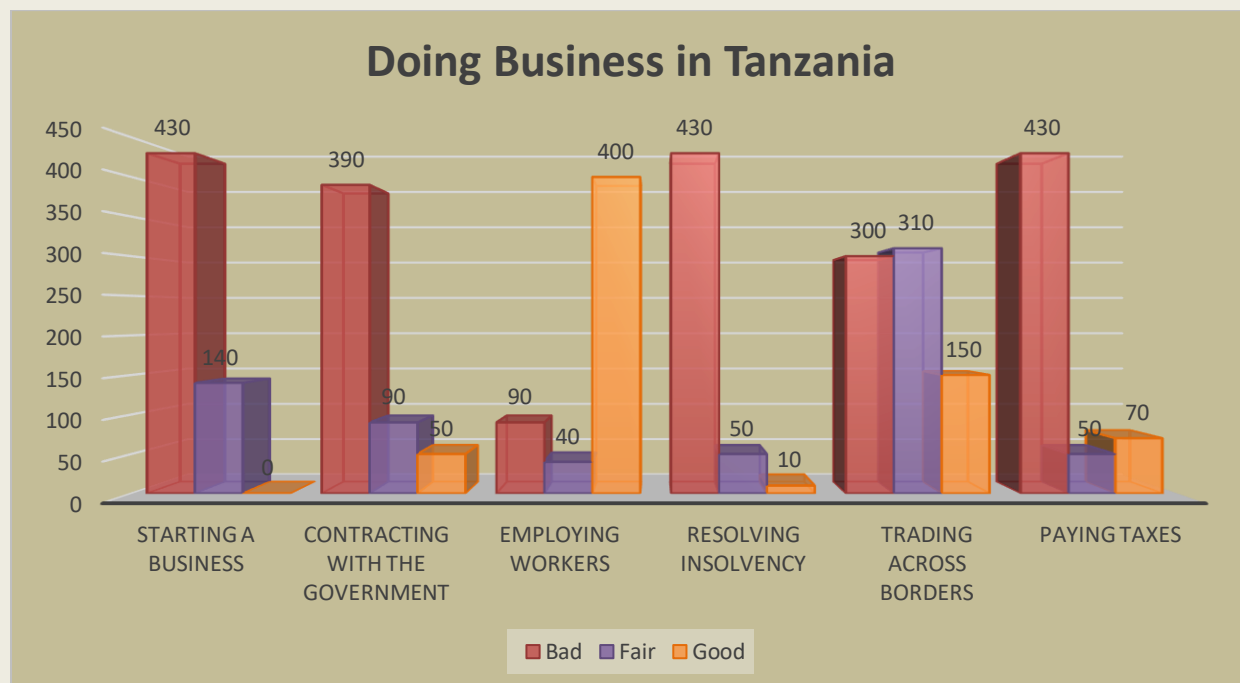


ENHANCING TANZANIA'S BUSINESS LANDSCAPE

A survey encompassing 450 enterprises in Tanzania delved into diverse facets of business operations, encompassing the initiation of enterprises, governmental collaborations, workforce recruitment, insolvency resolution, cross-border trading, tax obligations, credit acquisition, contract enforcement, safeguarding minority investors, property registration, electricity acquisition, and managing construction permits.

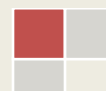
The research's objectives are aimed at enhancing Tanzania's business environment, specifically targeting the grassroots, ranging from small-scale entrepreneurs to major business proprietors. Businesses, fundamentally constituting the nation's economic foundation, fulfill their fiscal responsibilities through tax contributions, channeled towards multifaceted developmental initiatives.

