



Tanzania National Business Council

Interim Impact Assessment

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ACKNOWLEDGEMENT

This report on the *Interim Impact Assessment of the Consultative Mechanism through TNBC* has been prepared after consultation with several parties and reviewing relevant documents and allied literature on the Public-Private consultative mechanism in general and the dialogue process instituted in Tanzania in particular.

The Study Team therefore wishes to thank the persons interviewed (listed in *Appendix C* of this report) and all other parties, not specifically mentioned, whose contribution facilitated the smooth execution of the assignment. These parties availed time and cooperated in providing useful information and comments about the dialogue process, through direct discussions as well as structured written submissions.

Finally, the team hereby registers its appreciation for the confidence exhibited by TNBC in entrusting the assessment assignment to it.

The Study Team

Dar es Salaam, Tanzania

October, 2004

LIST OF ACRONYMS

ASDP	-	Agricultural Sector Development Programme
ASDS	-	Agricultural Sector Development Strategy
BEST	-	Business Environment Strengthening for Tanzania
BRELA	-	Business Registration and Licensing Agency
BSPS	-	Business Sector Programme Support
CEO	-	Chief Executive Officer
EPZ	-	Export Processing Zones
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
HE	-	His Excellency
HRD	-	Human Resource Development
ICT	-	Information and Communications Technology
IIRT	-	International Investors' Round Table
IRT	-	Investors Round Table
MDAs	-	Ministries, Departments and Agencies
MIT	-	Ministry of Industry and Trade
MKUKUTA	-	Mpango wa Kukuza Uchumi na Kuondoa Umaskini Tanzania (National Strategy for Growth and Reduction of Poverty)
MNRT	-	Ministry of Natural Resources and Tourism
NDC	-	National Development Corporation
NEDLAC	-	National Economic and Labour Council (South Africa)
PO	-	President's Office
PO-PP	-	President's Office-Planning and Privatisation
PO-PSM	-	President's Office – Public Service Management
PPP	-	Public-Private Partnership
PSRC	-	Presidential Parastatal Sector Reform Commission
SACCOS	-	Savings and Credit Cooperative Societies
SME	-	Small and Medium Enterprises
SPH	-	Smart Partnership Hub
TIC	-	Tanzania Investment Centre
TNA	-	Training Needs Assessment
TNBC	-	Tanzania National Business Council
TPSF	-	Tanzania Private Sector Foundation
TRA	-	Tanzania Revenue Authority
UNIDO	-	United Nations Industrial Development Organisation
VETA	-	Vocational Education and Training Authority

EXECUTIVE SUMMARY

E1.0 Introduction

Economic and political liberalisation in Tanzania has stimulated demand for formalised and enhanced public private sector dialogue in the context of smart partnership. This demand culminated in the institutionalisation of the dialogue in the form of the Tanzania National Business Council (TNBC).

Since the operationalization of TNBC in March 2002, a number of programmes were initiated but no assessment has been made to date. The Council deemed it fit to cause to be undertaken an Interim Impact Assessment of the Consultative Mechanism through TNBC.

E2.0 Objectives and Methodology

E2.1 Objectives

The main objective of the assessment is to Assess the progress the TNBC Consultative Mechanism has made and its impact on the Tanzania economy. The report identifies achievements made, challenges posed and makes proposals on the way forward.

E2.2 Methodology

The methodology that was adopted for this study was that of reviewing relevant documents on the background to the establishment of TNBC and activities undertaken subsequently within its mandate. The consultants reviewed Council Reports; Minutes of various Committees and Working Groups also provided useful background inputs to the work at hand. In addition, the The consultants contacted and held discussions and interviews with select stakeholders in the private and government institutions involved in the Public-Private Consultative process. This information was analysed and formed the basis of preparing this report.

E3.0 Main Findings of the Study

The main findings of the study are presented in two categories. First, the report presents the achievements and makes an assessment of the impacts. Second, the report presents the challenges that have emerged in the course of implementation of its mandate in its first two years of operation.

E3.1 Achievements and Impact

E3.1.1 Putting in place a Structure of Tanzania National Business Council (TNBC)

Putting in place well-structured TNBC is in itself a notable achievement. The Council chaired by the President and the Executive Committee chaired by the Chief Secretary have had a high profile. The functioning of the Executive Committee and the formation and functioning of various working groups and the establishment of a secretariat have put the TNBC in a good footing. The acquisition of the office building at a convenient location within the city centre, donated by the Tanzania Government demonstrates the determination and commitment for forging of the public-private partnership. TNBC represents institutionalisation of the dialogue between the Government and the Private Sector. This has been applauded as a major achievement to date.

E3.1.2 Addressing Strategic Development Issues

The first meeting deliberated on two strategic development issues. First, the Council discussed the *Tanzania Development Vision 2025* exploring ways to realize the cardinal goals of the vision. Secondly, the meeting also explored the *Investors Road Map and Competitiveness of Tanzania in the Global Economy*. The discussion on these issues led to recommendation of major reforms in regulatory framework, taxation system, land laws, cost of doing business and governance as key to making Tanzania an investment destination in Africa. This set the agenda for action following the meeting. However, the agenda would have been followed more effectively if this agenda had been cast in a strategic plan with milestones and monitoring and evaluation system put in place.

E3.1.3 Extent of Achievement of Planned Programmes and Activities

Three sets of programmes and activities were planned. First, establishment of TNBC Secretariat and Operationalisation of the Council. This has been implemented partially. Second, Institutionalisation of the Consultative Mechanism and third, Implementation of a Private Sector Outreach Programme. The second and third programmes have largely remained at the level of preparations Resource constraints is one reason for the slow implementation of the proposed programmes.

E3.1.4 Improved Land Act

Inadequacies in the Land Act, 1999 were identified with respect to collateralisation and foreclosure as well as availability of land for investors. Good progress has been made and the Land Act has been amended and assented to by the President (Land Act, 2004). Good progress is being made to establish a land bank to ease the problem of accessing land by investors.

E3.1.5 Improved Tax Regime

Progress has been made in this area in terms of simplification and rationalization of various taxes. In addition, the corporate plan of TRA (2003/04 – 2007/08) is on strengthening operational efficiency.

A major achievement in this respect is notable in the New Income Tax Act, 2004 which among other things simplified the tax system by putting in place a Self-Assessment System. The Act was assented to by the President and has become operational from 1st July 2004. However, the rather unpleasant atmosphere in which earlier dialogue was conducted on the New Income Tax Act could have been avoided if established consultative mechanisms (e.g. TNBC Working Group on Finance, Task Force on Tax Reform) had been used right from the beginning.

E3.1.6 Labour Laws Reform

A major achievement has been observed in terms of progress that has been made in labour law reform. Phase I of the labour law reform led to the Employment and Labour Relations Act, 2004 and Labour Institutions Act, 2004. This is a notable achievement. Phase II commenced in August 2004. Further achievement has been observed in terms of simplification of procedures for engaging foreign experts and shortening of time for processing residence permits for foreign experts.

E3.1.7 Improved Business Licensing

Concerns have been expressed about the multiplicity of licences and delays that are associated with the processing of licences. In this regard action has been taken to simplify the business licensing system. The Business Registration and Licensing Agency (BRELA) and the Ministry of Industry and Trade are making commendable progress in improving business registration and licensing.

E3.1.8 Human Resource Development

Progress in human capital development has occurred in two areas. First, the CEO scholarship programme has reached advanced stage of establishment. Second, initial preparations are being made towards reviewing the education curriculum to cope with demands of a private sector led economy.

E3.1.9 Tourism and Image

Progress in promotion of tourism has been made in hotel classification, training, improving tourism statistics, tourism products, promoting tourism investment and improving the image and perception of Tanzania. Action taken to promote the image of Tanzania include setting up of a special task force under the Championship of Deputy Minister of Foreign Affairs and International Cooperation, funding and setting a secretariat to be temporarily housed at TNBC.

E3.1.10 Agriculture, Agri-business and Manufacturing

On agriculture initiatives have been taken in four areas; improving the tax regime in agriculture, improving access to technology, rationalization of marketing boards and privatisation of large state farms. In manufacturing and agri-business work has addressed two areas; SME policy implementation and development of EPZ infrastructure. Progress that has been made on both fronts is largely still in the preparatory stages. Draft regulations have been prepared for the operationalisation of SME credit guarantee scheme. An export credit guarantee scheme has been established with the objective of increasing and broadening exports.

E3.1.11 Provisional Impact Assessment

The TNBC has been in operation for two years which is too short for a definitive assessment of impact to be undertaken. However, provisional assessment shows that the impact has been positive. First, the performance of the economy has clearly improved as indicated by a higher level of growth averaging 5.8% in the past three years and more stable macroeconomic environment. Progress has been made in reforming the public service and improving its management. Initiatives have been taken to reduce transaction costs and cost of doing business in general. Second, the impact on improved attitudes of both the public and the private sector is positive. The willingness to work together and to concede that each side has something useful to offer has been demonstrated. Third, participation in the policy making process has been consolidated through institutionalisation of the consultation

mechanisms in the TNBC. Fourth, there are indications of growing trust on the side of both actors. Fifth, accountability on both sides has been enhanced.

E3.2 Challenges

E3.2.1 Frequency of Meetings

TNBC has not succeeded to meet twice a year as stipulated. In our opinion, the challenge of ensuring that Council meetings are held regularly as stipulated should be confronted. It should be noted that countries which benefited most from consultative mechanisms have also managed to make such meetings regular and frequent.

E3.2.2 Resources: Finance and Facilities

The TNBC is facing the challenge of insufficient funds and facilities to enable it carry out the planned programmes and activities in time. Financial resources have constrained full implementation of planned activities. Budgets have always fallen short of expectations, thus limiting the Secretariat's effectiveness in carrying out its scheduled responsibilities. During the first meeting of the TNBC, caution was given in the opening speech by the President against the risk of allowing the consultative process to be donor driven. Indeed the risk of a donor driven consultative process has not decreased. In fact, fast track activities of TNBC are those which have been associated with the availability of resources. In this context, it has been observed that the International IRT has constituted the fast track in the activities of the Council. The local IRT and implementation of other strategic issues has moved slowly.

In our opinion, resource mobilization could have been mobilized more effectively if the Project Implementation Program prepared by World Bank for utilisation of IDA Credit had been backed by a clear strategic plan. This would have provided a firmer basis for preparing proposals for funding from various sources. Similarly, the private sector has not contributed directly to the program.

