

# **SEED WORKING PAPER No. 55**

*Series on Conducive Policy Environment for  
Small Enterprise Employment*

## **Creating a Conducive Policy Environment for Employment Creation in Micro and Small Enterprises in Tanzania**

by

Paula Tibandebage  
Samuel Wangwe  
Moses Msuya  
Darlene Mutalemwa

InFocus Programme on Boosting Employment  
through Small Enterprise Development  
Job Creation and Enterprise Department



International Labour Office • Geneva

Copyright © International Labour Organization 2003  
First published 2003

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; e-mail: [cla@cla.co.uk](mailto:cla@cla.co.uk)], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; e-mail: [info@copyright.com](mailto:info@copyright.com)] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

---

ILO  
*Creating a Conducive Policy Environment for Employment Creation in Micro and Small Enterprises in Tanzania*  
Geneva, International Labour Office, 2003

ISBN 92-2-113754-6

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

---

Printed in Switzerland

## Foreword

Policies, institutions and regulations that provide an enabling environment for small enterprises can make a substantial contribution to employment creation. This report is the outcome of a research project undertaken by the International Labour Organization (ILO) to analyse how the regulatory environment affects the growth of micro and small enterprises (MSEs) and, in turn, the generation of MSE employment in the Tanzanian economy.

The assessment of the policy environment for small enterprises in Tanzania is based on a careful mapping of existing laws and regulations. Despite small enterprises dominating the enterprise landscape in the United Republic of Tanzania, this sector can be characterized as survivalist and providing poor quality employment. This situation is aggravated by the policy and legal framework in which MSEs operate. As this study shows, MSEs face wide-ranging encumbrances that are placed upon them by laws and regulations that show very little understanding of the dynamics of small enterprises. As a result, many MSEs hide from their obligations by operating in the informal economy.

The ILO's InFocus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED) initiated an international research project on the policy environment for small enterprises and its impact on the volume and quality of employment created by these enterprises. Seven countries participated in this research effort: Chile, Guinea, Pakistan, Peru, South Africa, Tanzania and Viet Nam. This Working Paper is part of the series on "Conducive policy environment for small enterprise employment" by IFP/SEED. The research has been funded through the Dutch Partnership Programme with the ILO, and the ILO and the ESRF would like to thank the Dutch Government for its on-going support for small enterprise development in Tanzania.

The research activities are leading to new policy training materials and policy guidelines. Through action programmes at country and regional levels, SEED works with national stakeholders to assess the policy environment and to strengthen national and local capacities to design, implement and evaluate policy reform. SEED also maintains a database on national policies, laws and regulations pertaining to small enterprise development, which can be consulted on-line on SEED's website (<http://www.ilo.org/seed>).

This report has been written by a team headed by Paula Tibandebage of the Economic and Social Research Foundation (ESRF) in Dar es Salaam. Team members included Samuel Wangwe, Moses Msuya and Darlene Mutalemwa. The research was supported and coordinated by IFP/SEED in close cooperation with the ILO Office, Dar es Salaam. Dominique Gross from the ILO's Social Finance Programme provided useful comments on the section dealing with finance and credit policies, and Geraldeen Fitzgerald edited the document.

Ali Ibrahim  
Director  
ILO Dar es Salaam Office

Kees van der Ree  
Director (a.i.)  
InFocus Programme on Boosting Employment  
through Small Enterprise Development



## Table of contents

Foreword.....	iii
List of abbreviations.....	vii
Executive summary.....	ix
1. Background and context.....	1
1.1 Introduction.....	1
1.2 Macroeconomic overview.....	1
1.3 Labour force and human resources.....	6
1.4 Conclusion.....	11
2. Role of MSEs in employment and the economy and key characteristics of MSE owners and workers.....	13
2.1 Statistical sources.....	13
2.2 Employment shares.....	14
2.3 Trends in employment.....	17
2.4 Job quality in MSEs.....	20
2.5 Characteristics of MSE owners/managers and workers.....	25
2.6 Conclusion.....	27
3. The policy and legal environment.....	29
3.1 Specific MSE policies and laws.....	30
3.2 Business laws and regulations.....	35
3.3 Finance and credit policies, laws and regulations.....	38
3.4 Taxation policies, laws and regulations.....	40
3.5 Labour policies.....	43
3.6 Trade policies.....	47
3.7 Enabling and innovation policies.....	49
3.8 Conclusion.....	53
4. Conclusions.....	57
Bibliography.....	59
Annexes.....	63
Annex 1: Enterprises by size and education and sex of owner/manager.....	63
Annex 2: Summary of economic reforms undertaken after 1992.....	65
Annex 3: Business start-up costs and delays.....	67
Annex 4: Definitions of the informal sector.....	69
Annex 5: Institutions in Tanzania with an impact on MSEs.....	71
Annex 6: Individuals consulted in the course of this report.....	77
Annex 7: Map, United Republic of Tanzania.....	79

## List of tables

Table 1.1: Economic performance: 1990-99 .....	3
Table 1.2: Poverty and social indicators: Comparison between Tanzania and averages for developing and developed countries, 2000 .....	10
Table 2.1: Definition of enterprise size, based on number of employees, capital investment and turnover, 2001 .....	14
Table 2.2: Employment in the informal sector by status, 2000/01 .....	16
Table 2.3: Persons engaged in the informal sector by sex and by industry, 2000/01 .....	17
Table 2.4: Average number of employees by enterprise size, 1990-95 .....	18
Table 2.5: Changes in sales volume, according to enterprise size, 1999-2001 .....	19
Table 2.6: Enterprises insuring their workforce against accident and illness by enterprise size, 1998 .....	21
Table 2.7: Enterprises undertaking training for workers by enterprise size, 1998 .....	24
Table 2.8: Informal sector enterprises by size and owner/manager's sex, 1991 .....	26
Table 3.1: Influence of government policies and labour laws on employers' decisions on employment, working conditions and investment by enterprise size, 2001 .....	54

## List of figures

Figure 1.1: Sectoral contribution to GDP in 1989 and 1999 .....	4
Figure 2.1: Enterprise average age, according to enterprise size, 1995 .....	19
Figure 2.2: Distribution of surveyed enterprises by size, 1999 and 2001 .....	20
Figure 2.3: Provision of insurance and old age pension schemes for workers, 2001 .....	22
Figure 2.4: Enterprises improving, expanding, or adding new premises by enterprise size, 2000-01 .....	23
Figure 2.5: Entrepreneur participation in business management or related technical training courses, 2001 .....	24
Figure 2.6: Percentage of enterprises with workers belonging to a trade union by enterprise size, 1998 .....	25

## List of abbreviations

AIDS	Acquired Immune Deficiency Syndrome
BDS	Business Development Services
BEST	Business Environment Strengthening for Tanzania
BoT	Bank of Tanzania
BRELA	Business Registration and Licensing Authority
CBO	Community Based Organisation
CTI	Confederation of Tanzania Industries
DANIDA	Danish International Development Agency
DISS	Dar es Salaam Informal Sector Survey
EAC	East African Community
EC	Entrepreneurship Centre
EDC	Enterprise Development Centre
ERP	Economic Recovery Programme
ESRF	Economic and Social Research Foundation
FAIDA-SEP	Finance and Advice in Development Assistance to Small Enterprise Promotion
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft Fur Technische Zusammenarbeit
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICTs	Information and Communication Technologies
IFP/SEED	ILO's InFocus Programme on Boosting Employment through Small Enterprise Development
ILFS	Integrated Labour Force Survey
ILO	International Labour Organisation
IPA	Investment Promotion Authority
IPC	Investment Promotion Centre
IRP	Integrated Roads Project
ISS	Informal Sector Survey
MCDWAC	Ministry of Community Development, Women and Children's Affairs
MIT	Ministry of Industry and Trade
MLGRA	Ministry of Local Government and Regional Administration
MLYD	Ministry of Labour and Youth Development
MOE	Men-owned enterprise
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoSTHE	Ministry of Science, Technology and Higher Education
MSE	Micro and small enterprise
MSME	Micro, small and medium enterprise
NESP	National Economic Survival Programme
NGO	Non-Governmental Organisation
NIGP	National Income Generation Programme
NMB	National Micro Finance Bank
NORAD	Norwegian Agency for International Development
NPF	National Provident Fund
NSSF	National Social Security Fund
ODA	Official Development Assistance
PC	Planning Commission
PRSP	Poverty Reduction Strategy Paper
QER	Quarterly Economic Review
RPED	Regional Programme for Enterprise Development
SACCOS	Savings, Credit and Cooperative Societies
SAP	Structural Adjustment Programme
SELF	Self-employment Loan Facility

SICATA	Small Industries Consulting and Training Assistance
SIDA	Swedish International Development Agency
SIDO	Small Industries Development Organisation
SME	Small and medium enterprise
SSA	Sub-Saharan Africa
SSMECA	Strengthening Small and Micro Enterprises and their Co-operatives and Associations
TASISO	Tanzania Small Industrialists Society
TAFOPA	Tanzania Food Processors Association
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TIC	Tanzania Investment Centre
TIRDO	Tanzania Industrial Research and Development Organisation
TZS	Tanzanian Shilling
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
URT	United Republic of Tanzania
USAID	United States Agency for International Development
VAT	Value Added Tax
VETA	Vocational Education and Training Authority
VIBINDO	Viwanda na Biashara Ndogondogo
VPO	Vice President's Office
WHO	World Health Organization
WOE	Women-owned enterprise

## Executive Summary

The objective of this report is to analyse the impact of the policy and legal environment on the volume and quality of employment in Micro and Small Enterprises (MSEs) in the United Republic of Tanzania.<sup>1</sup> The report addresses the following questions:

- (i) To what extent is the identified pattern of employment in MSEs desirable in terms of socio-economic development?
- (ii) What are the main elements of a well-designed policy and legal environment that leads to employment creation within MSEs?
- (iii) What are the main elements required for effective policy implementation?

To establish the link between the policy and legal environment affecting MSEs and their volume and quality of employment, this report:

- assesses the status of MSE employment in terms of employment shares and employment flows;
- determines job quality in MSEs in terms of remuneration levels, job security, social protection, working conditions, staff development and management and organization;
- provides a systematic review of the relevant policies and laws. Reviewed policies and laws cover seven main areas of the policy and legal environment – specific MSE policies, business laws and regulations, taxation laws and regulations, labour policies, laws and regulations, trade policies, finance and credit policies, laws and regulations, and enabling and innovation policies; and
- analyses the implications of the policy and legal environment, to assess the extent to which it positively or negatively affects enterprise growth, owner/manager behaviour and the quality of jobs for workers in MSEs.

To ensure coverage, the report utilizes data from national and small-sample surveys and information from field interviews conducted with selected stakeholders, and reviews existing studies on MSEs and on enterprise performance and promotion issues.

The analysis of the macroeconomic context within which MSEs operate indicates a positive trend in macroeconomic performance. However, anecdotal evidence suggests an increase in levels of poverty – both income and non-income, with a declining trend in social indicators. The public sector is no longer the main provider of wage employment and the private sector still lacks the capacity to absorb the large number of job-searchers entering the labour market annually. Unemployment is high, with youth unemployment highest. These factors underline the need for further improving the macroeconomic environment and promoting investment, if poverty is to be reduced and sustainable employment created in Tanzania.

Despite increased efforts to improve it, the policy and legal environment affecting MSEs remains unfavourable to the promotion and development of the sector and its workers. The main conclusions and findings of this report are as follows.

---

<sup>1</sup> Referred to in this report as Tanzania or URT, for reasons of space.

Although the MSE sector has high potential for employment creation in Tanzania, many enterprises serve only as a means of survival for their operators. Overall, MSEs have limited opportunity to grow and expand, rather than being demand-driven businesses with growth potential. Nevertheless, MSEs have played an essential role in supplementing falling incomes in the formal sector (as second jobs) and in sustaining some of those who lost their employment in the formal public sector.

Although there is no national trend data, the limited available data show that from 1990 to 1995, the average number of workers in surveyed MSEs was either increasing (for micro enterprises) or remained more or less unchanged (particularly in small enterprises). On the other hand, over the same period medium and large enterprises on average experienced a decline in their number of workers. Relatively, therefore, the MSEs performed better in job creation than medium and large enterprises.

Data on enterprise age suggest that MSEs on average survive for a shorter period than larger enterprises. One reason is that competition seems to be high, not only among MSEs but also from larger firms and from imports, implying low profit margins.

The quality of jobs created in MSEs is poor. Workers in MSEs work in a non-conducive, non-motivating environment. Remuneration levels are lower than those in other sectors and many workers operate in an insecure and unstable environment, with limited provision for social protection or opportunity to either acquire or enhance skills.

Interviews with stakeholders indicate that the policy and legal environment acts as a disincentive to MSE owners and aspiring entrepreneurs. A surfeit of taxes complicated by cumbersome, bureaucratic procedures in tax administration – in addition to the equally slow and cumbersome processes necessary to register business names and acquire business licenses – are constraints on MSE start-up which require streamlining.

In terms of the quality of employment created in MSEs, this analysis shows that out-of-date laws and policies, which explicitly or implicitly exclude MSEs, have contributed to a poorly remunerated workforce, with limited job security, scant social protection and few opportunities for skills enhancement.

Data from the 2001 MSE survey (conducted in tandem with this report) show that even though the majority of the owners/managers interviewed stated that policies and regulations had no influence on their decisions (on key issues such as employment levels, working conditions and investment) during the past two years, a substantial proportion of respondents found that government policies and regulations had a negative influence on their decisions.

On the positive side, this report also shows that numerous policies have good (and relevant) objectives that, if effectively implemented, would promote employment in the MSE sector. However, evidence strongly suggests that many of these objectives have not been effectively translated into action – as indicated by the persistence of the problems facing MSEs. While lack of effective implementation strategies are identified as the cause, the country's situation (characterized by resource constraints, a lack of transparency and corruption) is also a considerable obstacle to the effective implementation of policies and laws.

The participation of both women and men in economic activity is a critical factor in ensuring sustainable development but very few women own MSEs compared to men and these women are primarily concentrated in smaller – and more vulnerable – enterprises.

The constraints that adversely affect MSE development, growth and quality of employment are being recognized. Currently, efforts are being made to create a more favourable policy and legal environment. This has involved initiatives aimed at improving, among other things, access to credit and training opportunities, highlighting MSE promotion as a key policy concern, improving social protection, and strengthening the institutions that support MSEs.



# **1. Background and context**

## **1.1 Introduction**

This report analyses the effect of the policy and legal environment on the volume and quality of employment in MSEs in Tanzania. It provides answers to the following questions:

- (i) To what extent is the identified pattern of employment in MSEs desirable in terms of socio-economic development?
- (ii) What are the main elements of a well-designed policy and legal environment that leads to employment creation within MSEs?
- (iii) What are the main elements required for effective policy implementation?

The steps taken to address these questions determine the structure of this report. They include a discussion of the macroeconomic context within which MSEs operate, an assessment of employment data (aggregated and disaggregated) to determine the place and role of MSEs in employment and the economy, a mapping of relevant policies and laws and a review of their implementation and the policy and legal environment influencing the MSE sector.

## **1.2 Macroeconomic overview**

When Tanzania attained its political independence from Britain in 1961, the Government initially followed a largely mixed economic strategy up to 1967.<sup>2</sup> With the implementation of the Arusha Declaration in 1967, Tanzania moved towards a socialist development strategy, aimed at controlling the national economy so as to minimize external and internal exploitation; expanding national wealth; and distributing this wealth fairly among individuals, groups and regions within the nation.

From the end of the 1970s to the mid-1980s, the problems of the socialist development strategy enshrined in the Arusha Declaration were manifested by a severe macroeconomic crisis. This crisis was attributed to several factors, both external and internal, including drought, an oil crisis, war with Uganda, and world recession. Real GDP growth declined from an annual growth rate of 2 per cent during 1976-80 to 1.8 per cent during 1981-85 (Wangwe and Tsikata, 1999).

### **1.2.1 Economic reforms**

To deal with the macroeconomic crisis, the Tanzanian Government launched the hastily prepared National Economic Survival Programme (NESP, 1981-82). It envisaged a recovery in economic growth through building up the severely depleted foreign exchange reserves (URT, 1982). The NESP, however, generally failed to address the country's underlying problems: it was based more on exhortation and the wish for self-reliance than on the articulation of policy reforms.

---

<sup>2</sup> Agricultural production, the manufacturing sector, the construction industry, financial sector and services were predominantly in the private sector but the marketing of key crops mostly for export, main utilities and railways were mainly handled by the State.

Home-grown and independent from foreign resource inflows, the ensuing Structural Adjustment Programme (SAP, 1982-85) did not succeed in articulating economic reforms in terms of reducing distortions in the markets for goods and for factors of production.

An even more comprehensive programme followed, with extensive discussions with international finance institutions, such as the World Bank and the International Monetary Fund. The Economic Recovery Programme of 1986-89, or ERP I, was adopted by the Government of Tanzania with a view to overcoming the on-going economic crisis. While the programme was successful in improving economic indicators, the trend in the provision of social services (education, health, water and nutrition) continued to worsen, posing a long-term threat to the whole economy. This was partly because ERP I focused on sectors that were expected to bring fast recovery. Therefore, the Government embarked on the Economic and Social Action Programme (1989-92) or Economic Recovery Programme II (ERP II), which maintained basically the same objectives as ERP (1986-89) but added explicitly a recognition of the social dimensions of adjustment.

Overall, the main emphasis of the ERPs was to place a greater reliance on market institutions and forces, and to increase private sector participation in the development process.

After 1992, reform efforts (whose objectives continued to be the attainment of sustainable economic growth)<sup>3</sup> focused on transforming the public sector to serve a private-sector-led and market-oriented economy. In essence, this was particularly aimed at aligning policy reform programmes<sup>4</sup> with an institutional orientation<sup>5</sup> that was then predominantly parastatal or public. This resulted in the reduction of the civil service from 355,000 to 270,000 and divestiture of more than half of the 400 state-owned enterprises by the end of 1998. Furthermore, an important element of the reforms was to take cognisance of macroeconomic management. This was considered essential for stability and ensuring that the society would live within its means to sustain economic growth.

An encouraging feature of macroeconomic management in Tanzania is the country's fight against inflation. The rate of inflation decreased from 27.7 per cent during 1991-95 to 14.3 per cent in 1996-98 as a result of prudent monetary and fiscal policies. By 1999, inflation declined further to a single digit, reaching 6-7 per cent in early 2000 and 4.9 per cent by June 2001 (Budget Speech 2001).

