

Doing business, let's make it easy!



BEST-AC

Tuboresha mazingira ya biashara
Doing business, let's make it easy



Annual Report June 2011 – July 2012

What you have at hand here is the first ever public Annual Report of BEST-AC, the Business Environment Strengthening Tanzania - the Advocacy Component. This is the BEST-AC team, the small group of professionals that manages the project. After more than 8 years of operations, BEST-AC has decided to come out more into the open, to communicate via the media what the project is about and what activities it supports. The glossy report you are reading now is one of the results of that decision.

BEST-AC is a fund, providing grants and subsidizing activities, but we operate in a very specialized niche. Tanzania is engaged in a long and complex process, changing its economic governance from a centrally led economy to an effectively regulated market economy. Our grants primarily target private sector membership organizations in their quest to advise government on how to improve the ease of doing business in Tanzania and across its borders.

Other grant windows target the academia, assisting institutions to provide dedicated training and coaching. We support research that informs this complex process of change towards a market economy – an economy that works also for the poor. And we invest in media and communication activities, believing that such important change processes will be more successful when all Tanzanians are fully aware of the process and support it wholeheartedly.

The fund we manage is modest in size but grand in its ambitions: we intend to contribute to a process of change that allows Tanzania to create an attractive future for new generations.

Hans Determeyer

BEST-AC Project Manager



BEST-AC STAFF

Strong private sector for economic growth

A strong and vibrant private sector is important for the economic growth of any country. Private investors create jobs, increase national income and improve productivity. From large companies to small enterprises, the perception of a healthy business environment will influence a willingness to start a business, or make new investments. The government plays a vital role here, in setting the laws, regulations and institutional arrangements of a country, and by implementing them.

Businesses do better in an environment where good infrastructure is in place, the laws and regulations are simple, transparent and attractive, and the process of conducting business is smooth. Government and the private sector are interdependent. It is estimated that 98 per cent of Tanzanian businesses are not registered, causing an enormous loss of potential income through taxes, and other levies, for the Tanzanian Government. Tanzanian business leaders in 2011, indicated that power, transport infrastructure, corruption, and access to water were the top factors on a list of hurdles making business difficult. According to the

leaders, these issues should be handled as a top priority by the government.

Whereas the problems with transport, water, and power require major investments, and time to realize, the inherent corruption is of a different nature, and an issue rather of leadership to ensure a drastic change in the national mentality.

In the World Bank 'Doing Business 2012' report, Tanzania ranks number 127 in the world (out of 183 economies), and ranks second to last within the East African Community, before Burundi. Tanzania scores especially low on the bureaucracy around starting a business, dealing with permits, registering property, and paying taxes. The government, confronted with a largely informal economy and soaring youth unemployment, recognizes the need for change, and is showing its commitment. This is reflected in significant successes in several advocacy projects financed by BEST-AC. Provided there is also a solid commitment at the executive level, including local governments, such promising signals may lead to substantial developments in the coming years. Key is a

willingness in the public sector to genuinely understand what the private sector needs for growing the national economy, and to prioritize the strategies that respond to such needs.



The role of BEST-AC

BEST-AC was launched in November 2004 to support the process of making the business environment more conducive to private sector growth. The objective is to enhance the quality and credibility of private sector organizations to engage effectively in public-private dialogue, and to advocate for improvements in the business environment in Tanzania. In order to achieve this, BEST-AC provides financial support and capacity building to ensure that the private sector membership organizations can prepare relevant proposals, e.g. for changes to public policy, or for a correct implementation of regulation.

In the course of 2011-2012, 24 advocacy projects from across the entire economy, were supported and implemented by 18 organizations. Nine organizations received institutional support, a subsidy for dedicated advocacy staff, and two organizations received block grants for umbrella organizations.

Business advocacy

Eligible organizations from the private sector, such as trade and business associations, chambers of commerce, confederations, cooperatives, and non governmental organizations (NGOs) form the target group of BEST-AC. The primary

function is to support them to become competent and successful in their dialogue with government to ensure that policies, laws and regulations promote economic growth.