E3.2.3 Ambiguity in Perceptions of TNBC's Business Line

The mandate and business line which distinguishes TNBC from related institutions such as the CEO Club, IRT, TIC and TPSF is somewhat blurred in the minds of a number of stakeholders who were interviewed. These perceptions (even when they are wrong) suggest that there are two challenges to be confronted here. First, is the challenge of revisiting the unique position of TNBC and show clearly how its role complements the role of related institutions including Private Sector Organizations. Second, is the challenge of communication and dissemination of information.

Publicity and communication within TNBC members and the wider government and private sector has not been satisfactory. Even where TNBC has made achievements, these have not been sufficiently communicated and/or publicized although we were informed that regular information notes and resolved action plans are distributed to all TNBC members after every major event.

E3.2.4 Follow up on Decisions and Implementation

Operationalisation of TNBC decisions is being challenged by several operational level hurdles which reduce speedy implementation of decisions. It was observed that the capacity to solve problems on a day-to-day basis in a timely manner was rather weak both on the part of some government institutions and the private sector representation. The challenge is to strengthen follow up mechanisms to ensure timely implementation of the decisions made by the Council and its Committees.

E3.2.5 The Zanzibar Dimension in the Dialogue Mechanism

Some stakeholders from Zanzibar feel that the pace of PPP had slowed down, and that there is insufficient involvement of Zanzibar in TNBC. Furthermore a Business Council is at an advanced stage of being formed in Zanzibar. This scenario therefore calls for coordination and harmonisation of PPP initiatives in Zanzibar and Mainland Tanzania.

E3.2.6 Balance between Large and SME Representation

It was observed that that the representation of the private sector was dominated by large scale enterprises with little representation of the SMEs. This situation could lead to a focus on narrow interests of the larger companies and fail to systematically reflect the interests of SMEs and other small actors in the private sector.

Various meetings have identified the need for economic empowerment, development and support to local investors especially SMEs and the need to facilitate the transformation of the informal economy into formal business enterprises. Action on this front has been rather slow. The challenges that this imbalance is bringing need to be addressed.

E3.2.7 Attitudes and Mindset

Smart Partnership required change in the attitude and mindset on the part of Government officials and private sector actors to effectively participate in policy dialogue. The learning process has taken place on both sides. However, there are die-hards on both sides. The challenge is to generalize the capacity building

experience and embark on more systematic and comprehensive programmes in change management directed towards changing attitudes and reorientation of culture on the side of actors in the public sector as well as the private sector.

E4.0 Conclusions and Recommendations

E4.1 Institutionalisation and Continuity of Dialogue

Action is recommended on further institutionalisation of TNBC, improved balance in representation and improved frequency of meetings.

First, the TNBC was established by Presidential Circular and has not been enacted by Parliament. It is recommended that arrangements be made to establish TNBC by an Act of Parliament.

Second, the imbalance in representation of large and small businesses should be addressed to make sure that broad interests of the whole spectrum of the private sector are represented.

Third, meetings of Council should meet regularly and with the stipulated frequency.

E4.2 Commitment in Terms of Resources

Financing of the activities of TNBC has been uncertain and has always fallen below requirements. It is recommended that public resources could be drawn from government and its development partners. Financing of TNBC by development partners should be designed in the form of basket funding. However, an exit strategy should be formulated whereby domestic sources of funding will be mobilized to progressively replace financing by development partners. First, the government could take this expenditure item as a permanent budget item and allocate funds towards the TNBC to ensure that it is enabled to carry out its core business. Second, a small charge (0.3-0.5% of turnover) should be levied on the turnover of all private enterprises. Alternatively, to avoid overburdening the fragile private sector the possibility of setting aside 1% of the 6% levy that the business sector already pays, as payroll levy should be considered.

E4.3 Dialogue and Commitment to Smart Partnership

The operation of the TNBC has been acknowledged as one factor, along with initiatives taken in reforming the public service, which has helped to change the

mindset of many government officials. It is recommended that deliberate action be taken to change the mindset of all actors in the public sector as well as those in the private sector. A programme on change management for changing attitudes and mindset is recommended.

Furthermore, in the spirit of smart partnership, it is recommended that on important country business missions overseas, and negotiations in trade and other matters of interest to the economy, TNBC should ensure substantial representation of the business sector, including devising a mechanism for covering of the costs thereof from its budget for private sector delegates, to make smart partnership real.

Private sector participation should be institutionalised in the processes of developing sectoral policies and strategies and strategic plans of Ministries, Departments and Agencies (MDAs). This mechanism should also be utilised to discuss regulatory and partnership issues on a regular basis.

E4.4 Strategic Plan and Priority Issues for the Way Forward

It is recommended that TNBC immediately embarks on preparing a Strategic Plan followed by detailed Work Programmes which should identify the activities, the parties tasked, the time scale for its implementation, the expected output as well as the required resources. The strategic plan should comprise the following five priority areas for action in the next phase:

(i) Governance

The Committee on Smart Partnership should engage in improving governance. First, the Committee should work on implementation of the National Anti-Corruption Strategy. Second, the Committee should work on the promotion and development of corporate governance including social responsibility.

(ii) Implementing Vision 2025 and MKUKUTA

The TNBC should establish a mechanism for follow up and monitoring and evaluation of progress in implementing *Development Vision 2025* and the *National Strategy for Growth and Reduction of Poverty (MKUKUTA)* and periodically participating in reviewing progress made.

(iii) Change Management and Changing Mindsets

Action is recommended on two fronts. First, establishing change management types of courses for public servants both for high and middle level cadre in the public service. Second, establishing a special revolving door programme whereby public servants could be attached to private companies as part of their in-service training in business skills and in understanding and appreciating needs of the business sector. Prominent businessmen could also be entrusted to co-run key public institutions for the same objective.

(iv) Economic Empowerment

Economic empowerment should be addressed as a priority area anchoring on various on-going initiatives such as National Economic Empowerment Programme, SME Policy, Microfinance Policy and broaden financial sector reform and initiatives to transform the informal economy into a dynamic set of economic activities carried out by more productive micro and small and medium size (MSMEs) businesses. While efforts to attract FDI should continue, greater attention should be paid to promoting domestic investment and forging linkages and facilitating strategic alliances between domestic investment and FDI. These issues are pertinent to the realisation of ***Vision 2025***.

(v) Operationalising Public-Private Partnership (PPP)

The Government has endorsed the principle of PPP but its operationalisation leaves much to be desired. It is recommended that a mechanism should be put in place to identify potentials and opportunities for PPP, define rules and regulations to guide PPP and solve problems and challenges that may arise at the operational stages. This should enhance the participation of the private sector in investing and managing infrastructure, utility projects and other activities with a view to realising the government to concentrate on other priority areas.

E4.5 Strengthening of TPSF

Tanzania Private Sector Foundation (TPSF) which is the vehicle for Private Sector access to TNBC at national level seems marginalized, and does not appear fully enabled to mediate diverse interests of the private sector. This situation should be reviewed, constraints identified and remedial action taken.

TPSF's member associations should endeavour to have outreaches in major business centres in Tanzania which would strengthen the Foundation and legitimize

its mandate. The micro and small enterprise businesses sector – which is substantial in the Tanzanian economy – does not appear represented effectively in TPSF and TNBC dialogue process. TNBC and TPSF should discuss and find means of incorporating this important sector.

E4.6 Harmonisation of Dialogue Initiatives with Zanzibar

Shortcomings related to insufficient involvement of Zanzibar in the dialogue process should be remedied, and appropriate steps be taken to harmonise initiatives and activities following the decision of establishing an independent Business Council in Zanzibar.

E4.7 Improve Follow Up of Decisions

Following up and implementing policy decisions from TNBC leaves much to be desired. It is proposed that the institutional mechanisms for following up implementation be supervised and monitored to ensure compliance with decisions made in *fora* such as Cabinet and TNBC.

What is needed is regular follow-up so that information is generated on a continuous basis and such progress is disseminated to the stakeholders. In order to institutionalise this process it is recommended that a special unit be designated at POPP for the purpose of making continuous follow-up on action being taken in response to issues raised at the TNBC.

It is proposed that the Secretariats of the TPSF and TNBC be linked on a continuous basis or on an institutionalised basis to the on-going operational mechanisms in government such as the BEST programme, Investment Facilitation Committee, BSPS II Programme, etc.

E4.8 Publicity of the Work of TNBC

It is recommended that more systematic communication and publicity mechanisms be put in place. Such mechanisms would inform the stakeholders, facilitate proposals from the wider constituency and broaden understanding of the agenda, operations and achievements of TNBC.

E4.9 Secretariat's Capacity and Organisational Structure

Considering the tasks and responsibilities of TNBC, it is proposed for the capacity of the Secretariat be enhanced and be organised as per **Chart 4** in the main report.

1.0 INTRODUCTION

1.1 Background and Context

The reforms of the late 1980s and 1990s in Tanzania have entailed economic and political liberalization and democratisation. On the economic management front, a shift has been made from a public sector-led economy associated with central planning and administrative control of the economy towards a market-oriented economy associated with private sector led development. On the socio-political side, liberalization has meant that attention has shifted towards democratisation and governance whereby political parties are at liberty to organize themselves and participation by various socio-economic groups is being encouraged and space for political and social freedoms has increased. In terms of policy making and development management, it has come to be accepted that policy making is a more participatory process in society and is no longer a monopoly of the government. Participation of various groups in society has therefore become an accepted practice as has been demonstrated in recent policy making initiatives and processes such as Vision 2025 (1998) and the National Poverty Eradication Strategy (1997) which have been prepared in a participatory manner.

As Tanzania moved from a public sector led to a private sector driven market economy the respective roles of government and the private sector were subjected to considerable changes. In the new setting, the government is supposed leave direct business functions to the private sector while it maintains the regulatory, supervisory, promotional and facilitative and policy making functions. In carrying out these functions the private sector functions as a partner consistent with smart partnership associated with win-win outcomes. It is in this context that it became necessary for the government to maintain continuous dialogue with the private sector and other stakeholders on critical issues of national development for which the private sector has been assigned to play a leading role. The pressure brought about by a change in the global economy, the apparent ineffectiveness of traditional paradigms of development, the need to take comprehensive measures to eradicate poverty and improve human well-being all combined to demand a change in the way the national economy is managed. Therefore the idea of establishing such a consultative mechanism for Tanzania was discussed by both government and private sector for sometime.