Reform of fiscal policy has entailed the establishment of the Tanzania Revenue Authority and the introduction of Value Added Tax, which has contributed to increased revenue. Consequently, fiscal deficit as a percentage of GDP has declined from 10.6 per cent in the period 1981-85, to 7.6 per cent during the latter half of the 1980s and even further to 3.5 per cent in the period 1991-95 (Wangwe and Tsikata, 1999).

Other economic reforms that have been implemented together with other significant political and social reforms have included the liberalization of food and some cash crop

---

<sup>3</sup> Annex 3 provides a detailed summary of the economic reforms undertaken after 1992.

<sup>4</sup> Examples include the Public Sector Reform Programme, encompassing the parastatal sector, the financial sector, the civil service and the planning and budgeting system with distinct sectoral reform programmes.

<sup>5</sup> Institutional reforms include the Civil Service Reform Programme launched in 1993, and the Parastatal Sector Reform Programme (carried out under the auspices of the Presidential Parastatal Sector Reform Commission) established in 1992.

marketing; liberalization of agricultural input distributions; deregulation of prices; exchange rate adjustment through a process of devaluation; the establishment of an Inter-bank Foreign Exchange Market in 1994; rationalization of tariff structure; adoption of a national investment policy to protect and promote investment; the establishment of private banks;<sup>6</sup> and expenditure policies directed at controlling Government spending such as cash management and a performance budget.

### 1.2.2 Economic structure and performance

The various economic reforms the country has consistently pursued over the 1990-99 period have become the main driving force for economic growth. As Table 1.1 shows, the GDP growth rate was 2.5 rising to 4.4 for the periods 1994-95 and 1998-99 respectively. GDP per capita also grew from -0.4 in 1994-95, to 1.5 in 1998-99.

**Table 1.1: Economic performance: 1990-99 (two-year averages)**

Indicator	1990-91	1992-93	1994-95	1996-97	1998-99
GDP at factor cost, current prices (million USD)	4 036	4 053	4 516	6 498	7 799
Real GDP growth %	4.5	1.1	2.5	4.1	4.4
Consumer Price Inflation %	22.2 <sup>a</sup>	24.2	31.5	18.6	8.1
Population	25	26.4	27.9	29.6	31.5
GDP per capita Growth	1.7	-1.6	-0.4	1.0	1.5
Investment/GDP %	26.2	26.2	22.2	15.5	15 <sup>b</sup>
External-Debt-Service (million USD)	27.4	31.4	16.9	16.9	17.4 <sup>b</sup>

Notes: <sup>a</sup> 1990 figure not available; <sup>b</sup> 1999 figure not available.

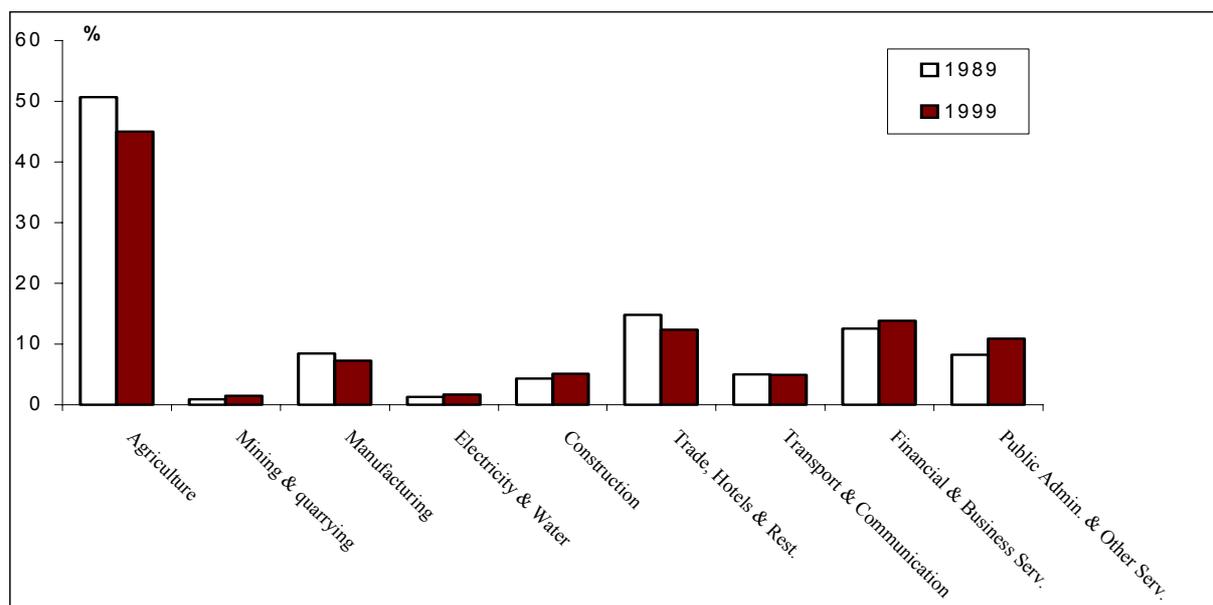
Source: EAC data, World Bank (2001).

The GDP growth rate is dependent on a number of sectors and a comparison of the sectoral contribution to overall GDP for the years 1989 and 1999 is depicted in Figure 1.1, which shows that agriculture is the dominant sector.

The economy of Tanzania is based on agriculture, which is predominantly smallholder and subsistence in nature. In 1999 agriculture comprising of crops, livestock, fishing, forestry and hunting contributed 48.9 per cent to GDP, provided approximately 85 per cent of merchandise exports, and was directly or indirectly a source of employment and livelihood to about 80-90 per cent of the total workforce – the majority of Tanzanians.

<sup>6</sup> The Government initiated a financial sector programme in 1991 whose broad aims, among others, included: to ensure the efficient allocation of financial resources; to promote competition and efficiency in the supply of financial services; and to establish a framework for a healthy competitive banking structure.

**Figure 1.1: Sectoral contribution to GDP in 1989 and 1999  
(measured at current prices, per cent)**



Source: URT, 2000a.

Despite the initiatives taken by the Government from as far back as the 1960s and more recently during the reform period (since the second half of 1980s), progress has remained limited in the agriculture sector due to a number of bottlenecks constraining the sector's performance. They include unpredictable levels of rainfall, rudimentary tools and equipment, poor technology development, poor rural infrastructure hindering production and marketing of agricultural products, weak extension-research farmer linkages, macroeconomic policies that have negative impact on the sector such as excessive taxes, and inadequate rural financial services.

The development of the industrial sector has been mainly pursued in the form of import substitution and is marked by low level of technology, adaptation and absorption. Shitundu (2000) remarked that the performance of the Tanzanian manufacturing sector improved during the reforms. During the 1987-97 period, for instance, the sector real output growth averaged 2.3 per cent compared to the negative 4.6 per cent at the beginning of reforms in 1986. During the same period, industrial capacity utilization improved to between 40 and 60 per cent rates, compared to the rates of between 20 and 30 per cent during the early 1980s. At the same time the manufactured export performance was mixed and generally remained poor particularly in the 1990s. For instance, the sector's export growth declined to 1.4 per cent in 1996 and further to -5.7 per cent and -31 per cent for 1997 and 1998, respectively. Manufacturing sector employment modestly increased from 113,567 in 1987 to 131,267 in 1997, which is not surprising considering the modest investments made in manufacturing. An important portion of private investment is in manufacturing. In 1998, private investment accounted for 80 per cent of all investment in manufacturing.

Given the natural and mineral endowments of Tanzania, tourism and mining are envisaged as offering a big push towards economic growth should their potential be tapped. The opening of the mining sector to a liberalized market and private investment is expected to overcome low levels of investment, poor technology and the widespread smuggling of minerals. In the past decade, the sector's contribution to GDP has always averaged less than

or about 2.0 per cent. Unlike the pre-reform period when the tourism sector was dominated by government institutions and lacked a coordinated tourism policy, the tempo of tourism is now market-oriented and guided by the National Tourism Policy. Additionally, the tourism sector contributes substantially to the country's economic development by generating employment opportunities and revenues. For example, in 1990, revenue collected amounted to US\$ 65 million rising to US\$ 773 million in 1999. However, for any success to be realized in this sector, more investments will be needed in market research, publicity, promotion and improvement of service skills.

Increased investment is an essential element to stimulate accelerated economic growth. Investment is the most important source of long-run output and employment growth. Following the Arusha Declaration in 1967, the Government embarked on taking control of major investments in the country, thus substantially increasing the level of public sector investments. The increase was due to nationalization and the explosion of new parastatal and government projects, and massive foreign aid inflows contributed to that investment boom. The economic reform period, beginning in the late eighties, has been characterized by a steady decline in public investment following a deliberate move to reduce the direct involvement of the Government in the production of goods and services. The objective is now for the Government to concentrate on activities in which the Government has traditionally played a role: keeping law and order, providing basic economic and social infrastructure, and providing an enabling environment for other actors in the economy.

It is generally agreed that the private sector response to reform measures has been slow. Although private investment has become an increasingly bigger portion of overall investments between 1987-98, as a share of GDP, its performance has been poor: In 1988, it was estimated at 16.5 per cent, rising to 24 per cent in 1994 and falling to 15 per cent in 1998. This is largely the result of declining investment rates in manufacturing and electricity/water supply. Furthermore, other factors continue to inhibit investment. These include: poor infrastructure (roads, telecommunications, power, water supply), a complex and ambiguous tax regime, a legal framework that functions poorly, inefficient and unreliable transport and communications, administrative and regulatory complexities, skills constraints to absorptive capacity and technological learning, and uncertain application of official policies on investment and corruption.

On Foreign Direct Investment (FDI), Tsikata and Madete (2000) indicate that its net inflow into Tanzania was low and volatile between 1980 and 1991. Since 1991, net FDI inflows have shown a steady increase. Available data from the Tanzania Investment Centre (TIC) (September 1990 to June 1998), based on the number of projects approved, indicate that the manufacturing sector attracted the highest number of foreign investors. Tourism followed a distant second. Among the factors that have contributed to the encouraging performance, the authors point out, are the economic recovery, the National Investment Policy introduced in 1990, and the Government new Investment (Promotion and Protection) Act that offers a variety of incentives and legal guarantees. To sustain the economic and institutional reforms that are already underway, Tanzania must also work hard to create an environment that is conducive to attracting foreign capital and Official Development Assistance (ODA).

Though there have been significant developments in non-traditional exports in recent years, Tanzania's exports remain dominated by seven primary agricultural commodities which are coffee, cotton, cashew nuts, cloves, tea, tobacco and sisal, which have traditionally

constituted more than half of the value of total exports. Tanzania's export sector is vulnerable to climatic changes and fluctuation in world market prices. The average contribution of primary exports was 75 per cent during 1984-86, before declining to 57 per cent in 1996 as the share of non-traditional merchandise exports picked up (World Bank, 2001). There is thus a need to diversify further exports and raise the share of non-traditional exports as the country still imports more than what it can export. Non-traditional exports that have a good potential include manufactured goods, minerals, services especially tourism and horticulture.

Tanzania's infrastructure needs closer attention. Roads are a major means of integration of markets and interactions among people. In particular, roads serve rural areas (where the majority of people live) more effectively than any other mode of transport. Currently, poor roads are probably one of the most limiting factors to agricultural growth. Of the total road network in the country, only about five per cent are paved roads and 95 per cent (ten per cent gravel and 85 per cent earth) are unpaved. Of the unpaved roads, those in good condition constitute only about 14 per cent, those in fair condition 25 per cent, while the remaining 61 per cent are in poor condition. The quality of infrastructure tends to influence the quality of services: poor road infrastructure is putting the country's competitiveness in international trade at risk, as transport costs add substantially to production costs.

The distribution of power supply through rural electrification and other forms of energy also deserve attention. The majority of the rural population and low-income urban-dwellers depend on forest resources for energy. There is thus a need to speed up the distribution of energy sources other than fuel wood so as to preserve the environment, in particular the quality of land.

Communication technologies such as telecommunications are fairly well developed but have low coverage across the country. It is estimated that there are three telephone mainlines per 1,000 people while in the largest cities, there are 23 per 1,000 people (World Bank, 1999a). Unfortunately, these telephone lines experience frequent breakdowns. The same is true of water supply and electricity. Many enterprises complain about the high cost of power. In terms of the provision of water supply and sanitation services, the rural and peri-urban areas in the country are the most underprivileged. The revolution in Information and Communication Technologies (ICT) is slowly but steadily taking root across the country. At present, there are five Internet service providers based in Dar es Salaam and serving a variety of clients.

### **1.3 Labour force and human resources**

#### ***(i) Population***

In 1948 Tanzania had a population of 7.7 million, quadrupling to 32.9 million in 2000. Between 1967 and 1978 the annual growth rate was 3.2 per cent declining to 2.8 in the period 1978 to 1988. During the 1993-2000 period the population growth rate has been projected at 3 per cent per annum (World Bank, 1995).

It is estimated that 47 per cent of the population is under the age 15 years, 49 per cent between the ages 15 and 64 years, and four per cent is above the age of 65 years. The median age is 16.4 years, which is quite low. The dependency ratio rose from 98 in 1967 to 106 in 1996, implying that there will be enormous pressure for adults to fend for the dependent population.

Population growth and increased migration have resulted in a much larger urban sector. The proportion of the population living in urban areas increased from six per cent in 1967, to 14 per cent in 1978, to 21 per cent in 1988, and to 24 per cent in 1996. It is estimated that by the year 2025, over 55 per cent of the population will be urbanized (World Bank, 2001). The Government is facing the dual challenge of sustaining urban development and employment creation. It is also confronted with managing rural-urban migration; rural areas are increasingly being deprived of their young, educated (and innovative) population.

HIV/AIDS has become one of the top killers, starting to overtake malaria. It is not merely a health problem but it is also an economic development problem. It is likely to affect negatively the population growth rate. According to a 1989 joint study involving the Ministry of Health, the World Health Organization (WHO) and the World Bank, adult mortality rate was expected to triple as a result of AIDS. The study concluded that although slowing down, the population growth rate would remain above two per cent, but the dependency ratio would worsen.

### **(ii) Labour market information**

Employment data in Tanzania is hampered by poor labour statistics, which should be interpreted with great caution. Reasons put forward are as follows: the first Labour Force Survey was carried out in 1965 and a second one in 1991. The third Labour Force Survey was carried out in 2000/01 and some results have started to come out. Detailed data available since 1990/91 are often based on projections and anecdotal evidence. In addition, the National Informal Sector Survey (1991) and the Dar es Salaam Informal Sector Survey (1995) have increased knowledge about the informal sector although they are not strictly comparable as they use slightly different working definitions of the informal sector (see Annex 5). However, as numerous studies by the ILO in Africa have demonstrated, the concepts of “employment” and “unemployment” have to be handled with some care too.<sup>7</sup> Labour market statistics should therefore be published in a timely fashion for a more significant assessment of the labour market in Tanzania.

### **(iii) Employment situation**

Total employment growth was estimated by the World Bank (1995) at an average rate of 3.2 per cent between 1978 and 1988 and continued to grow at the same rate or even faster in the early 1990s. Bol’s (1995) report shows employment growing at 2-2.5 per cent during the 1980s, with the growth rate slowing to two per cent in the 1990s. Despite the contrasting rate of employment, its bulk was observed to come from traditional agriculture and increasingly from the informal sector. According to the Labour Force Survey (2000), 81 per cent of the labour force was engaged in agriculture, while only seven per cent of the labour force was engaged in formal wage employment.

Available projections of the limited potential role of formal employment estimate that 700,000 new workers enter the labour force every year of whom 600,000 are school leavers

---

<sup>7</sup> According to the Integrated Labour Force Survey 2000/01 (Analytical Report), employed persons are persons who did some work either for pay in cash or in kind (paid employees) or who were in self-employment for profit or family gain, plus persons temporarily absent from these activities but definitely going to return to them (e.g. on leave or sick). Underemployed persons are persons who worked less than 40 hours in the reference week for an economic reason and who said they were available for more work-weeks. Underemployment in both rural and urban areas means that the unemployment problem is more serious than the open unemployment figures reveal. Moreover, the *nguvu kazi* policy from 1983 onwards in which being unemployed in urban areas was a “crime” may have skewed peoples’ reporting of whether they were economically active or not.

(primary and secondary) with few skills useful in finding a job. Out of these, only 40,000 find formal employment, leaving as many as 660,000 to seek livelihoods outside the formal labour market (ESRF, 2001).

**(iv) Unemployment and underemployment situation**

According to the Labour Force Survey of 2000/01, the rate of unemployment was 12.9 per cent, compared to 10.6 per cent in 1991. Underemployment is defined as those who work less than 40 hours during the reference week. Based on this definition, the same survey established the overall underemployment rate at 5.3 per cent (6.0 per cent for men and 4.7 per cent for women).

Government measures such as downsizing the civil service – which is done through retrenchment, the introduction of a hiring freeze in 1992/3, as well as the parastatal restructuring programme have also contributed to unemployment growth. Furthermore, since 1991 university graduates are no longer guaranteed employment by the Government, as was the case before.

**(v) Gender dimension**

There is a need to create more and better jobs for women whose share in the total labour force was 51.0 per cent in 2000/01, according to the Labour Force Survey. Women make up 51.7 and 50.8 per cent of the urban and the rural labour force respectively. Unemployment, according to the same survey, is higher for women than for men (14.2 per cent as compared to 11.6 per cent). In addition, a significant proportion of women's labour and their contribution to socio-economic development is not recognized as gainful employment.

Low levels of education and skills reinforced by some inhibiting cultural and social factors have prevented women participation in the labour market and decreased their chances of being employed. The Gender-related Development Index of UNDP (2000) estimated the gross enrolment ratio to be 32 for females, which was slightly lower than 33 for men. Moreover, in 1999 girls formed only 36 per cent of the total students in the highest secondary grade. Other factors limiting women's participation in the labour market include continued recognition of customary laws in the legal system, gender blind policies and laws, and the lack of effective implementation of policies and laws.

**(vi) Age dimension**

The number of youths at a working age between 15 and 29 years has increased at a 9 per cent growth rate in the period 1996-99 and comprises of 51 per cent female youths and 49 per cent male youths (Labour Statistics Unit, MLYDS, 1999). The high incidence of unemployment and underemployment among them is particularly disturbing, considering that the youth have a greater potential to learn new techniques and are more flexible in adapting to changing conditions. The problem of unemployment and underemployment is acute even among the educated youth on whom investment for their education and training has been made.

Young people (10-24) constitute 63 per cent of the unemployed. Unemployment is highest among youth aged 15-24 years, of which female youth face a particularly serious unemployment problem.

