



SUPPORTING PUBLIC PRIVATE DIALOGUE FOR A BETTER BUSINESS ENVIRONMENT

JUNE 2017

BEST-Dialogue 

Business Environment Strengthening for Tanzania

ABBREVIATIONS

ACT	Agricultural Council of Tanzania
ANSAF	Agricultural Non-State Actors' Forum
ATE	Association of Tanzania Employers
BEE	Business Enabling Environment
BEST	Business Environment Strengthening for Tanzania
CPRA	Centre for Policy Research & Advocacy
CSO	Civil Society Organisation
CTI	Confederation of Tanzania Industries
Hi-LINE	Higher Learning Institutions Network
MALF	Ministry of Agriculture, Livestock & Fisheries
MNRT	Ministry of Natural Resources & Tourism
PSO	Private Sector Organisation
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SUGECO	Sokoine University Graduate Entrepreneurs' Cooperative
TAHA	Tanzania Horticulture Association
TAMFI	Tanzania Association of Microfinance Institutions
TAMPA	Tanzania Milk Processors' Association
TATO	Tanzania Association of Tour Operators
TCCIA	Tanzania Chamber of Commerce, Industry & Agriculture
TCT	Tourism Confederation of Tanzania
TFRA	Tanzania Fertiliser Regulatory Authority
TNBC	Tanzania National Business Council
TPRI	Tropical Pesticides Research Institute
TPSF	Tanzania Private Sector Foundation
UDBS	University of Dar es Salaam Business School
ZNCCIA	Zanzibar National Chamber of Commerce, Industry & Agriculture

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PUBLIC-PRIVATE DIALOGUE AND POLICY ADVOCACY FOR A BETTER BUSINESS ENVIRONMENT AND INVESTMENT CLIMATE

1. INTRODUCTION

BEST-Dialogue's purpose is to build the capacity of private sector organisations (PSO) so that they are well-informed and thus able to engage effectively in public private dialogue and public policy advocacy. PSOs are most effective when they can: identify issues that inhibit private sector growth and job creation; support public officials by providing detailed and objective research evidence; articulate compelling proposals to reform public policy and persuade the private sector of the merit of specific public policies. Many PSOs, however, do not have the skills or resources to be able to do this and that is the need that BEST-Dialogue addresses.

