

**Tanzania Private Sector Foundation (TPSF) Statement at the
Occasion of the Annual National Policy Dialogue**

Thursday, 27 January 2012

Ubungo Plaza, Dar es Salaam

**Presented by Mrs. Esther Mkwizu Chairperson of the Tanzania
Private Sector Foundation**

1. Hon. Minister of Finance and Chairman, on behalf of the Tanzania Private Sector Foundation (TPSF), it is my privilege and honour to thank the government of Tanzania for the continued support in Tanzania and to TPSF, in particular for inviting the private sector to participate in this Annual National Policy Dialogue.
2. The private sector has already made significant inroads onto the world of development cooperation. Successful examples demonstrate that promoting the role of the private sector –in both developed and developing countries –as a responsible agent of change, a promoter of innovative solutions and as creator of jobs, can strengthen the existing development architecture and help speed up the achievement of the MKUKUTA II, Five Years Development Plan as well as the Millennium Development Goals.

3. On this basis, we seek to bring to your attention various key issues which need to be addressed to enable the private sector in Tanzania to effectively play its role.

4. Infrastructure Development

The private sector appreciate that the government have developed significant infrastructure towards efficiently linking most regions in Tanzania. We however recommend that there is an urgent need to improve;

- Efficiency at the port of Dar es Salaam in terms of reduced clearance time. Indeed the congestion at the port has led to closure or slow down of business in Tanzania and neighbouring landlocked countries due to lack of raw materials.
- Tanzania's weak railway transport network is constraining growth and development across the economy from the transit business, mining sector, to tourism, to agri-business sectors, amongst all other sectors. This constraint is linked to numerous issues such as raising incomes in rural areas, as well as food distribution and revenue declines. It is therefore imperative that efforts to rehabilitate the Central Railway Line and the TAZARA railways as well as improvement of port facilities are given utmost priority.

- Power and energy challenges which could easily be addressed through short term, medium term and long term solutions. We propose the unbundling of TANESCO, serious measures to develop adequate, reliable, affordable and sustainable power supply to meet national demand consistently. These include exploitation of high potential hydro sources that remained underdeveloped such as the Stigler's Gorge and recourse to gas fired thermal generation. We need to have a Gas Master Plan as well as a Coal Roadmap which would not only address the power challenges but rather guarantee the existence other industrial linkages.

It is also recommended to undertake an urgent review of the Electricity Act Regulations, the EWURA Regulations, and the REA Act and Regulations to address factors which are disincentive to Private Sector investment in power.

- On air transport, the government should make sure Tanzania strengthens the national airline, with a view to making air travel affordable and for efficient movement of people and goods to the region, globally, and become competitive.

5. Government Roadmap and Business Environment

- To fast track the implementation of the Government agreed Policy Reforms in the Road Map to reduce the

Cost of Doing Business. The regulatory regime is very critical to private sector's increased participation in business. Clear indicators of achievements in terms of how reforms are facilitating trade must be agreed upon and evaluated.

- Improve the business environment for increased investment and trade in Tanzania by ensuring and sustaining a predictable policy environment. Lack of consistent policies has continued to hinder the development of the private sector in Tanzania. A clear example is cited on yearly fiscal reforms which rarely focus on long term impacts as opposed to unsustainable quick sources of revenues.

6. Pre-Budget Consultations

The private sector values and appreciates the Government for inviting the private sector and other non-state actors to participate in the Pre-budget Consultations at the National level. However, in case of repealing or make amendments on the taxes proposed which affects the private sector there should be clear consultations which are open and transparent with respective stakeholders. Any other amendment after the budget has been presented and approved by the parliament should include timely consultations with all affected private sector stakeholders.

7. Tanzania Five Years Development Plan 2011 - 2016

The private sector welcomes the recently government-adopted Tanzania Five Years Development Plan whose main objective is to turn Tanzania into a middle income country. To ensure effective realization of its objectives, there is an urgent need to improve the business climate for local and foreign investors to build more confidence, increase productivity, including the need to facilitate SMEs and Women entrepreneurs to engage in business locally, in the EAC region and globally.