After undertaking an analysis of some case studies and models of existing consultative mechanisms in other countries, and taking into the realities that are specific to Tanzania an appropriate structure was proposed. It was fashioned and structured to suit the circumstances of Tanzania. This led to the establishment of the Tanzania National Business Council (TNBC).

TNBC's vision and mission is to promote a healthy and robust economy where the guiding hand of the government, enlightened legislation and transparent governance enhance the development of private initiatives, attracts foreign investment and generally provides an enabling environment for private sector growth, and consequential socio-economic development. It was recognized that TNBC signifies espousing of the *Smart Partnership Concept* which was to be utilized as the driving force for the work of TNBC. Smart Partnership is premised on integratedness and interdependence of the entire society and its many components as players and stakeholders. This premise justifies the need to work together and support each other so that each stakeholder wins in the end. A win-win situation is the outcome.

1.2 Establishment of Tanzania National Business Council

The Tanzania National Business Council (TNBC) was established in April 2001 and operationalised in March 2002 as an independent forum for dialogue, consultation and addressing of constraints to investment and development of a strong and competitive economy in Tanzania. The ultimate aim is to create a conducive environment for private sector led development.

- (i) The main objectives can be summarized as follows:
 - (i) To provide a forum for public/private sector dialogue with a view to reaching consensus and mutual understanding on strategic issues relating to the efficient management of development resources in Tanzania;
 - (ii) To promote the goals of economic growth with social equity and even development;
 - (iii) To review from time to time developments in the external and domestic business environment, challenges they pose to Tanzania, and propose a course of action;
 - (iv) To exchange views on prevailing operating and regulatory environment, and propose ways to facilitate public services to improve on service delivery and make the civil service business friendly;

- (v) To review and propose changes in the policy environment to enhance the attractiveness of Tanzania products in the world market;
- (vi) To encourage and promote the formulation of coordinated policies on social and economic matters, including consideration of existing and proposed economic legislation and make recommendations through the Government, to Parliament or other appropriate bodies; and
- (vii) To consider any other matter deemed relevant to the achievement of the above objectives.

1.3 The need for an Interim Impact Assessment

Since the operationalization of TNBC in March 2002, a number of programmes were initiated, and several activities undertaken within the mandate of TNBC of providing a forum for Public-Private Partnership in strategic issues of national economic management and development. The Council therefore deemed it fit to cause to be undertaken an ***‘Interim Impact Assessment of the Consultative Mechanism through TNBC’*** per Terms of Reference in ***Appendix A*** herein. To this end, Daima Associates Limited, a consulting firm based in Dar es Salaam, was contracted to undertake the assignment.

The team that undertook the assignment comprised the following experts:

Name	Responsibility
1. Prof. Samuel M. Wangwe	Team Leader
2. Mr. Donald J. Kamori	Development Economist
3. Dr. Samuel M. Nyantahe	Institutional Development
4. Mr. Ali I. Mjella	Economist

This is the report prepared by the team. The report gives both an *ex-post* assessment of the establishment of a consultative mechanism in Tanzania and provides guidance regarding the implementation of subsequent work in this area.

2.0 OBJECTIVES AND METHODOLOGY

2.1 Objectives

The general objectives of the assessment per Terms of Reference were:

- To assess the progress made to-date and impact on the Tanzania economy of the TNBC consultative mechanism, and prepare an appropriate report. The report is expected to assist in structuring future consultations to achieve TNBC objectives and indicate also needs of the Council and propose approaches to achieve them.
- Furthermore, the report was expected to:
 - Review and evaluate the impact of the ongoing dialogue process in promoting economic growth and propose the way forward;
 - Assess institutional capacity needs to ensure timely and effective realization of its overarching TNBC objectives;
 - Examine how far TNBC as an institution, and the Consultative Mechanism as a forum, have been successful in achieving the initial goals of their establishment: creating an enabling environment for effective Public-Private Partnership (PPP) in national economic management and development;
 - Assess how far the opportunities provided by the forum have built internal capacity, in terms of the individual players within the public sector, and more broadly, enhanced attitude change for enabling PPP;
 - Assess how far the TNBC has been enabled resource-wise in creating awareness in PPP and subsequently managing the process thereof; and
 - Indicate resource constraints, if any, that have hindered TNBC's effectiveness in carrying out its mandate.

2.2 Methodology

The fieldwork for the study was conducted during August, September and October 2004. The methodology employed was principally through review of the relevant documents on the background to the establishment of TNBC and activities undertaken subsequently within its mandate. Council Reports, Minutes of various

Committees and Working Groups also provided useful background inputs to the work at hand.

Thereafter the consultants contacted and held discussions and interviews with select stakeholders in the private and government institutions involved in the Public-Private Consultative process. These included key members of the TNBC, key Development Partners, Private Sector institutions in key economic sectors, economic Ministries, NDC and the Academia. The list of persons interviewed is annexed to this report as **Appendix C**.

The interviews were structured, and were conducted guided by the Questionnaire appearing as **Appendix D** herein. The aim of these interviews was to get stakeholders perceptions on the progress and performance of the dialogue process.

In the course of undertaking the study, the consultants worked in close liaison with the client, who assisted to facilitate the smooth execution of the assignment.

3.0 MAIN FINDINGS OF THE STUDY

The main findings of the study are categorised two parts. First, the study examined the achievements and made an assessment of the impacts. Second, the study has identified the challenges that have emerged in the course of implementation of its mandate in its first two years. These challenges are addressed with a view to recommending ways of meeting those challenges and moving the TNBC to greater heights in terms of effectiveness and impact.

3.1 Achievements and Impacts

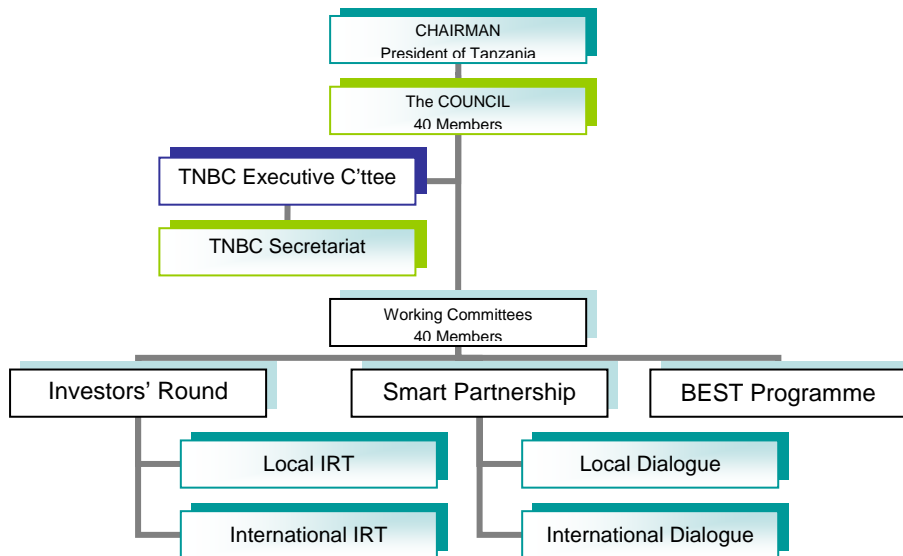
3.1.1 *Institutionalisation: A Structured Tanzania National Business Council (TNBC)*

A major achievement to date is that the TNBC now exists as an institution that is made up of 40 members, 20 being selected private sector representatives and 20 being public sector representatives appointed by the President of the United Republic of Tanzania with a functioning Executive Committee, Working Committees with their Working Groups and a Secretariat. The Council is chaired by the President. Private Sector representatives find their way to the Council through the Tanzania Private Sector Foundation (TPSF), the focal organization for the private sector associations in Tanzania.

An Executive Committee of 10 members (5 each representing the private and public sectors respectively) oversees the functions of the Council. The committee is chaired by the Chief Secretary and Co-Chaired by the Chairman of the Tanzania Private Sector Foundation. The day-to-day functions of the Council are undertaken by a Secretariat headed by an Executive Secretary.

The organisational structure of TNBC is indicated as **Chart 1** below:

Chart 1: Structure of Tanzania National Business Council (TNBC)



The current TNBC Secretariat is organized as per **Chart 2** below. It is understood that there are proposals to review the current organogram to the one shown under **Chart 3**. In our opinion, the unfolding volume of activities of the TNBC warrants a higher level of staffing as will be elaborated further in Chapter 4 of this report where recommendations for an alternative structure for the Secretariat have been put forward.

