

Business Environment

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Outline

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- Business Environment with special attention to MSMEs
 - Legal and regulatory Framework
 - Infrastructure
 - Property Rights: land and business premises
 - Access to financial services
 - Entrepreneurship and Enterprise Culture
 - Support and development services
- Conclusion

Key Contextual Messages

- Growth rate averaged 7% p.a. over the last ten years but poverty reduction has been too modest.
- Since 2007, there have been no notable developments in growth which would indicate any significant improvement in the relationship between growth and poverty rates.
- The structure of Tanzania's economy has changed gradually over the last decade, with agriculture being outpaced by services, manufacturing and construction. Yet it continues to employ 74% of the labour force.

Key Contextual Messages-2

- Recent experience suggests that the growth process has not generated enough job opportunities (Employment elasticity=0.6)
- This combined with low productivity in agriculture is an indication that poverty has intensified among the agricultural labour force.
- Options for shifting into non-agricultural activities are largely found in low productivity MSMEs largely in the informal sector.

Key Contextual Messages-3

- The main structural change that will have to be addressed is how to raise productivity in agriculture, in other rural activities, and in those sectors to which workers from agriculture are shifting, in particular, the low value-added service activities in the MSMEs.
- These economic and demographic shifts are central to the broader question of the kind of socio-economic transformation necessary to achieve growth with significant poverty reduction.

Key Contextual Messages-4

- In response, the second phase of MKUKUTA (2010-2015) seeks to accelerate the reduction of income poverty by promoting job creation and income generation that is associated with increased labour productivity.
- Case for enhanced participation of significant sections of society in the growth process;
- Micro, small and medium-scale enterprises (MSMEs) have great potential to generate productive employment and decent incomes and reduce poverty;

Key Contextual Messages-5

- Raising labour productivity lies at the heart of addressing decent work deficits.
- The challenge is to facilitate broader participation in the growth process and create decent jobs through productivity enhancement
- This makes a strong case for an improved business environment with special attention to MSMEs.

The legal and regulatory framework

- The legal and regulatory framework in Tanzania is generally considered to be costly and unfriendly to MSMEs.
- Licensing and tax assessment and collection systems are not sufficiently transparent and predictable .
- The LRF encourages MSMEs are effectively encouraged to remain small and informal.

The legal and regulatory framework-2

- Need for improved governance transparency and accountability.
- Implementation of programmes that facilitate the transition of MSMEs to the formal activities which can access business development services.

Infrastructure

- Roads
- Energy: access and reliability

Property rights: land and business premises

- Only 5% of land in Tanzania is registered, compared with 30% in Kenya and 18% in Uganda.
- Need to accelerate reforms on land management and eliminate unnecessary bureaucracy and hurdles in registration of land and access to business premises.
- Securing property rights will provide the foundation for the long-term investments needed for sustained growth and poverty reduction.

Access to financial services

- Delivery of financial services to the agricultural sector and MSMEs remains limited.
- Bridge the gap between financial service providers and users (MSMEs)
 - Facilitate financial service providers to reach MSMEs
 - formalisation of informal enterprises,
 - national identification ,
 - strengthening credit guarantee schemes,
 - consideration of the actual needs and contexts of MSMEs
 - Support MSMEs to qualify for financial services
 - to prepare bankable projects: capacity and cost
 - To manage finances and accounts: capacity and cost.

Entrepreneurship and Enterprise culture

- Transition from “survivalists” to growth attitude;
- Education and training: to inculcate entrepreneurial knowledge, skills and preferences.
- Higher learning and technical training institutions to better prepare graduates for self employment as entrepreneurs or employability in dynamic MSMEs.

Support and development services

- Public service:
 - Institutional capacity and
 - Governance challenge
 - Transition from controlling and policing attitude to a leading role PSD and MSME development agenda
- Need for greater support for business development.
- Government and private sector strategic partnership.
- Building capacity of institutions responsible for supporting MSMEs through adequate training, advisory services, marketing, networking and exposure.

Conclusion

- The key message of the PHDR 2011 is that growth has continued to be strong but it has not been sufficiently poverty reducing through employment creating and productivity enhancement.
- Case for enhanced participation of significant sections of society in the growth process;
- The business environment to target to harness the growth potential of MSMEs to generate productive employment and decent incomes and productivity enhancement for poverty reduction.

Conclusion-2

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Thank you for your
attention