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Coordinating regulatory agencies for improved tourism policy in Tanzania

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Abstract

Purpose – The purpose of this paper is to explore the institutional challenges of coordinating regulatory agencies and the costs associated with compliance requirements in Tanzania's tourist industry.

Design/methodology/approach – This paper is based on qualitative research conducted in the northern tourism circuit of Tanzania. Data were generated through semi-structured interviews and focus group discussions with owner-managers of tourism enterprises, heads of regulatory agencies and leaders of business associations ($n = 60$). The findings were analysed through triangulating the data from various sources to establish emerging themes and patterns in accordance with the theoretical underpinnings and research objectives.

Findings – The findings show that tourism enterprises are governed by a multitude of national, sub-national and sectoral institutions mandated to impose several taxes, fees and levies on enterprises. As a result, tourism enterprises are required to obtain duplicate licences and are subjected to uncoordinated inspections. The poor treatment by regulatory agencies, the unclear basis for estimating taxes and levies, inadequate tax education and closure of businesses were also reported as key regulatory challenges. Most challenges emerge from agentification of the public sector and the lack of a legal framework in which to formally facilitate coordination and information sharing amongst government agencies.

Practical implications – The paper proposes streamlining the functions of divergent institutions governing the industry by increasing intergovernmental coordination through delegating some functions, sharing information and enforcing formal inter-ministerial and cross-government consultation structures.

Originality/value – This paper adds value to previous regulatory assessments by empirically analysing the specific sector and showing how the principal–agent relationship for the public sector can be improved through enforcing coordination of the multiple agencies governing the tourist industry.

Keywords Compliance costs, Tourism policy, Tourist industry, Institutional and regulatory challenges, Intergovernmental coordination

Paper type Research paper

Introduction

The literature on tourism policy advocates for a sound regulatory framework for improved tourism performance (Anderson *et al.*, 2017; Cao, 2015). Given the fragmentation of tourism activities (Ellis *et al.*, 2016; Knollenberg, 2015) and the multiplicity of agencies governing the tourism sector (Mahangila and Anderson, 2017), there has been growing research interest in gaining an understanding of the regulatory framework for tourism enterprises. However, except for a few studies (e.g. Raheem and Mkindi, 2010; Anderson *et al.*, 2017; Mahangila and Anderson, 2017), little is known about the institutional arrangements of public agencies governing tourism activities, especially in the context of developing economies. There is also limited understanding of the costs arising from how regulatory agencies are constituted to govern tourism enterprises. This is strange given that they are governed by several public bodies (Amaury and Tom, 2006), with duplicate powers to regulate, and charge different taxes and levies (Mahangila and Anderson, 2017). As tourism enterprises frequently suffer from coordination challenges between different agencies and among different levels of government (WTTC, 2017), analysing the regulatory institutional arrangements for tourism and the challenges emanating from the enforcement of laws and regulations can expand our knowledge of tourism policy.

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The main purpose of this paper is to explore the institutional coordination challenges of tourism and to establish the compliance costs associated with the tourism regulatory framework in Tanzania. Grounded on the private interest view of regulation (Stigler, 1971) and the agency theory (Jensen and Meckling, 1976), the paper reveals the basis on which to structure the coordination of public agencies governing the tourist industry. It is noted that, while governments deliver public services through sets of agents, the problem is that these agents are motivated to capture rent and pursue private interests (Shapiro, 2005). Consequently, excessive regulations are enacted (Stigler, 1971), mainly because different government agencies execute uncoordinated activities (Charles, 2014). Therefore, to further our understanding of how the principal–agent relationship can work better for the public sector and ensure coordination of the government agencies governing tourism (Moore and Schmitz, 2008), the paper proposes that divergent state agencies establish a formal structure through the Ministry of Natural Resources and Tourism (MNRT) to facilitate integration of their activities. It expands the principal–agent view to the specific configuration and processes involved in regulating tourism in a context where the institutional set-up is a critical challenge to the business environment (Taylor, 2012; Hansen *et al.*, 2017).

The paper complements global assessments of the regulatory framework for the tourist industry, most of which rank various economies on the basis of ease of doing business. For instance, in 2017, Tanzania was ranked 102 by the World Economic Forum (WEF, 2017) out of 136 countries in terms of ease of doing business as compared with South Africa (53rd), Mauritius (55th), Kenya (80th) and Namibia (82nd), which were ranked as the most competitive economies in Africa (WTTC, 2017). This ranking is in line with the ease of doing business report, which ranked Tanzania's business environment 137 out of 195 countries (World Bank, 2017). The report recommended more cooperative relations amongst government agencies to reduce firms' compliance costs. Unfortunately, little is documented on the set-up of regulatory institutions relating to tourism and the costs emanating from their interventions.

Increasingly, tourism is attracting attention due to its economic and social importance, which has grown significantly in terms of foreign exchange earnings and job creation (Cao, 2015). For example, the contribution of travel and tourism was 3.2 per cent of total world GDP in 2017, and it is expected to rise by 3.8 per cent per annum from 2018 to 2028 (WTTC, 2018). More than 1.3m tourists visited Tanzania in 2017, an annual growth rate of 3.2 per cent (MNRT, 2017). The industry represents more than 25 per cent of Tanzania's total exports and 60 per cent of services receipts. It supports over 467,000 direct jobs and 1,337,000 jobs through direct and indirect linkages, being 12.2 per cent of the nation's total employment. Despite the optimism, a difficult business environment punctuated by high operational costs is partly responsible for keeping performance of the tourism sector lower than expected (Mahangila and Anderson, 2017).