Chart 2: Secretariat's Current Organisation Structure

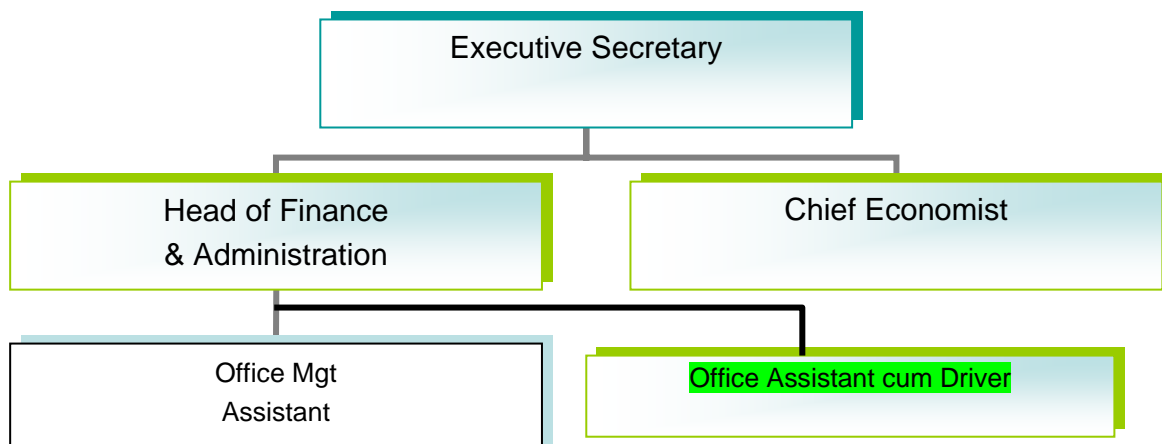
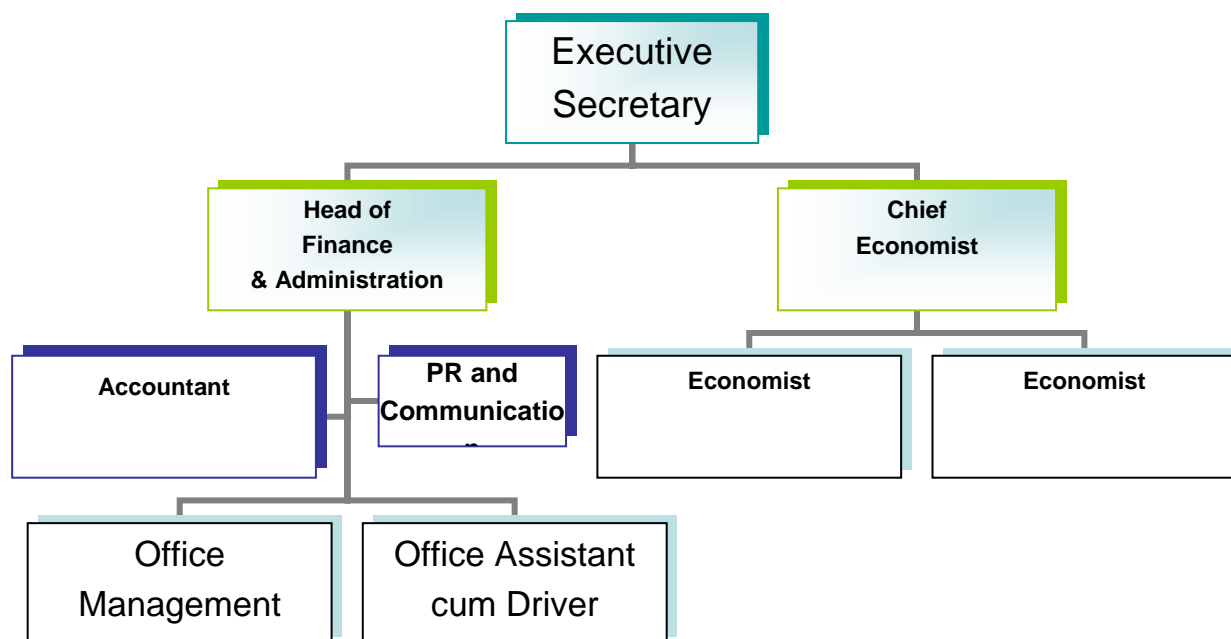


Chart 3: Secretariat's Proposed Organisation Structure



The Structure of the Council includes three (3) Working Committees, *viz* Investors' Round Table (IRT), Smart Partnership Hub (SPH) and the BEST Programme. The Investors Round Table (IRT) was formed as TNBC's first Working Committee. The other two were to be formed later. Preparations for their formation are still in progress.

Executive Committee Meetings

Since establishment of TNBC, 5 meetings of the Executive Committee have been held – two during 2002, two during 2003 and the fifth one in April 2004. From the available records, the committee's deliberations dwelt on TNBC establishment formalities, including office accommodation, staffing, work plan and funds mobilisation. Organisation and facilitation of IRT meetings was a key item in the committees' agenda. During the 5th meeting of the committee the TNBC 3-year Budget (2004-07) was presented and approved.

IRT Meetings

Three meetings of the Investors' Round Table (IRT) have been held to date under the Chairmanship of HE President Benjamin William Mkapa. The IRT Meetings bring together leading international as well as local business community, CEO's and eminent persons to round table discussions with the President and his Cabinet on

ideas on best practices in turning the country into an investors' main destination in the region.

IRT Working Groups

The work of the IRTs is done through Working Groups which report to the Round Table. The Working Groups are on:

- **Manufacturing and agro-processing** with special emphasis on SMEs and value-addition to export;
- **Agriculture** with focus on revolutionizing the sector in order to tap immense potential in abundant land, livestock and suitable climatic conditions, recognizing that the sector is the back-bone of the economy;
- **Tourism and Image** building looking at major drive to brand Tanzania, counter negative image, market it as a tourism destination to exploit its unique endowment in Africa and also promote SMEs in the sector for employment creation
- **Human Capital Development** examining approaches to revolutionize the education system in order to create manpower resources to meet requirements of a private sector led economy.
- **Technology** with special focus on ICT, rural electrification, rural tele-link and increased use of computers in schools;
- **Finance** addressing access to finance especially development finance for SMEs fiscal and monetary policy issues; and
- **Special Advisory Group** as a special group for more frequent meetings with the President to advise on strategic issues related to the consultative mechanism.

Some Working Groups have been more active and therefore more successful than others. The Working Groups have tended to function where supportive mechanisms existed and functioned. This suggests that behind every Working Group there should be a working institutional mechanism established for the purpose of providing operational support to the work of the Groups.

The International Investors Round Table has been identified as a working committee which functioned very well in that it has met regularly and has managed to solve many problems amicably. In its meetings commissioned papers have raised major issues which have been taken up in discussions. In many respects action has been taken. However, some concern has been expressed that the IRT would have yielded even better results if it had focused more on insights into the international experience of international investors and best practices with which they have experience and how those best practices can be adapted to Tanzania. Greater benefit would accrue if the IRT is used more as a forum to expose participants to possible solutions from international experiences.

However, one characteristic of the IRT is that they have been driven by or facilitated by supportive initiatives largely from donors. The World Bank, in particular, has been a major support mechanism. One lesson that can be drawn from this experience is that there is need to ensure the existence and operation of supporting mechanisms, preferably locally pivoted, which would feed into the work of the Working Committees.

Putting in Place Infrastructure

The acquisition of the office building at a convenient location within the city centre, donated by the Tanzania Government demonstrates the determination and commitment for forging of the public-private partnership. The subsequent furnishing and equipping of the offices has enabled TNBC to get set for the agenda for PPP.

Overall it was appreciated that the TNBC has brought the PPP and dialogue closer and it has institutionalised the process in an irreversible manner. The establishment of the TNBC is signifying recognition of the need to maintain a continuous dialogue with the private sector and other stakeholders consistent with the shift from a public sector led centrally planned economy towards a private sector driven market economy. TNBC represents institutionalisation of the dialogue between the Government and the Private Sector. This was applauded as a positive step and major achievement to date. The formation of TNBC is a major achievement in terms of taking an important step towards formalization and institutionalisation of the public-private sector dialogue. It has filled an important gap in this regard.

3.1.2 Addressing Strategic Development Issues

The first meeting deliberated on two strategic development issues. First, the Council

discussed the ***Tanzania Development Vision 2025*** exploring ways to realize the cardinal goals of the vision which focuses at making Tanzania a middle income, democratic and peaceful country with a vibrant industrial sector and educated society as its bedrock. It was important to begin with a consensus on the direction of development and give the members the opportunity to develop a common vision to development. This is in itself a notable achievement. Presentation of Vision 2025 was followed by discussions and contributions from various members. It was suggested that implementation of the Vision should be made through five year plans whose formulation should effectively engage the private sector through sectoral representation. Recognition of this fact is in itself an achievement. However, the real challenge is to initiate this process with full participation of the private sector.

Secondly, the meeting also explored the *Investors Road Map and Competitiveness of Tanzania in the Global Economy*. The competitive position in terms of cost of doing business was addressed in a comparative perspective with selected countries in Africa. Tanzania fared quite poorly compared to the comparator countries. This signalled a major task ahead. The discussion on these issues led to recommendation of major reforms in regulatory framework, taxation system, land laws, cost of doing business and governance as key to making Tanzania an investment destination in Africa. This set the agenda for action following the meeting. However, the agenda would have been followed more effectively if this agenda had been cast in a strategic plan with milestones and monitoring and evaluation system put in place.

3.1.3 Extent of Achievement of Planned Programmes and Activities

The following programmes were planned for implementation during the period under review:

- Establishment of TNBC Secretariat and Operationalization of the Council
- Institutionalisation of the Consultative Mechanism
- Implementation of a Private Sector Outreach Programme

The first programme has been implemented partially while the second and third programmes have largely remained at the level of preparations. The status of implementation of main elements of these programmes is tabulated in the matrix shown in ***Appendix E***. Resource constraints was indicated as one reason for the slow implementation of the proposed programmes and activities.

3.1.4 Improved Land Act

Inadequacies in the Land Act, 1999 were identified with respect to collateralisation and foreclosure as well as availability of land for investors. Good progress has been made and the Land Act has been amended and assented to by the President (Land Act, 2004). The new Land Act, 2004 makes land a desirable collateral by the financial institutions. However, efforts should continue to complete the on-going financial sector reform and to address other fundamental impediments to access to credit especially to SMEs and rural activities. The development of SACCOS, community banks and promotion of their linkages to the banks and other financial institutions should be addressed in future work of the TNBC. The role of business associations in enhancing access of their members to credit should be addressed especially in terms of reducing cost of information search and promoting comfort and trust on the side of the lenders. Further work needs to be put into the issue of development finance.

Another problem relating to land is the problem of premises for new and expanding businesses. In this respect it was resolved that a land bank should be established. Good progress is being made to establish a land bank to ease the problem of accessing land by investors.

The achievements in respect of land issues have been associated with the bigger picture of improving the operations in the Ministry responsible for lands. The higher level of technology that has been adopted and the streamlining of procedures have had a positive general impact in terms of reduced incidences of double allocations and related complaints from the public. The lesson to be drawn from this experience is that specific problem areas can be addressed sometimes by addressing the broader challenge of improving the performance of MDAs. The fact that in this case several MDAs (MLHSD, National Land Use Planning Commission, POPP and TIC) participated in effectively solving land related problems bears testimony to this observation.

3.1.5 Improved Tax Regime

Tax collection and administration issues generated discussions in TNBC with specific reference to the multiplicity of taxes, high tax rates and problems of tax administration. In response, it has been observed that the thrust of the corporate plan of TRA (2003/04 – 2007/08) is on strengthening operational efficiency. In addition, there is on going work of the Task Force on Tax Reform which comprises members from public and private sector. In addition, the Minister of Finance

established a Think Tank with diverse membership to advise on a wide range of finance related issues including tax related issues.