A major challenge in the context of the age dimension of employment is also child labour. The number of working children in Tanzania is a raising concern: according to the Integrated Labour Force Survey 2000/01, 49.6 per cent of children aged 10-17 are employed in Tanzania. The urban employment/population ratios for this age group are low (23.9 per cent) while rural ratios are the highest. While various sectors of the economy including agriculture, mining, the informal sector and domestic services engage children, the vast majority of child workers are engaged in subsistence agriculture and in private households.

**(vii) *Regional dimension***

There are wide variations in terms of the level of development, physical conditions and underlying potential in the regions of Tanzania. This means that employment levels and appropriate strategies to increase employment will vary from region to region. It also means that a less developed region has a greater number of unemployed and under-employed (though not necessarily all residing in that region) and a greater incidence of poverty as well. Annex 7 provides a map of the regions in Tanzania.

Industrial activity and employment is regionally uneven. Regional disparities in manufacturing have remained stable since 1989 (Shitundu, 1999). For instance, in 1991 Dar es-Salaam is ranked first with its 37.4 per cent share of industrial projects and 34.3 per cent share of industrial employment. The least developed regions of Kigoma, Rukwa, Ruvuma, Mtwara, Lindi and Singida together had only a 4.5 per cent share of industrial projects and 2.7 per cent of manufacturing employment.

There are low levels of unemployment in the “high” developed region of Dar es Salaam. The “medium high” developed regions such as Kilimanjaro, Arusha, Tanga, Morogoro, Mwanza and Iringa, have a relatively high level of development of agriculture and lively urban growth. These are regions with a good natural resource base and reasonable access to markets. They are also relatively better off in terms of employment.

The regions which fall into “medium low” and “least” developed categories are a mixed group and are worse off in terms of unemployment compared to the region of Dar es Salaam. However, some have a reasonable natural resource base and therefore have a good underlying potential for employment creation, but are held back by their location. For example, regions such as Rukwa, Kagera and Kigoma suffer from their remoteness from the coast.

**(viii) *National literacy and human development indicators***

According to the Arusha Declaration, the purpose of all social, economic and political activity must be people and the right to a decent life. As a result of the commitment to this development philosophy, considerable progress in human development was made in the 1960s and 1970s. For instance, Tanzania doubled the adult literacy rate between 1967 and 1975 to 90 per cent. The total illiteracy rates declined from 27 per cent in 1977 to 20 per cent in 1981. Life expectancy increased from 37 years in 1964 to 51 years in 1980. In 1965 the number of primary schools totalled 4,374 enrolling 769,000 Tanzanians, increasing to 9,837 primary schools, which were attended by 3,211,000 students for the year 1979 (ESRF, 2001; UNDP, 2000).

However, following the economic crisis and subsequent economic reforms, social indicators have been worsening. Thus, although economic reforms had a positive effect on

economic growth, they have not raised the standard of living of many Tanzanians. The Poverty Reduction Strategy Paper (PRSP) (URT, 2000b) defines poverty to include income and non-income indicators. Poverty has remained pervasive and deep. About half of the Tanzanian's citizens are poor. In the rural areas, poverty is worse than in urban areas. Inequality of income among regions is also significant. A report by the Vice President's Office on "Poverty and Welfare Monitoring Indicators", on the basis of a composite deprivation index – which takes into account food security, income and production, education, health status, nutrition, water and health services – points to Dodoma, Kagera, Lindi, Kigoma and Coast as the most deprived regions. The least deprived regions are Dar es Salaam, Ruvuma, Kilimanjaro, Singida and Tabora.

The objective of reducing poverty has now become the central focus of national development efforts in Tanzania. However, the lack of consistent information and absence of officially recognized poverty lines further complicate the assessment of poverty levels.

According to UNDP (2000), Kenya and Uganda have HDI of 0.619 and 0.404 respectively compared to Tanzania's 0.421, which is below that of sub-Saharan Africa of 0.463. The illiteracy rate has continued to decline moving from 15 per cent to 10 per cent in 1983 and 1986 respectively. Primary school enrolment and adult literacy, which had reached high levels of over 90 per cent in the late 1970s, have been dropping significantly while the secondary school enrolment rate is said to be the lowest in the world. Social indicators comparing Tanzania to the averages for developing countries is shown in Table 1.2. The indicators show that Tanzania is at the lower end of the ranking, implying that more concerted effort is needed if its social development indicators are to show significant improvement.

**Table 1.2: Poverty and social indicators: Comparison between Tanzania and averages for developing and developed countries, 2000**

Indicators	Unit	Tanzania	Average for developing countries	Average for developed countries
GDP per capita (1996)	US \$	240 <sup>a</sup>	970	16 394
Population below poverty line	Per cent	51	n.a	n.a.
Under five mortality rate (1997)	Per 1000 live-births	160	88	9
Maternal mortality	Per 100,000	200-400	384	28
Literacy rate	Per cent	76	85.5	99.8
Primary school enrolment	Per cent	74	77	100
Secondary school enrolment	Per cent	7	35-47	n.a.
Doctor-patient ratio	Patients per doctor	23 000	5767	344
Severe malnutrition	Per cent	29	30	n.a.
Average life expectancy	Years	52	63.3	74.5
Families with water supply at home	Per cent	11	70	n.a.
People living in temporary settlement	Per cent	60-70	30-60	n.a.

Note: <sup>a</sup> Abridged from Assey, 1999.

Source: URT, 2000b.

## **1.4 Conclusion**

Analysis of the macroeconomic context within which MSEs operate indicate a positive trend in macroeconomic performance. However, evidence suggests an increase in levels of poverty – both income and non-income – with a declining trend in social indicators. The public sector is no longer the main provider of wage employment and the private sector still lacks capacity to absorb the large number of people who enter the labour market annually. Unemployment is high, with youth being most affected. All this suggests a need for an improved macroeconomic environment for the promotion of investment, in order to reduce poverty and create employment.

Part 2 looks into employment outcomes and the quality of employment created in the MSE sector and identifies the key features of MSEs, their owners and workers in Tanzania.



## **2. Role of MSEs in employment and the economy and key characteristics of MSE owners and workers**

The review of the macroeconomic context in Part 1 shows how macroeconomic changes have resulted in increased importance of the MSE sector in terms of employment creation and income generation. Part 2 analyses the following studies, official reports and survey data to assess the contribution of the MSE sector to the economy, the amount and quality of employment created in MSEs and to identify the main characteristics of MSE owners and workers.

### **2.1 Statistical sources**

#### **(i) *The 1991 Informal Sector Survey (ISS)***

This was a comprehensive survey of informal sector enterprises identified through a scientifically designed sample of 6,966 households containing at least one informal sector operator. The survey covered seven sectors in both urban and rural areas of mainland Tanzania. The sample was weighted up on the basis of household estimates. As the title suggests, the survey excluded enterprises in the formal sector and coverage was limited to micro enterprises.

#### **(ii) *The 1995 Dar es Salaam Informal Sector Survey (DISS)***

The 1995 DISS was a follow up to the 1991 national ISS. The Survey covered a sample of 2,626 households in Dar es Salaam city with at least one informal sector operator. The sample was weighted up to the city of Dar es Salaam household estimates. Use of data from this survey in this report is limited to data provided in the printed report because we were unable to access the database.

#### **(iii) *The Regional Programme on Enterprise Development (RPED) Survey (1993, 1994 and 1996)***

Covering about 200 manufacturing firms in the food, textile, wood and metal sub-sectors, the RPED survey collected data in three different years – 1993, 1994 and 1996. The sample was selected using a disproportionate sampling method, stratified on the basis of firm size (measured by number of full time employees), with micro enterprises allocated a disproportionate low share and on the basis of geographical location. Utilization of data from this survey is primarily limited to enterprises that were visited in all three waves.

#### **(iv) *The 1998 Manufacturing Enterprises Survey***

This Survey was undertaken by the University of Oxford and the Economic and Social Research Foundation (ESRF). It also covered about 200 manufacturing enterprises in the same sub-sectors covered in the RPED survey, i.e. food, textile, wood and metal.

#### **(v) *The 2000/01 Integrated Labour Force Survey (ILFS)***

The 2000/01 Integrated Labour Force Survey (ILFS) is another comprehensive survey, which covered three areas – the general labour force, child labour, and the informal sector in Tanzania mainland. The Survey covered a total of 11,660 usual residents of households in urban and rural areas. Data provided in the survey report include that on employed persons by industry and status of employment.

**(vi) The 2001 MSE Survey**

This is a cross-section small-sample survey undertaken by the Entrepreneurship Centre of the University of Dar es Salaam. The survey covered 300 enterprises in the trade, service and manufacturing sectors in five regions of Tanzania. This survey provides recent data on patterns of employment in the MSE sector and factors influencing key decisions by entrepreneurs in this sector.<sup>8</sup>

**(vii) Other data sources**

Apart from the data sources summarized above, the report utilizes data available in reports based on other surveys (Temu, 1998; TRA, 2001 and UNDP, ILO and UNIDO, 2001).

## **2.2 Employment shares**

Enterprise size in Tanzania has, until now, been defined in terms of the number of employees. However, according to the draft Small and Medium Enterprise Development Policy: 2002-2012, the definition has been broadened to take into account capital investment and turnover as shown in Table 2.1.

**Table 2.1: Definition of enterprise size based on number of employees, capital investment and turnover, 2001**

Category	Employees	Capital investment (million TZS)	Turnover (million TZS)
Micro enterprise	1-4	Up to 5.0	12.0
Small enterprise	5-49	5.1-200.0	150.0
Medium enterprise	50-100	201-800.0	300.0
Large enterprise	101+	Above 800.0	300.0

Note: US\$1 = TZS (Tanzanian shilling) 976.65 as of December 31<sup>st</sup> 2000. (BoT exchange rate).

Source: SME Development Policy, 2002-2012 (Draft; November 2001).

Using this definition, the MSE sector consists of enterprises with 0-49 employees, capital investment of up to TZS 200 million and turnover of up to TZS 150 million. This report uses the earlier definition, which is based on the number of employees only and, for comparison purposes, takes micro enterprises as those with 1-9 workers.

Data on the MSE sector in Tanzania shows that MSEs have increasingly played an important role as a source of income to both people who cannot find employment in other sectors and those employed in the formal sector in need of supplementing their meagre incomes. Wangwe (1999) cites a study by SIDO-GTZ, which estimates the number of micro enterprises in the post economic adjustment period to have increased at least three-fold compared to the period before that. Wenga et al. (1995) show that the percentage of enterprises in the Dar es Salaam informal sector younger than a year rose from 0.7 per cent in 1984, to 16 per cent in 1991, indicating that an increasing number of enterprises were being established. Data on the informal sector in the 2000/01 ILFS show that households with informal sector activities constituted 61 per cent and 27 per cent of the total households in

<sup>8</sup> The results of this survey are presented and analysed in Chijoriga et al. (2002). An electronic copy of this paper is available on the IFP/SEED Website <http://www.ilo.org/seed>.

urban and rural areas respectively in 2000/01. This is in comparison to proportions of 42 per cent and 21 per cent of total urban and rural households respectively in 1990/91, suggesting a substantial increase. The sector has become the largest urban job provider and shows the highest employment growth rates estimated at ten per cent per year. Wangwe (1999) notes that even though this may be an exaggeration of the real increase, the direction of the change is correct.

The most recent survey providing data on employment was carried out in 2000/01. This survey provides data on employment in general but also specifically in the informal sector. Prior to this, another national survey was undertaken in 1991 but this only covered the informal sector. Another survey, also covering the informal sector was undertaken in 1995, but this covered Dar es Salaam region only. The RPED survey covered both the formal and informal sector but, as already pointed out, this was a small sample survey, covering industries in the manufacturing sector.

According to the standard definition, in the 2000/01 ILFS persons employed in the informal sector accounted for 16 per cent of the total labour force of 17,827,578 million people. The proportion was the same in the 1990/91 Survey. About 51 per cent of the 2,802,857 persons employed in the informal sector were in main activities and about 49 per cent were in secondary activities. More people in urban areas (35 per cent) were employed in the informal sector compared to rural areas (11 per cent). In comparison to the 1990/91 Survey, there was a 0.9 per cent increase in the proportion of persons employed in the informal sector in 2000/01. Data in the 2000/01 ILFS show that the informal sector accounted for the second largest proportion of employed persons (9 per cent), with agriculture having the largest share (81 per cent). Excluding agriculture and housework (standard definition), persons employed in the informal sector constituted 55 per cent of the total current employed in 2000/01.

Other indicators suggest that MSE activities, particularly those in the informal sector, have been expanding relative to other sectors. These include a shrinking public formal sector, which used to be the main employer in the formal sector and the large number of new job seekers estimated to enter the labour market annually. Over 90 per cent of the people entering the labour market annually are primary school leavers with limited skills and are therefore more likely to be involved in informal micro activities. Also economic hardship during the economic crisis and ensuing economic reforms have forced many people to engage in income generating activities to supplement incomes which, for many people is below the poverty line.

Despite the potential to create employment, upward mobility for MSEs is difficult. About 99 per cent of the enterprises in the 1991 ISS were of the sole ownership type (1.78 million out of 1.8 million estimated informal enterprises). Over 60 per cent of the enterprises in this survey were in the rural area. Unregistered co-operatives and partnerships constituted only one per cent of the surveyed enterprises. Sole ownership also dominated the 1995 DISS, whereby 97.8 per cent of the enterprises were owned by a single individual.

**Table 2.2: Employment in the informal sector by status, 2000/01  
(standard definition, as main and secondary activity)**

<b>Employment status</b>	<b>Main activity</b>	<b>Secondary activity</b>
Paid employment	5	5
Self employment with employees	9	5
Self employment without employees	82	88
Unpaid family helper (non-agric)	4	2
On own farm of shamba	0	0
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Total in numbers</b>	<b>1 439 847</b>	<b>1 363 010</b>

Source: URT, 2001 (National Bureau of Statistics).

The dominance of self-employment and overall, relatively smaller size enterprises is apparent even in very recent surveys. A survey of enterprises in the informal sector carried out in 1999/2000 by the Tanzania Revenue Authority (TRA), which covered 2,284 households in five regions of Tanzania Mainland shows that 89 per cent of the operators were self-employed with no employees. Of the remaining proportion, about 9.6 per cent had one to five employees and only 1 per cent had six to ten employees (TRA, 2001). Data from the 2000/01 ILFS (Table 2.2) show a similar picture with 82 per cent and 88 per cent of the persons engaged in the informal sector as main and secondary activity respectively being self-employed without employees.

In terms of sectors, trade and food vending consistently constitute the largest proportion of the enterprises in the different surveys. For example, in 1991, trade and food vending activities accounted for 51 per cent of informal sector activities (Planning Commission and Ministry of Labour and Youth Development, ISS 1991). This pattern is also observed in the 1995 DISS. Table 2.3 shows that about 62 per cent of the total informal sector workforce was in the trade/restaurant/hotel industry. Women constituted about 53 per cent of the workforce in this industry. In the 1999/2000 survey by TRA, operators in the trade/restaurant/hotel industry constituted 65 per cent of the total number of operators. This pattern is also observed in the 2000/01 ILFS. Table 2.3 shows that about 70 per cent of the total informal sector workforce was in the trade industry. Women constituted about 57 per cent of the workforce in this industry.

**Table 2.3: Persons engaged in the informal sector by sex and by industry, 2000/01 (main activity)**

<b>Industry group</b>	<b>Women</b>	<b>Men</b>	<b>Total</b>
Agriculture/Forestry/Fishing	6 822	33 451	40 273
Mining and Quarry	13 410	8 658	22 078
Manufacture	58 000	84 618	142 618
Electricity and Gas	-	207	207
Construction	417	90 769	91 186
Trade	577 562	429 070	1006 632
Transport	587	21 812	22 400
Finance	-	1 478	1 478
Personal service	21 169	91 808	112 977
<b>Total</b>	<b>677 956</b>	<b>761 882</b>	<b>1439 847</b>

Source: URT, 2001 (National Bureau of Statistics).

Overall, the picture that emerges suggests that many of the MSE activities serve as a survival strategy and are not demand driven or growth-oriented. When asked the main reason for participation in the informal sector, the main reason given by those in main activities in the 2000/01 ILFS was inability to find other work (about 45 per cent), followed by working in the informal sector because family needed additional income (21 per cent). For those in the informal sector as secondary activity, the two reasons above change in ranking, with the main reason being the need for additional income by the family (about 44 per cent), followed by inability to find other work (about 21 per cent). The two were also the most mentioned reasons in the 1995 DISS. In the 2001 Entrepreneurship Centre MSE survey, when asked the type of activity they were undertaking before getting into the current activity, about 16 per cent of respondents said they were employed in public corporations, 23 per cent said they were government employees, 14 per cent unemployed, and 8 per cent full-time students (Entrepreneurship Centre Survey, 2001). In the 1999/2000 survey by TRA, 55.8 per cent of the operators said they were motivated to start informal businesses because there were no job opportunities in the formal sector, while 7.5 per cent said they were in informal sector business because they had lost their jobs or were retrenched.

### **2.3 Trends in employment**

Determining the changes in employment in enterprises in Tanzania is not an easy task due to lack of relevant data to assess trends, and evidence remains primarily anecdotal. However, data from a survey of manufacturing firms carried out in 1993, 1994 and 1996 under the Regional Programme on Enterprise Development (RPED) give indication on employment changes in enterprises covered in all three waves. Table 2.4 presents the average number of employees for 1990 to 1995 by enterprise size, for enterprises visited in all three waves.

**Table 2.4: Average number of employees by enterprise size, 1990-95**

Enterprise size	Average number of employees					
	1990	1991	1992	1993	1994	1995
1	1	1	1	2	2	4
2 – 4	2	2	3	2	3	3
5 – 9	9	8	7	7	6	6
10 – 49	17	17	16	18	18	17
50 – 99	96	88	79	72	72	56
100+	517	538	453	518	446	100

Source: RPED Survey, 1996.

Although not easy to generalize because of the small sample size, table 2.4 suggests that some of the micro enterprises experienced an increase in the number of employees between 1990 and 1995, although the indication is that by 1996 (time of interview) some had experienced a decline in the number of employees. For example, enterprises which in 1996 had an average of one worker, seemed to have been expanding in the previous five-year period, with the number of employees increasing from an average of 1 in 1990 to an average of 4 in 1995. The trend for other micro enterprises shows slight fluctuations with more or less a stagnant situation.