Literature review

Theory of regulation and regulatory costs

Much of the literature on regulatory policy has been inspired by George Stigler's classic article *The Theory of Economic Regulation*, published in 1971. Drawing on the political economy approach (e.g. Buchanan and Tullock, 1962; Olson, 1965; Lowi, 1964), Stigler (1971) challenged the public interest view of regulation, which assumed that it was primarily a mechanism deployed to solve market failures and maximise social welfare (Blackburn and Hart, 2004). Stigler proposed the capture and private interest view of regulation, which posits that regulations are the result of the balance of power between different interest groups, such as the government, companies, consumers and residents (Stigler, 1971; Charles, 2014). The private interest view perceives regulation as a process through which interest groups seek to maximise their own interests (Stigler, 1971). For instance, firms as profit

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seekers expect a favourable regulatory environment, while regulatory agencies are subject to being pressurised, influenced and bribed by other groups (Ogus, 2004). In this case, regulation might play the opposite role from what was intended due to how political institutions emphasise different interests from those of the public, leading to excessive regulation. The "problem" of excessive regulation in Stigler's view is that it diverts scarce resources from profit-generating activities towards discovering and complying with regulations (Charles, 2014). Furthermore, excessive regulation reduces business rewards and is a disincentive to grow a business (Newbery, 1998).

In relation to tourism, the empirical literature shows the impact of excessive regulation on enterprises. For instance, Ellis *et al.* (2016) found that onerous regulations and multiple taxes imposed by state agencies on tourism firms were major obstacles to the growth of the sector. The number of licences required and taxes paid was very high, and the regulations were unpredictable and often duplicated, as they were imposed by central government as well as local officials. Raheem and Mkindi (2010) established that, in addition to multiple charges and fees imposed on enterprises in general, tourism enterprises were affected by additional compliance requirements, from the registration to the operations stage. Deloitte and Touche (1998) demonstrated that a higher tax burden reduces the revenue of tourist hotels, and a change in the tax rate significantly influences the decision of tourists regarding their destination. Vjekoslav *et al.* (2012) found that the tourism fiscal system included several hidden fees, most which were not fully known by enterprises.

Contrary to the observed challenges of excessive regulation in the tourist industry, some authors are in favour of regulating and taxing the industry. For example, Bird (1992) observed that developing countries tend to under-tax their tourism sector even though there is scope to "extract" more tax revenue from tourism. Gooroochurn and Sinclair (2005) established that taxing highly intensive tourism activities extracted significantly more revenue from tourists, as opposed to a broader policy, whereby all tourism-related sectors were taxed. Gago *et al.* (2009) found that taxes on tourism would yield an improvement in terms of revenue without hampering the economy. The authors argued that tourism taxes could be used to fund extra tourism-related costs incurred in providing public goods and services. Actually, intensive tourism-related activities lead to the need for more services and infrastructure whose costs may not be covered by the taxes already paid by tourists. In this case, the government must provide adequate infrastructure to meet demand in the high season (Briassoulis, 2002). Taxes and charges imposed on tourists can also be used to address externalities, which include increased congestion on roads and additional environmental degradation (Sinclair and Stabler, 1997). Consequently, several groups of taxes and fees relating to air and ship transport, hotels and other accommodation, restaurants, road traffic, car rental and taxes and fees for visiting tourist attractions have been enacted (WTO, 1998).

While there are mixed feelings about the rationale for taxing and charging levies on tourism enterprises, it is observed that the literature largely ignores the complexity of the framework of the institutions in which the regulators operate (Amaury and Tom, 2006). As a result, we know little about how to design regulatory institutions that will reduce private interests, and enhance the welfare of the tourist industry. The cost of regulations identified in previous studies is not adequately connected to the institutional set-up, which is considered to be costly in Africa and Tanzania in particular (Hansen *et al.*, 2017). Our paper, therefore, considers the institutional perspective by focussing on institutional dimensions and regulation costs (Ogus, 2004) and how they are reflected in the tourist industry in Tanzania.

Agency theory and agentification of the public sector

The agency theory has been the dominant theoretical perspective applied to study the contractual arrangement in which one party (the agent) is charged with performing a

particular activity on behalf of another party (the principal) (Jensen and Meckling, 1976). In this theory's view, the breakdown of the public sector into specialised bodies ("agencies") implementing government policies is described as agentification of the public sector (Amaury and Tom, 2006). The agencies created have a certain amount of autonomy and some of them can freely determine the use of funds generated and decide on their internal management, while others can determine their strategic direction themselves, alongside operational independence (Van Thiel, 2004). Accordingly, a new system of inter-organisational relations is established using the principal–agent model (Shapiro, 2005). The higher authority thus becomes the principal that delegates some of its functions to specific implementing parties (the agents).

For the purpose of this study, public agencies (departments, institutions and their sub-units) and local authorities are seen as agents of the central government (Dixit, 2002). In this case, the central government is the highest executive organ of state power and administration (Amaury and Tom, 2006). It plays the role of setting the national tourism policy and overseeing the administrative structure for policy delivery. While ministerial organs are responsible for governance of the tourist industry, each agency has its own vested interests in relation to tourist activities. Consequently, ineffective management may emerge, especially when the relevant actors are poorly coordinated (Cao, 2015). Thus, the problems of multiple principals, multiple tasks and the lack of competition in the public sector diminish the efficiency of public agencies and limit the establishment of an efficient incentive system that would motivate agents (Dixit, 2002). The lack of coordination of government agencies in the tourist industry limits the flow of information to the principal (Dredge and Jenkins, 2003). Indeed, hierarchical relationships, divergent interests and asymmetric information between central government and policy implementers make the coordination of regulatory functions more difficult (Dixit, 2002).