A major achievement in this respect is notable in the New Income Tax Act, 2004 which among other things simplified the tax system by putting in place a Self-Assessment System. The Act was assented to by the President and has become operational from 1st July 2004. However, the rather unpleasant atmosphere in which earlier dialogue was conducted on the New Income Tax Act could have been avoided if established consultative mechanisms (e.g. TNBC Working Group on Finance, Task Force on Tax Reform) had been used right from the beginning.

3.1.6 Labour Laws Reform

Labour related problems which emerged in the TNBC discussion included concerns over what was seen as cumbersome procedures for investors to access skilled labour, multiplicity of licences and rigid labour laws which were deemed not consistent with operations in a market economy and private sector led development. In response, a labour law reform was initiated and implemented in two phases. Phase I led to the Employment and Labour Relations Act, 2004 and Labour Institutions Act, 2004. This is a notable achievement. Phase II commenced in August 2004. In the meantime, follow up on implementation of Phase I recommendations is in progress and action is being taken on several fronts. Some of these are: the Establishment of the Labour Economics and Social Council, Commission for Mediation and Arbitration, Convention of Labour Court as a division of the High Court of Tanzania, establishment of Essential Services Committee and established of Sectoral Wage Council.

Phase II Labour Law Reform which continues to be carried out by M/S Resolve Group of South Africa is meant to address the following: Labour Relations, Occupational Health and Safety, Workmen's Compensation and Employment Promotion and Skill Development.

Simplification of procedures for engaging foreign experts has to a large extent been achieved. Time for processing residence permits for foreign experts has been shortened.

3.1.7 Business Licensing has Improved

Concerns have been expressed about the multiplicity of licences and delays that are associated with the processing of licences. In this regard action has been taken to simplify the business licensing system. The reformed business licensing regime is

one where registration is mandatory but simplified. Second, the regulatory function of licensing of business is being strengthened. The Budget Speech of June 2004 was quite explicit on the improvements that have been made on these two fronts. BRELA and MIT are making commendable progress in improving the business licencing climate.

3.1.8 Human Resource Development

Progress in human capital development has occurred in two areas; the CEO scholarship programme has been established and initial preparations are being made towards reviewing the education curriculum to cope with demands of a private sector led economy. A major area that needs to be addressed is broader private sector participation in HRD. It has been observed that little attention has been given to discussions on the incentive system that would be appropriate for encouraging the private sector to increase investments in education and training including in-service training.

3.1.9 Technology

The government has formulated an ICT policy. What remains now is to work out an implementation programme and action plan involving the participation of the private sector.

3.1.10 Construction Industry Policy

At the first meeting of the Council concern was expressed that the construction Industry Policy had remained in draft form for a long time. Since then, good progress has been made. The Construction Industry policy has been formulated and approved. What remains now is to work out on implementation strategy.

3.1.11 Tourism and Image

Progress in promotion of tourism has been made in five areas. First, as regards hotel classification, MNRT is currently reviewing recommendations from the stakeholders. Second, in the area of training, progress has been made on two fronts. On one front, the National College of Tourism is in the pipeline and is scheduled to open in 2006 with capacity for 500 students. On the other front VETA has started work towards harmonising national training requirements and degree courses in tourism. Third, as regards improving tourism statistics, a Steering Committee for reviewing tourism statistics has been formed. Collection and analysis

of tourism statistics is expected to be facilitated by progress that is being made by the Immigration Department in computerizing its operations. Fourth, as regards promoting tourism investment and improving the image of Tanzania, a Task Force has been formed and the President has appointed Chairman, Hon. Dr. Abdulkadeer Shariff – Deputy Minister for Foreign Affairs.

Action has been taken to promote the image of Tanzania. Progress is being made to establish a secretariat and rehabilitate office accommodation.

The Committee on Tourism from which the committee on Imaging Tanzania was carved, has also been active and has a list of achievements to show. The functioning of the Committees, however, has been hampered by the shortage of funds.

3.1.12 Agriculture

On agriculture initiatives have been taken in four areas; improving the tax regime in agriculture, improving access to technology, rationalization of marketing boards and privatisation of large state farms. The work of the respective committee is likely to yield even faster progress if it is closely linked to the on-going preparation of the work being done under the agricultural sector development programme and capitalise on private sector participation as provided for in the ASDS and ASDP.

3.1.13 Manufacturing and Agri-business

Manufacturing and agri-business work has addressed two areas; SME policy implementation and development of EPZ infrastructure. Progress that has been made on both fronts is largely still in the preparatory stages. Draft regulations have been prepared for the operationalisation of SME credit guarantee scheme. An export credit guarantee scheme has been established with the objective of increasing and broadening exports.

3.1.14 Provisional Impact Assessment

The consultative mechanism is expected to contribute to building a healthy and robust economy. For this to be achieved, it is necessary to gear up the guidance and good governance of government, enhance the development of the private sector and provide an enabling environment for private investment and economic growth.

The TNBC has been in operation for two years. This period is too short for a definitive assessment of impact to be undertaken in terms of concrete and

measurable outcomes. However, provisional assessment shows that the following impacts are beginning to show.

First, the performance of the economy has clearly improved as indicated by a higher level of growth averaging 5.8% in the past three years and more stable macroeconomic environment. Progress has been made in reforming the public service and improving its management. Initiatives have been taken to reduce transaction costs and cost of doing business in general. The launching of the BEST programme is an indication that more systematic and comprehensive action is to continue to be taken in a comprehensive framework. The challenge is to put in place mechanisms for monitoring and evaluation of this programme.

Second the impact on improved attitudes of both the public and the private sector is notable. The willingness to work together and to concede that each side has something useful to offer has been demonstrated. The contribution of the business sector to making government function better has been demonstrated in several cases. For instance, positive results have been demonstrated in terms of realizing enhanced revenue collection from the petroleum sector following collaboration between the government and the business sector. In addition, there are many incidences where the business sector has helped the government to identify loopholes in the revenue collection system. The business sector has often helped to identify channels of tax evasion leading to action to plug such loopholes. The consultative mechanisms have demonstrated that the business sector is capable of facilitating government in carrying out its functions. These contributions are increasingly being recognized and appreciated in government circles. Both sides have appreciated that TNBC has a unique feature of being a forum where knowledge can be shared between government and the business sector for the benefit of both sides. This is the essence of creating a learning society by creating conditions for free flow of information and knowledge between the public and private sector. Benefits from consultative mechanisms are being recognized and appreciated. Benefits are real in terms of enhancing the understanding and facilitating more efficient and effective functioning of both public and private actors. The interviewees in the public sector as well as those in the private sector have clearly supported this point.

Third, participation in the policy making process has been consolidated through institutionalisation of the consultation mechanisms in the TNBC. The recent organized contributions to the PRS II process have demonstrated this development. The TNBC has addressed strategic issues such as modernisation of agriculture, human resource development, industrialisation, access to finance especially

development finance and promotion of investments. Rapid growth of foreign direct investment has been achieved in the last three years. However, growth of domestic investment has at best been modest. **Greater attention to promoting domestic investment and forging linkages to FDI is warranted in the next phase.** These issues are pertinent to the realisation of Vision 2025

Fourth, there are indications of growing trust on the side of both actors. Trust is a recipe for peace and good governance. It has been observed that public-private sector dialogue has contributed to achieving mutual understanding on strategic issues for promoting growth, competitiveness and social equity. The institutionalized dialogue has helped to nurture and promote trust between the public and private sector. The TNBC has functioned as a forum where partners jointly review critical socio-economic issues as well as constraints arising from the regulatory or operating business environment for business and make recommendations.

Fifth, accountability on both sides has been enhanced. On one side, the government has shown growing accountability to the citizens who are entitled to access quality public service and facilitation. On the other side, the business sector is becoming more accountable in terms of the role they are expected to play in order to contribute to shaping public policy and to be better placed to organize response to public policy. The public sector has enhanced its understanding of the private sector constraints and capacity limitations. In turn, the private sector has enhanced its understanding of the constraints on the government side. While accountability has been enhanced on both sides accountability demands on each other are better grounded on realistic expectations.

3.2 Challenges

3.2.1 *Frequency of Meetings*

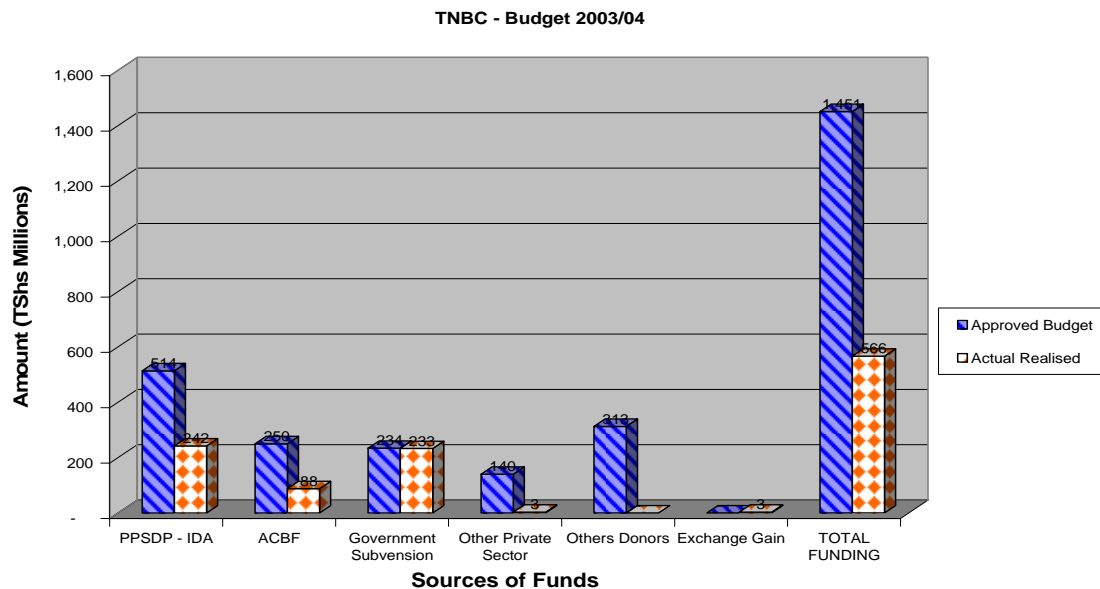
Since establishment in September 2001 and launching in March 2002, only the first Council meeting has been held under the Chairmanship of H.E. President Benjamin William Mkapa. The second meeting is being held in November 2004, that is, after two and a half years. It was observed that TNBC was supposed to meet twice a year. This level of frequency has not been achieved. The next meeting is expected to be held in November 2004. This means that 4 meetings have been “missed”.

