INTRODUCTION

Creating an enabling environment for private-sector development is essential for sustaining long-term economic growth and job creation. It is now widely agreed that the private sector must be the engine of growth, and that governments must create an environment that allows it to flourish. In both academic and policy-related literature, it is emphasized that policies which create a ‘level playing field’, in which all firms operate on an equal footing, are crucial for economic development. At all levels, private enterprises require an operating environment conducive for growth and development, including, for example, peace and stability, good governance, the absence of corruption, adequate infrastructure and an educated workforce. Accordingly, since the post-independence period, the majority of African countries have transformed their socialist economic models to more private-sector-oriented economies (Sen, 2013; Charles, 2014). On account of structural adjustment in the early 1980s, these states have withdrawn from core areas of economic activity, and the market economy has taken centre stage. Consequently, the role of government has largely been in creating policies, institutions and other conditions, including infrastructure, that collectively improve the general business setting, where enterprises and business activities can start, develop and thrive (Konig et al., 2013). We now depend on business and the government to address a wide variety of critical issues, ranging from protecting the environment, businesses and society to providing public goods. It is therefore critical that we better understand how the government and private sector interact with one another and the role played by their interactions in policy reform.

Designing effective government policies and regulations depends, among other things, on input from and consultation with the private sector. Regular sharing of information
between the state and businesses ensures that private-sector objectives are met with public actions and that local-level issues are fed into the higher-level policy-making process. The private-sector can identify constraints, opportunities and possible policy options for creating incentives, lowering investment risks and reducing the cost of doing business. Therefore, as in many other Sub-Saharan African countries, the Tanzanian government has begun to interact with the private sector. A number of national public–private-dialogue (PPD) platforms, including the government’s roadmap for improving the investment climate, Big Results Now (BRN), the Tanzania National Business Council (TNBC) and local dialogue, have been created to promote participation of the private sector in policy change. In these platforms, state organs and the private sector work jointly to devise proposals that are expected to inform policy reforms. Accordingly, private-sector organizations (PSOs), with the support of development partners, are actively advocating for an improved business environment and investment climate. Sections, several policy studies which inform the dialogue process are identified and reviewed in later sections.

Although the government is determined to improve the business environment, and PSOs are making efforts to influence the policy-making process, the global ranking of Tanzania by the World Bank and other international organizations indicates that the investment climate in the country is deteriorating. Tanzania has always been ranked between 123 and 145 out of 183 countries surveyed by the World Bank in terms of ease of doing business. The Global Competitiveness Report, which assesses the investment climate and business environment in national economies based on 12 pillars of competitiveness, ranked Tanzania 121 out of 144 countries in 2014 (WEF, 2014). This indicates that the country is less competitive in attracting investment. In addition, a number of local studies consistently indicate that the business environment in Tanzania is unfavourable for private-sector growth because it is dominated by lack of finance, bureaucratic institutions, corruption, poor infrastructure and the inefficient provision of public goods (Kessy and Temu, 2010; Kinda and Loening, 2010; Cooksey, 2011). Thus, it is still debatable whether the ongoing reforms in Tanzania are effective in terms of supporting and transforming the private sector as fast as expected. Coupled with limited studies on reforms and business–state relations, there is limited understanding of the role being played by the private sector in the ongoing reforms.

One specific issue that remains unexplored is the extent to which PPD and private-sector advocacy shape the policy-making process. PPD is an institutional arrangement that brings together a group of public- and private-sector actors (Bannock, 2005). Objectives of PPD include building trust and bridging gaps to laying the foundation for a joint problem analysis and identification of policies and institutional reforms that contribute to a more conducive environment for private sector development. While the government recognizes the existence of PSOs and interacts with the private sector through business associations, the question is whether the government really listens to the private sector and implements the reforms recommended by the business community. Policy research evidence shows that the government of Tanzania has been hesitant to implement the policy actions recommended by the private sector (e.g. Confederation of Tanzania Industries (CTI), 2011; Tanzania Milk Processors’ Association (TAMPA), 2010; Charles, 2014). Contrary to the argument that effective interactions between the state and business matter for wealth creation (Kathuria et al., 2010; Sen and te Velde, 2009), interactions between the business community and the state in Tanzania appear to be collusive and rent-extracting (Charles, 2014). Consequently, there is considerable debate on how to conceptualize the ways in which different types of interaction between the state and the private sector...
influence the conduct of industrial policy to create wealth. Although institutions such as the World Bank encourage increased PPD and private-sector advocacy in the belief that this will assist in providing an enabling environment, and many governments now stress that they are more interested in producing ‘evidence-based policy’ (Irwin, 2008), there is limited research focusing on how the ongoing PPDs and advocacy projects contribute to pro-private-sector policies and an improved business environment.

Although it has been argued that formalized dialogue and sustained private-sector advocacy can promote economic performance, e.g. through improved allocative efficiency of government spending and better growth and industrial policies (Taylor, 2012), a systematic analysis of how they work and the outcome in terms of implementing reforms, particularly in a developing-country setting, has not been undertaken. Whether or not the strategies used by the private sector to engage with the state are effective is not well understood. Whether promoting PPDs in a country like Tanzania is worthwhile is still questionable. It remains debatable whether devoting additional resources to influencing public policy makes businesses more powerful. Even though there has been some analysis of the nature of state–business relations in Africa (e.g. Mauritius, South Africa, Zambia and Egypt) (e.g. te Velde, 2006; Taylor, 2012) and suggestions that countries with stronger private-sector participation in the policy process will have stronger investment and growth (Harris, 2006), there is insufficient data in Sub-Saharan Africa to validate this argument. In particular, we know surprisingly little about the nature of PPD and advocacy, how effective it is, how it evolves and whether it matters for economic performance in Sub-Saharan Africa.