To address the challenge of information asymmetry among public agencies, Verhoest and Legrain (2004) developed the concept of public agency coordination. In their view, this entails "harmonizing the functions of government agencies in an attempt to achieve common objectives in a voluntary and planned way using a method of intervention agreed in advance". The authors suggested more effective coordination of the functional specialisation of public organisations, but, in relation to tourism, studies show that coordinating the regulatory system has always been a challenge. For instance, a study on the regulatory framework by Xia Cao (2015) found that China's policy and regulatory framework had many organisations with duplicate responsibilities and weak coordination. The study proposed the coordination of laws and regulations with improved supportive by-laws. Dredge and Jenkins (2003) established that overlapping jurisdictions, multiple accountabilities and countervailing power impeded the development of an effective tourism policy. The authors argued for cooperative tourism policy making, which requires the sharing of information and collaboration at the administrative level. Knollenberg (2015) established that the fragmented nature of tourism presented a challenge to the development of a coordinated legislative agenda for the industry.

However, it is noted that there is a lack of empirical support for the best way in which multiple government agencies could harmonise their functions to reduce the conflict of interests and information asymmetry between them and the central government. Therefore, in order to generate and test ideas on how to reduce the agency problem and improve governance in the industry, this paper suggests coordinating the mechanisms of the regulatory institutions.

Methodology

This paper is based on qualitative research conducted in the northern tourism circuit of Tanzania, the biggest tourist destination in the country (Anderson and Juma, 2011). The complexity of the compliance system encouraged the adoption of the qualitative approach to

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research, mainly based on the explorative research design to gain an in-depth understanding of the problem and to generate findings that would inform future studies. Explorative research provides a greater understanding of the research problem and assists in developing a proposition for further analysis (Hammersley and Atkinson, 2007). Accordingly, the study began with a critical review of the literature and various policies on the tourism regulatory environment. The data on taxes and charges imposed on tourism enterprises were drawn from schedules of taxes and levies published by MNRT and local government authorities (LGAs).

The primary data were collected through semi-structured personal interviews and focus group discussions (FGDs) held in the northern circuit (Arusha and Kilimanjaro). These areas were selected because they receive around 75 per cent of safari tourists in Tanzania (MNRT, 2017). The researchers used different data collection methods and data sources to ensure content validity (Carneiro *et al.*, 2016). Because tourism actors are defined as persons (as well as registered companies) licensed to provide transport and accommodation, make reservations and operate tours and related services for tourists and visitors (URT, 2008), purposeful sampling was used to select respondents from the dominant sub-sectors, namely, tour operators, travel agents and hoteliers. Purposeful sampling was used to select and include respondents who were knowledgeable and informed about the regulatory and compliance requirements in the industry. In addition, respondents from business associations and the public sector were included in the study to obtain a bigger picture of the problem being studied from both the representatives of the private sector and policy implementers, respectively.

A total of 60 respondents participated in face-to-face interviews, 15 from the public sector (heads of regulatory agencies, city and local councils) and the rest from the private sector. In addition, 17 respondents participated in four FGDs held after the interviews, 6 of whom were from the public sector. Of the private sector respondents, six were the leaders of business associations. The sample size was considered sufficient after saturation point was reached concerning the answers given by the respondents. The interviews and FGDs were held from June to December 2017. The questions and major issues covered during the interviews with owner-managers of tourism enterprises and heads of regulatory agencies are indicated in Table I. In addition, the leaders of business associations were asked to share their views on the issues raised by enterprises and regulatory agencies, and give their opinions on the regulatory challenges facing the tourist industry. The interview questions asked of both tourism enterprises and regulatory agencies were also asked during the FGDs. However, whenever a respondent's point proved interesting, further questions were asked to seek clarification or further insights.

After the interviews and FGDs, we developed summary tables of key observations and extracted evidence in regard to key research issues from different respondents. In coding

Table I.
Questions and major issues covered during the interviews

Questions asked to owner-managers of tourism enterprises	Questions asked to heads of regulatory agencies
Describe the category of your business in the tourism value chain (hotel, tour operator, travel agent, air operator etc.)	Identify regulatory institutions playing a similar role as your institution
Describe the compliance process your business undergo in their businesses	State the institutional coordination challenges
Identify the costs paid at different stages of compliance and state the amount paid	Identify the laws and regulations giving your institution a mandate to regulate tourism enterprises
Identify the regulatory challenges facing your enterprise	State the fee, charges, taxes and levies imposed by your institution to enterprises
Recommend the institutional arrangement to improve regulatory systems	Describe areas leading to duplication of regulatory functions
	Suggest ways of improving coordination of regulatory agencies

and organising the data, we considered the study objectives and issues identified from the literature. The data were coded based on key aspects of the study, namely: duplication of functions (similar regulatory functions, disjointed responsibilities and repeated processes), compliance costs (taxes, fees, permits, charges, required licences, fines and frequency of payment), the compliance process (steps needed, time taken, institutions involved) and regulatory challenges (enterprises' perceived difficulty to comply). The main thematic issues were institutional set-up/arrangements, legal mandate (policies, laws and regulations) of government institutions, compliance processes and procedures, compliance costs and challenges emanating from institutional arrangements. Through triangulating the data from various sources, the researcher identified emerging themes. Archival data relating to regulatory processes and fees were also used to triangulate the field data. Key observations were analysed in accordance with the theoretical underpinnings and research objectives.