In our opinion, the challenge of ensuring that Council meetings are held regularly as stipulated should be confronted. It should be noted that countries which benefited most from consultative mechanisms have also managed to make such meetings regular and frequent. For instance, the phenomenal growth of exports in South Korea (over 20% growth per annum) was achieved largely through monthly meetings of the Export Council which was chaired by the Head of State. The same is the case for Malaysia, Vietnam, Japan and China.

3.2.2 Resources: Finance and Facilities

The TNBC is now housed in an appropriate building. However, the challenge is to equip the Secretariat with requisite working facilities. Immediate expansion of the facilities is necessary to cater for the growing activities of the council and its other organs. Financial resources have constrained full implementation of planned activities. Budgets have always fallen short of expectations, thus limiting the Secretariat’s effectiveness in carrying out its scheduled responsibilities. The chart below shows a typical situation for the year 2003/04 when the actual realised budget for the period was only 40% of the approved budget.

Figure 1: TNBC- Budget 2003/2004



The annual budget is prepared and approved by the Executive Committee. However, the amount of resources that is actually disbursed has always fallen below plan. As a result several programmes and activities have not been implemented as planned. Lack of sufficient resources has been one major factor impeding

implementation of programmes. The availability of resources has largely determined the selection of the programmes to be implemented and the speed at which they have been implemented.

During the first meeting of the TNBC caution was given in the opening speech by the President against the risk of allowing the consultative process to be donor driven. In this regard, the President urged all partners to be committed to putting in time and money to the consultative process to avoid being donor driven and to effectively share partnership and responsibility. Indeed the risk of a donor driven consultative process has not decreased. In fact, fast track activities of TNBC are those which have been associated with the availability of resources. In this context, it has been observed that the IIRT has constituted the fast track in the activities of the Council. The local IRT has moved slowly. The question to be addressed here is what driving force is behind this IIRT fast track. Two driving forces have been found to be present here and absent in other areas. First, the IIRT has been driven by large international business. Second, it has drawn the interest of donors who are perceived to have considerable influence. These have also provided the required resources for the IIRT to operate. On the other hand, the “slow” track activities have been associated with lack of commensurate resources to enable them to function. This problem goes back to the observation the President made in the Inaugural Speech that if domestic resources are not mobilized there is a risk of dependence on foreign funding which could in turn drive the agenda of activities. This risk is becoming real.

In our opinion resource mobilization could have been mobilized more effectively if the various applications had been backed by a clear strategic plan. This would have provided a firmer basis for preparing proposals for funding from various sources. The current practice of starting with a budget not derived from a strategic plan is likely to reduce chances of success in resource mobilisation as most potential funders would like to see how the specific applications for financial support relate to the bigger picture of the TNBC direction and activities as stipulated in a strategic plan.

3.2.3 *Ambiguity in Perceptions of TNBC's Business Line*

The mandate and business line which distinguishes TNBC from related institutions such as the CEO Club, IRT, TIC and TPSF is somewhat blurred in the minds of a number of stakeholders who were interviewed. In some circles the study team was informed that there are perceptions that TNBC is competing with what is supposed to

be the work of Cabinet. Although we believe that these are misdirected perception the fact that they exist cannot be ignored. These perceptions suggest that there are two challenges to be confronted here. First, is the challenge of revisiting the unique position of TNBC and show clearly how its role complements the role of related institutions including Private Sector Organizations. Second, is the challenge of communication. The fact that there are mixed perceptions about the role of TNBC in relation to other actors suggests that what looks obvious to some stakeholders has not been communicated effectively to other stakeholders. Publicity and communication within TNBC members and the wider government and private sector has not been satisfactory. Some concerns were expressed that even where TNBC has made achievements, these have not been communicated or publicized

3.2.4 Follow up on Decision and Implementation

Operationalisation of TNBC decisions is being challenged by several operational level hurdles which reduce speedy implementation of decisions. Follow up on decisions and requisite actions in between meetings is a most important aspect of implementation. Action at this stage had yet to be addressed systematically. In the interviews that were conducted, some stakeholders were of the opinion that at the operational level action was not focused and the driving force was rather blurred.

In some private sector circles it was felt that the government side was slow and not sufficiently active in taking action. At the operational level on the government side it was felt that the capacity and institutional arrangements to address cross cutting issues was not adequate or was not in place. In particular, issues which cut across more than one ministry tend to be subjected to committees and these are often not very effective in addressing such inter-sectoral issues.

In turn, some circles on the government side expressed concern that the private sector tended to push issues in meetings but when it comes to following up they become too busy with other engagements. In some cases private sector actors pursued issues of narrow interest to themselves rather than the whole private sector interest. In this respect it was pointed out that private sector attendance to the working group meetings was low, representatives (personalities) kept on changing from one meeting to another breaking the expected continuity and some representatives tended to push parochial interests of their own companies rather than the wider private sector interests. This concern points to the low capacity of the TPSF Secretariat in mediating diverse interests and coming out clearly with a fair private sector position which is not captured by any narrow private interests.

Overall it was observed that the capacity to solve problems on a day-to-day basis in a timely manner was rather weak both on the part of some government institutions and the private sector representation. The challenge is to strengthen follow up mechanisms to ensure timely implementation of the decisions made by the Council and its Committees.

3.2.5 *The Zanzibar Dimension in the Dialogue Mechanism*

In the course of this study, stakeholders from Zanzibar, a constituent part of the United Republic of Tanzania were consulted. There was a general feeling that the pace of PPP had slowed down, per 3.2.1 herein, and that there is insufficient involvement of Zanzibar in TNBC, although a representative of the Zanzibar National Chamber of Commerce Industry and Agriculture is a member of TNBC. The team was also informed that the Zanzibar Government and Private sector there are at an advanced stage of forming a Zanzibar Business Council. A Steering Committee has been established: it is working towards establishment of the council, and requisite awareness workshops have been held in Zanzibar. The original plan was to have the Business Council launched by December 2004; but this may have to be delayed to sometime early 2005. This scenario therefore calls for coordination and harmonisation of PPP initiatives in Zanzibar and Mainland Tanzania.

3.2.6 *Balance between Large and SME Representation*

It was observed that that the representation of the private sector was dominated by large scale enterprises with little representation of the SMEs. This situation could lead to a focus on narrow interests of the larger companies and fail to systematically reflect the interests of SMEs and other small actors in the private sector. The imbalance between large companies and SMEs is reflected in the relatively vigorous activity of the CEO Club, the more active International IRT compared to the local IRT and non-representation of small private sector actors in the TNBC.

Various meetings have identified the need for economic empowerment, development and support to local investors especially SMEs and the need to facilitate the transformation of the informal economy into formal business enterprises. Action on this front has been rather slow. Little or no progress has been made in terms of pursuing implementation of the national economic empowerment policy, developing the SME sector or paying attention to the transformation of the large informal economy into vibrant private sector activities. These issues deserve top priority in subsequent consultations with roles of government and private sector complementing each other.

3.2.7 Attitudes and Mindset

Smart Partnership required change in the attitude and mindset on the part of Government officials and private sector actors to effectively participate in policy dialogue. The Government officials were expected to learn to be more business friendly and to encourage entrepreneurship and facilitate the private sector. The private sector should learn to operate profitably with greater recognition and appreciation of the challenge of operating in the world of constraints and limited resources. The learning process has taken place on both sides. The principle of private sector participation in the policy process and in development management has been accepted in an irreversible manner. However, there are die-hards on both sides. The challenge is to generalize the capacity building experience and embark on more systematic and comprehensive programmes in change management directed towards changing attitudes and reorientation of culture on the side of actors in the public sector as well as the private sector.

4.0 CONCLUSIONS AND RECOMMENDATIONS

4.1 Institutionalisation and Continuity of Dialogue

Action is recommended on further institutionalisation of TNBC, improved balance in representation and improved frequency of meetings.

First, the step that was taken to establish TNBC is a major improvement over the earlier ad hoc and rather informal public-private consultations. These proved quite useful in enhancing the exchange of ideas between the public and private sectors. However, TNBC was established by Presidential Circular and has not been enacted by Parliament, and therefore its decisions are not legally binding to the parties involved. In order to move a step further in enhancing institutionalisation and sustainability, it is recommended that arrangements be made to establish TNBC by an Act of Parliament.

Second, the imbalance in representation of large and small businesses should be addressed. It is recommended that action be taken to make sure that broad interests of the whole spectrum of the private sector are represented both in the Council as well as at the operational level and functioning of the TPSF. In particular, changes should be made to make sure that there is sufficient involvement in the dialogue process of SMEs and microenterprises, which are the mainstay of the economy.

Third, Meetings of Council should meet regularly and with the stipulated frequency. The infrequency of meetings has the risk of undermining the continuity in the dialogue that was envisaged. Indeed infrequency of meetings impact negatively on the speed of implementation of key decisions that require dialogue prior to their execution. This is one area where improvement is needed. In this connection it is recommended that scheduling of TNBC meetings should be well articulated and be well planned to ensure they are effectively held with adequate attendance.

4.2 Commitment in Terms of Resources

Financing of the activities of TNBC has been uncertain and has always fallen below requirements. Inadequate financing has slowed down the implementation of the planned programmes and activities. This issue needs to be revisited to come out clearly about who should do what in financing. Some of the proposals have indicated that funding should be made from public resources. Proposals along these lines have cited the case of NEDLAC in South Africa where 100% of funding comes from government. In the Tanzania situation it has been proposed that public resources

could be drawn from government and its development partners. However, contribution by the private sector too would be a positive sign of smart partnership.

Tanzania is likely to continue to rely to a significant extent on resources from development partners. However, action should begin to be taken to reduce dependence on development partners in terms of determining the development agenda and driving the direction and process of development. This means striving for a higher level of ownership of the development agenda. One approach which is recommended here is to initiate a shift towards aid delivery mechanisms which are more consistent with promoting ownership. Financing of TNBC by development partners should be designed in the form of the preferred programme aid which is more consistent with promoting ownership. In this respect a beginning should be made with basket funding whereby development partners would be requested to pool resources in support of specific aspects of the approved programme of work. The adoption of basket funding would be done with a view to transitioning to financing through general budget support.