In the first 7 years of its existence, BEST-AC has primarily supported organizations advocating at the national level. Improvement in the ease of doing business, however, does not always require changes in national regulation, but often rather requires proper implementation, or the enforcement of existing regulations. BEST-AC therefore aims to engage more with grassroots business organizations to develop the capacity to hold constructive dialogue on such implementation challenges. BEST-AC foresees a modest movement in that direction, and expects an increase in the enquiries for support by local organizations, such as farmers associations. The organizations supported by BEST-AC have shown an improvement in their advocacy depth and extensiveness, and many are able to achieve better results. Research papers are becoming of a higher quality, and private sector organizations are generally seen as more positive by the government, and political society. This points to gradually improving relationships, which are essential for constructive

dialogue in the complex and long process to come from a centrally led economy, to an effectively regulated market economy.



Strengthening advocacy competence

Reviewing the past year, new learning and communication strategies have become integral activities to many of the supported projects. To further increase the competencies of grantees for successful advocacy, BEST-AC continues to work in partnership with a wide network of universities, think tanks, training institutions, national and international advisors, and media and communication specialists. Providers are gradually improving their adult learning techniques using more interactive methodologies. In-house coaching processes are now also becoming available,

providing training that is well tailored to the needs and capacity of private sector membership organizations, including their Boards, and also key personalities from their membership.

In response to a need for more advanced training, BEST-AC, and the University of Dar es Salaam Entrepreneurship Centre are currently developing an advanced business advocacy course and training of trainers advocacy curriculum, which introduces advocacy and public-private dialogue at its Business School. New partnerships are now established with Sokoine University in Morogoro, and these are responding adequately to the specific advocacy and dialogue needs in the agricultural business environment. Likewise, Saint Augustine University of Tanzania in Mwanza is piloting a course in investigative business environment journalism.

In 2011-2012, close to a hundred staff of supported organizations received training, in a total of nine training events. Two organizations benefited from a pilot, with in-house intensive training and coaching on media and communication, and three organizations engaged in a new in-house coaching trajectory on membership and sustainability strategies.

We had been doing advocacy before, but BEST-AC got us to work with members more. So there was more consensus on issues. We could go with one voice.

Janet Bitegeko, Executive Director, The Agricultural Council of Tanzania

Communication and media for advocacy

An important component of advocacy is that the issues identified by the private sector are communicated in a professional way to the government. At appropriate moments, it may be helpful when issues are covered in the media to increase public awareness and understanding. Therefore, effective media relations is a key component in grants offered. BEST-AC tested various media advocacy tools with selected advocacy projects. Journalists were engaged to write feature articles, press releases, and fact sheets on various topics, which generated attention via virtually all media channels.

Projects that have received extensive coverage in the media include the Hotel Association of Tanzania's project on the proper implementation and interpretation of the Tourism Activities Licensing Act, and VIBINDO Society concerning the The

Business Activities Registration Act. Tanzania Milk Processors Association sparked a debate, with extensive media coverage, on improving the competitiveness of the dairy sector. This arguably improved the collaboration with the Ministry of Industry and Trade, as well as the Tanzania Dairy Board.

BEST-AC communication The barriers to business campaign

A lively public debate around the key issues affecting the ease of doing business in Tanzania was created as part of the launch of the annual 'Tanzania Business Leaders Perceptions' study. The multimedia campaign utilized cartoons and satire to effectively illustrate the many hurdles to doing business in Tanzania. A mix of traditional and social media were engaged to cover the most burning themes in the Business Leader's Perception report. Visit www.best-ac.org for more information.



The Guardian-Kilimo Kwanza Supplement

The Guardian newspaper received support for producing its monthly Kilimo Kwanza supplement, through which information on BEST-AC financed projects in the agricultural sector can be shared with the public. This supplement is published in Kiswahili and English and reaches some 700,000 Tanzanians. Readers are encouraged to share their views by SMS.

The media house consequently invites key personalities from the business environment for TV panel discussions, and radio interviews concerning their issues. At the high level AGRA forum in Arusha, the Kilimo Kwanza supplement was recognized as the best newspaper on coverage of agriculture issues in East Africa.



Examples of BEST-AC supported Projects

CTI - Confederation of Tanzania Industries researched the effects of an unreliable electricity supply on manufacturers, and the economy in general. The report presented hard evidence illustrating the magnitude of the problem for businesses in Tanzania. CTI played a key role to raise awareness of the power problem in the country. As a result, during the 2011/2012 Bunge session, Parliament demanded an Emergency Power Plan by the government, which was announced several months later. CTI is now addressing the issues in improving the regulations relating to counterfeits.