Findings

Policy and institutional framework governing tourism

Tanzania has several policies, laws and institutions governing the tourist industry. The general policy is the National Tourism Policy of 1991 (revised in 1999), which seeks to encourage the development of sustainable and quality tourism by promoting Tanzania as a favoured tourist destination. The policy led to the formation of the Tanzania Tourist Board (TTB), an improvement in private sector participation, and the approval of several new tourism-related investments through the Tanzania Investment Centre. The Tanzania Investment Act of 1997 provided tax relief and concessionary tax rates, which may be accessed by an investor. Tax incentives are determined by the Income Tax Act of 2008, which resulted in the abolition of income tax holidays.

The Tourism Act of 2008 and Wildlife Conservation Act of 2009 guide activities relating to tourism. While the Wildlife Conservation Act focusses on the management of wildlife areas, the Tourism Act governs the institutional and administrative arrangements of the sector. It deals with the registration and licensing of tourism facilities and activities, the licensing of tour operators, and the registration of tour guides and other guidelines relating to the sector (URT, 2008). Other regulations governing the tourist industry are tourism development levy regulations, 2009; tourism (fees and charges) regulations, 2009; tour operators (regulations and licensing regulations), 2009; tourism (tour guide) regulations, 2009; tourism (accommodation) regulations, 2009; wildlife conservation (capture of animals) regulations, 2010; dealers in trophies regulations, 2010; tourist hunting regulations, 2015; wildlife fencing and breeding sites, orphanages and sanctuaries regulations, 2004; and forest (amendment) regulations, 2012.

As shown in Figure 1, various regulations mandate a multitude of institutions to govern the tourist industry. Although the MNRT is mainly responsible for managing tourism, the industry is governed by regulatory agencies mandated to manage natural resources and provide some tourism licences, namely, TTB, the Ngorogoro Conservation Area Authority, Tanzania National Parks Authority and Tanzania Tourist Licensing Board. A review of the mandates of various government entities and interviews with heads of regulatory agencies indicated that "out of 19 government ministries in Tanzania, 10 had a direct impact on tourism activities in terms of registration, licensing, and permits. At least 18 regulatory agencies and government departments, most of which belong to different ministries, regulate the tourist industry, and directly influence the policies and regulations governing it". In addition, it was observed that sub-national governments at the regional, municipal, district and village level operate as semi-autonomous institutions and have the power to licence and impose levies on tourism activities. Notable interventions by the regulatory agencies include environmental regulations, labour control, taxation, food hygiene and occupational health and safety, liquor licensing and general business regulations, which span a range of areas and levels of government. Interviews with owner-managers of tourism entities indicated that they were

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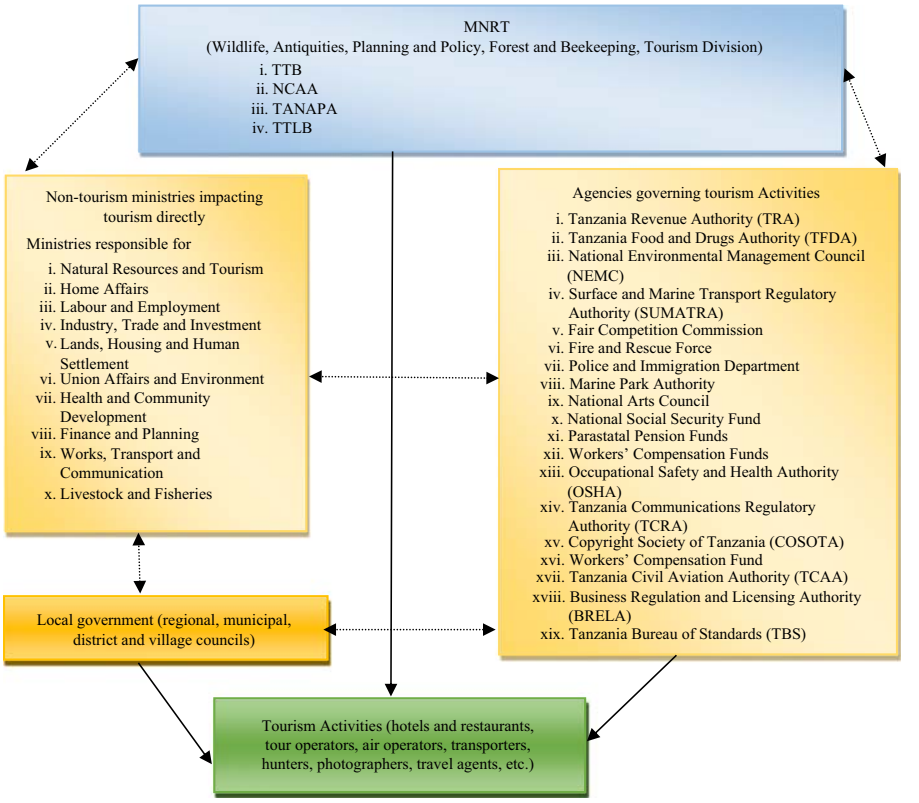


Figure 1.
Institutions governing tourism enterprises in Tanzania

Source: Author's compilation

regulated and controlled by many agencies, whereby each of them was governed "by at least 20 agencies. Air operators were governed by 10 agencies, which charge several fees and levies, some as many as 19" (e.g. Tanzania Civil Aviation Authority).