In view of the above background, this chapter aims to present the lessons learnt and the experience of dialogue and advocacy practices in Tanzania, with a special focus on the role of PPD and advocacy in policy reforms. Based on the cases of the PSO advocacy projects and the experiences gathered from the dialogue platforms, the chapter assesses the extent to which the private sector participates in dialogue and influences the policy-making process. It identifies various strategies used by PSOs to participate in PPDs and their outcomes. The chapter makes a noteworthy contribution to this book in many ways. First, it explores the Sub-Saharan context, which from a Western perspective is unique in terms of institutional settings. Second, the chapter focuses on an important area of public affairs that shows how the private and public sector relate to each other. It presents some empirical cases demonstrating the experience of and lessons drawn from a specific context. The chapter expands the scope of the research on public affairs and forms the basis for further inclusion of PPD issues in an emerging-economy context.

The remaining part of the chapter is organized as follows. Section 2 presents an overview of the major reforms of the business environment in Tanzania. For the purpose of showing the efforts made by the government to improve the business environment, the section describes the major reform initiatives that were intended to improve the performance of the public sector. Section 3 presents both the theoretical and practical arguments on the role of the private sector in promoting reforms and effective policies. It shows the essence of private-sector participation in PPD. Section 4 describes the existing PPD platforms in Tanzania, representation of the private sector in those platforms and the extent to which the private sector’s voice is considered in public-policy reforms. Section 5 presents various empirical cases of advocacy projects implemented by PSOs in Tanzania, emphasizing the lessons learnt and experience gained from those projects. The main goal of this section is to demonstrate the extent to which the private sector participates in PPD initiatives and the extent to which advocacy projects implemented through PSOs work toward promoting...
reforms and an improved investment climate. Section 6 presents critical reflections on the lessons learnt from PPD practices in Tanzania. Section 7 draws key conclusions and presents the policy implications of the findings presented in this chapter.

**BUSINESS ENVIRONMENT REFORMS IN TANZANIA**

At independence in 1961, Tanzania was one of the poorest countries in the world. Its government chose a path of ‘African Socialism’ and ‘self-reliance’ to bring about national development, whereby almost all productive and service activities were put under the direct control of the state. During that time there was little tolerance for private enterprise, especially that of the indigenous majority. While the policy of socialism led to improvements in social development, especially in primary-education and health services, economic growth stagnated as state-run enterprises became increasingly inefficient and ineffective. The economic downturn in the early 1980s led the government to attempt to liberalize the economy and to depart from state control to a market-driven economy and market-friendly policies. The first phase of the structural-adjustment programme (1986–9) focused on macroeconomic stabilization and trade liberalization. The second phase (1989–92) concentrated on the inclusion of key social dimensions of adjustment and laying the groundwork for institutional reforms and foreign-exchange and investment deregulation. The third phase (1993 onwards) focused on reforms in institutional governance, notably civil-service and parastatal reform. Subsequently, in 2000, Tanzania adopted the Poverty Reduction Strategy (PRS), succeeded by the National Strategy for Growth and Reduction of Poverty (MKUKUTA), which has become a formal process and overarching policy for driving economic reform.

As part of the economic liberalization and reforms, the government has implemented a set of measures to improve the business environment, including:

- formation of the Tanzania Revenue Authority (TRA) in 1996 to modernize tax administration, promote voluntary tax compliance and strengthen the government’s revenue base;
- transformation of the Investment Promotion Centre (IPC) in 1997 into the Tanzania Investment Centre (TIC), with a focus on making it a one-stop shop to overcome bureaucratic hurdles for potential investors, particularly to attract foreign investment;
- establishment of the Business Registration and Licensing Authority (BRELA) in 1999 to handle business registration outside the mainstream of government bureaucracy, with a view to cutting red tape and making it easier to start a business;
- initiation of the Business Environment Strengthening for Tanzania (BEST) programme in 2000 to comprehensively improve the business environment and bring down the cost of doing business;
- formation of the Tanzania National Business Council (TNBC) in 2000 to serve as the forum for dialogue between the government and the private sector and to build a constructive partnership for policy reform and push for faster economic growth;
- creation of the Fair Competition Commission in 2003; and
- enactment of the Business Activities Registration Act (BARA) of 2007 to further simplify the process of starting businesses by separating business licensing from revenue collection.

Other major areas of reforms have included the Public Sector Reform Programme (PSRP) I and II, Local Government Reform Programme (LGRP) I and II, Public Financial Management Reform Programme (PFMRP), Second Generation Financial Sector Reform Programme, National Anti-Corruption Strategy and Action Plan (NACSAP), Agricultural Sector Reform Programme and Legal Sector Reform Programme (LSRP). These reforms aimed to promote good governance, scale down direct government participation in economic
ventures, create a business environment that will attract both local and foreign investments, and increase private-sector participation in the economy. In addition, the government formulated the Five-Year Development Plan (FYDP) (2011/12–2015/16), which aims to unleash the growth potential of the economy. The plan charts a growth path for realizing the Development Vision 2025, which is that Tanzania becomes a semi-industrialized country by 2025 that is capable of withstanding competition in domestic, regional and global markets. The FYDP I intends to effectively tap into Tanzania’s resource potential in order to create the conditions for broad-based and pro-poor growth (United Republic of Tanzania (URT), 2011).

