

## FEATURES

### ECONOMY/Tax exemptions

# Unfavourable business climate hampers growth

By Lydia Shekigenda

**T**HE fourth annual report of a survey of business leaders in Tanzania entitled 'Business Leader Perceptions of the investment Climate in Tanzania'- 2011 to be released today has outlined power as the biggest challenge hampering investment development in Tanzania.

The report commissioned by BEST-AC, says power has been consistently the biggest problem followed by roads, while corruption, which had fallen in 2010, is back to being a major issue.

According to the well-tailed report, water, which was not cited as a particular problem until 2010 is now seemingly worse and access to finance cited as a headache for many businesses.

The report says the government is making real efforts to make a difference in some sectors, while others surveyed business leaders were not impressed.

Regarding power problems, there was a clear belief that the government is not making enough efforts, to solve power interruptions. Whilst there has been little change in perception related to corruption, surveyed business leaders noted the government was making only a little effort.

According to the World Bank, improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation.

largely static, both in the overall rankings and in the disaggregated rankings.

Some scholars and business analysts say the government's move of attracting Foreign Direct Investments (FDI) by providing a wide-range of tax incentives to various businesses in the country is a recommendable thing, but more has to be done.

Analysts and experts argue that giving tax incentive alone was not enough, but rather to ensure that business environment is improved.

Economist-cum- lecturer at the Mzumbe University (Dar es Salaam College Campus) Dr. Honest Prosper Ngowi says for many years, large and small-scale Tanzanian businesses are facing a number of challenges, which need to be solved, if the country really want to move forward.

"These include issues related to legal and regulatory framework, issues related to such utilities as adequate quantity and quality of electricity and water; infrastructural issues such as roads and business premises as well as bureaucracy and corruption-related issues," Dr. Ngowi says.

"Different 'Doing Business' surveys have shown these problems. It would be better for those concerned (the government, development partners and indeed the private sector) to solve these constraints."

The economic analyst urged the government to play an important role in creating a better business working environment for the country's