Of the 15 public officials interviewed, 12 (80 per cent) reported that state agencies governing tourism were somewhat disjointed, as they were established by different acts enforced by different agencies. One respondent said that, "We would like to cooperate but the mandate of each government agency is drawn from a different act, and most agents are under different ministries". All the respondents mentioned the level and scope of cooperation between the different ministries and agencies and the frequency of exchanges, but it was unclear which one was responsible for governing tourism. In this case, the respondents recommended the introduction of tourism consultative committees and task forces that would advise the government on how to handle the duplication of regulatory functions. "Unfortunately, the task forces created have been ad hoc and not legally enforced", reported one respondent.

Taxes and charges imposed on tourism services

The findings indicate that tour operators, hoteliers, aircraft operators and travel agents paid a large number of fees, most of which were not only difficult to comply with but were also difficult to administer. The taxes and charges observed from the schedules reviewed are classified as: general taxes and charges that all businesses were charged; general tourism

taxes and levies that all companies operating in the tourist industry paid; arts and crafts taxes and fees; aviation taxes and fees; taxes and levies imposed on hotels, lodges and camps; and taxes and levies imposed on tour operators. These charges exclude user fees (i.e. charges for providing a particular service, as these charges are optional for a business).

The tour operators interviewed reported that they paid a minimum of 22 taxes and levies, mostly to the central government (Table II), which did not include those imposed on tourists, such as visa and park entry fees. In addition, several charges were imposed by LGAs. For instance, tour operators were required to pay the "service levy (0.35% of turnover), vehicle parking fee ($0.2 per vehicle per hour), waste collection fee ($5–$15 per month), signboard fee (ranging from $200–$1,000 per annum based on the size of the signboard), loading and

Taxes and levies	Institution	Rate/amount	Frequency
Corporate Tax	TRA	30% of net income	Annually
Skills and Development Levy	TRA	5% of gross salary pay	Monthly
Value Added Tax	TRA	18% of the value of transaction	Per transaction
Land Rent	Ministry of Lands, Housing and Human Settlements	Based on the size and location of land	Annually
Property Tax	Municipal Council	0.15% of property value	Annually
Tourism Agency Licence (TALA)	MNRT	Range from USD 500-10,000	Annually
Business Licence	Ministry of Industry, Trade and Investment (MITI)	Depending on type and size of business	Fixed
Work Permits	Ministry of Home Affairs	Fixed fee Class A $3,050 (investor), Class B $2,050 (employee)	Every 24 months
Fire Certificate	FRF	Ranging from $100–$5,000 based on the size of the building	Annually
Vehicle Inspection	Police Department	$20 per vehicle	Annually
Vehicle Safety Week Sticker	Police Department	$2 per vehicle	Annually
Firearms Licence	Police Department	Rate dependent on type/calibre of arms ($40–$80)	Annually
Occupational Health and Safety	OSHA	Based on the number of employees	Annually
Frequency Radio Licence	TCRA	$75 per radio ($500 per radio for aircraft operators and minimum of 2 radios required)	Annually
Base Station Licence	TCRA	VHF base station $80 per station; HF base station $120	Annually
EWURA charge	Tanzania electric Company (TANESCO)	2% of billed amount	Monthly
Rural Energy Agency (REA) Tax	TANESCO	3%–5% of billed amount	Monthly
Certificate of Incorporation	BRELA	Depends on nominal share capital maximum $150	Annually
Business Registration Name	BRELA	$3,000	Fixed
Stamp Duty on Rent	TRA	1% of value of lease	One-off
Withholding Tax on Rent	TRA	5% of value of lease	Annually
Airport Tax	TRA	Local flights: $10, international flights $40	Per passenger per flight

Source: Author's compilation

Table II. Taxes, fees and levies charged to tour operators in Tanzania

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unloading fee ($0.25 per bag), wildlife management area (WMA) fee and concession fee ($50 per tourist night). Other compliance requirements included contributions to the workers' compensation fund (1% of the gross salary) and National Social Security Fund (10% of the gross salary contributed by employers)". Taxes were also attached to utilities such as water, fuel and electricity, along with indirect taxes on the procurement of goods and services.

The majority of tour operators complained about the complexity of the licensing process. For instance, while tour operators had to obtain a Tourist Agent Licensing Authority (TALA) and BRELA licence, they were also required to register with the Tourism Board. Depending on size, each tour operator had to pay $500–$10,000 a year as the TALA licence fee, after paying the BRELA fee. Surprisingly, professional hunters had to pay for a licence even if they were employed by the hunting company, which had already paid for the TALA licence. Each branch of the tour operator also had to pay for the TALA licence as an individual entity. This entry requirement was so high that a large number of starters with limited capital operate outside the legal system, thereby offering products of a lower value.

Civil aviation is regulated by TCAA, which was established by the Civil Aviation Act of 2006, to ensure the safety and security of airports, air transport, and aeronautical and navigation services. While TCAA alone charges air operators 19 licence fees (Table III), the TCRA Act of 2003 also requires tour companies to pay $75 per frequency of flight and $500 per frequency of aircraft operations. The passenger service charge is the most important revenue generator among the aeronautical charges, accounting for almost 74 per cent of the total[1], as TAA charges a passenger service fee of $40 for each departing international passenger and $6 for each domestic passenger (United Republic of Tanzania (URT), 2006).