Second, an exit strategy should be formulated whereby domestic sources of funding will be mobilized to progressively replace financing by development partners. It is recommended that domestic resources be mobilized to finance the core activities of TNBC. Considering the fragile financial position of the majority of the actors in the private sector two options should be considered for the way forward. First, the government could take this expenditure item as a permanent budget item and allocate funds towards the TNBC to ensure that it is enabled to carry out its core business. The funds are justified on account of this activity being a public good which enhances learning in society, augments on the capacity of the public sector to regulate and facilitate the private sector and enables the private sector to better respond to government policies. The second, option is to levy a small charge on the turnover of all private enterprises. A small charge in the region of 0.3 – 0.5% of the turnover would generate adequate resources for the private sector to benefit from this source. In this respect, to avoid overburdening the fragile private sector the possibility of setting aside 1% of the 6% levy that the business sector already pays, as payroll levy should be considered. This strategy is more consistent with ownership in a more sustainable way.

4.3 Dialogue and Commitment: Towards Smart Partnership

Smart Partnership requires that all parties show commitment in terms of time and other resources. The perceptions in some circles of the private sector are that some

government officials are passive and over-defensive rather than actively engaging in dialogue. Such public servants have been slow to act and have perceived interference from the private sector rather than partnership and dialogue. However, in the opinion of the consultants slow action can also be a reflection of capacity and other factors which are being addressed in the Public Service Reform Programme under PO-PSM in an effort to enhance the performance of public servants. Both factors, mindset and capacity play a role here.

A dialogue based on mutual exchange of information, learning from each other and understanding of each other's positions implies a different way of functioning from one which involves pointing accusing fingers to the other party. One reason that has been cited for the shortfall in cooperation from some government officials is the perception that the private sector is pointing accusing fingers at them in the presence of the President who is also their appointing authority. Such perceptions preclude the making and operationalization of a constructive dialogue and operational bridge between the public sector and the private sector. This in turn may very well undermine the timely realisation of the basic objectives of TNBC.

In the spirit of smart partnership, it is recommended that on important country business missions overseas and negotiations in trade and other matter of interest to the economy, TNBC should ensure substantial representation of the business sector including devising a mechanism for covering of the costs thereof from its budget for private sector delegates, to make smart partnership real. This would avail opportunities to those otherwise unable to fund their travel, to participate and realise effective representation. TNBC should therefore budget for such eventualities and mobilize funds accordingly.

Private sector participation should be institutionalised in the processes of developing sectoral policies and strategies and strategic plans of MDAs, Regions and Districts. This mechanism should also be utilised to discuss regulatory and partnership issues on a regular basis. At the operational level, the government MDAs should institutionalise the process of inviting the participation of the private sector on issues that are amenable to public-private partnership and policy dialogue. For good and realistic Public-Private Partnership, involvement of the private sector should start from the planning stage, and be maintained throughout. The current practice of occasional crisis call-ins on the private sector at the last minute, for attendance to some functions is not the best way of to practice smart partnership.

The operation of the TNBC has been acknowledged as one factor, along with initiatives taken in reforming the public service, that has helped to change the mindset of many government officials. There is need to take deliberate action to change the mindset of actors in public sector as well as those in the private sector. A programme on change management for changing attitudes and mindset is recommended. This is one of the programmes proposed in the next section.

4.4 Strategic Plan and Priority Issues for the Way Forward

In many organizations a Strategic Plan is considered one of the key elements in guiding the marshalling of required resources to achieve the organization's Mission and Objectives. In the course of reviewing the various documents on TNBC, we were informed that TNBC is yet to have a Strategic Plan after the Project Implementation Plan carried out by Price Waterhousecoopers for the World Bank. Together with the implementation plan, TNBC operates through work programmes for specific activities.

It would appear that in the absence of a Strategic Plan TNBC's core activities have not been articulated in a systematic manner. The agendas have been driven by follow-up of issues in the form akin to matters arising from previous meetings.

It is therefore recommended that TNBC immediately embarks on preparing a Strategic Plan followed by detailed Work Programmes which would be approved with targets and outputs whose attainment can be realized. The Work Programmes would, in addition, be used as instruments for preparing proposals for raising funds from various stakeholders and partners. The work programmes should identify the activities, the parties tasked, the time scale for its implementation, the expected output as well as the required resources.

It is recommended that the Strategic plan should comprise the following five Priority areas for action in the next phase: -

(i) Governance

The Committee on Smart Partnership should engage in improving governance. First, the Committee should work on implementation of the National Anti-Corruption Strategy. Second, the Committee should work on the promotion and development of corporate governance including social responsibility.

(ii) Implementing Vision 2025 and MKUKUTA

The current National Strategy for Growth and Reduction of Poverty (MKUKUTA), to which the private sector made substantial contribution through the TPSF, goes a long way in concretising the implementation of Vision 2025. The TNBC should establish a mechanism for follow up and monitoring and evaluation of progress in implementing MKUKUTA and periodically participating in reviewing progress and updating this major policy document.

(iii) Change Management and Changing Mindsets

Encouraging progress that is being made in effecting change management and changing the mindset in the public service under PO-PSM. Further action is recommended on two fronts. First, establishing change management types of courses for public servants both for high and middle level cadre in the public service. The Public Service College could take the lead in this task. Second, establishing a special revolving door programme whereby public servants could be attached to private companies as part of their in-service training in business skills and in understanding and appreciating needs of the business sector. Prominent businessmen could also be entrusted to co-run key public institutions for the same objective.

(iv) Economic Empowerment

One of the priority areas to be addressed is the development of the small business sector. The bulk of the private sector is small and medium size business and a large informal sector. In order to ensure vibrant response, generate broad-based and shared growth as envisaged in Vision 2025 priority needs to be accorded anchoring on various on-going initiatives such as National Economic empowerment Programme, SME Policy, Microfinance Policy and broaden financial sector reform and initiatives to recognize property in the informal sector especially for purposes of accessing finance from financial institutions. Impressive progress has been made in attracting FDI. While efforts to attract FDI should continue, greater attention should be paid to promoting domestic investment and forging linkages and facilitating strategic alliances between domestic investment and FDI. These issues are pertinent to the realisation of Vision 2025.

(v) Operationalising Public-Private Sector Partnership (PPP)

Government has endorsed the principle of PPP but its operationalisation leaves much to be desired. Private sector participation in infrastructure has been endorsed

as necessary. However, a clear concession policy needs to be worked out. Priority should be given to the clarification of this policy including working out the necessary legal and regulatory requirements. More systematic work is needed towards operationalising public-private sector partnership (PPP). A mechanism should be put in place to identify potentials and opportunities for PPP, define rules and regulations to guide PPP and solve problems and challenges that may arise at the operational stages. This should enhance the participation of the private sector in investing and managing infrastructure, utility projects and other activities with a view to realising the government to concentrate on other priority areas.

4.5 Strengthening of TPSF

TPSF which is the vehicle for Private Sector access to TNBC at national level seems marginalized, and does not appear fully enabled to participate effectively in setting the agenda for TNBC's discussions and for mediating diverse interests in the private sector. There is a need therefore for appropriate cooperation in this process.

This situation should be reviewed, constraints identified and remedial action taken.

Its member associations, and endeavour to have outreaches in major business centres in Tanzania should strengthen the Tanzania Private Sector Foundation (TPSF). It is only in this way that it can be a legitimate representative of the private sector. Presently it only represents the formal private sector, and mostly medium and large firms. The micro and small enterprise businesses sector – which is substantial in the Tanzanian economy – does not appear represented effectively in the dialogue process. TNBC and TPSF should discuss and find means of incorporating this important sector.

4.6 Harmonisation of Dialogue Initiatives with Zanzibar

As reported in **Section 3** of this report, some circles in Zanzibar feel insufficiently involved in TNBC. This aspect should be looked into, and shortcomings remedied. Secondly, since Zanzibar has moved to establish its own Business Council, it is recommended that appropriate steps be taken to harmonise these initiatives in order to bring about synergy and productivity.

4.7 Improve Follow Up of Decisions

Follow-up on decisions and observations made in TNBC has improved. The main output directly relating to the activities of TNBC is the periodic reports, which are prepared by the sector Ministries, and Government Agencies and submitted to the President's Office. All MDAs have responded by way of submitting quarterly reports on action taken. This in itself is encouraging practice. However, in practice response by MDAs has been rather low. This has been attributed to the demanding frequency. Initially such reports were being prepared on a quarterly basis. Currently the reports are prepared on a semi-annual basis. We have not been able to identify the specific role played by TNBC with respect to the preparation of these reports. The atmosphere surrounding investment facilitation would have been imbued with more dynamism if the TNBC had its own clearly defined plans and focus.

The government has established Policy and Planning departments in every ministry with the mandate to follow up on policy matters affecting the respective ministries. However, in practice following up and implementing policy decisions from institutions such as Cabinet and TNBC has not been smooth and gaps have been common in reports from MDAs. It is proposed that the institutional mechanisms for following up implementation be supervised and monitored to ensure compliance with decisions made in *fora* such as Cabinet and TNBC.

The consultants are of the opinion that the decision to change the frequency of reporting from quarterly to biannually does not address the problem of low level of response. What is needed is regular follow-up so that information is generated on a continuous basis and such progress is disseminated to the stakeholders. In order to institutionalise this process it is recommended that a special unit be designated at POPP for the purpose of making continuous follow-up on action being taken in response to issues raised at the TNBC. This unit will organize itself to collect information on progress made on a continuous basis (especially action being taken in between quarterly reports). This will help to avoid vague statements on progress and concretise action taken and progress being made and follow-up impacts being made. An institutional arrangement of this type stands a better chance of timely follow up and reporting of action taken.

There is need to put in place operational mechanisms which can have the mandate to follow up on Council decisions and address them on a continuous manner and not wait for last minute action to satisfy reporting requirements. In this respect concern was expressed that the work of TNBC is not linked to some important implementation programmes or mechanisms in government such as the Investment Facilitation Committee and the BEST Programme. These two programmes in

particular are very central to private sector facilitation and they deserve more institutionalised private sector participation. The expressed role of TNBC in monitoring and evaluation of the BEST Programme needs to be explicitly articulated, and the necessary mobilizations started for its realization. It is proposed that the Secretariats of the TPSF and TNBC be linked on a continuous basis or on an institutionalised basis to the on-going operational mechanisms in government.