It is clear that Tanzania has pursued numerous policy reforms that had a number of implications in terms of improving the business environment and investment climate. The government has established within its various strategy documents a clear rationale for regulatory reform as a major part of its overall private-sector-development strategy. Efforts are being made to improve the consultation process, particularly the capacity of PSOs to advocate for policy change and contribute to effective policy discussion. However, the historical background of Tanzania is an important factor to be considered when looking at the effectiveness of the private sector in terms of policy reforms. The prevalence of socialist governance after independence created a partition between the government and the private sector that has often directly contributed to a climate of distrust between the two parties. The socialist legacy and the remnants of authoritarian rule have often served to create a business environment consisting of an overly complex legal and regulatory framework, burdensome business-registration, licensing and tax regimes and limited availability of business development services, etc. Therefore, the poor enabling environment is one obvious area for fruitful dialogue between the government and the private sector.

**ROLE OF PRIVATE SECTOR IN PROMOTING REFORMS**

Governments in developing countries have the responsibility to ensure that a favourable business environment exists for all private-sector actors. Accordingly, most efforts to address the constraints for sustainable private-sector development originate in governments and public-development institutions. In view of this, governments need to be aware of the key constraints facing different private-sector entities in realizing their potential to contribute to pro-poor economic growth (Organization for Economic Cooperation and Development (OECD), 2006). However, in order to avoid prescriptive policy making and to reach the required level of change, it is essential to engage the private sector in addressing the development challenge. Because private-sector development cannot be achieved by focusing interventions on either the private or the public sector, and the many constraints that the private sector faces can only be resolved in collaboration with the public sector, the private sector should be integrated into the policy-making process and reform initiatives.

The private sector has an important role to play in identifying bottlenecks, opportunities and possible interventions for private-sector development. Through effective PPDs and sustained interactions between the state and the business community, the private sector can play an effective role in creating awareness of the root causes of the identified constraints to pro-poor private-sector development and economic growth at various levels. This suggests that ‘governments that listen to the private sector are more likely to design credible and workable reforms, while entrepreneurs who understand what their government is trying to achieve with a programme of reforms are more likely to accept and support them’ (Herzberg and Wright, 2005: 3). In such cases, private-sector hosts can be used as think-tanks that bring ideas to the table and also participate in developing, implementing and monitoring
Consultation with a wide range of PSOs is therefore an important part of the policy-development process. Such consultation needs to be accompanied by mechanisms for regular PPD at the appropriate policy level, combined with bottom-up communication to ensure that local-level issues are fed into the higher-level policy-making process. Making private-sector-development policy more responsive to private-sector needs depends on the way in which PPD is organized, especially with respect to approaches and mechanisms that ensure that the business community can voice its concerns. Private-sector participation speeds up change, ensuring the rapid uptake of new processes and promoting greater efficiency in new administrative regimes. Neglecting private-sector participation during implementation can derail promising initiatives. Effective participation of the private sector in policy reforms leads to commitment by the government to certain policies that minimize uncertainties concerning future policy actions in the minds of investors. It creates a setting in which the private sector demands high-quality public goods from the state, such as infrastructure, effective public administration and property rights.

From the above observations, it can be argued that governments which engage in PPD and allow effective private-sector advocacy are more likely to promote sensible, workable reforms, while enterprises participating in meaningful PPD are more likely to support these reforms (Herzberg and Wright, 2005). Without more equitable dialogue, governments tend to follow the loudest, most powerful voices, which rarely advocate for
broad-based private-sector growth, let alone poverty reduction. Although not the only condition for accelerating pro-poor growth, PPD can be a first important step in an institutional-reform process aimed at improving the business environment for all. It is especially effective where and when there is an explicit commitment and willingness to act on its outcomes by the public and private sector.

PRIVATE-SECTOR PARTICIPATION IN POLICY MAKING IN TANZANIA

Private-sector participation in dialogue and the policy-making process in Tanzania take place through a number of national, sectoral and local government platforms aimed at ensuring consultative decisions and the inclusion of the private sector. According to van der Poel et al. (2005), the PPD framework in Tanzania includes horizontal and vertical linkages among associations and the government from village to national level (Figure 36.1). Parallel to these are civil-society organizations (CSOs), dealing with human rights, inclusion, capacity building, health, democracy and other development issues. Therefore, private-sector institutions (and CSOs) have a hierarchical structure, from the national level (apex organizations) via the regional level to local PSOs active at local government (city, municipal, district) level. At village and ward level, many forms of association exist, and a distinction can be made between informal associations, representing particular informal groups (e.g. fishermen), rural associations such as farmer groups or savings and credit societies, and urban associations such as an association of shop owners in a particular area. At this grassroots level, the distinction between PSOs and CSOs is blurred, as there is often an overlap of similar objectives, such as access to credit, training, etc. The framework shown in Figure 36.1 is inspired by the institutional setting in Tanzania and can be used for identifying and analysing the different levels of dialogue and decision making on private-sector development, both vertically within the private and public sector as well as horizontally between them.

The dialogue takes place through a range of structured and informal mechanisms. These include The Tanzania National Business Council (TNBC), Regional and District Coordinating Committees (RCCs and DCCs), the local and national government budget cycle, governance structures for business-environment-reform programmes (e.g. the Government Roadmap for Improving the Investment Climate in Tanzania and the recently adopted initiative BRN, sector PPD forums and other stakeholder forums). For illustrative purposes, we present the experience of national dialogue platforms, while the specific cases drawn from sectoral- and local-level dialogue initiatives are presented in the next section.