Evidence from hoteliers indicates that they paid almost all the taxes and levies that tour operators were charged, plus other specific levies. In total, they were subjected to 32 payments relating to taxes, licences and levies, including general hotel licence; licence to operate a restaurant and bar; LGA licence, once the premises have been inspected by a health officer; certification by NEMC; hotel levy; taxes paid to the TRA; and several LGA levies and charges. The respondents reported that they had to pay the bed night levy ($2 per bed), TFDA for the

Taxes and levies	Rate/amount	Frequency of payments
Aerodrome inspection	Depends on category of aerodrome stipulated in the Civil Aviation (Aerodrome) Regulations	Every 24 months
Certificate of air worthiness	Various rates ($200–$500) depending on weight of aircraft	Annually
Certificate of registration of aircraft	Various rates ($450–$750) depending on weight of aircraft	Annually
Air service licence application fee	$1,000	One-off
Air service licence	$1,200	Annually
Ground handling licence	$1,000	One-off
Ground handling licence	$3,000	Annually
Provisional air service licence	$500	One-off
Short-term licence fee for foreign registered aircraft	Depending on weight on take-off and whether aircraft operates beyond one designated entry point	One-off
Air operators certificate	$900	Annually
Aviation safety fee	Local flights $2, international flights $9	Monthly
Air navigation charges	Various rates between $60–$104 depending on aircraft weight and time of take-off	Monthly
Approved maintenance organisation certificate	$4,500	Annually
Test flight fee	$70	One-off
Permit to fly fee – emergency	$27	One-off

Table III. Specific aviation fees and levies charged by TCCA

Source: Compiled by the author

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health inspection and registration certificate ($80 per annum) and COSOTA ($100–$200 per annum), depending on the size of the building and number of entertainment facilities. A hotel owner claimed that "the government introduced the tourism development levy in 2013, which requires every registered tourism accommodation facility to collect a 'bed night' levy of 2% from every tourist. In addition, hotels are required to pay 10% of their turnover as hotel levy, which is enforced by LGAs". The Tanzania Confederation of Tourism claimed that although several proposals have been made to improve compliance in the tourist industry, for instance, through delegation, information sharing and co-regulation of the regulatory agencies, the proposed changes have not been implemented.

The Hotel Association of Tanzania (HAT) reported that most members paid for the TALA licence just like tour operators. While the TALA regulations require all persons owning tourism facilities in Tanzania to obtain a TALA licence, it was observed that each accommodation facility owned by the same person and/or entity had to pay for the TALA licence per facility. A HAT member paid up to $45,000 annually for the TALA licence for his hotel. In addition, applying for the TALA licence required several duplicate procedures, which included submitting a copy of the certificate of incorporation and evidence of holding a licence from BRELA, while this was already provided in the certificate of incorporation. When renewing the licence, some processes were repeated, as most of the required information was standard and already existed in files held by other regulatory agencies. The respondents suggested that the TALA licence should be integrated in the BRELA licence to avoid unnecessary duplication of processes and fees. The respondents also felt that the introduction of an automated online application process and the use of the mobile payment system would reduce time and the cost of compliance.

Perceived regulatory challenges facing tourism enterprises

As indicated in Figure 2, of the 50 respondents from the private sector, 44 (88 per cent) ranked multiple taxes and charges as the most critical challenge facing the tourist industry. Nearly 84 per cent of respondents cited poor treatment by regulatory agencies as the issue most affecting their businesses. Of the respondents, 27 (54 per cent) indicated that the

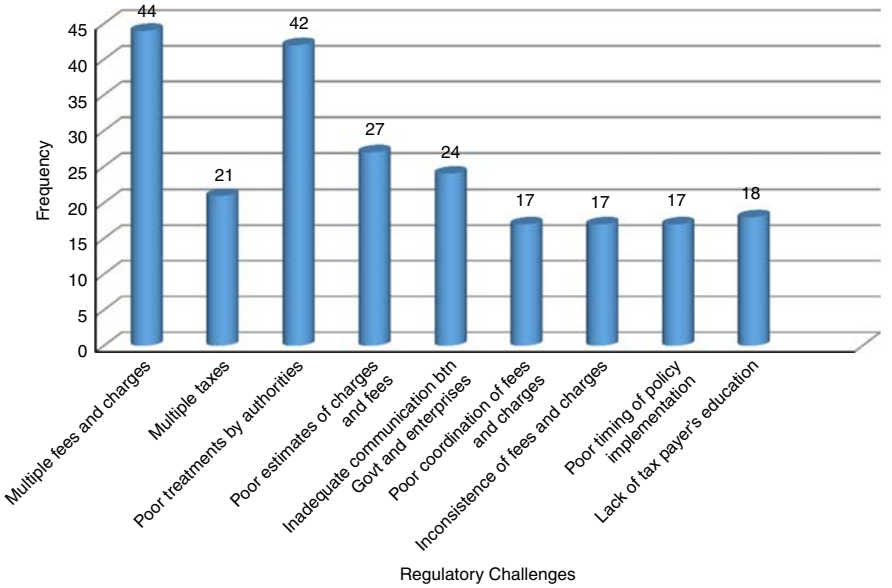


Figure 2.
Regulatory challenges facing tourism enterprises in Tanzania

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unclear basis for estimating taxes and levies contributed to the inadequate business environment for tourism enterprises in Tanzania. Confiscation of signboards, the closure of businesses, the short notice given and the poor service provided by LGAs were cited as additional hurdles. For instance, a hotel owner in Arusha claimed that, "in 2016/17, the property tax was raised from $200 to $1,500 per year, an increase of 650%, without any prior communication to the enterprise. Although this was followed up at the city council for clarification of the increase, no proper explanation was given by the officer, apart from showing him a picture of his building, and he was told that the indicated amount was the amount he had to pay". In this case, the authorities refused to clarify the issue and ordered him to pay immediately after receiving the bill.

