

Business leaders' perceptions of the investment climate in Tanzania - 2015

Summary

This is the sixth survey of business leaders' perceptions in Tanzania. This is important since it is perceptions that drive investment decisions. Business leaders were asked about

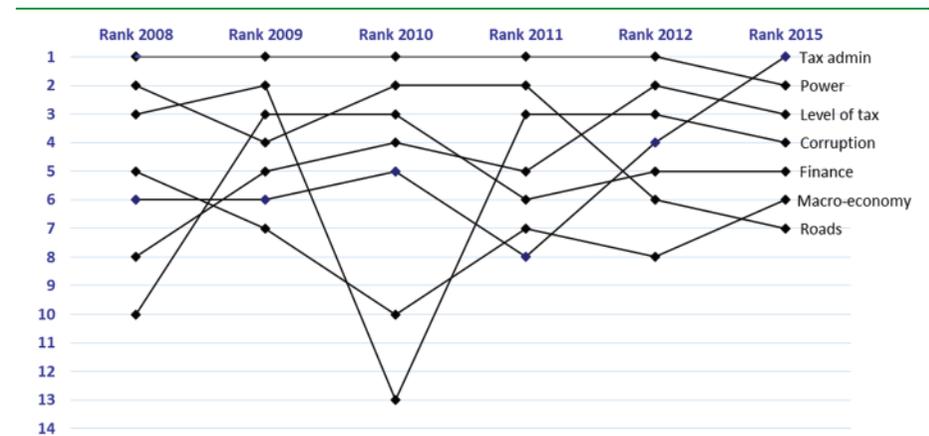
- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- Perceptions of whether and how government is addressing each factor;
- Their view of whether each factor would be likely to deter future investment;
- Their assessment of the costs involved in meeting the requirement of regulation and red tape; and
- The specific areas where they believe the government has made a difference over the last five years and the requests for action by the incoming administration.

The survey reveals that the factors that make it difficult for businesses to focus on running and growing their business, in order, are:

- Tax administration
- Power
- Level of taxation
- Corruption
- Access to finance

Until 2015, power has always been the biggest problem, but now, tax administration has risen to be the biggest problem, with level of taxation in third place high as well. Corruption, which fell markedly in 2010, is at four. Access to finance is at five.

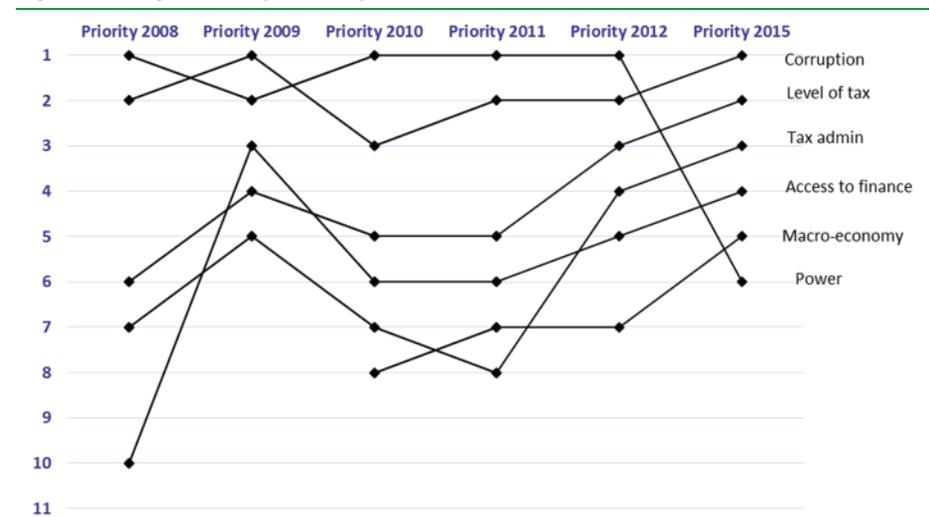
Figure 1: Factors making business difficult in rank order



The survey seeks perceptions of whether the government is making efforts to address each of these issues. The difficulty in doing business caused by each factor and the perceived level of effort being made by the government to address the issue is then combined to give an 'enabling environment priority index'.

The issues on which the government should focus, in rank order, are shown in the right hand column of Figure 2 which also shows how the rank has changed since 2008. Corruption heads the list; level of tax and administration of tax have risen to two and three respectively. Power has fallen to six.

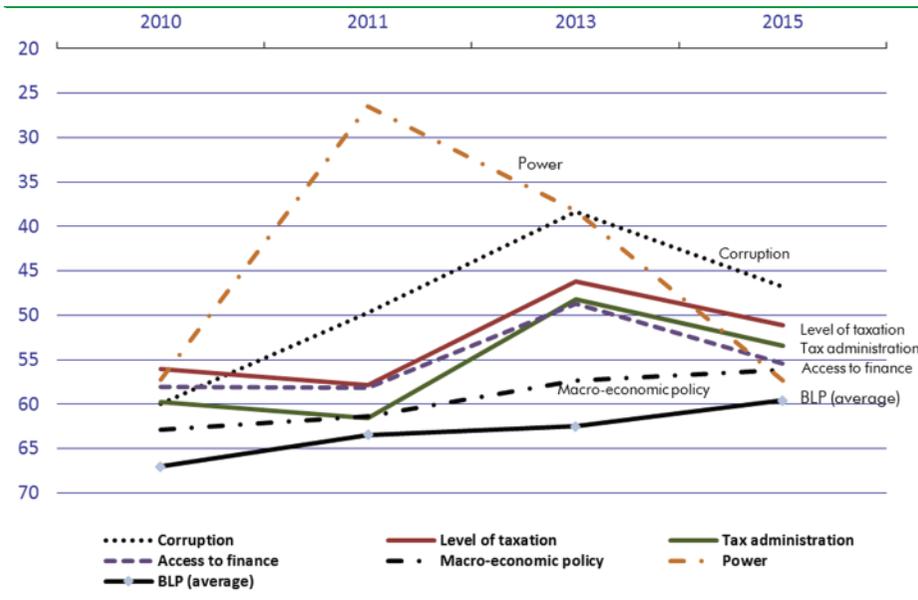
Figure 2: Change in priority issues (by rank)



It should also be noted that these are rankings, rather than absolute scores, so the differences between them may be quite small. It is therefore interesting to look also at how the index itself has changed for each of these six factors (see Figure 3).

Power deteriorated markedly in 2011 but has steadily improved since then. The other factors all deteriorated in 2013 but, with the exception of macro-economic policy, all started to improve in 2015. The absence of a factor in this list does not mean that Government can ignore it. And, overall, the average (of all the factors rather than just these six) shows one of continued deterioration. So whilst it is clear that the government has made considerable effort to address the issue of power, other factors have been allowed to slip.

Figure 3: Change in priority



NB: scale has been inverted so that higher priorities are higher on the chart

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