Tanzania National Business Council

The TNBC was established by a Presidential Circular in 2001 as a forum for facilitating PPD to reach a consensus relating to the efficient management of national resources and the promotion of an enabling environment for economic development. The TNBC is made up of 40 members, 20 from the private sector and 20 from the public sector. All 40 members are appointed by the President of the United Republic of Tanzania, who is also the TNBC’s Chairman. Private-sector representatives on the Council are appointed on the basis of recommendations by the Tanzania Private Sector Foundation (TPSF), which is the apex organization for private-sector associations in Tanzania. An Executive Committee of 12 members, six from the private sector and six from the public sector, oversees the functions of the TNBC. The day-to-day functions of the Council are undertaken by a Secretariat headed by the
Executive Secretary. TNBC dialogue is conducted through council meetings, Local and International Investors’ Round Tables (LIRTs and IIRTs) and regional and district business councils, which have structures similar to the TNBC. Working Groups, constituting professionals and practitioners from the public and private sector, provide informed opinions and make recommendations on the relevant sectors to the TNBC dialogue process.

The TNBC appears to be one of the key platforms that have the potential to bring both high-level government officials and private-sector representatives and investors to the negotiation table. The level of representation of the public and private sector indicates a good balance required for the dialogue process. However, the TNBC has not been effective enough in achieving its mission for a number of reasons. First, the regional and district business councils, which appear in the structure of the TNBC, are not active in most places. Indeed, although there are several policy issues requiring the attention of local government, most regional and district councils do not meet at all to discuss them. The TNBC has recently initiated a move to revive the regional business councils, but the speed has been slow. The input of national dialogue platforms is therefore limited, partly because of weak business councils at local level. Second, the capacity of the private sector to articulate issues with strong evidence and closely follow them up is still limited. As a result, most TNBC forums are run as talk-show platforms where those from the private and public sector talk without seriously implementing the actions agreed on. Third, the frequency of TNBC meetings at the national level has not been as consistent as expected when it was established. Since 2002, the TNBC has been able to organize seven (53 per cent) national annual meetings rather than the 13 that should have taken place. Some meetings are skipped due to lack of adequate preparation and limited resources to organize them. The last TNBC meeting took place in 2013 and no date has been set for the next meeting. Fourth, most TNBC deliberations produce a list of what should be done without proposing pragmatic action with a specific timeframe. This results in inadequate implementation of the decisions made in the council. In addition, following several initiatives that have emerged over time (e.g. Agriculture First (Kilimo Kwanza) under TNBC, which aims to promote a green revolution by transforming agriculture, and the government roadmap, First FYDP and BRN), there has been a duplication of efforts and lack of focus on more strategic interventions. Although some efforts have been made to link various programmes, over the last ten years the government has been changing its focus, according to which initiative has gained momentum.

The Government Roadmap for Improving the Investment Climate

Initiated by the government in 2010, the doing-business roadmap framework intends to systematically reform Tanzania’s business environment and investment climate by addressing the challenges identified in the World Bank Doing Business Report. The roadmap established eight thematic taskforce teams to identify, document and address barriers in the investment climate in nine thematic areas identified by the World Bank Report. Eight Technical Working Groups (TWGs) covering these areas (starting and closing a business, getting credit, trading across borders, employing workers, enforcing contracts, protecting investors, paying taxes and registering property) were established, each under the leadership of a government ministry or agency. A Permanent Secretaries Working Group (PSWG) was also constituted, bringing together Chief Executive Officers of key ministries and government agencies involved in the relevant reforms. Each TWG drew up a comprehensive list of the issues, steps to be taken and government agencies responsible for
improving Tanzania’s ranking in the Doing Business Report from over 120 to double digits. A comprehensive action plan for 2010/11–2012/13 was developed to implement the recommendations from the roadmap (URT, 2010b). The action plan aims to ensure that Tanzania’s business environment becomes globally competitive and vibrant for both domestic- and foreign-owned businesses by: 1) reducing the cost of doing business through reforming or eliminating regulatory procedures and reducing administrative barriers; 2) improving the capacity of the public sector to deliver better services to the private sector; and 3) promoting strategic partnerships between the public and private sector. However, the issues that are being addressed through the roadmap largely focus on trading across borders, getting credit and starting and closing a business (Table 36.1).

To implement the roadmap action plan, all TWGs are supposed to meet quarterly and report progress to the PSWG under the Prime Minister’s Office (PMO). The Private-Sector-Driven Working Groups (PSDWGs), which include representatives of the PSOs, were formed by the TSPF to act as a link between the PSWG, private sector and other partners participating in the roadmap process. Their specific functions are: monitoring the implementation of actions agreed on by public sector actors; informing meetings of the public-sector working groups through regular reports and sending informed representatives to their meetings; providing feedback on the status of implementation as reported by the public sector; advising the public sector on feasible ways of addressing issues in the investment climate and of implementing agreed actions; coordinating and initiating research into issues affecting the private sector to demonstrate the impact of the issues as well as the urgency of implementation; providing information to the private sector on the roadmap process and implementation progress; identifying private-sector actors who may be involved in public-private partnership (PPP) to address some of the identified barriers in the investment climate; advising the TPSF on effective ways of engaging the diverse private-sector actors in the dialogue process; ensuring that the planning of roadmap activities addresses private-sector priorities; establishing an appropriate framework for monitoring roadmap process activities and tracking their operationalization and implementation; and identifying and working on any pertinent emerging issues not already included in the action plan.