Furthermore, inadequate communication between the authorities and the business community was identified by almost half the respondents as one of the key challenges facing the tourism sector. At least 40 per cent of the respondents further claimed that the inadequate education of taxpayers provided by the government was a challenge for most tourism enterprises. The respondents indicated that few business operators had any knowledge of the taxes and fees they had to comply with, which paved the way for dishonest government officers to ask for a bribe. Enterprises were unable to obtain clear information on the licences they needed to obtain and the requirements they needed to comply with to obtain a licence. Of the 50 respondents, 17 agreed that this issue was one of the causes of unrest in the tourism business.

Over 80 per cent of the respondents reported that, besides the multiplicity of regulatory agencies, most procedures were burdensome for enterprises. For instance, a tour operator based in Arusha claimed that "tour operators pay four for at least nine duties, licences and fees for each vehicle, namely, import and excise duty, VAT, vehicle registration and inspection fee, insurance, safety sticker, SUMATRA sticker, corporate tax sticker, and radio frequency licence. In addition, I have to pay for 12 licences, including for the certificate of registration, business licence and TALA licence (for tour operations, camping, and mountain climbing) and VAT, corporate and withholding tax and SDL, as well as paying for municipal services and work permits and contributing to NSSF. I also pay a lot of municipal and local government nuisance charges to operate my business".

All the enterprises were concerned about the uncertain future of their businesses given the ad hoc and abrupt policy changes made by local and central government. One respondent said, "I cannot plan how to grow my business given the current practice whereby the government makes abrupt decisions without consultation". Another respondent cited examples of harassment by health officers, parking service providers and tax collectors. It was further found that a respondent who was running several hotels in Arusha "received a bill from the city council amounting to $276,000 for property tax in May 2016. The amount was not the same as he paid in previous years, which was $80,000. This was an increase in property tax of 245%. The respondent was shocked because he was unaware of any revised valuation of the property that justified the new property tax being imposed. While the company had not received clarification on the new bill, an officer from the city council visited the hotel demanding payment of this bill. When the officer did not get paid, he closed the front door of the office, threatening to come back the next day to lock the main gate to prevent any activities taking place. This was not only harassment, it was also against the directives given in the council's letter, which said, 'This demand should be settled in full within 90 days of receipt' ".

Another case was about the introduction of VAT on tourist services, which had been under discussion for several years. In 2016, the government introduced VAT of 18 per cent and enforced it immediately. Tourism-related companies asked the government to give them a grace period of six months for them to allow the clients who had already paid to be served without adding to their costs. This request was rejected, and there were already indications that this change would cause the number of tourists to fall and affect other businesses in the

tourism value chain. The respondents from most hotels claimed that reservations were then between 30 and 40 per cent compared with 80 per cent in the past. It was observed that "only 20 % of rooms at two major hotels visited in Arusha were occupied each day compared with an average of 70% beforehand. A tour company, which was among the top five taxpayers in Arusha, with more than 1,000 employees, was drafting a contract to end the employment of 300 people due to increased compliance costs and a decline in their business".

Four respondents from the city and municipal councils reported that they had received instructions to implement ad hoc decisions, which were likely to cause business unrest. The introduction of VAT on tourist services and the Workers' Compensation Fund, which required enterprises to contribute 1 per cent of staff salaries, was cited as an example of the decisions made without consulting employers. The abrupt change in property taxes and parking fees was cited as another example. Most respondents claimed that the tax rates and fee schedules were different, as were the payment procedures, the collecting agencies involved and the frequency of payment.

Interviews with business associations indicated that the private sector had persuaded the government to lower park entrance fees by 50 per cent during the off-season; lower the fee for formalizing a tour operator business; review the tourism regulations to make them more facilitative; reduce the time and cost of an environmental impact assessment; reduce the visa-processing time on arrival from 1.30 h to 15 min; reduce the skills development levy to 2 per cent and allow the private sector to claim up to 50 per cent of it (then 1 per cent) against actual expenditure incurred in training staff; continue to be VAT exempted; allow a minimum period of 12 months and consultations before introducing new taxes; introduce a mandatory regulatory impact assessment for all new regulations impacting the tourism sector; and harmonise taxes and levies charged by local and central government agencies. These proposals have not been implemented, but still more taxes and levies have been introduced, such as the hotel levy, VAT, workers' compensation fee and several LGA charges.

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Discussion

This paper indicates that, despite the importance of tourism, it is highly regulated by national, sub-national and sectoral regulations, each established by a different act as a semi-autonomous entity. Four main governing authorities are identified, i.e., MTNR, other ministries, central government agencies and LGAs. It is evident that tourism institutions and LGAs were established by different acts. Consequently, due to the presence of uncoordinated regulatory institutions, tourism enterprises are subjected to too many duplicate licences required by central and local government bodies; the TALA licence is required by both enterprises and employees; the high cost of licences, including LGA fees and levies; the high fees for aviation and radio frequency licences; high hotel levies; too many vehicle stickers; and uncoordinated inspections. There is still a limited platform for the sharing of information by regulators, which makes coordinating the pricing of their services more difficult.