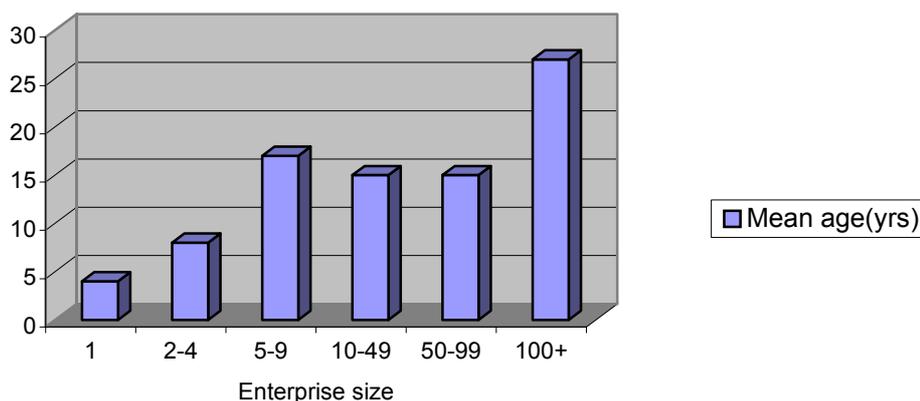
For the small enterprises, the situation during 1990-95 also shows a more or less stagnant situation. Data for medium and large enterprises show that on average the number of workers declined over the same period. Utilizing the same RPED survey data, Goedhuys (2001) shows micro<sup>9</sup> enterprises to have expanded between 1990 and 1995, although a large standard deviation and a significantly lower median growth rate compared to the average growth rate indicate high growth rates among only a few micro enterprises. The same analysis shows that enterprises which were small in 1990 had stagnated over 1990-95, while medium and large ones had experienced negative growth rates. A study utilizing national survey data for 1984 and 1995 (Wenga et al., 1995) points out that the average number of employees per establishment in the Dar es Salaam informal sector in 1984 was 5.8 or around four times higher than the 1991 average. The implication is that over this period micro enterprises in the informal sector were becoming smaller in size, although, as shown earlier, their number was increasing.

While the trend in the early to mid-1990s suggests that MSEs had to a large extent either stayed the same or experienced expansion in size, survival remains a challenge to the sector. Other studies show that MSEs are more likely to close down than larger enterprises. Utilizing data from the RPED survey, Blanc (1997) found that the rate of exit was inversely related to size, with MSEs likely to exit faster than larger enterprises. The study shows that micro and small enterprises constituted 72 per cent of the firms that had exited a year after wave 2 (about 12 per cent of enterprises interviewed in wave 2). Data on enterprise age support this finding of MSE vulnerability in terms of providing sustainable employment opportunities. Figure 2.1 shows that MSEs are on average in existence for a shorter period than larger enterprises. For example, the mean age for micro enterprises with one employee and 2–4 employees is 4 and 8 years respectively, compared to 27 for large enterprises. More recent findings based on a more comprehensive survey (TRA, 2001) suggest that enterprises in the informal sector, the majority of which are micro, are in business for a relatively short

<sup>9</sup> Enterprise size classes in the report are micro: 1-4 employees, small: 5-25, medium: 26-99, large: 100+ employees.

period – about 45 per cent of the operators had been in business for less than 3 years, compared to about 18 per cent in business for more than 10 years. A similar picture is observed in the 2001 Entrepreneurship Centre MSE survey: the average age for micro enterprises was 6.5 years, compared to 12.5 years for small enterprises.<sup>10</sup>

**Figure 2.1: Enterprise average age (years), according to enterprise size, 1995**



Source: RPED Survey, 1996.

Data from the 2001 Entrepreneurship Centre MSE survey covering three sectors – trade, services and manufacturing suggest some stability in terms of trend in the volume of sales. For example, table 2.5 shows that 70.9 per cent of the respondents in the visited micro enterprises said the volume of sales from 1999 to 2001 had either increased or remained the same. A substantial proportion of the respondents (29.1 per cent) however indicated that sales had declined over the two-year period. For small enterprises, 62.5 per cent of the respondents said sales had either increased or remained the same. Although one might be tempted to relate this relatively positive picture to initiatives being made to improve the business environment, these initiatives have not really started to be implemented in any significant way.

**Table 2.5: Changes in sales volume, according to enterprise size, 1999-2001**

Enterprise size	Increased sale		No change		Decreased sale		Total	
	Number	%	Number	%	Number	%	Number	%
Micro	76	34.5	80	36.4	64	29.1	220	100
Small	29	36.3	21	26.2	30	37.5	80	100

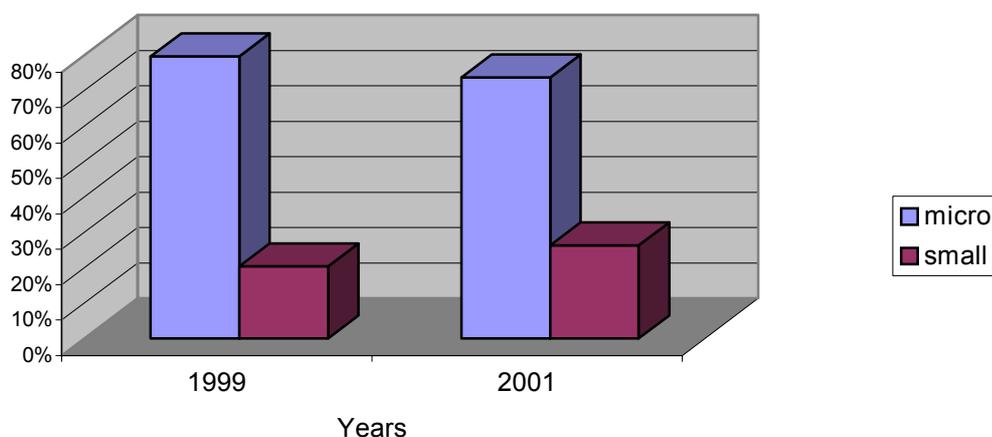
Source: Entrepreneurship Centre MSE Survey, 2001.

Utilizing data from the same survey, figure 2.2 shows that some of the enterprises, which were micro two years before the survey had grown into small by the time of the survey. Two years prior to the survey, micro enterprises constituted 79.7 per cent of the sample, compared to 73.7 per cent two years later. On the other hand, the proportion of the

<sup>10</sup> This survey of 300 MSEs covered only enterprises that had been in business for at least two years. For more detailed information, readers are referred to Chijoriga et al. (2002).

sampled enterprises falling into a small size category increased from 20.3 per cent to 26.3 per cent over the same period.

**Figure 2.2: Distribution of surveyed enterprises by size, 1999 and 2001**



Source: Entrepreneurship Centre MSE Survey, 2001.

Overall, the analysis above suggests that MSEs face problems of sustainability and that relatively smaller enterprises are more vulnerable than larger ones.

## 2.4 Job quality in MSEs

Despite different labour laws and regulations (see Part 3) to assure the welfare and security of workers, the analysis below of various indicators of job quality suggests that not many workers in MSEs are protected by these laws.

### (i) Remuneration level

Remuneration in MSEs, in particular those in the informal sector, is on average, lower than in larger enterprises. According to the 2000/01 ILFS, by standard definition only 5 per cent of workers in the main and secondary informal sector activities were paid employees. Income data from the same survey show that households with informal sector operators on average earn less from paid employment (TZS 65,215) compared to households with no informal sector operators (TZS 115,352).<sup>11</sup> Analysing RPED data, Blanc (1997) shows that while allowances were a significant addition to net wages in the formal sector where wages are likely to be relatively higher, they made a much less contribution (9 per cent) to net wages in the informal sector. As already shown, the majority of enterprises in the informal sector are micro and small. This suggests that MSE employees have limited additional payments on top of their low wages. Data from the 2001 MSE survey show a significant difference in the proportion of respondents in micro enterprises saying they provided salary increment to workers (37.3 per cent) and the proportion of respondents in the small enterprises (66.2 per cent).

<sup>11</sup> USD 1 = TZS 976.65 as of December 31<sup>st</sup> 2000 (BoT exchange rate).

**(ii) Social protection**

Provision of social protection in a workplace is important in ensuring the well-being of workers when faced with various contingencies such as illness or loss of income. Available data suggest, however, that workers in MSEs, in particular those in the informal sector, have little, if any such protection. Data from the 1995 DISS show that only about 8 people in every 100 operators and employees in the informal sector were covered by some form of social protection such as provident and pension funds, medical care support and private insurance. Lack of such formal protection against loss of income/wages contingency has resulted into the emergence of informal schemes within the informal sector, including rotating savings and credit schemes, Savings and Credit Co-operatives (SACCOS), NGOs, self-help organizations and producer co-operatives. The most common form of informal protection against loss of income in the DISS was the rotating and savings and credit scheme known as *Upatu*.

Data from the University of Oxford/ESRF survey show that overall, membership to an informal savings or loan group was very low across all enterprise size classes. Only two interviewees in the micro enterprises out of a total of 165 responding across all enterprise size classes indicated to be members of a savings or loan group. This outcome could be explained by the fact that enterprises surveyed were primarily based on RPED survey, which constituted more formal enterprises. Previous studies and field interviews for this report point to limited access to formal credit channels as one of the main constraints facing entrepreneurs in the informal sector. As such, they are more likely to utilize informal sources of credit. Informal enterprises constituted only 17.9 per cent of the enterprises interviewed in all three waves of the RPED survey.

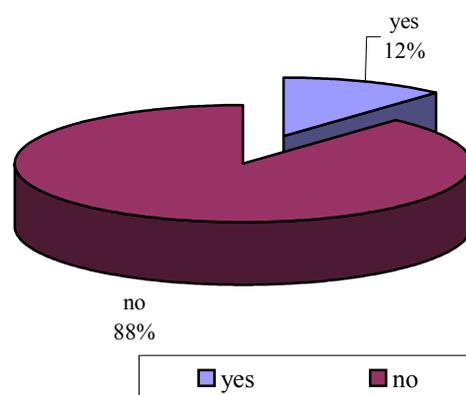
**Table 2.6: Enterprises insuring their workforce against accident and illness by enterprise size, 1998**

Enterprise size	Yes		No	
	No.	%	No.	%
1 – 9	11	17.0	54	83.0
10 – 49	25	54.3	21	45.7
50 – 99	12	85.7	2	14.3
100+	15	88.2	2	11.8

Source: University of Oxford/ESRF survey, 1998.

A question assessing the level of workforce insured against accidents and illness also gives some measure of the extent to which employees in MSEs have, or lack social protection. Table 2.6 shows that a significantly larger proportion of interviewees responding to this question in micro enterprises (83 per cent) did not insure their workforce against accidents and illness. For medium and large enterprises the reverse was the case, with a significantly higher proportion indicating that workers were insured against accidents and illness. Data from the 2001 MSE survey also show how limited social protection in MSEs is. Only 11.7 per cent of the total sample provided insurance or old age pension, as shown in figure 2.3. Not surprisingly, as the above evidence already shows, micro enterprises were worse off, with only 4.5 per cent of the micro entrepreneurs interviewed providing insurance and old age pension schemes to workers, compared to 31.2 per cent of respondents in small enterprises. As a result, microenterprises constituted only 27 per cent of those providing insurance and old age pension schemes. The majority (73 per cent) were small enterprises.

**Figure 2.3: Provision of insurance and old age pension schemes for workers, 2001**



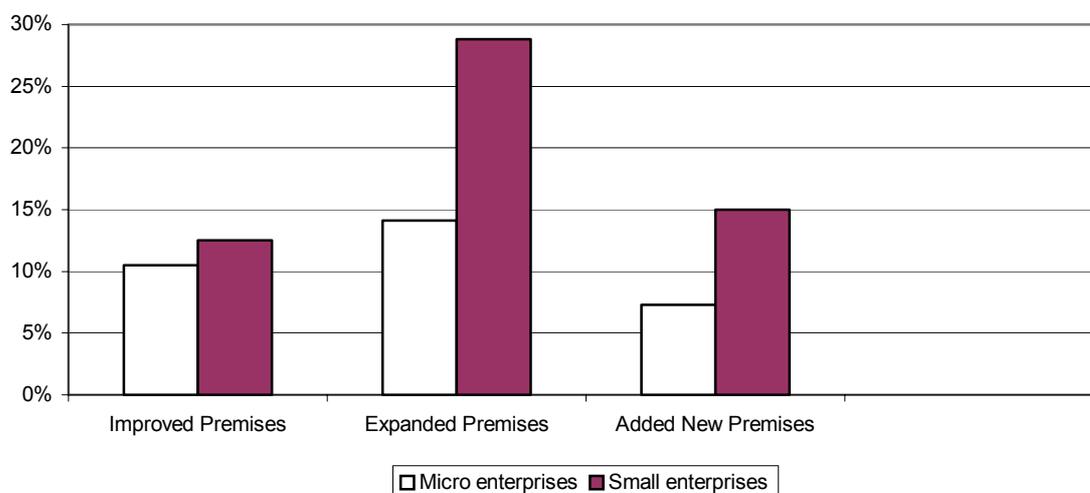
Source: Entrepreneurship Centre MSE Survey, 2001.

Although 43 per cent of the surveyed enterprises were women-owned, of those enterprises providing insurance and old age pension schemes to workers during 2000 and 2001, the majority (83 per cent) were men-owned enterprises. This could be a reflection of more limited capacity for women in terms of resources, which in turn constrain their ability to provide benefits to workers.

### ***(iii) Working conditions***

A good working environment contributes to boosting employees' morale and motivation. However, examination of working conditions in MSEs indicates that they are unsatisfactory in a number of ways, one of which is poor business premises. Data from the 1991 ISS show that only about 6.2 per cent were in other permanent buildings (apart from own house). The majority operated either from a temporary shelter, open space/street, a market, within own house or were just mobile. A decade later the situation seem to have remained unchanged (if not worse) as the 2001 Informal Sector Roadmap for Mainland Tanzania suggests that the problem of poor working premises for MSEs in the informal sector still persists. Noted outcomes in the Roadmap, which are a consequence of makeshift premises, include lack of access to basic utilities such as water and electricity. Comparison by size suggests that workers in small enterprises are better off than those in micro enterprises. Figure 2.4 shows that although the majority of MSEs in the 2001 MSE survey did not improve, expand or add new premises over the last two years, micro enterprises were worse off in all three indicators than small enterprises.

**Figure 2.4: Enterprises improving, expanding, or adding new premises by enterprise size, 2000-2001**



Source: Entrepreneurship Centre MSE Survey, 2001.

The University of Oxford/ESRF 1998 survey data show that in all MSE size classes the number of enterprises with waste disposal facilities exceeded those without one. While this is positive in that many enterprises had waste disposal facilities, the implication for those without such facilities is that this could be hazardous to workers. About 41 per cent of the respondents in micro enterprises in the 2001 MSE survey said they had never had a visit from a health official. This proportion in the small enterprise category was 35 per cent.

**(iv) Human resources development**

Responses to questions on education level and training in the 1991 ISS shows that most of the workers in the sector had primary education (75 per cent of the paid workers and 65 per cent of the unpaid workers). Only 2 per cent in each category had secondary education while the remaining percentage (24 per cent and 35 per cent respectively) either had not completed primary education or had no education. While having fewer education level categories compared to the 1991 survey data, informal sector data in the 2000/01 ILFS nonetheless show a similar pattern. Sixty four per cent of those in main activities and 53 per cent of those in secondary activities had completed primary education. On the other hand, only 9 per cent and 3.5 per cent of those in main and secondary activities respectively had secondary education or above. In terms of training, the majority of workers had not undergone any type of training: 77 per cent and 85 per cent of the paid and unpaid workers respectively in the 1991 ISS and 78 per cent and 82 per cent of operators in main and secondary activities respectively in the 2000/01 ILFS. To enhance skills, one would thus expect workers in MSEs to undergo training relevant to their line of work. However, there seems to be limited opportunities for this.

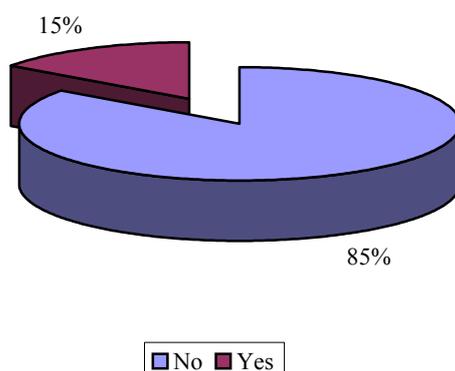
**Table 2.7: Enterprises undertaking training for workers by enterprise size, 1998 (percentage)**

Enterprise size class	Training (internal or external) for workers	
	Yes	No
1 – 9	16.5	83.5
10 – 49	25.0	75.0
50 – 99	31.3	68.7
100+	72.2	27.8

Source: University of Oxford/ESRF Survey, 1998.

Table 2.7 shows that compared to workers in larger enterprises, those in MSEs are disadvantaged in terms of training. There is a positive relationship between enterprise size and opportunity for workers to undertake some form of training. For example, as table 2.7 shows, only 16.5 per cent of the interviewees in the micro enterprises had undertaken some form of training for their workers. For small enterprises, this proportion was slightly higher at 25 per cent. Training was undertaken in 34.6 per cent and 72.4 per cent respectively of medium and large enterprises.

**Figure 2.5: Entrepreneur participation in business management or related technical training courses, 2001**



Source: Entrepreneurship Centre MSE Survey, 2001.

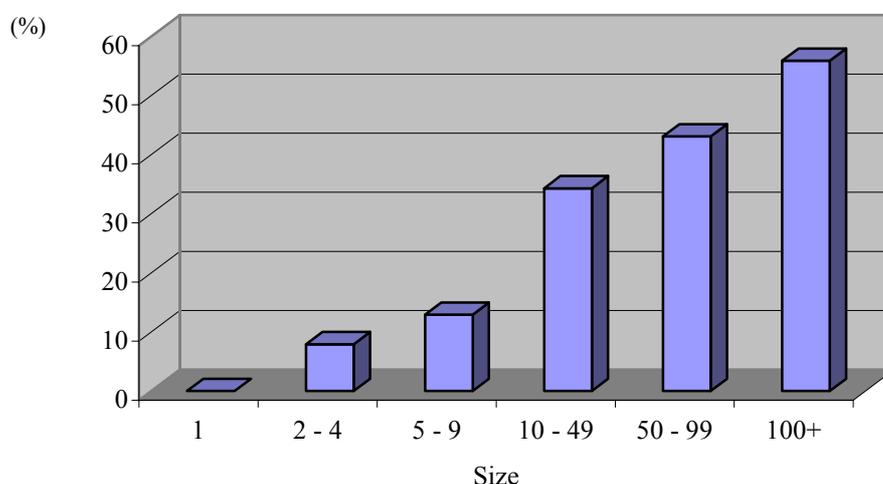
Similar findings are observed in the 2001 MSE survey. Whereas a significant proportion of enterprises in this survey (58 per cent) said they provided on-the-job training to workers, only 5 per cent said they provided off-the-job training to workers. Training opportunities in MSEs are inadequate not only for workers but also owners/managers. Figure 2.5 shows that only 15 per cent of respondents in the 2001 MSE survey had participated in business management or technical training courses related to their business.