However, implementation of the roadmap has been sluggish, with most targeted reforms behind schedule. A study on the status of implementation of the roadmap in 2012 indicated that out of a total of 187 actions or

| Table 36.1  Advocacy issues vs roadmap and BRN focus |
|-----------------|-----------------|-----------------|
| **Issues in order of priority** | **Roadmap** | **BRN** |
| 1. Levies or fees | None | Taxes, levies and fees |
| 2. Sector regulation | None | Regulations and institutions |
| 3. Taxation | Paying taxes | Taxes, levies and fees |
| 4. Unfair imports | None | Corruption |
| 5. Standards and measures | None | Regulations and institutions |
| 6. Electronic Fiscal Devices (EFDs) | None | None |
| 7. Infrastructure | Trading across borders | Infrastructure, access to land |
| 8. Access to finance | Getting credit | Access to land |
| 9. PPD or Public Private Partnership (PPP) | None | None |
| 10. Business registration and licensing | Starting and closing a business | Regulations and institutions |
| 11. Inclusiveness/Empowerment | None | None |
| 12. Cross border trade | Trading across borders | Infrastructure (port, road) |
| 13. Agriculture subsidies | None | Agriculture |

Source: TPSF2015
reforms that were to be implemented only 43 (22.3 per cent) had been implemented, while 93 (about half) had been partially implemented (URT, 2012). About a quarter had not been implemented at all (URT, 2012). As a result, Tanzania’s ranking in the annual doing-business surveys deteriorated from 126 in 2009 to 134 in 2013 and 145 in 2014 (World Bank, 2014). The reasons for this were identified as 1) lack of accountability (sanctions) when ministries, departments and agencies (MDAs) do not report to, attend or organize Task Force meetings; 2) the absence of clear terms of reference for the task forces; 3) frequent changes in PSO staff and MDAs, leading to lack of awareness by the government and the private sector; 4) the absence of a clear mechanism for tracking and reporting implementation; and 5) limited financial and human resources in the MDAs’ planning units and Attorney General’s chambers.

Interviews with PSOs indicate that the TWGs have not been meeting regularly and the private sector has not effectively participated in the roadmap process. As a result, there has been no pressure on the TWGs to meet or work on issues. Some of the achievements recorded at the PSWG level have not been realized, as reported on the ground, and there is no mechanism for giving feedback to the TWGs. PSOs have not been systematically engaged in the roadmap process. Some of them are hardly aware of it, and some may even be developing policy proposals already contained in the Comprehensive Action Plan instead of pushing for their implementation. All these factors indicate that leadership of the roadmap process has been left largely to the public sector, with private-sector representatives being unorganized spectators rather than serious partners in the dialogue process.

Surprisingly, new regulations, fees and levies were introduced without adequate assessment of their impact, thereby reversing the gains made. The roadmap action plan is not monitored systematically at Task Force or Steering Committee level. While the action plan is integrated into MDAs’ Medium-Term Expenditure Frameworks (MTEFs) and budgets, its implementation depends on the availability of resources, which are rarely sufficient. Information on MDAs’ MTEFs, annual plans, budgets and the availability of funds for implementing actions earmarked in the roadmap is not communicated to the roadmap Task Forces or Steering Committee. It is therefore impossible for them to effectively monitor the implementation of specific actions. Since the government has its own quarterly and annual reporting framework, and given that all actions in the roadmap are implemented by MDAs, it is almost impossible to have a different format for the roadmap.

**Big Results Now (BRN)**

As one of the efforts to transform the country from a low- to a middle-income economy, Tanzania, with the support of development partners, adopted the Big Results Now initiative in 2013, based on a model of development that has proved successful in Malaysia. This comprehensive system of implementing development, described as a ‘fast-track people-centred growth “marathon”’, focuses on six priority areas articulated in the Tanzania Development Vision 2025: energy and natural gas, agriculture, water, education, transport and mobilization of resources. It began with an eight-week coaching session (Lab) led by Malaysian policy experts who drew on the experience of Malaysia’s Performance Management and Delivery Unit to design and implement a model suited to Tanzania. The lab teams analysed the most important challenges and prioritized areas that would give big results quickly. The TPSF was a key partner both in the preparation of the lab and in the lab itself and, in collaboration with PSOs, made a task force that would participate in both the preparatory committee and the lab to ensure that the private sector was adequately represented.

The labs were expected to introduce a strong and effective system that would
oversee, monitor and evaluate the implementation of Tanzania’s development plans (particularly the FYDP I) and programmes, prioritizing detailed monitoring tools and performance accountability. The motive was to eliminate the ‘culture of business as usual’ and needless confidentiality among officials and officers serving the public that has hobbled efforts to move Tanzania forward. BRN is coordinated by the President’s Office through the Presidential Delivery Bureau (PDB). This body brings together experts and key stakeholders, who choose and agree on priorities and refine them so that they will be implementable. Through the creation of mechanisms that make sure top government officials address the priorities in concrete ways, deliver results and meet the targets set, each selected Ministry is expected to align its budget to the high-level initiatives of the government as defined in each FYDP, which in turn are targeted at moving the country toward achieving Vision 2025.

As shown in Table 36.1, most issues discussed in the regulatory labs are related to levies, fees and sector regulation, followed by taxation. Business registration and licensing is also an issue but mostly for associations of small enterprises. Some segments in the private sector have been advocating for special treatment (inclusiveness) because existing systems are not working for them. These include graduates (special treatment in start-ups), women (gender-based budgeting) and the disabled (differential treatment in business licensing).