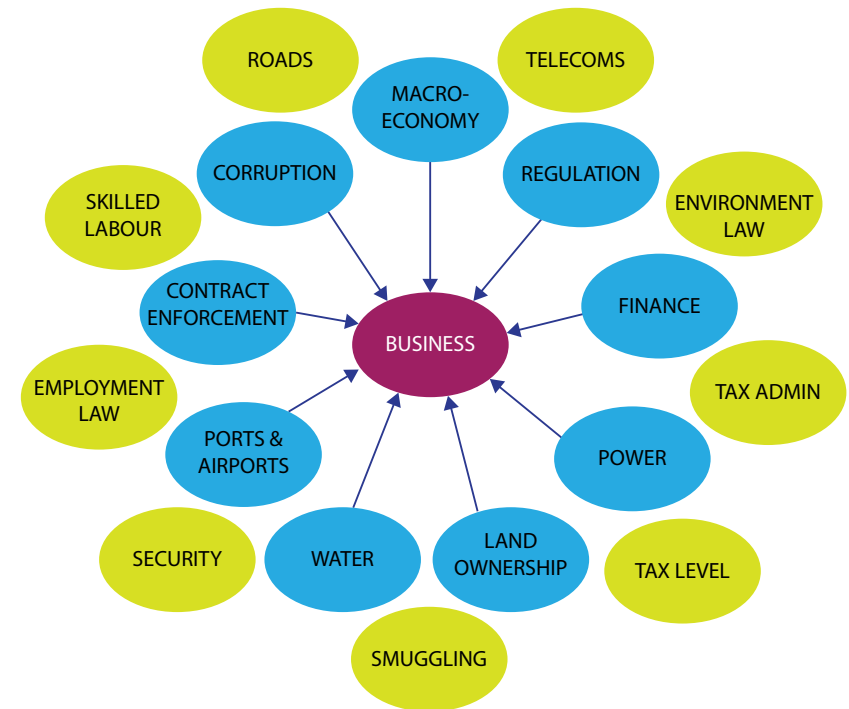
2. THE ENABLING ENVIRONMENT

Governments create the political and economic environment in which their countries' businesses operate, described by policy makers, donors and others as the 'enabling environment' or 'investment climate'. Other factors also impact the ease and cost of doing business and make it more or less likely that businesses, both domestic and foreign, will want to invest creating wealth and jobs and paying taxes.

Governments generally recognise that the private sector is the engine of growth, so they aim to encourage more investment and actively seek foreign investment. They are anxious to demonstrate that they are responsive to business and that they are creating a pro-business environment.

Reducing the regulatory burden is not the same as reducing the total number of regulations. In some cases, businesses may benefit from regulation. Not many developed countries can claim total success and developing countries struggle more. Too often, regulations are poorly conceived, increasing the burden for those who attempt to comply and leaving the door open to corrupt practices. Good regulation, however, can reduce costs, improve competitiveness and increase tax revenue.

The enabling environment



*Doing Business in 2005*¹ stressed that countries that reduce regulatory burdens tend to enjoy greater rates of growth. The World Bank says that regulatory reform fosters non-inflationary growth; boosts consumer benefits; improves export competitiveness; enhances flexibility and innovation in supply chains; creates jobs; and strengthens regulatory protection for health and safety, the environment and consumers. It notes that a positive investment climate encourages firms to invest.

The Donor Committee for Enterprise Development guidance manual² echoes these views whilst recognising that reform is complex. They say that “reforming the business environment is a priority for development agencies and governments because of the significant influence the business environment has on the development of the private sector and therefore on economic growth and the generation of livelihoods and jobs”. They argue, on the basis that business environment reform is a process and not a single event, that a further objective of development agency support should be to make reforms sustainable by building the capacity of key public and private stakeholders. However, they note that business environment reform is fundamentally a process of political contestation so that it is difficult to import models from elsewhere. Societies therefore need to determine the political arrangements that best accommodate their competing interests.

There is evidence to suggest that involving the private sector in the process of formulating public policy builds legitimacy and improves regulation. Bettcher *et al.*³ explain that “Public-Private Dialogue provides a structured, participatory and inclusive approach to policy-making... Governments that listen to the private sector are more likely to design credible reforms and win support for their policies”.

It will take time and effort before a majority of PSOs are perceived by government as credible partners. They therefore require the patient support of initiatives like BEST-Dialogue. BEST-D aims to build the capacity of business associations and support them to engage in dialogue and advocacy in the expectation that this will lead to government agreeing to reform public policy. BEST-D anticipates that reforming regulation and ensuring effective implementation will lead to improvement in the business enabling environment and thus deliver a more conducive (less costly, more predictable) enabling environment that will, in turn, lead to more investment. More investment will lead to more wealth creation, more job creation and more tax revenue

1 World Bank (2005), *Doing Business in 2005: Removing obstacles to growth*, World Bank, IFC & Oxford University Press

2 White, S. (2008), *Supporting business environment reforms: practical guidance for development agencies*, Donor Committee for Enterprise Development

3 Bettcher, K.E., Herzberg, B. and Nadgradkiewicz, A. (2015), *Public private dialogue: the key to good governance and development*, CIPE