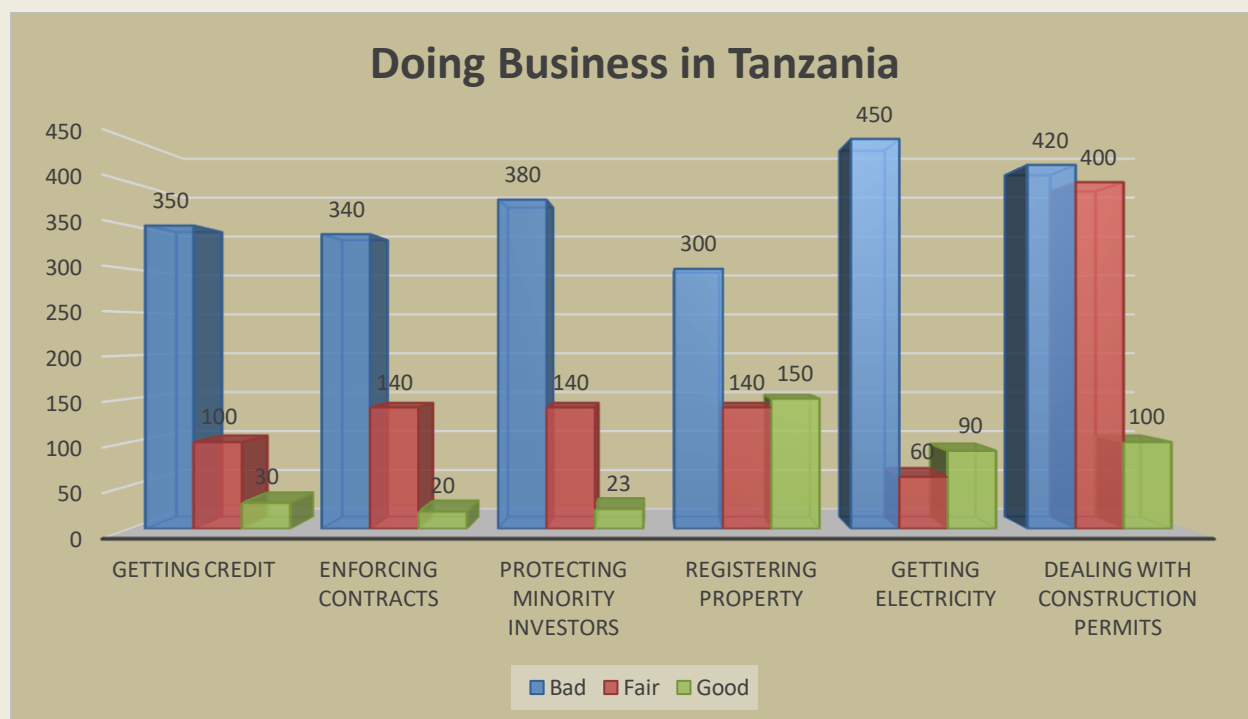
Prospering from engaging in Tanzanian business activities will concurrently empower the government to amass augmented tax revenue. Yet, these finances will not only reinforce the government's financial influx but also substantiate strategic and developmental initiatives.



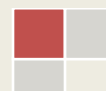


- 1. Starting Business:** Seventy-five percent of survey participants indicated that the Tanzanian business landscape, across all dimensions, remains unfavorable for both small and large entrepreneurs. Conversely, over a quarter perceived the current business milieu in Tanzania favorably. Regarding government contracting, 74% disagreed with the notion that it is an unfavorable proposition, while over 9% found it advantageous. A segment of 17% remained undecided. Government contracting is viewed as an optimal gateway for business commencement.
- 2. Workforce Engagement:** Seventy-five percent of respondents expressed contentment with the prevailing conditions for identifying and hiring labor. This implies the probable existence of a considerable demographic outside formal employment, engendering increased labor availability. Seventeen percent conceded that labor acquisition remains challenging, with 8% adopting a neutral stance.
- 3. Insolvency Resolution:** Eighty-eight percent of participants opined that addressing insolvency issues within Tanzanian firms is unfavorable. Substantial nonpayment of debts and taxes leads to the closure of numerous enterprises, with others altering their business dynamics, including renaming to evade tax liabilities. The government sustains a continuous revenue loss due to these factors, resulting in business cessation and eventual liquidation. Ongoing insolvency contributes to this issue, preventing enterprise survival and further depleting government revenue.
- 4. Cross-Border Trade:** Thirty-nine percent acknowledged that cross-border business operations remain suboptimal, whereas over 20% viewed it favorably. A majority of more than 41% maintained a neutral perspective.