Although this is a recent initiative, some challenges have already been observed. First, the rate of implementation of the reforms identified in BRN is still slow on account of the limited budget made available by the government. Second, the initiative has turned its attention to the BRN agenda, leading to cannibalization of the reforms that were underway through the roadmap. Although the government claims that this initiative is intended to complement other reforms, the focus has largely been on the actions identified in BRN. Third, participation of the private sector in monitoring the implementation of BRN is still limited because it is formal government structures that are accountable. This suggests that without coordination representation of the private sector in public-sector-driven processes may not achieve the intended results.

PARTICIPATION OF BUSINESS ASSOCIATIONS IN DIALOGUE AND POLICY REFORM IN TANZANIA

In the last ten years, a number of PSOs have been entering into dialogue with the state to advocate for a better business environment. For instance, since 2004 the BEST-Dialogue (the programme that promotes private-sector dialogue in Tanzania) has supported over 34 business associations conducting advocacy work (BEST-AC, 2011). In this section, we present the selected business associations

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**Selected Illustrations from PSOs**

**TANZANIA EXPORTERS ASSOCIATION (TANEXA)**

TANEXA was established in 1994 to improve the business environment for exporters. It has 45 members and one employee. TANEXA has been advocating for an improvement in the government’s Export Credit Guarantee and SME Credit Guarantee Schemes. Through the research undertaken by the association and the active engagement of the
media, members of parliament (MPs) and the Ministry of Industry and Trade (MIT), TANEXA succeeded in influencing the government to introduce the scheme and form the credit-guarantee management committee in 2003. However, the scheme has been ineffective, partly because most entrepreneurs are unaware of how it works. In 2012, TANEXA initiated a project, which is ongoing, advocating for the removal of export permits for exporting food products to Southern African Development Community (SADC) and East African Community (EAC) countries. However, access to credit for exporters is still a challenge as most credit-guarantee schemes have not worked effectively and regulations for accessing credit guarantees mean that they are beyond the reach of the majority of SMEs.

**AGRICULTURAL COUNCIL OF TANZANIA (ACT)**

This is an apex organization with some direct members. It was formed in 1999 and currently has 84 members and 11 staff. It has been active advocating for an improved crop cess system, a review of the 1999 Land Act, VAT exemption on agricultural equipment, improved distribution of quality agricultural inputs, a reduction in land rent, etc. For example, in terms of improving the crop cess system, ACT undertook a study in 2010, developed a solid policy proposal and created awareness at the local government level. It formed a coalition with government agencies and other PSOs and engaged the media to highlight the issue. Although the level of awareness has increased, most district councils hesitate to reduce the crop cess for financial reasons. In terms of reviewing the Land Act, the government has delayed the process despite the efforts being made to formalize dialogue and work actively with champions. As a result of the lack of clear ownership of land, land conflicts are increasing. However, the association achieved success in the form of VAT concessions in 2010–11 after it lobbied the government to attract agricultural investment. The challenge is that due to the high cost of investing in agriculture, ACT is yet to see positive results in terms of attracting commercial investors.

**CONFEDERATION OF TANZANIA INDUSTRIES (CTI)**

CTI was launched in 1991 to advocate for an improved business environment and provide services to manufacturing industries. It has 400 active members and 15 staff, three in the policy department. CTI represents its members in a policy forum to ensure that their views are considered in the policy-making process. Over the last ten years, it has advocated for improving the regulatory system, addressing the challenge of supplying power to manufacturers, reducing the number of counterfeit products and improving the tax system. Various techniques are used to advocate for change, such as researching and presenting evidenced-based position papers to MDAs, participating in the tax-reform committee, using the media, entering into a coalition with other PSOs and lobbying parliamentarians. In this way, CTI has succeeded in partnering with the government in BRN
and the roadmap and has participated in various working groups. It has influenced the government in improving the tax system and stabilized the cost of electricity. However, CTI has witnessed the introduction of more taxes, a number of legal cases on the emergency power plans and the slow implementation of regulatory reforms.

**TANZANIA MILK PROCESSORS ASSOCIATION (TAMPA)**

Established in 2001, currently with 130 members and two staff, TAMPA seeks to promote the business interests of milk processors. Over the last ten years, the TAMPA has been in active dialogue with the government on rationalizing the regulations affecting the dairy sub-sector, introducing zero-rated VAT for milk processors, improving milk-collection centres and promoting a milk-drinking culture. In 2007–8, for instance, TAMPA commissioned a study on the impact of regulations in the dairy sub-sector and prepared a position paper on harmonizing the functions of 17 regulators governing the sector. It succeeded in forming a coalition with the Tanzania Dairy Board (TDB) to explore the regulatory overlaps, and it proposed a strategy for harmonizing the regulatory framework. Surprisingly, despite sustained efforts to create awareness and engage with MPs, MDAs and dialogue platforms, the government has not taken serious measures to address the issue. TAMPA succeeded in getting the government to introduce zero-rated VAT on milk and milk products in 2012, but to TAMPA’s surprise the government waived the zero-rating privilege in 2014, and the Association has initiated a dialogue as there are more issues emerging in the sector.