RULU - Arts Promoters

They advocated for a change in music copyright laws to reduce piracy among local artist's work, and improve the fair distribution of revenue generated by the industry, thus stimulating growth in the Tanzanian music industry. As a result of research findings, the government reviewed enforcement modalities, and started a legislative adjustment process. The project has received positive support, and there is a commitment to bring the amended Bill to Parliament in October 2012. As an immediate result, already more artists have officially registered their work,

while the royalties collected and distributed have increased.



TAHA - Tanzania Horticultural Association

Advocating for an improved registration process of Biological Control Agents for the horticultural industry, to ensure the timely and cost effective handling of such substances. The current protocol of registering these agents is now under review by a public and private sector taskforce. Furthermore, the Tanzania Horticultural Association advocates for bonded warehouse facilities, and it also engages in an initiative to improve local government's understanding of the horticultural sector.

TCT - Tourism Confederation of Tanzania

Successfully advocated for the improved coordination of destination marketing of Tanzania, with shared responsibilities by the public and private sector. As a result, this has been a unique project that enjoys government backing in almost all the stages of implementation. A report by the organization, based on research and a series of workshops, was approved in March 2012 and has been accepted to be the basis for future destination marketing of Tanzania.

ACT - Agriculture Council of Tanzania

Advocated for improved VAT regulations, in support of the Kilimo Kwanza goal to develop incentives for local and foreign investment in agriculture. As a result, VAT was waived on various goods in 2010/11. Also special VAT relief was given on "deemed capital goods" equipment, to veterinary practitioners, and on locally produced edible oil using local oil seeds. However, changes in the 2012/13 Government Budget have eroded some of these benefits. ACT is now engaging in major advocacy projects relating directly to the income of small-holder farmers: local levies on agricultural products (farm gate access), and challenges with the agricultural inputs, such as seeds and fertilizer.

**VIBINDO Society**

The VIBINDO Society advocates for essential amendments in the new Business Activities Registration Act 2007 to positively reflect the reality and needs of small business owners. As a result, the initial implementation of the Act was halted. The government has agreed to amend the Act, however it is not certain if all recommendations will be considered. Vibindo continues to advocate for the removal of business license fees.

"Through BEST-AC we managed to understand the importance of media for advocacy. We received training, which was very effective for improving the capacity of our organisation to utilize the media. We are now able to provide guidance to the media on information we feel is important to be aired."

Gaston Kikuwi, Chairperson, the VIBINDO Society.



TANEXA - Tanzania Exporters Association

Advocates for the improved working of Credit Guarantee Schemes, whereby exporters without collateral, in theory, can access funds/ loans through a guarantee by the Bank of Tanzania. The results, from a BEST-AC sponsored study, led to a taskforce consisting of the private and public sectors, which will put the report recommendations in place.

In another initiative, the Tanzania Exporters Association is advocating for the removal of official permits on agricultural exports to the East African regional markets. Export procedures are often laden with bureaucratic hold-ups, and inefficiencies leading to delays in the fulfillment of export orders. The project aims to increase Tanzania's competitiveness in the export of agricultural produce to the region.

TCCIA - Tanzania Chamber of Commerce, Industry and Agriculture - Arusha

Advocates for the proper implementation of EAC cross-border protocols. Specifically, the project aims to assess the remaining hurdles, and poor practice to motivate the government to better facilitate opportunities that arise from the establishment of a

common market. Improvements in the ease of conducting business does not always need changes in the national regulation,

BEST-AC expects to see a continued modest movement in this direction, with enquiries for support by local business and farmers associations.



but rather in the proper implementation of existing regulations. This demands from BEST-AC the need to ensure that private sector organizations, non-governmental organizations, and media houses will develop the capacity to stimulate dialogue, and adequately and effectively report on such implementation challenges.

The new collaboration with academic institutions and the Agricultural Non-State Actors Forum network is essential in assisting this new category of clients to better understand the advocacy and dialogue nature of BEST-AC's support.