#### **(v) Management and organization**

Workers associations and trade unions are important instruments for employees to negotiate and dialogue with employers on matters related to their welfare and development at the workplace. Yet, as in other job quality indicators, workers in MSEs do not seem to do well in having representative bodies such as trade unions. Figure 2.6 shows that workers in MSEs are less likely to be members of a trade union than workers in larger firms. While only 7.9 per

cent and 12.9 per cent of the micro enterprises of 2-4 and 5-9 employees said their workers were members of a trade union, for medium and large enterprises this proportion was 43.1 per cent and 55.9 per cent respectively.

**Figure 2.6: Percentage of enterprises with workers belonging to a trade union by enterprise size, 1998**



Source: University of Oxford/ESRF Survey, 1998.

Data from the RPED survey show a similar pattern, with lower trade union membership for micro and small enterprises relative to medium and large ones. For example, in wave one, none of the micro enterprises of 2-4 employees had trade union membership, and only 17.5 per cent (7 out of 40) in the 5-9 category said they had employees who were members of a labour union. On the other hand, 10 out of 15 (66.6 per cent) and 37 out of 39 (94.9 per cent) of medium and large enterprises respectively had trade union membership.

## 2.5 Characteristics of MSE owners/managers and workers

The 1991 Informal Sector Survey covered seven types of industries with trade/restaurant/hotel constituting the largest proportion (51.8 per cent), followed by manufacturing, which represented 24.4 per cent of the sample. The 2000/01 ILFS covered nine sectors in the informal sector. In this survey, the predominance of the trade sector was even more apparent, constituting about 70 per cent of the sample (see Table 2.3). Again, manufacturing was second, accounting for about 10 per cent of the sample. Electricity and gas, which was one of the two industry categories not included in the 1991 survey constituted the smallest proportion (0.01 per cent). The other surveys do not allow for meaningful comparison because they covered only the manufacturing sector and/or the sample was quite small. In the RPED 1993, 1994 and 1996, and the University of Oxford/ESRF 1998 surveys, the sampled industries within the manufacturing sector were food, textile, wood and metal.

Both the 1991 ISS and the 2000/01 ILFS show that the majority of informal enterprises were owned by one person, with no employee(s). While informal sector data in the 2000/01 ILFS does not permit comparison by enterprise size class, the 1991 ISS shows that none of the enterprises in the agriculture and fishing, mining and quarrying, transport and community and personal services had more than nine employees, implying that all enterprises

in these four types of industry were micro. In the 2001 MSE survey micro enterprises constituted 73 per cent of the total sample.

**Table 2.8: Informal sector enterprises by size and owner/manager's sex, 1991**

Enterprise size (employees)	Sex					
	Male		Female		Total	
	No.	%	No.	%	No.	%
0	87 5486	48.6	54 7434	30.4	14 22920	79.0
1	16 323	9.1	69 144	3.8	23 2374	12.9
2 – 4	105 172	5.8	31 700	1.8	13 6872	7.8
5 – 9	7 057	.4	1 640	.1	8 697	.5
10 – 46	680	.0			680	.0

Source: 1991 Informal Sector Survey.

Analysis by geographical area show that in the 2000/01 ILFS 61 per cent of urban households and 27 per cent of rural households had informal sector activities, having increased from 42 per cent and 21 per cent respectively in 1990/91. Enterprises in the informal sector are primarily very small, with 79 per cent having no employees, as table 2.8 shows.

### *Gender perspective*

Women are less likely to own/manage relatively larger enterprises. For example, all 680 small enterprises in the 1990/91 ISS were male-owned, and only 19 per cent of the 8,697 micro enterprises with five to nine employees were women-owned.

A similar pattern emerges from the other surveys, although data should be interpreted with caution due to the usually very small sample sizes. All 11 WOE's in the University of Oxford/ESRF Survey sample were in the micro and small enterprise size classes, while all 40 medium and large enterprises in the sample were owned/managed by male entrepreneurs. Data from the RPED survey show similar findings. Not only were women under-represented in the manufacturing sector, but also their proportion relative to men was decreasing over the three-wave period (from 15 per cent in wave 1 to 12 per cent in wave 3).

Another survey of small-scale manufacturing industries carried out in 1996 (Temu, 1998), shows that of the 200 enterprises surveyed, only 37 were women-owned. In this survey, 113 enterprises (96.5 per cent) of the enterprises were micro (defined as an enterprise with 1 to 5 workers). While there were no significant differences in the proportions of men- or women-owned enterprises at the micro level, only one woman out of 37 owned a medium size enterprise. In the 2001 Entrepreneurship Centre MSE survey, WOE constituted 43 per cent of the sample (129 out of 300). The large majority of WOE's, about 89 per cent, were of micro size.

Analysis of enterprises by enterprise size and owner's education level and sex using the 1991 ISS data shows that, while the proportions of men and women with no education were about the same (50.8 per cent and 49.2 per cent respectively), the gap was much wider in favour of men at higher levels of education. At tertiary level, the proportions were 84 per cent and 16 per cent respectively. Annex 2 (table A2.1) presents enterprises according to

owner/manager's sex and educational level. Even with the same level of education, women were less likely than men to own relatively larger enterprises. For example, data in the same table show that no woman with at least tertiary level education owned an enterprise of 5 or more employees. On the other hand, 6 per cent of male operators with tertiary level education owned enterprises engaging 5 or more employees. Data on education levels from the 2000/01 ILFS show a similar picture to the 1990/91 data, with 56 per cent of self-employed men and 63 per cent of self employed women in main activities having completed primary education. The proportions for those self-employed in secondary activities were 57 per cent and 49 per cent for men and women respectively. Significantly smaller proportions of men and women had secondary education or above (10 per cent men and 8 per cent women of those in main activities and 5 per cent men and 2 per cent women of those in secondary activities).

## **2.6 Conclusion**

The analysis in this section has shown that the MSE sector has been growing, increasingly providing more opportunities for employment. However, expansion of the sector has been, particularly at the micro level, primarily supply-driven, with limited potential for growth. To a large extent, the MSE sector has served as a survival strategy rather than being a demand-driven sector, with capacity to grow. Within MSEs job quality is poor: workers have poor working conditions and have a low remuneration and hardly any kind of social protection. This analysis has further shown that many workers in MSEs have low levels of education, lack opportunities for training and are not unionized. In addition, women are under-represented in entrepreneurship activities and are concentrated in micro enterprises.

Part 3 examines the policies and laws in Tanzania that, although not specifically mentioning the MSE sector, still directly address issues of MSE development and promotion. The SME policies currently under formulation also relate to MSEs. In this framework, the positive or negative impacts of policy on enterprise growth are assessed.



### 3. The policy and legal environment

In the past 15 years, Tanzania has been undergoing economic reforms to re-orient the economy from government-led to private-sector-led. Liberalization policies have resulted in the shrinking of the public sector, once the main employer in the formal sector. This re-orientation away from socialist policies has meant making a deliberate effort to promote private sector development – although barriers still remain.

The MSE sector in Tanzania has been growing, both in terms of employment and contribution to economic growth, as discussed in Part 2. Its importance is well recognized: Government and other stakeholders are making efforts to promote the sector.<sup>12</sup> Like other sectors, it is affected positively and negatively by the policy and legal environment within which it operates. A list of laws and policies affecting MSEs follows.

- Business Licensing Act, 1972
- Rural Development Policy (draft), 2001
- Small and Medium Enterprise Development Promotion policy (draft), Nov. 2001
- Sustainable Industrial Development Policy, 1996
- Banking and Financial Institutions Act, 1991
- Cooperative Societies Act, 1991
- Energy Policy of Tanzania, 1992
- Fair Trade Practices Act, 1994
- Business Names (Registration), 1958
- Income Tax Act, 1973, Act No. 33 of 1972 (Revised) (Principal legislation)
- Local Government Authorities (Decoration of Buildings Act), 1968
- Local Government Finances Act, 1982
- National Employment Promotion Service Act, 1999
- National Investment Promotion Policy, 1996
- Permanent Labour Tribunal Act, 1967
- Small Industries Development Act, 1973
- Urban Authorities (Rating) Act, 1983
- Cooperative Development Policy, 1997
- Value Added Tax (VAT) Act, 1997
- Vocational Education and Training Act, 1994
- Customs Tariff Act, 1976
- Education and Training Policy, 1995
- Factories Ordinance, Chapter 297 of the Laws, 1950-54 edition (parts I & II)
- National Employment Policy, 1997
- National Micro Finance Policy, 2000
- National Youth Development Policy, 1996
- Companies Ordinance Cap. 212, 1932
- Sales Tax Act, 1976
- Security of Employment Act, 1964
- Land Act, 1999
- Regulations of Wages and Terms of Employment Ordinance, 1999
- Stamp Duty Act, 1985
- Urban Authorities (Rating) Act, 1983
- Trade Unions Act, 1998

---

<sup>12</sup> Annex 6 provides a list of key institutions (with their roles summarized) that have an impact on MSEs in Tanzania.

- Workmen’s Compensation Ordinance, July 1949
- National Social Security Fund Act
- Women and Gender Development Policy, 2000.

The process of formulating policies and laws involve a number of stages. After drafting a bill, the process of enacting a Law or an Act in Tanzania begins with the introduction of a government Bill, which already has approval of the Cabinet in the Parliament. When passed, the Bill is sent to the President for assent. Once an Act has been enacted by Parliament, there can be secondary or subsidiary legislation whereby an Act of Parliament gives to a minister, or any other authority, powers to make regulations to apply the law in greater detail and adapt it to fit changing circumstances. Such subsidiary legislation is as much the law of the land as the Act of Parliament from which it is derived. The policy formulation process begins with discussions within the relevant Ministry and preparation of a first draft of the policy. Deliberations in preparing a draft can involve different stakeholders to make the process participatory. The Draft has then to go through several levels of approval, beginning with the Inter-Ministerial Technical Committee (IMTC), which comprises Permanent Secretaries of ministries and the Cabinet of ministers, which is chaired by the President. The Policy is usually read in Parliament as a formality; the Cabinet of Ministers is entrusted with the task of policy making.

### **3.1 Specific MSE policies and laws**

Several policies and laws in Tanzania, although not specifically mentioning the MSE sector, still directly address issues of MSE development and promotion. While there is no policy on MSEs, the SME policy currently under formulation and other policies summarized below address issues related to MSEs.

- *Small and Medium Enterprise Development Policy: 2002–2012 (November 2001 Draft)*

The Small and Medium Enterprise (SME) Development Policy is still in draft form, after going through a number of revisions so far. The draft Policy has been discussed at, and received input from stakeholder workshops, including zonal ones. Although entitled SME, the draft policy also addresses micro enterprises. The policy acknowledges the bias of economic reforms in favour of large business and takes cognisance of the important role Micro, Small and Medium Enterprises (MSMEs) are playing in contributing significantly to employment creation. MSMEs are also recognized as a base for private sector-led growth.

The Policy has an overall objective of promoting the creation of new SMEs and improving the performance and competitiveness of existing ones with a view to ensuring faster job creation and income generation. Among other things, the Policy is intended to serve as a guide for co-ordinated intervention and describes the roles of the implementing agencies and tools for implementation.

Areas to be covered by the Policy include reviewing policies and regulations that hinder start up, survival, growth and transfer of SMEs, designing new strategies for enhancing growth of the sector, developing strategies that will facilitate provision of financial and non-financial services to SMEs, and developing and institutionalizing public-private partnerships for SME development.

The Policy identifies a number of strategies that will have a maximum impact on enabling the Policy to attain its objectives. They include creation of an enabling business environment, developing the infrastructure, strengthening financial and non-financial services and establishing institutions supportive to SME development. The Policy acknowledges women's unequal access to productive resources such as land and credit and, therefore, the need for specific measures to promote women in entrepreneurship activities.

The Policy is being prepared alongside with its implementation strategy, which identifies priority programmes and projects. It identifies implementing agencies, which include the Ministry of Industry and Trade as an overall manager and co-ordinator of the policy implementation process, other government ministries/organizations, business representative organizations and development partners.

▪ *National Employment Policy, 1997*

The National Employment Policy covers a broad range of employment issues, including employment in the informal sector, where the majority of MSEs are found. It aims, among other things, to:

- (i) Create a conducive environment for the unemployed to employ themselves by directing more resources to self-employment activities.
- (ii) Identify potential areas for employment and lay down strategies of how to utilize such areas in promoting employment in the country.
- (iii) Encourage self-employment activities in the informal sector.
- (iv) Develop self-employment in rural areas so as to reduce the rate of migration to urban areas.
- (v) Strengthen (through removal of legal bottlenecks) the relationship between the formal sector and that of self-employment.

Co-ordination in the implementation of the policy is supposed to be undertaken by a National Employment Council, constituted of members from relevant ministries. The policy defines roles of key actors such as the Ministry of Trade and Industry, Ministry of Labour and Youth Development, Ministry of Lands and Urban Development, Ministry of Community Development, Women Affairs and Children, and communities and NGOs.

▪ *Sustainable Industrial Development Policy (1996–2020), 1996*

The policy provides for identification of priority activities on a phased time span with short, medium and long-term perspectives. The policy aims, among other things, to enhance sustainable development of the industrial sector. Human development and creation of employment opportunities are identified as some of the national goals towards which the industrial sector will be geared.

The policy clearly states special efforts on “promotion of small scale industries and the informal sector activities organized in all industrial branches which offer broad based entrepreneurial development potential for employment and income generating opportunities”.

For promotion of MSEs, the policy emphasizes the following:

- (i) Supporting existing promotional institutions and new ones with the view to strengthen the national capacity to tackle problems facing promotion of MSEs as pertaining to technology, finance, consultancy, training and management.

- (ii) Simplifying bureaucratic procedures in taxation, regulatory aspects, licensing and registration by shifting some of the procedures from the national headquarters to the regions, i.e. decentralization of responsibilities.
- (iii) Undertaking financial reforms that shall include mechanism to provide MSEs with credit under softer terms.
- (iv) Developing informal sector by gradually transforming it into formal MSEs.

The role of co-ordinating the policy is entrusted to the Ministry of Industry and Trade, in close collaboration with the Ministry of Finance and the Planning Commission. The latter two are expected to co-ordinate and manage the inter-sectoral linkages, which is important in assuring balanced development. Other key actors whose roles are specified in the policy include organizations representing MSEs, CBOs and NGOs, and labour associations.

▪ *Co-operative Development Policy, 1997*

The Co-operative Development Policy of 1997 targets people who are disadvantaged in terms of lack of adequate “knowledge of, and experience in modern production and management methods”. Disadvantaged groups mentioned are smallholder farmers, the landless, women, youth, craft workers, people with disabilities and the elderly.

The objectives of the policy include the creation of “a conducive environment in which people are free to associate in exploiting their resources for social and economic development”, and “provision of assistance to co-operative development, particularly in areas of human resource development and institutional capacity building without effect on their independence”.

The policy affirms government support of the co-operative vision and its recognition of the diversity of the co-operative sector. Among the recognized co-operatives are service, handicraft, workers’ productive co-operatives, labour contracting co-operatives, savings and credit co-operatives and co-operative banks. The policy identifies the Government’s role as that of facilitator and catalyst “with emphasis on information provision, sensitization, education, training, inspection and supervision”. The policy also commits to encouraging women participation in co-operatives by reviewing inhibiting barriers.

The policy provides overall and specific implementation strategies including instituting security of employment in co-operatives to attract and retain good personnel and empowerment of members through their education on obligations and rights. Other strategies include operationalizing self-help principles through, for example, introduction of co-operative financial institutions. The policy is important for the development and growth of MSEs, particularly in as far as it aims to build capacity and strengthen self-help organizations of disadvantaged groups in modern production and management methods. A good number of MSE operators, as analysis in Part 2 shows, fall into this category.

- *Small Industries Development Organisation Act, 1973*

This Act established the Small Industries Development Organisation and gave it mandate to develop and promote small industries. Its tasks as set out in the Act include (i) provision of services necessary for development of small industries; (ii) provision of technical assistance to people engaged in small industries; (iii) provision and promotion of training facilities to those employed, or to be employed in small industries and; (iv) advice to the Government on all matters related to the development of small industries and; (v) provision of management and consultancy services to small enterprises in Tanzania.

Its support is limited to the industry sector only so small enterprise operators in services and trade are not covered. Moreover, SIDO has been severely constrained by lack of financial resources and has therefore not been able to provide support to small industries effectively.

- *Co-operative Societies Act, 1991*

The Act provides for the formation, constitution, registration and operations of co-operative societies, and other matters incidental to or otherwise connected with this purpose. It defines a co-operative society as “an association of persons who have voluntarily joined together with an object of promoting the economic and social welfare of its members”.

Part V of the Act allows co-operative societies to form and organize societies. The societies registered under the provisions of this Act are not to be restricted in any manner. Section 21 (2) (b) allows for formation of saving and credit societies (SACCOs).

- *Assessment of MSE-specific Policies*

Specific MSE policies and laws summarized above all target directly the promotion and development of the MSE sector, and the implementation of some of them, for example the Co-operative Societies Act and the SIDO Act has contributed towards attaining this. The policy expected to have the most direct impact on the sector is the SME Promotion Policy, which, as already pointed out, is in the final stages of formulation. This notwithstanding, in its current form the draft SME Development policy seems to marginalize the micro sub-sector, which, although covered in the contents, is not included in the title. The Co-operative Development Policy seems to be biased against sectors more likely to have many MSEs. For example, while the Policy lays out detailed strategies for agriculture, livestock and rural financial services, those for industrial and other co-operatives are not presented in detail.

While an elaborate implementation strategy has been prepared alongside the draft SME Development Policy, other policies such as the National Employment Policy lack accompanying implementation strategies. This is a serious problem applying even to other policy areas discussed below and policies guiding other sectors in the economy. Lack of effective implementation of policies has been identified, not only in other studies but also in field interviews and the National Workshop for this report, as one of the factors contributing to ineffective policies and laws, despite well formulated and relevant policy objectives.

Thus, while specific MSE policies clearly aim to promote investment in the sector and growth of existing MSEs, achieving this depends on how effectively policies are implemented, and this is yet to be fully realized. One indicator of this shortfall is that although some of the policies have been in place for a number of years, there are still complaints by owners/managers of MSEs on problems that are supposed to have been

addressed in line with objectives of the policies. For example, when asked about the problems facing the MSE sector most of the officials interviewed mentioned legal bottlenecks, and bureaucratic hurdles in tax administration business licensing and registration as the main problem facing MSEs. Yet these are problems some of the policies such as the National Employment Policy (1997) and the Sustainable Industrial Development Policy (1996) seek to address.