4.8 Publicity of the Work of TNBC

The internal files of TNBC have revealed various achievements which have not been disseminated to the public. There is need therefore for more systematic communication and publicity mechanisms to be put in place. Such mechanisms would inform the stakeholders, facilitate proposals from the wider constituency and broaden understanding of the agenda, operations and achievements of TNBC. However, for this to be meaningfully realised, it is important that adequate resources be made available to TNBC.

4.9 Recommended Structure for the TNBC Secretariat

Considering the tasks and responsibilities of TNBC, it is proposed to organise and staff the Secretariat as per **Chart 4** below:

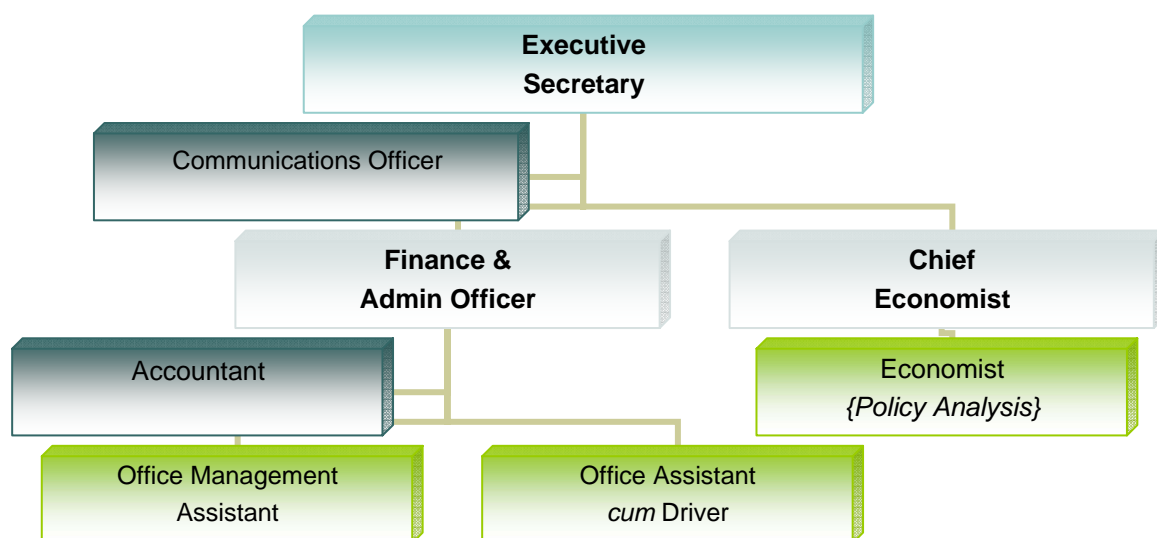


Chart 4: Recommended Organisation Structure for TNBC Secretariat

APPENDICES

APPENDIX A: TERMS OF REFERENCE OF THE STUDY

TANZANIA NATIONAL BUSINESS COUNCIL

INTERIM IMPACT ASSESSMENT OF THE CONSULTATIVE MECHANISM THROUGH TNBC

1. INTRODUCTION

The TNBC was established and operationalised in March 2002 as an independent forum for dialogue, consultation and addressing of constraints to investment and competitiveness in Tanzania.

The main objectives can be summarized as follows:

- (i) To provide a forum for public/private sector dialogue with a view to reaching consensus and/ mutual understanding on strategic issues relating to the efficient management of development resources in Tanzania.
- (ii) To promote the goals of economic growth with social equity and even development;
- (iii) To review from time to time developments in the external and domestic business environment, challenges they pose to Tanzania, and propose a course of action;
- (iv) To exchange views on prevailing operating and regulatory environment, and propose ways to facilitate public services to improve on service delivery and make the civil service business friendly;
- (v) To review and propose changes in the policy environment to enhance the attractiveness of Tanzania products in the world market;

- (vi) To encourage and promote the formulation of co-ordinated policies on social and economic matters, including consideration of existing and proposed economic legislation and make recommendations through the Government to Parliament or other appropriate bodies; and
- (vii) To consider any other matter deemed relevant to the achievement of the above objectives.

2. OBJECTIVE OF THE ASSIGNMENT

The purpose of the assignment is to assess the progress made to-date and impact on the Tanzania economy of the TNBC consultative mechanism. The report will assist in the structuring future consultations to achieve TNBC objectives indicating also needs of the Council and proposing approaches to achieve them.

It is expected that the report will indicate areas for detailed research and analysis.

3. SCOPE OF WORK

- Review and evaluate impact of the ongoing dialogue process in promoting economic growth and propose way forward.
- Assess institutional capacity needs to ensure timely and effective realization of overacting TNBC objectives.

4. OUTPUT

- A comprehensive report to be tabled to the 2nd TNBC Council meeting scheduled for early June 2004.

5. TIME FRAMEWORK

The assignment to be completed within a period of 30 days, a draft report to be presented to the TNBC Executive Committee within 20 days and the final report to the 2nd TNBC Council Meeting.

6. RESOURCE PERSONS.

The assignment to be carried by a minimum of two senior consultants one being a lead consultant responsible for the execution of the assignment.

APPENDIX B: BIBLIOGRAPHY

1. Presidential Circular No. 1 of 2001: Establishment of TNBC
2. TNBC Launching Speeches
3. Minutes of the 1st TNBC Meeting
4. Investors' Round Table (IRT) Minutes
 - 1st Local Investors' Round table Meeting
 - 1st International Investors' Round Table Meeting
 - 2nd International Investors' Round Table Meeting
 - 3rd International Investors' Round Table Meeting
5. Report on Follow-up Action by Government on Key Issues and Problems Emanating from Government and Private Sector Consultations
6. Minutes of the TNBC Executive Committee Meetings
7. Summary of Sources and Uses of Funds as at 30th June 2004
8. TNBC Publicity Flier

APPENDIX C: LIST OF PERSONS INTERVIEWED

1. Hon. Gideon Cheyo - Minister of Lands, Housing and Urban Settlement
2. Hon. Zakia Meghji - Minister of Natural Resources and Tourism
3. Marten Lumbanga - Chief Secretary
4. Sadikiel Kimaro - Economic Advisor to the President State House
5. Rose Lugembe - Permanent Secretary, Prime Minister's Office
6. Joseph Rugumyamheto - Permanent Secretary, PO – Public Service Management
7. Omari S. Bendera - Deputy Permanent Secretary, PO – Planning and Privatisation
8. Salmon Odunga - Permanent Secretary-Ministry of Natural Resources and Tourism
9. Salome Sijaona - Permanent Secretary – Ministry of Lands
10. Julian Raphael - Principal Secretary – Ministry of Finance, Zanzibar Government
11. Prof Humphrey Moshi - Economic Adviser to HE President of Zanzibar
12. Juddy O'Connor - Director-World Bank, Tanzania Office
13. Vedasto Rwechungura - World Bank, Tanzania Office
14. Benson Atteng - World Bank, Tanzania Office
15. Astrid Ruge - World Bank, Tanzania Office
16. Ewa Hagwall - Swedish Embassy, SIDA
17. Felix Ugbor - UNIDO Representative (Tanzania & Malawi)
18. Samuel Sitta - Executive Director, Tanzania Investment Centre (TIC)
19. Joseph Simbakalia - Public Sector (NDC)
20. Bartholomew Nyagetera - Academia (University of Dar es Salaam)
21. Arnold Kilewo - Former Chairman TPSF, Private Sector
22. Elvis A. Musiba - Chairman TPSF,
23. Leon Hooper - Member TNBC (Private Sector)
24. Ali Mufuruki - Private Sector
25. Hillary Biduga - Private Sector
26. Khamisi M. Omar - Secretary General, Zanzibar National Chamber of Commerce Industry and Agriculture
27. Louis Accaro - Executive Director, Tanzania Private Sector Foundation (TPSF)

28. Dunstan Mrutu - Executive Director, TNBC Secretariat
29. Samson Chemponda - TNBC Secretariat
30. Oliva Vegulla - TNBC Secretariat

APPENDIX D: GUIDING QUESTIONNAIRE FOR INTERVIEWS

Impact Assessment of the
Consultative Mechanism through
Tanzania National Business Council (TNBC)
Guide for Comments by Key Stakeholders

Question/Issue	Remarks/Comments
1. How do you judge the effectiveness of TNBC as a forum for public-private sector dialogue?	
2. How strategic are the issues that TNBC has dealt with?	
3. How well have the issues dealt with by TNBC been followed up for implementation?	
4. If implemented, what impact have they made?	
5. How well have socio-economic developments been reviewed with a view to identifying and addressing challenges?	
6. Has the above (5) been done in a timely manner?	
7. Evaluate whether dialogue has improved over time because of TNBC. If so indicate how and identify factors explaining improvement	
8. Identify policies which have been formulated, or changes which have been introduced through TNBC dialogue forum	
9. Identify any other impacts, viz: <ul style="list-style-type: none"> • <i>Economic growth</i> • <i>Investment</i> • <i>Confidence</i> • <i>Transparency</i> 	
10. Identify institutional capacity needs for TNBC to function more effectively.	
11. Please list any other general comments you may have on the whole issue of instituting the public-private consultative mechanism in Tanzania	

APPENDIX E: STATUS OF PROGRAMMED ACTIVITIES

Outputs	Activities	Status
Output 1: TNBC fully operational	First Council Meeting: Confirm appointments of key staff and Working Committees	Done
	Appoint Executive Secretary and key staff	Done
	Operationalization of Council: Design & implement administrative and operational procedures	Done
	Establish TNBC Website and go live (PSRC to provide expertise)	Website activated. Information being uploaded progressively
	Working Committees to prepare 'white papers'	Done
	Undertake TNA, design and carry out training and familiarisation	Pending: Resource constraints
	Design and undertake stakeholder perception surveys, establish benchmarks and build into future plans	Pending: Resource constraints
	Investors' Round Table Sessions	Done
	Council Forums: Present policy recommendations to Government	Only 1 held instead of 3
Output 2: Institutionalisation of consultative mechanism	Put in place effective consultation/research mechanisms	Discussions on-going
	'White Papers' finalized and published	Pending
Output 3: A successful private sector outreach programme	Design and implement Tanzania empowerment program	Pending
	Research and publish on private sector priority issues	Pending
	Design and make available information sources	Pending
	Capacity building for TNBC representatives	Pending