- 5. Taxation:** Over 78% concurred that meeting tax obligations remains a formidable challenge for Tanzanian business operators. This perception is rooted in the substantial divergence between taxation amounts for sizable corporations and actual business earnings. Moreover, tax computation fails to consider genuine economic growth and the specific business environment. Consequently, this situation warrants comprehensive examination, possibly necessitating tax assessment based on regional financial dynamics.
- 6. Credit Procurement:** Seventy-three percent affirmed that accessing credit continues to pose difficulties for Tanzanian entrepreneurs, exacerbating financial scarcity impeding business expansion. The prevalence of loans with counterproductive interest rates further complicates matters. The incongruence between these rates and economic growth burdens business proprietors, undermining the viability of borrowed capital. For sustained business viability, loans should ideally be aligned with robust business capital, mitigating the detrimental impact of unsustainable interest rates.



**ADVERTISERS WALL:** Get More Customers Base with Economists' Talk Magazine, Advertise Here



**ECONOMISTS TALK**

What's Next For Tanzania Economy?

**PUBLIC INVESTMENT AND BUDGET PERFORMANCE ANALYSIS**

www.ticgl.com

**ECONOMISTS TALK**

What's Next For Tanzania Economy?

**DOING BUSINESS IN TANZANIA**

www.ticgl.com

**ECONOMISTS TALK**

What's Next For Tanzania Economy?

**TAX REFORM AND POLICY PLANNING**

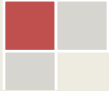
www.ticgl.com

**ECONOMISTS TALK**

What's Next For Tanzania Economy?

**CHALLENGES AND OPPORTUNITIES CONFRONTING SMALL BUSINESS**

www.ticgl.com



## ECONOMIC EFFECTS IF THESE ISSUES PERSIST:

1. **Stifled Business Growth and Investment:** A persistently unfavorable business environment, coupled with difficulties in accessing credit, might discourage entrepreneurs from starting new businesses or expanding existing ones. This could lead to reduced investment in various sectors of the economy, hampering economic growth and job creation.
2. **Reduced Government Revenue:** If the majority of businesses continue to struggle with tax payments due to mismatched taxation mechanisms and economic realities, government revenue could suffer. This might limit the government's ability to fund essential public services and developmental projects.
3. **Unemployment and Informal Economy:** Despite the availability of a pool of potential workers, if the challenges in contracting and employing workers persist, formal job creation could remain limited. This could drive more individuals into the informal sector, where job security and labor protections are often inadequate.
4. **Business Closures and Bankruptcy:** Insolvency issues and the inability to resolve them might lead to an increasing number of business closures and even bankruptcies. This could result in the loss of established businesses, reduced economic activity, and potential financial instability.
5. **Impeded Trade and Economic Integration:** Cross-border trade challenges can hinder international business transactions and trade relationships. This could limit economic integration with neighboring countries and global markets, impeding the potential for economic diversification and growth.
6. **Weak Business Competitiveness:** Inadequate access to credit, high interest rates, and challenges in paying taxes can collectively weaken the competitiveness of Tanzanian businesses. This could limit their ability to innovate, expand, and compete in both domestic and international markets.
7. **Lack of Infrastructure Development:** If businesses face obstacles in obtaining necessary permits, dealing with construction, and accessing utilities like electricity, the overall infrastructure



development of the country could slow down. This could deter foreign direct investment and hinder economic modernization.

8. **Inefficient Resource Utilization:** Businesses that struggle to resolve insolvency and face frequent closures may not utilize resources efficiently. This inefficient resource allocation could lead to wasted capital, reduced productivity, and a less dynamic economy.
9. **Dependency on Informal Economy:** If the formal business environment remains challenging, more businesses might opt for informal operations to evade regulatory hurdles. This could perpetuate an informal economy with limited tax contributions and reduced oversight.
10. **Weakened Investor Confidence:** Persistent challenges in multiple aspects of doing business can erode investor confidence, both domestic and foreign. This could deter long-term investments, technology transfers, and partnerships that are crucial for economic development.