TAMPA - Tanzania Milk Processors Association

Advocates for a leaner, less costly, and more efficient regulations for businesses in the dairy sector. A 2007/08 study by the Tanzania Milk Processors Association showed that the Tanzania dairy industry is regulated by seventeen (17) regulators, one of them with overlapping functions enshrined in 25 Acts, and by more than 25 regulations. After more than eight years of lobbying and advocacy by the organization and partner organizations, in-depth research, supported by BEST-AC, finally convinced the Ministry of Finance to take action in 2012. It was announced in Parliament that the industry will be zero-rated on processing milk and milk products in order to help boost the dairy industry.

ATE - Association of Tanzania Employers

Advocates against the 6 per cent Skills and Development Levy increase in 2002, an increase of 300 per cent from the previous levy of 2 per cent. This is a large disadvantageous cost increase to Tanzanian employers, who are also keeping in mind the need to be competitive regionally.

As a result of ATE's advocacy efforts, the government has agreed to reduce the Skills and Development Levy to 4 per cent, which is considered a significant victory. Amendments to the law that introduced the 6 per cent increase have not yet been made.



Advocacy grants December 2010 - June 2012

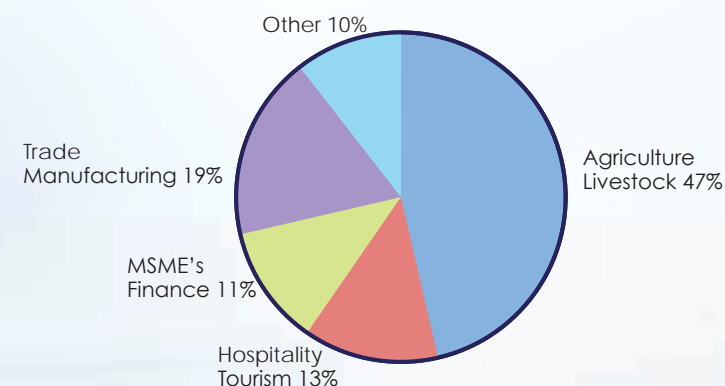
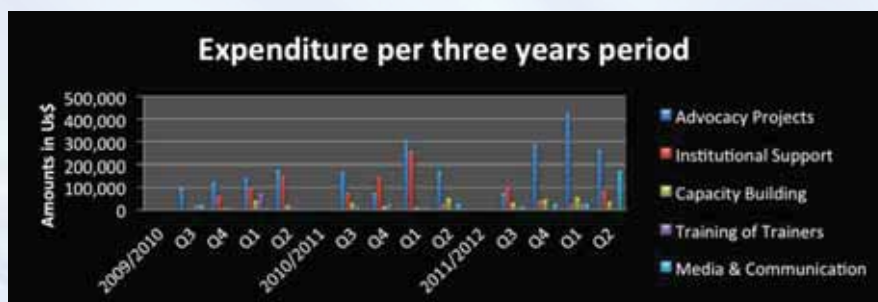
Finance

When looking back at the past financial year, media and communication work has seen the most significant change. Many activities are now undertaken in those domains both by BEST-AC, and the grantees. The media houses have responded positively, and are generally very cooperative. However, the medias capacity for in-depth reporting remains a challenge, both in staffing, and in means.

Impact in numbers

In course of 2011-2012 BEST-AC made the following possible;

- 24 advocacy projects were supported out of 18 business associations across the entire economy;
- 9 grantees received institutional support (subsidy for advocacy staff);
- 2 grantees received block grants (umbrella organizations)
- In 9 training events, close to 100 staff of granted organizations received training;
- 2 grantees received new in-house intensive training and coaching on media and communication;
- 3 grantees engaged in a new in-house coaching trajectory on membership and sustainability strategies.



BEST-AC is governed by an 11 member independent Board, with representatives from the private sector, academia, the Governments of Tanzania, Zanzibar, and the donor group. The Board approves strategies, annual plans and budgets, decides on submitted advocacy proposals, and ensures management maintains standards of efficiency and accountability. The Board meets on a quarterly basis, allowing for 4 project selection rounds per year.



When almost 70% of the population lives close to the poverty line, only excellence is good enough!

BEST-AC is funded by the Governments of Denmark, the United Kingdom,
Sweden and The Netherlands.

BEST-AC

Tuboreshe mazingira ya biashara
Doing business, let's make it easy



www.best-ac.org