Summary of performance – July 2010 to June 2017

Advocacy support	196 grants with a total value of \$8.7m were provided to 60 PSOs
Institutional support	78 grants worth a total of \$2.2m were provided to strengthen 13 PSOs
Capacity building support	821 people from 68 PSOs and other bodies participated 775 times, in a total of 3,040 training days
Universities involved	6 higher learning institutions actively engage in academic supporting Hi-LINE network
Dialogues & consultations	44 PSOs engaged in 227 BEST-D supported dialogues with government (& a further 300 without support)
Policy proposals submitted	25 PSOs submitted 157 proposals for policy reform
Policy reforms	21 PSOs claimed 71 successes
Impact on economy	Estimated at over \$1.1 billion

3. SUCCESSES IN PUBLIC POLICY INFLUENCE

The forerunner of BEST-Dialogue, BEST-Advocacy Component, ran from 2004 to 2014, in two phases. The second phase, from mid 2009 to mid 2014, supported 40 private sector member organisations to undertake 110 advocacy projects and 49 institution building projects. It provided capacity development support to 57 organisations. Up to June 2017, the third year of the third phase, BEST-Dialogue has supported 44 private sector organisations to undertake 80 advocacy projects and 29 institutional building projects. It has provided capacity development support to 34 organisations and about 100 Business Dialogue Service Providers (BDSPs). Supported PSOs have been engaging in dialogue and advocacy in a number of ways.

Change in administration of regulation

Persuading government to reform the way in which a policy or law is administered can make a big difference to businesses whilst leaving the original policy untouched.

Implementing the Common Market Protocol

The Tanzania Private Sector Foundation is involved in dialogue and consultation across a broad range of policies. An illustration of the importance of changing the way in which policy is administered is the development by TPSF of a scorecard to track Tanzania's implementation of commitments towards a Common Market Protocol. This was launched in early 2017 and will enable the private sector to monitor progress and suggest areas for improvement.

Change in interpretation of regulation

Changing the way that a law or regulation is interpreted can be the easiest way to encourage government to do something differently (see next box).

Tourism Police

The Tanzania Association of Tour Operators was keen to persuade the government to introduce a tourism and diplomatic division within the police force, to all concerns often voiced by international tourists about security, and following the lead of other tourist destinations. Initially TATO reviewed the legislation and starting to suggest amendments; however, they then took the view that the legislation allowed for a tourism division and met with the Inspector General of Police. This was quickly agreed and there is now a 'Diplomatic and Tourism Police Unit' operating in Dar es Salaam, Arusha, Tanga and Zanzibar. They and TATO have been collaborating closely.

Change in public policy

Persuading government to change policy or adopt new policies can be hard. However, changing policies can also lead to significant gains in foreign exchange and tax revenue. An example of this is Tanzania's tourism sector which is now the country's biggest earner of foreign exchange and a significant contributor to GDP.

Tourism Development Strategy

The Tourism Confederation of Tanzania has been working closely with the Government for a long time. It is the only business association to have signed a memorandum of understanding with its counterpart Ministry, encouraging dialogue and collaboration.

In 2015, TCT took the lead on work by the Tanzania National Business Council to develop initial ideas for a revised tourism policy and development strategy. In early 2017, the Ministry of Natural Resources & Tourism commissioned the Economic & Social Research Foundation to engage with stakeholders and consider the requirements of a national tourism policy for the next 10 years. The World Bank is supporting MNRT on the preparation of a revised Tourism Development Strategy, which will effectively implement the tourism policy.

TCT and its member associations have been lobbying MNRT not only to ensure that a policy and strategy are adopted but also that they really will make a difference to the tourism sector in Tanzania.





Change in legislation

The Tanzania Horticulture Association, for example, worked with government to reform the basis on which fertiliser was approved without attempting to fight the policy requiring that fertiliser was tested and certificated (see box).

Fertiliser certification

The horticulture sub-sector is reliant on high-quality inputs most of which are imported. This includes specialist fertiliser. However, the Fertiliser Act of 2009 and the Fertiliser Regulations of 2011, which came into effect in 2013, severely restricted the fertilisers that could be used through requiring extensive and thus expensive testing and registration.