Lack of effective co-ordination in the MSE sector, is another problem pointed out by interviewed government and business associations representatives and participants at the National Workshop, which adversely affect policy implementation. Completion and subsequent implementation of the SME policy will go a long way in improving co-ordination in the MSE sector, which, as one senior government official put it, is “disorganized, with too many uncoordinated actors”.

Where there is implementation of some elements of the policy, often this is biased in favour of relatively larger enterprises. This can be partly attributed to the biases inherent in the policies as already noted, and partly to insufficient involvement of MSEs in policy implementation processes. Some of the officials interviewed indicated that the MSE sector is not effectively represented, be it in Government or business chambers, and that there is no strong organization to represent the interests of MSEs. Larger firms have the capacity to exert pressure on the system and are therefore more likely to influence policy decisions. In addition, some business associations only represent specific categories of businesses that are primarily larger businesses. These business associations dialogue, lobby and advocate for their members. If micro and small enterprises are not members, their interests might not be represented effectively.

Data from the 2001 Entrepreneurship Centre MSE survey clearly show how relatively smaller enterprises are marginalized in terms of representation in chambers of commerce, business associations and employers associations. Only 11 per cent of the surveyed MSE operators said they were members of a chamber of commerce, and only about 13 per cent said they were members of a business association. Representation was even less in employers' associations, with only 5.3 per cent saying they were members. While recognizing that MSEs are becoming organized, the report on the Informal Sector Roadmap (UNDP, ILO and UNIDO, 2001) identifies lack of dialogue between the MSEs and Government as one of the regulatory constraints. The Report lists three MSE associations –VIBINDO, which is an umbrella organization of groups of informal sector operators, Tanzania Small Industrialists Society (TASISO) and Tanzania Food Processing Association (TAFOPA) as examples of efforts in the informal sector to be organized. Furthermore, there are indications that business associations whose members are primarily larger enterprises are making efforts to address MSE issues. For example, the Confederation of Tanzania Industries (CTI) has a steering committee dealing with MSEs.

Gender equality in terms of opportunity to participate in all types of economic activity is very important in ensuring sustainable development. Nonetheless, Section 2.2 of this report has shown that WOE are more disadvantaged than MOE in several areas, including access to capital. Women are less likely than men to own or manage relatively larger enterprises. Yet this is not clearly recognized in the policies. As such, there are no clear strategies on how to empower women to participate more in the ownership and management of MSEs, particularly relatively larger ones where women are under-represented.

Some of the objectives are not clear. For example, one objective in the National Employment Policy is: “to strengthen (through the removal of legal bottlenecks) the relationship between the formal sector and that of self-employment”.

It is not clear whether self-employment means informal (one could be self-employed and formal). If this is the case, it is unclear if the aim is to enable the informal to turn into formal, or for there to be merely some relationship between them. Ambiguity and lack of clarity in some contents of the laws and policies guiding the business sector was one of the main problems identified at a recent roundtable discussion<sup>13</sup> between representatives of the Government and the private sector on the participation of the private sector in recent budgets.

### **3.2 Business laws and regulations**

A good business environment is crucial in ensuring development and sustainability of any business, MSEs included – both in terms of the content of business policies and laws and their strategies for (and process of) implementation. Current business laws and regulations in Tanzania and their effect on the MSE sector are assessed below.

- *Business Licensing Act, 1972*

The Act makes it mandatory for start-up entrepreneurs to have a legal document for undertaking a business. According to the Act, a business is defined as “any form of trade, commerce, craft or specified profession carried on for profit or gain and to which the provisions of this Act apply”.

MSEs are therefore also covered by this Act, insofar as they do not belong to the exceptions – farming and dairy farming, for example – provided under section 5-(1). The Act provides a license fee schedule, with the fee varying according to turnover.

The Act makes no specific reference to MSEs in terms of giving preferential treatment. Local government authorities are given the mandate to issue specific licenses under Section 6-(2). This provision therefore affects MSEs at the local government level.

- *Companies Ordinance Cap. 212, 1932*

This Ordinance covers businesses registering as legal entities with ‘Limited’ (company) status either by shares or by guarantee. Registering a firm as a limited company has an advantage in the event of liquidation, as private property is separated from business property. With Business Names registration, the two are not separated, so that in the case of bankruptcy private property can be confiscated. The majority of MSEs, even if registered, are likely to be registered under the Business Names Ordinance, with no ‘Limited’ status.

- *Business Names (Registration) Ordinance, 1958*

The Business Names Registration Ordinance makes it mandatory for every firm, or every individual in the country carrying out any business under a business name to have the business name registered. It only allows a business to have an identifiable business name, which is exclusive to the business and cannot be used by anybody else. However, as already pointed out above, the business will have no legal status and cannot, for example, get a loan

---

<sup>13</sup> The workshop was held on 24 August 2001.

using a business name. MSEs, more likely to be registered under the Business rather than under the Companies Ordinance, are thus at a disadvantage.

The Ministry of Industry and Trade has been vested with powers to appoint a Registrar and Deputy Registrar as required by the Ordinance. The Minister of Industries and Trade has powers to make rules concerning:

- (i) Fees to be paid to the Registrar under this Ordinance;
- (ii) Forms to be used under this Ordinance;
- (iii) Duties to be performed by the Registrar under this Ordinance;
- (iv) Generally, the conduct and regulation of registration under this ordinance, and any matter incidental thereto.

According to the Ordinance, it is the responsibility of any person running a business of any type (with certain exceptions in Section 4 of the Ordinance) to register the business.

- *Local Government Authorities (Decoration of Buildings) Act, 1968*  
(As amended up to 31 December 1999)

The Act empowers the Local government authority to “require the exterior decoration of buildings, the demolition of dangerous or unsightly temporary buildings and for related matters”<sup>14</sup>.

The Act gives local authority (when deemed fit) powers to serve notice to demolish temporary building or structure in an urban area as long as it is assumed to be:

- Dangerous conditions to person inside or nearby.
- Ruinous/dilapidated condition therefore, detrimental to amenities of the neighbourhood.

MSEs are likely to be more affected by this Act, given that they have limited resources to afford better structures of acceptable standards – if they can afford them at all.

- *Assessment of Business Laws and Regulations*

Licensing and registration requirements apply to all types and sizes of business, and no special consideration is given to MSEs, which, as other studies have shown, have limited start-up capital. Both the Business Licensing Act and the Companies Ordinance are out-of-date and have not been reviewed to reflect commitment to business promotion, consistent with the liberalized environment. Furthermore, evidence show that procedures for registration and obtaining a business licence are often costly and cumbersome. A micro entrepreneur interviewed for this report pointed out that MSE operators often operate informally not because they are not aware of the requirements for a license, but because of avoiding high compliance costs imposed by a cumbersome process they have to go through.

---

<sup>14</sup> Act No. 9 of 1968.

Registration and licensing procedures in Tanzania have been found to take four to five times more the time taken in other Sub Sahara African (SSA) countries (Tueros, 1994). The original Investor Roadmap research (The Service Group, 1997) provides a list of steps a businessperson has to go through before commencing operation. They include:

- Business registration
- Name registration
- Licenses
- Land approval
- Land fees (taxes) business property tax + business property registration
- Registration for sales tax
- Inspection of facilities
- Issue of sales tax number
- Registration for stamp duty
- Inspection of facilities in receipt of a stamp duty license
- Issuing a composition number
- Application for sewage services
- Inspection and estimation of costs
- Obtain Workers' Compensation Insurance from the NIC
- Submission of forms to the NPF/NSSF
- Obtaining the Registration Number.

Annex 3 of this report provides data from the Investor Roadmap showing the administrative time (and delays) in processing specified licensing/registration requirements.

Businesspersons, including those in MSEs, have been constrained both in terms of time and cost, when registering their businesses. Procedures require all those in other regions to travel to the Dar es Salaam headquarters of the Business Registration and Licensing Authority (BRELA) to process registration. Aspiring MSE operators are likely to be more constrained by this process, given their limited resources to meet travel costs and that they are likely to be less informed and aware of the necessary procedures. One official interviewed said MSE owners and workers have limited knowledge of the requirements of the legal environment within which they operate, because they are usually not represented in workshops and seminars, some of which are held to discuss MSE issues. Another interviewee noted the low level of education among the majority of MSE operators as the main constraint in understanding their legal rights and requirements. Apart from this, evidence show that there is limited information flow on legal matters from Government and business representative organizations to MSEs. Data from the 2001 MSE Survey show that only about 13 per cent of interviewees had received information on business and legal matters from either government publications, chambers of commerce or business associations. The majority (53 per cent) reported that they obtained such information from newspapers and other business owners.

It is estimated that the cost of registering a business in Mwanza increases by a factor of five to ten once the cost of the trip to Dar es Salaam and accommodation are included (The Service Group, 1997, Pricewaterhouse-Coopers, 1999). One interviewed official pointed out that currently there is some improvement in principle, whereby the procedure for registration

has been streamlined, with three days as maximum in registering a business name. However, it is apparent from the findings of the Informal Sector Roadmap that this was not happening at the time the Roadmap was conducted.

Evidence from the 2001 Informal Sector Roadmap clearly shows that the cost of compliance remains high. For example, the cost of registering a business name for a carpentry business was TZS 73,000 instead of TZS 6,000. For a cloth-making business, the actual cost was TZS 56,000. One person trying to establish a construction business had, at the time of the survey, paid TZS 38,000 (official fee was TZS 14,000) towards securing a business license, which still had not been obtained. Such increases in costs are attributed to travel and accommodation expenses (for those from other regions), and cost of follow-up and bribes to speed up the process (UNDP, ILO and UNIDO, 2001). Effort to further improve the business licensing and registration process is reflected in the 2001/02 budget speech. For example, it is proposed to transfer the registration and licensing of small-scale industry and all micro enterprises to district councils. Establishment of one-stop centres is proposed as one way to simplify the issuance of business licenses.

### **3.3 Finance and credit policies, laws and regulations**

Having adequate financial resources is a key factor in sustainability of MSEs. Lack of capital and access to credit has long been identified as core problems constraining the growth of MSEs. Existence of finance and credit policies to address this constraint is thus crucial for the sector. Below the key policies and laws existing in this area in Tanzania are reviewed, and the extent to which they are effective in facilitating entrepreneurs in MSEs to have access to financial resources is assessed.

- *National Micro Finance Policy, 2001*

The overall objective of this policy is to establish the basis for an efficient and effective micro financial system in the country to cater for the needs of the low-income groups. The Policy was formulated in recognition of the problem of access to financial services including credit for the majority of the population. The Policy emphasizes the need for provision of financial services to households, smallholder farmers and micro and small enterprises, and covers a range of financial services including savings and credit.

A number of agencies are identified as implementers of the Policy, including the Ministry of Finance, the Bank of Tanzania, banks and non-bank financial institutions, and Savings, Credit and Co-operative Societies (SACCOs).

- *Banking and Financial Institutions Act, 1991*

The Act was established to “consolidate the law relating to the business of banking, to harmonize the operations of all financial institutions in Tanzania, foster sound banking activities, and to regulate credit operations”.<sup>15</sup>

Its area of coverage includes all banks and financial institutions in the United Republic of Tanzania territory. The Bank of Tanzania (BoT) has the power to extend the provisions or part of this Act to apply to:

---

<sup>15</sup> Preamble of the Banking and Financial Institutions Act, 1991.

- Any savings or credit society established under the Co-operative Societies Act, 1991, or the provisions of the law currently in force relating to the establishment and operations of co-operative societies in Tanzania Zanzibar.
- Any other savings or credit scheme, by whatever name called, established by:
  - (i) any village registered under the Local Government (District Authorities) Act, 1982;
  - (ii) any other person or authority.
- Any insurance company, social security scheme, and any other person involved in the business of financial intermediation.

▪ *Assessment of Finance and Credit Policies, Laws and Regulations*

Data from national and small sample surveys show how access to capital is one of the major problems facing MSEs (URT, 1991; URT, 1995; University of Oxford/ESRF, 1999). Officials interviewed for this study (particularly representatives of business associations and owners of MSEs) also identified lack of access to credit as one of the major constraints to the establishment and survival and growth of MSEs.

Some objectives of the finance and credit policies clearly target MSEs. Banking laws include credit provisions but MSEs have faced difficulties to secure loans from banks because of conditions for collateral and high interest rates, which many MSEs cannot afford. It is expected that the recently launched Micro Finance Policy will pave the way for effective lending to MSEs. The National Micro Finance Bank (NMB), which has begun lending on a pilot basis, is expected to take a lead role in this endeavour. NMB has started with a few branches and the implementation is being rolled over to the whole country (95 branches). In addition, the recent decision to channel special funds through the banking system (URT, 2001), may enhance the capacity of the banking system to serve MSEs.

Most MSEs, particularly those in the informal sector, borrow from SACCOs and NGOs. For example, one NGO providing credit to MSEs indicated that by the end of 2000 it was giving loans to over 49,000 micro and small businesses in commerce (78 per cent), service (11 per cent) and manufacturing (11 per cent), throughout Tanzania. The average loan size was TZS 100,000 indicating that not many MSEs could afford to borrow large amounts of money. This could be partly explained by the high interest rate (30 per cent per annum). NGOs and SACCOs providing loans face repayment problems and, thus, often impose conditions such as group guarantee to assure loan recovery.

Apart from avenues to finance in banking and financial institutions, initiatives have also been made by the Government to provide loans to MSEs. For example, the National Income Generation Programme (NIGP) has been supporting income-generating activities in agriculture, infrastructure, and micro enterprises/informal sector. Other government initiatives target specific groups such as youth and women (Youth Economic Development Fund, Women's Development Fund, and Credit for Women in Tanzania). Such affirmative action in the MSE sector is also seen at the local government level, where local authorities are required to set aside a certain percentage of their budget for lending women and youth groups engaged in entrepreneurial activities. Implementation of this is however difficult: the amount available is often small because based on actual collections and not the estimated budget, there is no proper mechanism for monitoring and repayment is poor. As already pointed out, these will now be handled by the banking system.

### 3.4 Taxation policies, laws and regulations

A tax regime characterized by multiple taxes, lack of transparency and bureaucratic and cumbersome procedures in its administration is another factor that is identified, even in latest studies such as the Informal Sector Roadmap as a barrier to the development of the MSE sector. Different types of taxes at both central and local government levels, which an MSE entrepreneur is required to pay are summarized below, together with an assessment of the effect of these taxes on the MSE sector.

- *Value Added Tax (VAT) Act, 1997*

The Act makes provisions for the imposition of Value Added Tax (VAT) on taxable supplies of goods and services and for related matters. The VAT is payable by a taxable person at the end of a prescribed accounting period or as may be prescribed by the Commissioner.

The Act defines taxable supplies as any supply of goods or a service made by taxable persons in the course of, or in furtherance of their business after the start of the VAT, including:

- (a) making of gifts or loans of goods;
- (b) leasing of goods on hire;
- (c) appropriation of goods for personal use or consumption by the taxable person or by any other person; and
- (d) barter trade and exchange of goods.

VAT is charged at the rate of twenty per cent of the taxable value. The Act specifies who should register for the VAT, i.e. any person whose taxable turnover exceeds, or the person has reason to believe will exceed, the prescribed turnover. At present the set minimum from which a person becomes eligible to register for the VAT is TZS 20,000,000.

- *Income Tax Act, 1973 (As amended up to 30<sup>th</sup> June 2000)*

The Act makes provision for “the charge, assessment and collection of Income Tax, for the income to be charged and for other related matters”. The tax is charged on income accrued. Such tax is charged on gains from any business for the period it is undertaken, any employment or services rendered or any rights granted to any other person for use of any property. Income tax is also charged in respect of dividends and interests beyond a specified amount. Act No. 9 of 2000 requires every person earning income which is taxed to have a taxpayer identification number, giving them access to specified transactions to which they would not otherwise have access.

- *Stamp Duty Act, 1985*

This Act provides for charging stamp duty set as a percentage of total monthly sales of the business. Stamp duty is paid by businesspersons who are not registered for VAT. For businesspersons with a special contract with TRA the rate is set at 1.2 per cent of total revenue, while for those without a contract the rate is 4 per cent of the selling price. In the latter case stamps are placed on sale receipts.

▪ *Local Government Finances Act, No. 9 of 1982*

This Act makes, among other things, provision for sources of revenue for local government authorities. Act No. 17 of 1985 gives local government authorities powers to make by-laws imposing rates to be charged for services. Among the sources of revenue for the Councils listed under the Act are:

- All moneys from rents collected for renting public houses or buildings owned by the district council.
- All moneys derived from fees for licenses granted under the Business Licensing Act, in respect of business premises situated within the area of the district council.
- All moneys derived from licenses, permits, dues, charges or fees specified by any by-law made by the council.

▪ *Urban Authorities (Rating) Act, 1983 (As amended up to 30<sup>th</sup> June 2000)*

The Act is meant to be a beacon in the administration of the collection of levy on property. The Act applies to urban authorities and township authorities established under the Local Government (Urban authorities and District Authorities Acts respectively). The Act has implications on MSEs in terms of cost of rental for business premises, which are likely to reflect the property tax component. The tax burden is, in most cases, borne by the end user; in this case, it is passed on to the renter of the premises (the tax burden is also borne if owner of the premises).

▪ *Assessment of Taxation Policies, Laws and Regulations*

The summary above shows that MSEs are required to pay a substantial number of taxes at the central and local government levels. Taxes at local government level may differ according to set by-laws in different local authorities. A more comprehensive list of the types of taxes an owner of a micro or small enterprise might have to pay, depending on the type of business include:

- VAT or Stamp Duty
- Income tax
- Payroll levy
- Customs duty (if importing)
- Development levy (local)
- Property tax (local)
- Other types of levy/user charges on various services as may be set by respective local authorities, for example, charges for garbage disposal.

An MSE operator interviewee reported that she was paying six taxes/fees:

- License fee
- Income tax
- Stamp duty
- Development levy (5 per cent of license fee)
- Property tax
- Sanitation fee.

These taxes are perceived as “many” by the micro or small business operator and can be confusing to those who do not understand taxation objectives, or else do not see what the taxes they are paying give them in return. Entrepreneurs, not only in MSEs but also larger enterprises, are often unaware of their rights and requirements with regard to paying taxes (Wangwe et al., 2001).