- The government should therefore realign its priorities to the Tanzania five year national plans, and allocate resources to the priority sectors for implementation.
- That policies focused on SMEs, including women owned SMEs who make up the majority of traders in Tanzania be reviewed and enacted to ensure that this important sector is empowered.

8. EAC Road Map to a fully fledged customs union and common market

To fast track and ensure that we are fully fledged customs union, which was not only expected in January 2010, but which is fundamental to the implementation of the EAC common market:

- We recommend the application of uniform customs procedures, which have already been drafted.

- EAC partner states need to carry out legal reforms and institutional requirements necessary to implement the EAC Common Market Protocol.

9. Human Resources and Skills

The Government needs to place stronger emphasis and focus on the issue of skills of human capital as these play a central role in building a knowledge economy as one of the imperative tools for accelerating the processes of economic growth and human development.

The Private Sector accords the highest priority to measures for raising the quality and expanding the outreach of education services and the development of skills required in high growth productive and services sectors.

10. BARA ACT and Business Licensing

The private sector views a number of aspects of this Act as counterproductive and hindering to the attainment of the objective of the Act which was namely easing the business registration and formalization process. The Act has raised a host of issues which have caused problems and confusion within the business community, particularly amongst members of the informal sector. These need to be reviewed and acted on urgently. These issues include;

- A major problem between the conceptual integrity and what was to be achieved by BARA. The problem is the

inability to clearly show the difference between business registration and having authority/permission/legality to run a business.

- BARA repeals the Business Licensing Act of 1972 but does not replace it. There is nowhere in the BARA where it is explicitly mentioned that by registering a business you have the right to actually start doing business.
- There is no 'grace period' between starting a business and registering it, and;
- There is a need for differentiating business registration and registration of the enterprise doing the business as an enterprise can have more than one business.

The government needs to ensure that all the drawbacks of the BARA Act are reviewed and taken care of, with maximum consultation and collaboration with the Private Sector on identifying areas which need changing. This process should also identify new aspects which need to be added to the existing BARA-Act 2007 for the benefit of small business development in Tanzania.

Failure on implementing the BAR-Act of 2007 is considered as one of the reasons of re-instating the business licensing fee in the 2011/2012 budget session. The Private Sector has observed that the reinstated business licensing fee has increased the burden to the business entrepreneurs especially the MSME's. This has increased the possibility of many businesses remaining in the informal sector due to the increase in business start up costs. The private sector

urges the government to re-consider this issue simultaneously with review of the BARA Act in consultation with the private sector.

11. Kilimo Kwanza and SAGCOT

We urge the government to strengthen and sustain the implementation of Kilimo Kwanza and SAGCOT initiatives. 70 per cent of the population currently depends on the agricultural sector for its income and livelihood. Any serious job creation and wealth generation programs have to take into consideration the commercialization of smallholder agricultural producers as a major outcome of initiatives to bring about a green revolution. This is necessary to avoid further marginalization and alienation of this segment. With the right support and facilitation, the Tanzanian smallholder producer can increase yields and raise agricultural productivity to comparative regional level. Promotion and increase of opportunities for the youth to participate in mainstream economic and production activities through improvement of their access to production assets is required.

Concluding Remarks

In conclusion, the Tanzania Private Sector once again appreciates and acknowledges support by the Government of Tanzania and Development Partners. Specifically, allow me to mention the World Bank, DANIDA, DFID, SIDA Sweden, BEST AC, and UNIDO for their continuous support.

We reaffirm the Tanzania private sector's commitment to the public-private partnership process, and we look forward to your continued efforts to improve the investment climate in Tanzania and TPSF to build a more competitive dynamic private sector in Tanzania. Once again, Happy New Year, and we thank you for your attention.

E. P. Mkwizu

Chairperson

Tanzania Private Sector Foundation (TPSF)

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