Therefore, the continuation of the issues highlighted in the provided information could lead to a range of negative economic outcomes, including sluggish growth, reduced government revenue, increased informality, and weakened overall competitiveness. Addressing these challenges is crucial for creating a conducive business environment that fosters sustainable economic growth and development.

---

***Considering that 88% of respondents view insolvency resolution as detrimental, what comprehensive strategies could be implemented to provide struggling businesses with the necessary support systems, such as debt management and sustainable practices, in order to mitigate the potential domino effect of business closures on the overall economic stability of Tanzania?***

---



## POTENTIAL SOLUTIONS THAT CAN BE DERIVED TO ADDRESS THE IDENTIFIED CHALLENGES:

### 1. Enhancing Business Starting Procedures:

- Simplify the process of starting a business by reducing bureaucratic hurdles and streamlining registration procedures.
- Provide comprehensive information and guidance to entrepreneurs to help them navigate the initial stages of business setup.
- Establish online platforms or centers where entrepreneurs can access resources and information related to business initiation.

### 2. Government Contracting Improvements:

- Enhance transparency in government contracting processes to build trust and encourage more businesses to engage.
- Develop standardized contract templates and guidelines to expedite negotiations and agreements.
- Implement systems for timely payments and clear communication between businesses and government entities.

### 3. Workforce Engagement and Availability:

- Invest in skill development and vocational training programs to bridge the gap between available workers and required skills.
- Encourage partnerships between businesses and educational institutions to create a workforce that aligns with market needs.
- Establish job placement and recruitment agencies to match job seekers with available opportunities.



#### 4. Insolvency Resolution and Financial Sustainability:

- Introduce mechanisms to monitor and enforce debt repayment, reducing instances of business closure due to unpaid debts.
- Offer financial counseling and support services to struggling businesses to help them restructure and recover from insolvency.
- Implement stricter regulations to discourage businesses from changing their identity to evade tax obligations.

#### 5. Cross-Border Trade Facilitation:

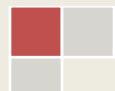
- Improve infrastructure and logistics at border crossings to expedite trade and reduce delays.
- Implement single-window clearance systems to streamline customs procedures and documentation.
- Establish trade agreements and partnerships to promote smoother cross-border transactions.

#### 6. Taxation and Financial Fairness:

- Review and update the taxation system to reflect the actual economic growth and the specific business environment.
- Provide incentives for businesses that contribute positively to economic development and job creation.
- Offer tax breaks or deductions for businesses investing in certain sectors or regions.

#### 7. Access to Credit and Business Financing:

- Collaborate with financial institutions to create tailored loan products with reasonable interest rates for different business stages.
- Establish credit guarantee programs to minimize risks for lenders and encourage them to extend credit to small businesses.



- Promote financial literacy programs to educate entrepreneurs about responsible borrowing and financial management.

Implementing these solutions requires a collaborative effort between the government, private sector, financial institutions, and other stakeholders. Regular assessment and adjustments to these strategies based on real-world outcomes will be crucial for achieving sustainable improvements in Tanzania's business environment.

---

*In the context of the mixed sentiments towards cross-border trade, where 39% view it positively and 29% unfavorably, what specific measures can be taken to enhance infrastructure and streamline procedures, ultimately facilitating more efficient trade and reinforcing Tanzania's position as a competitive player in regional and global markets?*

---





**ADVERTISERS WALL:** Get More Customers Base with Economists' Talk Magazine, Advertise Here

**TUNASIDIA KUANDAA**

1. Business Plan
2. Strategic Plan
3. Project Proposal

 **www.ticgl.com**

**KARIBU TUKUSAIDIE**

 Call us:- +255 734 862 343 /  
+255 768 699 002  
Dar Es Salaam, Tanzania

[www.ticgl.com](http://www.ticgl.com)

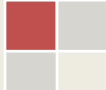
**What's Next For Tanzania Economy?**

**ECONOMISTS TALK**

**ECONOMIC RESEARCH CENTER**

**www.ticgl.com**

[www.ticgl.com](http://www.ticgl.com)



# **TANZANIA ECONOMIC UPDATES**

We review and evaluates the performance of monthly economic indicators

[www.ticgl.com](http://www.ticgl.com)