Entrepreneurs have identified the complex tax regime as the reason behind the fear many MSE operators have of becoming formal. Central government taxes are administered by the Tanzania Revenue Authority (TRA), and local government taxes by respective local authorities. The Local Government Authorities Act No. 9 of 1982 has established varying taxes under powers granted to make by-laws. These can be levied at different levels of local government, including ward and village level. A survey of licenses and taxes in Ilala district (URT, 2000c) shows 26 different types of licenses and taxes on different types of business. The implication of taxes being levied at central and local government levels independently could be a surfeit of uncoordinated taxes, characterized by the fragmented tax structure described above.

The process of tax administration has also been a burden to entrepreneurs in the MSE sector. The informal sector Roadmap report cites as main constraints on MSEs the discretion exercised in the administration of taxes and corruption. As such, the tax regime remains un conducive to MSE development and is a contributing factor to numerous MSEs opting to remain informal. To many MSEs, the cost and time involved in complying with all tax requirements is substantial and hazarding non-compliance seems a risk worth taking.

While the tax regime remains unfavourable to the development and growth of MSEs, effort is being made to streamline the tax structure, as reflected in the Business Environment Strengthening for Tanzania (BEST) recommendations (URT, 2000c) and in the changes announced in the 2001/2002 Budget Speech (URT, 2001). The BEST programme is based on the Government’s recognition that excessive and conflicting regulations are barriers to the transformation of many MSEs from informal to formal status – and growth of small businesses in general. The Programme aims to undertake regulatory changes to allow for an enabling environment. The Programme has five components, the first one being achieving better regulation through, among other things, repealing specific regulations already identified as burdening businesses and instituting a system to ensure that new laws and regulations do not impose unnecessary burden on entrepreneurs. Specific regulations already identified as burdening businesses include those on central and local taxation, business licensing and registration, import/export procedures, labour and land planning and allocation.

The lack of co-ordination between central and local governments was addressed in the 2001/2002 Budget Speech whereby it has been reaffirmed that the requirement for the Ministry of Local Government and Regional Administration (MLGRA) to consult with the Ministry of Finance (MoF) on matters related to levying taxes and fees should be enforced (URT, 2001). This is aimed at reducing the multiplicity of taxes borne by entrepreneurs. Other changes to improve the taxation system announced in the 2001/2002 Budget Speech that will benefit MSEs include the reduction of non-zero import tariff bands from four to three. The previous band of 5 per cent import duty covering raw materials, capital goods and replacement parts has been reduced to zero per cent.

Stakeholders interviewed for this report particularly referred to the problem of provisional taxes, which have to be paid – even before business operation commences. Under

this system, an enterprise is required to pay in advance a percentage of the estimated annual earnings upon getting its income tax registration. Rates are based on estimates of revenues to be generated by the business once operational. This has been prohibitive, especially to MSEs, which face constraints of start-up capital. According to the 2001/2002 budget speech, the provision of advance payment has been abolished, although payment has to commence after three months in business. This measure will thus only give temporary relief, in terms of enabling start-ups.

### 3.5 Labour policies

Labour policies and laws play a key role in promoting a good working environment and interaction between employers and employees; they ensure workers' welfare, security and development. These policies and laws are thus important to workers in MSEs as well. Labour policies and laws in Tanzania include the following:

- *Regulations of Wages and Terms of Employment Ordinance (Cap. 3000), 1999*

The Ordinance provides definitions of employment statuses and sets minimum wages for employees. In cities, municipalities, regional and district centres, the Ordinance (Part A of the schedule) sets minimum wage at TZS 30,000,<sup>16</sup> while in Part B of the schedule minimum wage is set at TZS 25,000. The Ordinance also outlines fringe benefits for employees, which include paid annual leave, paid sick leave (within specified period), leave allowance and out-of-station allowance. Definitions provided include casual employees, commercial enterprises, factory, place of employment and weekly rest day.

The Ordinance furthermore makes a distinction as to who is covered under the minimum wage provision. Although commercial and industrial employees are included in the minimum wage provision, section 4(2) stipulates that “commercial and industrial enterprises do not include mining industry and construction industry”. These are areas where MSEs are also found, implying that workers in MSEs in these two types of industry could be paid below statutory minimum wage and would have no legal basis to complain about it. Also, setting different wage rates for different areas (although meant to reflect differences in the cost of living) impacts adversely on workers in rural-based MSEs who, in reality, may not be enjoying a lower cost of living. For example, basic necessities from urban areas are often more expensive in rural areas than in urban areas due to, among other things, transport costs.

- *Workmen's Compensation Ordinance Chapter 263 of the Laws (Revised) (1949)*

The Ordinance is meant to safeguard the interest of the worker, described as:

“Any person who has, either before or after the commencement of this Ordinance, entered into or works under a contract of service/apprenticeship with an employer, whether by way of manual labour, or otherwise, whether the contract is express or implied, is oral or in writing, whether the remuneration is calculated by time or by work done, and whether by the day, week, month or for any longer period.”<sup>17</sup>

In principle, and according to this definition, the Ordinance gives all workers, including those in MSEs, compensation rights in case of injury and to legal personal

---

<sup>16</sup> US \$1 is currently exchanged at around TZS 900.

<sup>17</sup> According to the definition of ‘Workman’ and Application of Ord. 1954 No. 28 B 2.

representatives in case of death resulting from work injury. However, section 2(1) of the principal legislation excepts some categories of worker from entitlement to compensation in case of injury or death. The list includes outworkers.<sup>18</sup> The definition benefits some of the self-employed with no employees in the MSEs, who, according to the 1991 national Informal Sector Survey and the 1995 Dar es Salaam Informal Sector Survey, constitute the largest proportion of entrepreneurs in informal sector MSEs.

The Subsidiary Legislation of the Ordinance describes the circumstances under which a worker is compensated and provides scales of fees and schedules for medical fees and rules of court.

- *Trade Union Act, 1998*

The Act makes provisions for trade unions and other related matters. It outlines procedures for formation of trade unions, the appointment of the registrar and registration of the trade unions and the mandate of the Federation of Trade Unions.

Part 33-(1) concerns membership. Those entitled to become members are:

“All persons on first joining or forming any particular trade union shall be persons actually engaged or employed in an industry or occupation with which that union is directly concerned.”

Exception is provided for only one officer of a registered trade union. The definition of who can join a trade union covers workers in MSEs. Trade union membership could be a positive factor for employees in MSEs as it can contribute to improve working conditions, job security and overall well-being. The challenge is whether the MSE workers are well informed of their right to form trade unions and the attitude of employers in MSEs, which can intimidate workers, especially given the high unemployment rate.

- *Security of Employment Act, 1964*

The Act provides for the establishment of Workers’ Committees “in certain business and undertakings, restriction of powers in relation to the discipline of employees, and payment of additional compensation following termination of employment, except in specified circumstances”.

According to section 5(1) of the Act, only businesses employing 10 or more workers can have Workers’ Committees. This excludes micro enterprises – a disadvantage to them, considering the tasks of Workers’ Committees, which include:

- (i) To consult and advise the employer on safety and welfare arrangements for persons employed in the business.
- (ii) To investigate and report to the appropriate authorities on any non-compliance with provisions of any wage regulation order made under the Regulation of Wages and Terms of Employment Ordinance or any law replacing the same, or with any collective agreement, or arbitration award, which relates to the business or employees therein, and for this purpose to inspect time and wage sheets, and other appropriate employment records.

---

<sup>18</sup> According to definition in Chapter One of the Ordinance.

- *Factory Ordinance, 1952*

The Ordinance provides for health, safety, and welfare guidelines for “persons employed in factories<sup>19</sup> and other workplaces, and for matters incidental thereto and connected therewith”. Open spaces in which the abovementioned activities are undertaken are also regarded as factory i.e. “premises shall not be excluded from the definition of a factory by reason only that they are open-air premises”.<sup>20</sup>

Every person before opening a factory is required by this Ordinance to register it. A second requirement is to submit any plans for construction of a new factory to the local authorities, which will liaise with the Chief Inspector to ensure the planned factory will meet the required set standards. The Ordinance has set a number of standards to be met, with the intention of protecting the health and safety of workers. The Ordinance gives power to the Court to make Orders relating to dangerous factories and allows it to make rules regarding workers' health, safety and welfare.

- *National Social Security Fund Act, 1997*

Enacted in 1997, the Act established the National Social Security Fund, providing for its constitution, administration and other matters related to the Fund. Benefits payable under the Act include retirement pension, invalidity pension, survivors pension, funeral grants, maternity benefits and employment injury benefits. The Act defines a contributing employer as “every person, a corporate or unincorporated body of persons, having a contract of service or apprenticeship with an employee, and every government department employing employees not covered under the government schemes”. This provision thus excludes workers in the informal sector, who often work without contracts.

- *National Employment Promotion Service Act, 1999*

The Act provides for the establishment of a National Employment Promotion Service, whose function include, among other things, to provide placement, vocational guidance and employment counselling, labour market and occupational information, and to promote self-employment.

Section 16(1) of the Act requires persons wishing to be employees or employers under the Act to apply for registration. The service has permission to charge nominal fees for services rendered.<sup>21</sup> The Act also provides for establishment of Private Employment Promotion Agencies or Agents.<sup>22</sup>

Section 29(1) gives power to the Employment Promotion Office to enter and inspect any place of employment for the purpose of ensuring compliance with the provisions of the Act.

Although the Act could be of benefit to MSEs and employees in MSEs, this can happen only if MSEs are registered as members of the Service.

---

<sup>19</sup> A definition of “factory” is given in Section One of the Ordinance.

<sup>20</sup> Part I, Application of the Ordinance, No. 6.

<sup>21</sup> Section 17 (1) of the Act.

<sup>22</sup> Section 18 (1) of the Act.

▪ *Education and Training Policy, 1995*

The rationale underlying the Education and Training Policy is to “guide, synchronize and harmonize all structures, plans and practices to ensure access, equity and quality at all levels, as well as proper and efficient mechanisms for management, administration and financing of education and training”. The Policy provides general aims, outlines specific targets, and identifies implementing agents and their roles.

The Education and Training Policy includes goals whose attainment can directly or indirectly contribute to the development and promotion of MSEs. One of the general aims is “to promote the acquisition and appropriate use of literary, social, scientific, vocational, technological, professional and other forms of knowledge, skills and understanding for the development and improvement of the conditions of man and society”.

On efforts towards employment creation, the policy identifies one of its main tasks as that of facilitating “the growth of the culture of education-for-job-creation and self-employment through increased availability of opportunities for vocational education and training”.

The Policy underscores the importance of vocational education, and outlines measures to promote vocational training, as follows:

- make entrepreneurial training an integral part of all vocational education and training programmes;
- recognize and promote traditional expertise, experts and the apprenticeship system as a component of the vocational education and training system;
- encourage employers to adopt a wider apprenticeship modular training scheme as a means of providing training opportunities for a much larger proportion of the labour force;
- prepare career guidance information on vocational education and training by VETA;
- build and establish more governmental vocational education institutions for VETA teachers;
- transform post-primary technical centres into vocational education and training centres;
- upgrade and improve all vocational education and training centres to meet national standards as set by VETA; and
- reintroduce trade schools in the school system.

Implementing agents for the policy include government ministries responsible for education and training, in particular the Ministry of Education and Culture, the Ministry of Science, Technology and Higher Education and the Ministry of Local Government and Regional Administration, government agencies such as VETA, NGOs and communities.

▪ *Vocational Education and Training Act, 1994*

The Act established the Vocational Education and Training Authority-VETA. The Act aims to make further and better provisions for regulation of vocational education and training.

Objectives and functions of the VETA as set out in the Act have a direct bearing on promotion and development of MSEs. The objectives also address the issue of disadvantaged groups, including women. The VETA objectives/functions relevant to MSE promotion and development include:

- provision of vocational education and training system that include both basic and specialized training for meeting the needs of both, the informal and formal sector;
- fostering and promotion of entrepreneurial values and skills as an integral part of all training programmes;
- promotion of access to vocational education and training for the disadvantaged groups; and
- promotion of the balancing of supply and demand of skilled labour in both wage employment and needed skills in self-employment in the rural as well as urban areas.

▪ *Assessment of Labour Policies, Laws and Regulations*

In their objectives, labour policies, laws and regulations are important in assuring the well-being and capacity of workers in workplaces. The question is to what extent they affect workers in MSEs. The content of labour policies and regulations seems to marginalize MSEs. For example, the Security of Employment Act, 1964 limits businesses that should have Workers' Committees to those employing 10 or more workers. This provision excludes micro enterprises.

Even some of the recent laws have provisions that exclude some MSEs. The Regulation of Wages and Terms of Employment Ordinance (1999), for example, excludes enterprises in the mining and construction industry from the list of industrial and commercial enterprises covered by the Act. As already noted, some of the enterprises in these two sectors are micro and small in size. This could thus adversely affect workers in MSEs in both sectors.

Evidence also suggests that workers in MSEs lack awareness of the labour laws and their rights as outlined therein. Other studies (Tueros, 1994; Wangwe, 1999) and the interviews conducted for this report identify lack of awareness of legislation as a barrier to the development and growth of MSEs and to better working conditions.

Apart from the problem of some labour laws excluding MSEs in coverage, and workers not being aware of their rights, some labour laws are out of date. For example, the Factory Ordinance of 1952 and the Workman's Compensation Ordinance of 1949 date back to the colonial period. Some contain terms that have long fallen into disuse and cannot be well understood by those they are supposed to cover, including owners and workers in MSEs. Some of the laws, particularly those dealing with monetary compensation are now unrealistic and meaningless. For example, in the Workmen's Compensation Ordinance of 1949, one article refers to an employee whose earnings exceed of TZS 16,800 a *year*. The current minimum wage is TZS 30,000 a *month*. Another example is from the Factories Chapter 297 of the Laws (1952-54 edition) where one article provides for payment of a fine not exceeding TZS 500 as one of the alternative penalties for a committed offence.

### **3.6 Trade policies**

Securing stable markets is important for the sustainability of MSEs. This can be assured by, among other things, having in place a trade regime conducive to the development

of MSEs. A liberalized economic environment in Tanzania is expected to promote a market economy, where the private sector, which includes MSEs, plays a key role in contributing to economic growth. These trade policies and regulations and the extent to which they either facilitate or hinder the development of the MSE sector are assessed below.

▪ *Fair Trade Practices Act, 1996*

The Act is meant “to encourage competition in the economy by prohibiting restrictive trade practices, regulating monopolies, concentrations of economic power and prices, to protect the consumer and to provide for other related matters”. It provides for the formation of the Trade Practices Tribunal vested with the power of day-to-day administration of the Act.

The Act in Part III, Section 16(1) (a) to (j) outlines categories of trade agreements declared to be restrictive trade practices, such as:

- An agreement or arrangement between manufacturers or wholesalers or retailers not to employ or to restrict or favour the employment of any method, machinery, process, labour, land or other resources.
- An agreement or arrangement between manufacturers or between wholesalers to sell goods on the condition that prices charged by or conditions of sale applicable to retailers shall be the prices or conditions of sale stipulated by those manufacturers or wholesalers.
- An agreement or arrangement between manufacturers, wholesalers, retailers, or contractors to buy or offer to buy goods at prices or on terms agreed upon between themselves.

Section 17(1) outlines the practices conducted by or on behalf of a trade association that are deemed to be restrictive in nature. They include “the unjustifiable exclusion from trade association of any person carrying on or intending to carry on, in good faith, the trade in relation to which the association is formed”. Under Section 18(1) of the Act, discrimination in supply is regarded as a restrictive trade practice. The Act also prohibits predatory trade practices.

▪ *Customs Tariff Act, 1976*

This Act provides for the imposition of suspended duties and import duties on goods imported into the country. The Act affects MSEs in as far as the goods on which the tariffs are imposed are inputs for MSEs. On the other hand, lower tariffs can adversely affect MSEs in terms of increased competition.

▪ *Assessment of Trade Policies*

Although Tanzania currently has no trade policy document, trade is undertaken within the context of a liberalized environment. The process to formulate a trade policy is already underway, with the expectation that it will promote competitiveness, consistent with the liberalized environment. According to the background paper, which will provide input into the trade policy, the aim of the policy will be to provide an environment for a competitive economy and exported growth (URT, 2000d).

While trade liberalization can increase access by MSEs to imported inputs, it also allows in competing imports, which can affect MSEs negatively in terms of reduced market share. A study of the handloom and powerloom industry carried out in 1995 indicated that imports of second hand garments and other textiles in unlimited quantities was systematically destroying small scale textile industry, as second-hand products were being sold at very low prices (Wangwe, 1999).

Although the Fair Practices Act of 1996 is likely to have a positive impact on MSEs if effectively implemented, it is observed in the trade policy background papers that in 2000, the drafting of rules and regulations to facilitate actual implementation was yet to take place.

The reduction of tariff rates, with the maximum rate being reduced from a very high level of more than 50 per cent in the 1980s to 40 per cent in 1995 and further to 25 per cent in 1999, means that MSEs are likely to face stiff competition not only from relatively larger local enterprises, but also from increased imported products. However, MSEs using imported inputs, as noted above, stand a better chance than before because of reduced tariffs. As mentioned above, the 2001/2002 Budget Speech provides for a further reduction of the non-zero import tariff bands from the current four to three, set at 10 per cent, 15 per cent and 25 per cent, with the highest rate charged on imported final consumer goods.

### **3.7 Enabling and innovation policies**

There are policies on other key issues, which directly or indirectly affect the performance of MSEs. These include, for example, policies guiding provision of basic infrastructure necessary for the survival and development of MSEs. A review of these policies and assessment of their effect on MSEs is provided below.

#### ▪ *Energy Policy, 1992*

The Energy Policy emphasizes the importance of “sufficient and efficient supply and use of energy” in order to attain sustainable development and satisfy the basic needs of the society. It identifies implementing agencies, including the Ministry of Energy and Minerals, government-owned energy-supply companies and NGOs playing a role in promoting new and renewable energy sources. Although not explicitly stated, some of the main goals and immediate strategies of the Policy have a bearing on the performance and promotion of MSEs. These goals include:

- minimizing energy price fluctuations in order to contribute to stability of prices in general, through strengthening and rationalization of energy supply sources and infrastructure, and rational energy pricing structure; and
- arresting wood fuel depletion by evolving more appropriate land management practices and more efficient wood fuel technologies.