**TANZANIA CONFEDERATION OF TOURISM (TCT)**

TCT is an apex organization formed in 2000, currently with nine association members and four staff. TCT has carried out several advocacy and dialogue initiatives focusing on improving the tourism value chain, tourism marketing and the general business environment in the tourist industry and reducing hunting fees. In 2007, for instance, TCT engaged MPs and decision makers in the Ministry of Tourism and Natural Resources (MTNR) in a dialogue on a reduction in the proposed 500 percent increase in fees for hunting and photographic safaris in the middle of the tourist season. The hunting project was successful in persuading the government to increase the fees by ‘only’ 200 percent as well as delaying the introduction until the next season. Through the sustained dialogue, in 2009 TCT worked with the government to develop the first comprehensive tourism marketing strategy for Tanzania, which is owned by both the private and public sector. In June 2010, TCT signed a five-year memorandum of understanding with MTNR to partner in dialoguing the industry’s issues. Although the resources for implementing the strategy are limited, TCT considers this a success. However, the hunting fees are still considered high and TCT is advocating for a further reduction.
that have been actively advocating for an improved business environment, the issues addressed, the techniques used, the success achieved and the challenges encountered. An analysis of the dialogue practices of the five business associations indicates that the private sector can take initiatives in dialogue by adopting an advocacy approach. It is apparent that in many instances, PPDs arise between a particular industry, cluster or value chain in the private sector and those in government responsible for regulating that area of the economy. In our case, at least five sectors and sub-sectors (trade, manufacturing, tourism, agriculture and dairy) were covered by the associations studied.

**REFLECTION OF PPD PRACTICES**

Before embarking on dialogue initiatives, most PSOs identify various issues requiring the attention of policy makers. To a large extent, the private sector has been addressing problems associated with the regulatory framework and inadequate provision of public services (Table 36.2). As demonstrated in the cases of TAMPA and CTI, PSOs have been actively advocating for an improvement in the regulatory system to reduce compliance costs and administrative hurdles. Some PSOs have addressed the issues of improving the tax system (e.g. TCT and ACT), improving the power supply (CTI), introducing special exemptions for certain sectors and products (dairy industry and agricultural equipment) and enhancing access to credit (TANEXA). In terms of proposed changes, the majority of PSOs have been advocating for a change in public policy and amendments of laws. A few PSOs (e.g. TAMPA) have attempted to persuade the government to improve the interpretation of existing laws and/or change the administrative arrangements for enforcing the legislation (e.g. ACT). Besides the issues presented by PSOs, a study of 106 PSOs by the TPSF (2015) (Annex 1) indicates that the private sector has dealt with a wide variety of issues, ranging from multiple regulations, access to resources and compliance with product and service standards to improving national policies. However, the overall assessment by TPSF shows that only 28 per cent of implemented advocacy projects focus on improving the business environment, with the rest relating to human rights, health, access to services and membership services.

With respect to dialogue techniques, the majority of PSOs apply a combination of techniques, including: 1) engaging the media to create awareness of the issues; 2) engaging politicians, particularly MPs; 3) presenting position papers and fact sheets to MDAs; 4) creating a policy coalition with other PSOs and, on a few occasions, with public agencies (e.g. TCT and the Tanzania Tourist Board, ACT and the Ministry of Agriculture, TAMPA and TDB); 5) identifying and cultivating ‘champions’ within key ministries (e.g. TCT); 6) formalizing dialogue arrangements (e.g. TCT and tourism associations and the Ministry of Natural Resources and Tourism (MNRT); and 7) training members to take an active and consistent approach to advocacy (ACT) and participating in government committees.

In terms of outcomes, there is growing appreciation of the value of the private sector in the policy-making process. The experience of PSOs indicates that in some cases the government has taken on board actions proposed by the private sector (see for example, the proposals made by TANEXA, TAMPA, TCT and CTI). Some of the issues identified at the sectoral level have been moved to the national PPD platforms and become important policy-agenda items. For instance, the issue of multiple regulations is now an important agenda item of BRN and the roadmap for improving the investment climate. In line with previous assessments (e.g. BEST-AC, (2011)), it seems that the government is becoming positive about PSOs’ involvement in both policy development and policy implementation, and it is fairly positive about their approach to consultation. From
the experience of the cases analysed, it is clear that business associations play a significant role in facilitating the formulation, implementation and monitoring of economic policies and providing feedback to the government (Hisahiro, 2005). This suggests that promoting business associations is likely to increase the consultative approach to policy making.

Despite the recorded achievements, a number of challenges are still observed in the

<table>
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<th>Issue</th>
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<td>Multiple levies for tourism businesses</td>
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<td>Obtaining government guarantee</td>
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<td>Tourism Act</td>
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<td>Road fund</td>
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<td>Conflict at market places</td>
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<td>Service fee</td>
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<td>Dynamite fishing</td>
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<td>Service levy</td>
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<td>Tree-selling regulations</td>
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<td>Incentives for start-ups</td>
<td>1</td>
<td>Improving labour-law regulations</td>
<td>1</td>
<td>Introduction of seed subsidy to farmers in Tanzania instead of fertilizers only</td>
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<td>Fake pharmaceuticals</td>
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Source: TPSF 2015
PPD processes. First, while the government might agree to implement the proposed policy change, actual implementation has been slow and sometimes does not happen at all. In some cases, the government has reinstated some taxes (e.g. the abolition of zero-rated VAT in the dairy sector) after realizing the revenue lost as a result of implementing the policy change. Second, most dialogue interventions have taken place at the national level, driven by national PSOs and CSOs, leaving out PPDs at local government level. The main gap is that national PSOs do not have an in-depth understanding of key sectoral issues and a limited grasp of local concerns. As highlighted earlier, the district business councils are still weak, and other platforms such as district stakeholders’ meetings, local budget sessions and business roundtables are dominated by the government. Indeed, observations made in our cases are similar to those elsewhere, i.e. that most PPDs take place at the central level while sub-sector PPDs and processes at the district or municipal level are limited (Bannock, 2005; Herzberg and Wright, 2005). This is contrary to good practice, which shows that PPD is most effective at the lowest level at which entrepreneurs and government services interact (van der Poel et al., 2005). Interactions between local governments or the lowest interface with line ministries for certain sub-sector issues are the most relevant.