Starting in 2015, the Tanzania Horticulture Association worked with government agencies including TPRI and TFRA, The Prime Minister's Office, Local Government Authorities and the Ministry of Agriculture. The Government made a firm commitment in June 2016 to amend the Regulations.

Amendments included (a) reducing trials from three seasons to one season, (b) to abolish annual fertiliser registration, (c) to abolish annual dealer registration, and (d) trials of blends of existing fertilisers replaced with laboratory testing.

The new regulations were published in Government Notice No 50 of 17 Feb 2017.

This will save farmers around \$20,000 for every new fertiliser used as well as reducing the time and complexity to secure approval, not to mention allowing farmers to increase the yield from many of their crops and to export to new markets.



4. WAYS SUPPORT IS PROVIDED TO PRIVATE SECTOR ORGANISATIONS

National private sector apex organisations

The organised private sector needs to be strengthened in terms of its organisational capacity, financial sustainability, staffing and programming. Support for organisational and institutional strengthening is primarily targeted at TPSF, TCCIA and ZNCCIA as well as sector-specific apex PSOs such as ACT and TCT. Support will be provided through block grants allied with coaching on the basis of agreed advocacy agendas. Apex PSOs will be supported to engage in dialogue on a sustained basis.

Non-apex private sector organisations

A growing number of sector-specific PSOs and CSOs have established a track-record of successful dialogue, including ANSAF's agri-CSO network, and PSOs such as ATE, CTI, SUGECO, a growing number of TCCIA branches, TAHA and TAMPA. The Fund supports PSOs and CSOs across a range of economic sectors and sub-sectors, with more than 50 per cent of all investment targeting agriculture.

Institutional support for non-apex PSOs

BEST-D will continue subsidizing salaries for recruitment of dedicated policy and dialogue staff in selected PSOs, but only in the most convincing cases where the impact of such support has been assessed. Such support is time-bound, tapering down over a period of four years.

Advocacy grants: a projection

BEST-D continues to give grants for advocacy to improve the ease of doing business. Demand was lower in 2015 due to elections, but has been catching up. And there has been progress recently with the Ministry for Industry working on blueprint for regulatory reform.





The engagement of the academia - Hi-LINE

The Network of Higher Learning Institutions is a multi-disciplinary cooperation between selected departments of six universities. All are aligned in the ambition to provide essential research capacity and facilitation support to enhance public-private dialogue at national and local level.

The Centre for Policy Research and Advocacy - CPRA

The University of Dar es salaam Business School created CPRA in 2014 with the ambition to institutionalise and sustain training for policy advocates. The Centre builds on the experience of 10 years of cooperation with the BEST Fund and its beneficiaries. The Centre's ambition extends to positioning itself as a centre of excellence in Business enabling environment research and dissemination.

Integrated multi-actor approaches

Some economic sectors benefit from an integrated approach in which entrepreneurs, PSOs advocating for change, academics and researchers, government extension services, development organizations, as well as the local media cooperate closely. In the case of some value chains, such as cashew and cotton where processes of change are perceived to be challenging, such coalitions can support organizations and businesses in driving forward processes of change.

Network and partnerships

BEST-D entertains strong strategic relations e.g. with the Agricultural Markets Development Trust, the SAGCOT Centre, the Local Investment Climate project, and with academic and media networks so that its strategic partners can benefit from BEST-D's specific expertise and experience in well-informed public-private dialogue.



BEST-Dialogue's logic in its support for public-private dialogue:

BEST-Dialogue has a theory of change in which the public and private sectors work together through engaging in dialogue and, as a result, public policy is reformed thus leading to improvement in the business enabling environment. A lower cost, more stable, more predictable environment is likely to lead to more investment – and more investment will lead to more profit, more jobs and importantly more tax. There is a problem, however, in that it is not always possible for private and public sectors to work in the way described, usually because one or other, or both, lack the capacity and the resources for this to happen without intervention. BEST-Dialogue's role, therefore, is to support both private and public sector with capacity building with advice and with funding to support dialogue and, if necessary, advocacy to seek reform of public policy. This work is supported by donors, not only because there is merit in involving the private sector in policy making as it tends to lead to better policy and greater buy-in from business, but also because a more competitive economy, creating more jobs and more tax revenue, will also lead to greater poverty alleviation.