Our findings corroborate the observation made by Vjekoslav *et al.* (2012) that tourism taxes include several hidden fees, but the way in which they are calculated is unclear. In this case, the complexity of the tourism regulatory framework is not only caused by the rate and number of taxes imposed on the sector but also by the duplication of their roles and the duplicated taxes and fees charged by regulators. While it appears that the sector is governed through "agentification of public institutions" (Amaury and Tom, 2006), there was no effective mechanism to ensure the accountability and cooperation of regulatory agencies. It is seems that there was no formal structure for facilitating information sharing, awareness and coordination between government agencies, across different levels of government, and between government and industry. This appears to give room for regulatory agencies to pursue self-interest and embark on rent-seeking behaviour. In line with the study of Hansen *et al.* (2017), this is one of the key institutional challenges of the business environment in Africa.

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As indicated in our findings, communication between the state and tourism enterprises has always been ineffective. To a large extent, more taxes and levies have been introduced by state agencies without engaging in dialogue with enterprises on how to reduce their costs, but collaboration between these agencies and tourism enterprises is needed for effective governance of their activities. Therefore, governance of the tourism sector requires collaboration between the public and private sector as well as the various public agencies that govern the tourism sector. This is achieved through a legislative structure that describes the institutional arrangement for implementing the tourism policy (Harris, 2006). Accordingly, MNRT can act as the central coordinator of the interventions designed to regulate the tourist industry.

Therefore, the institutions and regulations targeting tourism enterprises need to be coordinated at national and sub-national government level as well as sectoral level. This is in line with Kooiman's (2000) notion of socio-political governance, which conceptualises tourism governance as a dynamic phenomenon that requires close interaction between the different actors. In supporting the proposal by WTTC (2017), it is apparent that the setting up of legal consultative institutions, such as inter-ministerial, cross-governmental and public–private sector committees will enhance collaboration between the various stakeholders to improve the coordination of policies and their implementation. Having more rational institutional arrangements, with legally defined functions and responsibilities of government at various levels, will enable the merging of some administrative processes and costs.

Implications and areas for further research

This paper shows that implementing a regulatory framework is a significant challenge for tourism, mainly due to the inadequate coordination of regulatory agencies and the multiplicity of taxes and levies collected by different government entities at local and national level. It is evident that different government agencies operate in isolation from each other, protecting their mandates through conflicting laws and regulations, particularly with respect to private sector operations. This implies that the absence of a legal set-up to govern the multiple institutions governing the private sector is likely to increase the self-interest and rent-seeking behaviour of the multiple groups/actors governing tourism, as propounded by the theory of regulation.

Theoretically, the paper supports the private interest view (Stigler, 1971) that groups maximise their interests when the institutional architecture determining how actors relate to one another is weak. Contrary to the traditional agency theory's assumption, in which the principal and agents are considered the unit of analysis (Jensen and Meckling, 1976), this paper shows the relevance of taking into account the need for collaboration between multiple agents in order to reduce agency costs. Because a strategy for streamlining divergent regulators targeting the tourist industry is lacking, it is apparent that agentification of public agencies is likely to increase agency costs rather than improve efficiency. In view of this, our paper suggests further development of the agency theory from the description of the principal–agent relationship (Shapiro, 2005) to include monitoring the agent's processes and engagement with the public sector in order to reduce compliance costs resulting from the duplication of some functions. It expands the literature on tourism policy, which has largely focussed on how to cut down on red tape by taking into account the issue of how to structure coordination of the regulators. Accordingly, it indicates that achieving an effective regulatory framework for tourism is a result of cooperative efforts by the regulator and other regulators, the regulated, and often the business community. Therefore, the institutional perspective is relevant when applying the agency theory to analyse the accountability of several divergent public sector agents mandated to govern tourism.

From a practical perspective, it is essential that the regulatory framework is reviewed in order to streamline the operating procedures of the regulatory agencies and reduce duplicate functions and administrative costs. This means developing and implementing a structure

that facilitates inter-government coordination, which will allow regulators to simplify their dealings with businesses through delegation, information sharing and joint regulation. This will require the development and enforcement of a coordination structure, such as a "one-stop centre" under MNRT, to coordinate inter-ministerial and cross-government consultation and promote structured interaction when regulatory agencies are executing their mandates. In view of this, MNRT will be the highest-level coordination body facilitating the vertical coordination of all institutions governing the industry. A similar institutional coordination is observed in other emerging countries such as Brazil, Egypt, India, Indonesia, Israel, Mexico, South Africa and the Philippines (WTTC, 2017). Involvement of the private sector primarily through trade associations and appointing industry leaders to participate in tourism consultative organs will enable private sector ideas to be translated into policy and regulatory interventions (Sen, 2015; Taylor, 2012).

Although our study makes an important contribution to the tourism policy literature, it has some limitations. Basically, the study is based on the qualitative approach and so further analysis is needed to allow generalisation and confirmation of the findings presented in this paper. Because the data used were drawn from a single country and a particular tourist site, further investigation with the inclusion of other countries is needed. More detailed analysis of the objectives of each regulation and associated fees would help guide the development of a regulatory coordination framework for tourism. While regulators impose fees and charges for regulatory activities, the issue of whether regulators should be able to retain the proceeds generated is complex and requires further investigation. Indeed, more analysis is needed to establish the optimal level of fees charged by regulatory agencies and the most effective mechanism for collecting them from tourism enterprises. Finally, there is a need to further explore the models of cooperation between the regulators.

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Note

1. According to data published by TCAA in 2014.

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