Third, coalitions among business associations are still weak, resulting in the duplication of efforts and weak engagement with the state. As a result, private-sector participation in the policy-making process is considerably limited. Fourth, our interaction with business associations indicates that most of them are weak in terms of advocacy capacity and institutional competence. This is in line with BEST’s assessment in 2005, which found that most PSOs had a weak institutional foundation, with a small or no secretariat, and funding being a major concern. Therefore, the quality of PPD may suffer from the inability of participants to contribute effectively to an analysis of the root causes and to finding evidence to support requests for policy reform. Such PPDs tend to produce a laundry list of symptoms. Since approaches and tools that facilitate the participatory analysis of problems and the identification of opportunities by local actors exist and can be adapted to local level PPDs, it is important for the actors to emphasize local PPDs. This suggests that the way in which a PPD is designed has to be context-specific and adjusted to prevailing institutional arrangements. Fourth, although most PSOs were able to craft issues and agendas for dialogue with the government, most of them suffer from a lack of resources and inadequate planning to complete the process. This is risky, since good planning is vital, such as the preparation in advance of clear and concise agendas, timeframes that show milestones for each specific outcome, good chairing of meetings (ensuring that all present can participate), agreement on minutes and the accountability of the secretariat to the participants (Bannock, 2005).

CONCLUSION AND POLICY IMPLICATIONS

The main focus of this chapter has been on dialogue practices and policy reforms in the context of a developing economy. The experience of PPD processes in Tanzania shows that there are formal policy-dialogue frameworks ranging from national to local government level. The increased number of interactions between businesses and government is part of the economic transformation occurring in Tanzania and other African countries. Overall, existing frameworks are instrumental in the private sector’s interactions with the state and provide inputs into the policy-making process. There seems to be a growing appreciation by the government of the value of the private sector in providing an understanding of what the policy looks like on the ground and as a source of pressure
that can transcend departmental boundaries and hierarchies. Thus, structured and inclusive dialogue between the public and private sector can encourage the private sector to participate in the policy-making process. By working jointly with the public sector, business associations can act as a think-tank for the state by informing the government of opportunities and challenges in the business environment. The experience of PSOs and various dialogue platforms shows that most PSOs identify the issues affecting the private sector, undertake studies and prepare position papers/fact sheets before they embark on the policy dialogue. While this seems to be a systematic process, the main challenge is that most agreed policy actions are not implemented, and the government sometimes reverses its decisions. This clearly shows that reforming institutions and policies can be a difficult and time-consuming process and requires a careful mix of contestation and negotiation to overcome resistance to change.

Although it is documented that the presence of well-organized and capable PSOs at various levels makes PPDs more relevant (e.g. Hisahiro, 2005; Taylor, 2012), it appears that most PSOs become active only when there is an urgent issue. Most business associations are inclined to do ad hoc advocacy work, but they often lack the resources to become a serious dialogue partner. Therefore, building and supporting business associations can be helpful in making sure that the concerns of the private sector are heard. In addition, it is observed that many grassroots-level PSOs are not linked to apex organizations which potentially could have taken care of their interests in national-level dialogue processes. So, for the purpose of promoting effective PPDs, there is a need to enhance the capacity of both private and public representative organizations and raise awareness at different levels (national, sub-national and local) of the real, practical and underlying issues that constrain pro-poor private-sector development. This requires building the capacity of both national and local PSOs to engage in sustainable dialogue and develop coalitions that will enable them to become stronger.

The presence of several dialogue frameworks which are not coordinated is likely to encourage duplication of efforts in the dialogue process. For example, the issue of the regulatory framework is one of the agenda items in BRN, the TNBC and the roadmap for improving the investment climate. The risk here is that in all platforms different actions target the same implementers (MDAs), while the resources available for policy implementation are insufficient. As a result, monitoring and following up policy change becomes a challenge for both the private and public sector. Certainly, this requires further documentation and mapping of ongoing policy-reform issues addressed through PPDs, including the action plans developed to monitor progress. Strengthening the capacity of the private sector to monitor the implementation process and inform the government about the duplication of efforts would definitely be useful.

In view of the above, there are a number of policy implications. First, there is a need to build the capacity of business associations, especially at the local level, to conduct more sustainable advocacy and dialogue with the government. Second, more policy studies are needed which feed into the policy-making process by analysing issues, proposing policy changes and providing knowledge on how best to engage with the government. Third, governments in developing countries and in Africa in particular need to speed up implementation of the policy actions agreed on in PPDs and improve the feedback mechanism. Fourth, the private sector must improve its follow-up strategies to ensure that the actions agreed on in the dialogue process are implemented. The problem with any PPD is when the government agrees to take action without devising an adequate follow-up mechanism. The private sector therefore has to be keen to ensure that feedback mechanisms are designed and follow-up strategies developed.
NOTES

1 Quoted from the Tanzania Big Results Now (BRN) concept downloaded on http://www.africa-platform.org/resources/tanzanias-big-results-now-initiative in July 2015.

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