Logical sequence in the BEST-Dialogue 5-step approach in advocacy processes:

1. **Identifying the issues:** defining the problems and prioritising the real issues.
2. **Understanding the issues:** framing, researching, analysing and understanding the problems.
3. **Developing responses and proposals:** identifying options and making compelling proposals.
4. **Reaching appropriate people in Government:** building relationships based on trust and mutual respect to influence policy
5. **Monitoring progress:** to ensure that agreed policy changes or proper implementation thereof are effectively put into practice.

BEST-Dialogue's theory of change



Public-private dialogue in the agricultural sector supported by BEST-Dialogue



BEST-Dialogue
 Cartography: stefanie.henke.02@gmail.com
 Produced by BEST-Dialogue 2017

0 100 200 km

Partners and networks active in the agricultural sector supported in the period 2014-2018

- ★ Higher Learning Institutions Network (Hi-LINE)
 - Hi-LINE members and key discipline
 - 1. UDBS/CPRA - University of DSM Business School/ Centre for Policy, Research and Advocacy (Business and Entrepreneurship Development)
 - 2. SUA - Sokoine University of Agriculture (Agriculture and Agro-economics)
 - 3. MU - Mzumbe University (Local Government Administration)
 - 4. MoCU - Moshi Co-operatives University (Cooperatives, SACCOS, Farmer Associations)
 - 5. SAUT - Saint Augustine University of Tanzania (Mass Communication)
 - 6. UoI - University of Iringa (Business/Tourism)
- △ TCCIA Zonal Networks
 - ▲ Lake Zone
 - ▲ Southern Highland
 - ▲ Southern Zone
 - ▲ Active but not in zonal network
 - ▲ Not yet supported by BEST-Dialogue

◆ Community Radio Networks (CRN)

- Private Sector Organisations
 - ACT Agricultural Council of Tanzania
 - ANSAF Agriculture Non-State Actors Forum
 - CTI Confederation of Tanzanian Industries
 - RCT Rice Council of Tanzania
 - RUDI Rural Urban Development Initiative
 - OFA Organic Farming Association
 - STDF Standards and Trade Development Facility
 - SUGECO Sokoine University Graduate Entrepreneurs Cooperative
 - TAHA Tanzania Horticulture Association
 - TAMPA Tanzania Milk Processors Association
 - TCCIA Tanzania Chamber of Commerce, Industry & Agriculture
 - TEOSA Tanzania Edible Oil Seeds Association
 - TFC Tanzania Federation of Cooperatives
 - TGFA Tanzania Graduate Farmers Association
 - ZACPO Zanzibar Clove Producers Organization
 - ZEXA Zanzibar Export Association

Population (per sqkm)¹

- 150 ≤ 400
- ≥ 400

International Boundary²

Regional Boundary²

Roads³

Railway

Water²

Regional Capital

Other Town

Rainfall (Mean 2013)⁴

200 mm 2800 mm

Sources:
¹ Population Data NBS Tanzania 2012
² Spatial data of National Bureau of Statistics (NBS) Tanzania
³ <http://www.mapcruzin.com/free-tanzania-arcgis-maps-shapefiles.htm>
⁴ <https://www.arcgis.com/home/item.html?id=fac455c690da4f7690430dc8e8ce617e>

BEST-Dialogue

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Doing Business, let's make it easy – and fair

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The BEST-Dialogue Fund operates as a private sector driven project under an agreement between the governments of Tanzania and Denmark. The basket fund is managed by COWI-Denmark with financial support from DANIDA and the European Union.