Immediate strategies that are relevant to MSEs include:

- more efficient use of energy in the transport and industry sector;
- generation and distribution of electricity at affordable prices and commensurate with demand;
- supply of electricity to small townships and industries lying adjacent to or far from the grid system, starting with agro-based industries and using alternative sources of power; and

- development and dissemination of simple and affordable electric stoves and appliances for rural and urban households.
- *National Investment Promotion Policy, 1996*

The National Investment Promotion Policy sets general and sector-specific objectives in promoting investment whether foreign, joint venture or indigenous. The Policy identifies implementing agencies including the Ministry of Industry and Trade, the Ministry of Finance, Bank of Tanzania (BoT) and the Investment Promotion Centre (IPC). The monitoring obligation is in the hands of the IPC. The policy stipulates that “the Investment Promotion Authority (IPA) shall be custodian, a one-stop centre, and an overseer of the implementation of the investment policy and compliance in all institutions”.

General objectives of the Policy include:

- Encouraging locals to develop indigenous ownership and improve their technological capacity.
- Making efforts to empower women by encouraging investment into areas where they are active, to enable them to be more productive.
- Encouraging (through incentives) institutions involved in, among other things, skills-based training and capacity building.

Some sector-specific objectives are directly related to promotion of MSEs. They include:

- Adopting supportive measures, which promote artisans and small-scale mining activities; putting in place a legal and institutional mechanism to ensure a more harmonious relation between small and large-scale mining activities.
- Transformation of Tanzania’s economic structure “from a predominantly rural-based subsistence agricultural economy to a diversified and more industrialized economy”. Also, the promotion of development and growth of MSEs serving both domestic and export markets.

Provision of efficient and effective institutional framework – ranging from the role of the Government as investment promotion authority, to financial and other investment support institutions is one of the strategies to ensure effective implementation of the Policy objectives. Others include establishment of a transparent legal framework that will facilitate promotion and protection to all forms of investment activities; provision of adequate quality and reliable socio-economic infrastructure and facilities; and promotion of growth of exports by strategically utilizing scarce natural social and capital resources. In aiming to provide a framework to facilitate promotion of all forms of investment, the Policy also facilitates promotion of investments in the MSE sector.

- *National Youth Development Policy, 1996*

The Youth Development Policy was formulated in recognition of the importance of youth’s contribution towards national development. It addresses different aspects of youth development. The policy adopts the youth definition provided by the United Nations, i.e. those in the age group 15-24 years. According to 1995 population estimates, this age group constitutes about 21 per cent of the total population. The policy summarizes economic, social, political and cultural factors, which constrain youth development and provide statistics,

which show a very high unemployment rate among this age group. Aims of the Policy related to aspects of youth employment are the following:

- to protect the rights of the youth, including the right to employment;
- to establish workable plans of employment, which will help to solve the problems of employment for youth;
- to establish practical plans of providing youth with education and skills-training in order to enable them to establish and manage profit generating projects;
- to sensitize youth (girls and boys) to start and operate economic projects; and
- to establish a system which will enable youths to secure working tools, capital, work premises and markets for their products.

The policy also outlines plans to achieve the set objectives. These include expansion of the labour market, especially in the informal sector. Implementing agencies include the Ministry of Labour, Youth Development and Sports, which has a co-ordinating and monitoring role of all youth development activities, other government ministries in both productive and service sectors, NGOs and communities through village governments. With the youth constituting the largest proportion of the unemployed, implementation of the Policy would enhance their chances in engaging in economic activities in the MSE sector, which has high potential for employment creation.

▪ *Women and Gender Development Policy, 2000*

The Women and Gender Development Policy replaces the Women and Development Policy of 1992. The Policy recognizes the existence of gender differences in relation to access to equal opportunities, that women are being marginalized and that both women and men must be equally empowered to take charge of their lives.

The overall goal of the Women and Gender Development Policy is to put in place an environment that will promote equal opportunity for women and men in undertaking their societal obligations. This should also involve taking gender issues into account. The Policy aims to remove barriers to women's participation in development activities. The objective of the Policy is to provide guidance with a view to ensuring gender equality in leadership and development activities in all sectors and institutions.

The Policy outlines the situation of women, pointing out, for example, that while about 90 per cent of the female labour force is in agriculture, only about 1.2 per cent is in small industries and only 0.1 per cent is in construction. The policy sets out a number of strategies to improve the situation of women in all spheres of life. For example, in employment one of the strategies is to have special procedures (with minimum bureaucracy) in issuing licenses to micro and small entrepreneurs, especially those in the informal sector where the majority of women are engaged. The Policy thus, among other things, has provisions that aim at the promotion of women's participation in MSEs as entrepreneurs.

▪ *Rural Development Policy 2001 (Draft)*

The policy is being developed using a bottom-up participatory process to ensure ownership of the policy remains in the hands of the stakeholders. This would ensure accountability and the sustainability of policy outcomes, once implementation begins.

The draft policy outlines existing problems and provides a rationale for the need of a rural development policy. Roles for different stakeholders are described including those for actors at both the central and local government level, the private sector, co-operatives and rural associations.

The importance of MSEs in rural development is recognized as reflected by the areas identified as priority because of their importance in accelerating development. These are:

- private sector promotion including privatization;
- development of export processing zones;
- small-scale rural industry, particularly cottage industries and those developed by women;
- development of the informal sector;
- investment promotion and financing of industries; and
- human resources development and indigenous entrepreneurship development.

▪ *Local Government (Urban Authorities) Act, 1982*

The Act regulates functions of the local government and guides the district councils in organizing their activities. The Act, among other things, gives powers to set standards to be met by MSE operators in obtaining sites for workplaces. The process however, is often not enabling due to cumbersome procedures and unaffordable charges.

▪ *Land Act, 1999*

The Land Act states fundamental principles of the National Land Policy, which the Act is intended to promote. These include:

- recognition that all land in Tanzania is public land;
- facilitation of equitable distribution and access to land by all citizens;
- “The right of every woman to acquire, hold, use and deal with land shall be treated, to the same extent and subject to the same restrictions, as the same right as every man”.

Part V: 19(1) gives “a citizen, a group of two or more citizens in an association, a partnership or a corporate body” the right to occupy land.

▪ *Assessment of the Enabling and Innovation Policies*

Enabling policies summarized herein refer to those aimed at creating an enabling environment for the establishment and development of MSEs in a sustainable way; they facilitate the provision of basic requirements such as land and infrastructure. Policies covered also include those which address issues related to the promotion of disadvantaged groups in MSEs, such as women and youth. Most of the enabling policies were formulated after the introduction of liberalization and therefore reflect the current socio-economic context. Some, particularly the National Employment Policy, show clear emphasis on the need for development and promotion of MSEs.

Other policies, however, do not address MSEs issues directly and benefits are only implicit. Furthermore, some of the policies have not been able to create an enabling environment because of lack of effective implementation, as noted earlier in this report. For example, although the Energy Policy includes a strategy of “generating and distributing

electricity at affordable prices commensurate with demand”, electricity rates in Tanzania remain very high (the highest in SSA) and many potential clients in need of electricity, which is essential for MSEs, are yet to be reached.

The provisions in the Land Act notwithstanding, its positive effect on MSEs seems to be limited. Acquiring land has been a problem to many people in Tanzania, including entrepreneurs in MSEs. This has been attributed to inadequate surveyed areas (particularly in urban areas) and bureaucratic and often non-transparent land allocation procedures. This has been a barrier to MSEs as possession of land is a prerequisite for constructing a business premise, and it can be used as collateral in accessing credit.

In terms of access to land for women and men, the Act clearly provides for women to have the same rights as men to acquire, hold, use and deal with land. However, the Act recognizes ownership of land under customary tenure as legal (Part 3: 4 (3)). In many parts of Tanzania traditionally women cannot own land.

Apart from specific formulated policies, the Government, collaborating with donors in some cases, has been undertaking initiatives aimed at creating a conducive business environment, which impacts on all types of businesses, including MSEs. One example is the BEST programme already mentioned. The Programme aims to address major problems facing entrepreneurs, including those related to the tax regime, and bureaucratic red tape.

Initiatives to promote MSEs are also taking place at the local government level. Creation of a special fund to promote trade in Singida and initiatives to establish rural-based banks in Mbeya are examples of this effort.

The Government is also working closely with business associations which lobby and dialogue with the Government on behalf of entrepreneurs. For example, the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) and the Confederation of Tanzania Industries (CTI) have held dialogue with the Government and influenced changes made in the tax regime. TCCIA and CTI have also taken part in stakeholder workshops for formulation of the SME Development policy. Also participating is VIBINDO, an organization of informal sector operators who have come together as a strategy for promotion of their businesses and protection of their interests. The problem, however, as already pointed out, is that smaller firms (especially micro ones) are less likely to be members of some of these associations. Nonetheless, changes that improve the general business environment benefit also MSEs.

### **3.8 Conclusion**

This analysis has rescaled a number of shortfalls in the policy and legal environment in Tanzania that hinder rather than facilitate and promote the volume and quality of employment in MSEs. Numerous policies and laws are uncoordinated, a factor that could adversely affect MSEs, particularly if there are inconsistencies. Some policies, although affecting MSEs directly or indirectly, do not specifically mention MSEs. In addition, even the draft SME policy, which could be said to be the most direct policy on MSEs, leaves out the word “micro” in its title although content coverage includes MSEs.

This assessment has further revealed that while there are many policies and laws, effective implementation of the same remains a major challenge. While many policies have

objectives which can promote the MSE sector if effectively implemented, persisting problems in the sector and evidence from other studies reviewed and field interviews for this report suggest that policies are not effectively implemented. Policies often take a long time to be implemented as shown in the case of the Fair Trade Practices Act of 1996. Some lack transparency and their bureaucratic, cumbersome and costly procedures make the implementation of some laws (for example, those on taxation, licensing and registration) a barrier to MSE development. Interviews with stakeholders and a review of other studies show lack of awareness in MSEs of the policies and laws that affect them. In addition, some of the laws, particularly labour laws, are well out-of-date and do not reflect the current socio-economic context. Some labour laws, such as those specifying types of enterprise in terms of number of workers, exclude micro enterprises to the disadvantage of their workers.

Assessment of the policy and legal environment has also shown that MSEs are underrepresented in business associations and consequently in different meetings, which discuss issues related to the development and promotion of entrepreneurship and investment. Thus, avenues to advocate and lobby for the sector are limited.

**Table 3.1 Influence of government policies and labour laws on employers' decisions on employment, working conditions and investment by enterprise size, 2001 (percentage)\***

Policies/Regulations	Micro			Small		
	Positive influence	No influence	Negative influence	Positive influence	No influence	Negative influence
<b>Influence on employment decisions</b>						
Labour regulations	4.6	81.4	12.3	7.6	73.8	13.8
Government policies	3.2	61.8	31.4	2.6	45.0	48.8
<b>Influence on decisions regarding working conditions</b>						
Labour regulations	21.8	66.8	5.5	43.8	48.8	3.8
Government policies	11.9	58.2	24.1	11.3	43.8	40.2
<b>Influence on investment decisions</b>						
Government policies	6.9	57.3	30.0	8.8	41.3	47.5

Note: \*A few interviewees did not respond to this question, hence the percentages in each enterprise size do not total 100.

Source: Entrepreneurship Centre Survey, 2001.

Table 3.1 shows that to a substantial number of interviewees, government policies and laws had a negative influence on their decisions on key issues during the past two years. It should be noted, however, that the majority indicated that government policies and regulations had no influence on key decisions such as employment levels, working conditions and investment. This was also the case for other factors such as payments to workers, access to resources and even taxation. A substantial number of owners/managers particularly in small enterprises said government policies and labour laws had a negative influence on their decisions regarding these three issues during the past two years. For example, 48.8 per cent and 47.5 per cent of owners/managers of small enterprises said government policies had a negative influence on their decisions regarding employment levels and investment respectively. The proportion saying government policies had a negative influence on working conditions was 40.2 per cent. On the other hand, 43.8 per cent of the owners in small enterprises reported that labour regulations had a positive influence on their decisions

regarding working conditions, i.e. in terms of provision of benefits, training, pension and insurance schemes, productivity incentives, salary increase and safe working conditions. The smaller proportion of respondents in micro enterprises indicating policies and laws to have an influence on outcomes (either positive or negative) compared to the proportion in small enterprises could be an indication either of less awareness of these policies and laws or of the fact that some of the regulations do not apply to them.

Part 4 presents the conclusions of this report and identifies the efforts currently being made to promote growth in the MSE sector and to generate employment.



## 4. Conclusions

This report has used various survey data and relevant literature to determine the volume and quality of employment in MSEs in Tanzania. A review of specific policies and laws and an overview of the policy and legal environment show the extent and nature of their impact on the volume and quality of MSE employment.

Evidence from earlier studies and field interviews with key stakeholders conducted in the course of this report show that the MSE sector has grown over time, particularly in the post-liberalization period after 1992. Overall, analysis has indicated that the MSE sector has high potential for employment creation in Tanzania. However, despite increased efforts, there is significant room for improvement in the policy environment to facilitate and promote increased (and quality) employment in the MSE sector.

Many MSEs serve only as a means of survival for their operators, with limited opportunity for growth. They are not demand-driven undertakings. The MSE sector seems to have increasingly played an important role in supplementing falling incomes in the formal sector (as second jobs) and in sustaining those who have lost their previous jobs in the public sector. Data from different surveys consistently show that the sector is dominated by micro enterprises, particularly those with no employees. Many of these micro enterprises have been in business for a relatively short period.

Although there is no national trend data, the limited data available show that while MSEs have been increasing in number over the years, there has been little employment creation within the MSE sector, particularly in small enterprises. However, MSEs seem to have performed better than medium and large enterprises – a conclusion based on the analysis data from a small sample survey (RPED) and findings in a 1995 study utilizing national survey data (Wenga et al., 1995).

An increase in the number of MSEs and expansion of the whole private sector in general suggest increased competition, not only among MSEs but also from larger firms and from imports, implying low profit margins. Not only does this have a bearing on the growth of MSEs, but also on their sustainability.

The quality of jobs created in MSEs is poor. Evidence cited in this report shows that employees in MSEs work in a non-conducive, non-motivating environment. Remuneration levels are lower compared with other sectors and many workers operate in an insecure and unstable environment, with limited provision for social protection and scant opportunity to acquire or enhance their skills.

The policy and legal environment have been a disincentive to MSE owners and potential owners in terms of the considerable number of taxes and the cumbersome, bureaucratic procedures in tax administration and for registering a business and obtaining an enterprise license. The quality of employment created in MSEs, in an environment of some outdated laws and policies that explicitly or implicitly exclude MSEs, has resulted in a poorly remunerated workforce with limited job security, social protection and opportunities for skills enhancement. The findings from the 2001 Survey by the Entrepreneurship Centre show that, to many owners/managers, policies and regulations had no influence on key issues such as employment levels, working conditions and investment in their enterprises. Nonetheless, a

substantial number of respondents, particularly in small enterprises, indicated that government policies had a negative influence on these essential decisions.

Some current policies have good (and relevant) objectives that, if effectively implemented, would promote employment in the MSE sector. However, many of these objectives have not been effectively translated into action, as indicated by the persistence of the problems facing MSEs. Other studies and the stakeholders interviewed for this report confirm this view.

While lack of effective implementation strategies has been identified as the cause, the country's overall situation (characterized by resources constraints, a lack of transparency and corruption) is a contributing obstacle to effective implementation of policies and laws.

The participation of both women and men in economic activity is a critical factor in ensuring sustainable development, but fewer women own MSEs compared with men, and women owners are primarily concentrated in the smaller and hence more vulnerable enterprises.

Several elements in the policy and legal environment continue to hinder MSE development and growth, in terms of volume and quality of employment. These constraints are at both the policy content and the implementation level. Government and other stakeholders are making efforts to promote the MSE sector, which include:

- making provision to increase access to credit by MSEs, for example, by formulation of the micro finance policy, micro credit piloting by the National Micro Finance Bank and the vice-President's Office SELF programme;
- ongoing initiatives to simplify the tax structure and administrative procedures for business registration and licensing;
- initiatives for institutional development, including restructuring the Small Industries Development Organisation, to focus on providing business development services for MSEs and for local development to include concerns on MSEs;
- prioritizing SME promotion issues in policy matters. SME policy is being formulated, economic empowerment is focusing on MSEs, and the role of MSEs in poverty reduction, according to the Poverty Reduction Strategy Paper, is recognized;
- initiatives to enhance skills are now geared towards meeting changing demand and establishment of private vocational training institutions is being encouraged; and
- measures to improve social protection are being exacted. For example, the National Social Security Foundation is broadening its coverage to MSEs and other initiatives are being undertaken such as health insurance schemes for groups of informal sector workers.

These steps forward in ameliorating the policy environment need to continue if the MSE sector is to become more dynamic and growth-oriented and if the volume and quality of employment in the MSE sector is to improve in the short term and, in the long term, become sustainable.

## Bibliography

Assey, P. B: "Poverty Alleviation Initiatives in Tanzania" in V. S. Vyas and P. Bhargava eds., *Poverty Reduction in Developing Countries*, (Jaipur: Institute of Development Studies, 1999).

Blanc, X.: *Industrial Change under Structural Adjustment: Tanzania 1993-1996*, (The Africa Regional Programme on Enterprise Development, The World Bank, 1997).

Bol, D.: "Employment and Equity Issues" in L. A. Msambichaka, A. A. L. Kilindo, and G. D. Mjema eds. *Beyond Structural Adjustment Programmes in Tanzania*, (Dar es Salaam, Economic Research Bureau, 1995).

Chijoriga, M.; Olomi, D.; Mwaipiop, L.: *The influence of national policies, laws and regulations on employment in micro and small enterprises*, (The Entrepreneurship Centre, Dar es Salaam, April 2002, IFP/SEED background paper, available on IFP/SEED Website: <http://www.ilo.org/seed> ).

Donald, R., Snodgrass and, Tyler Biggs: *Industrialisation and the Small Firm-Patterns and Policies*. (A Co-publication of the International Centre for Economic Growth and the Harvard Institute for International Development, March 1996).

ESRF and Pace Development: *Policy Study on Economic Empowerment*, 2000.

ESRF: *Country Action Programme for Tanzania as part of Jobs for Africa: Poverty Reducing Employment Strategies for Africa*. (Working draft, 2001).

ESRF: *Quarterly Economic Review* (Dar es Salaam, April-June Volume 3 Issue 2, 2000).

Finseth, W.: *A Strategic Plan To Develop Tanzania's National Policy Framework For Small Business* (on behalf of the Commonwealth Secretariat, November 1998).

Goedhuys, M.: *Employment Creation and Employment Quality in African Manufacturing Firms*, Working Paper No. 26, IFP/SEED, ILO, Geneva, 2002.

Kahama, C. G.: *Tanzania into the 21<sup>st</sup> Century*, (Dar es Salaam, Tema Publishers Company, 1995).

Kamala, Diodorus: "The Analysis of the Performance of Rural/Micro Financial Institutions in Tanzania", in *Uongozi Journal of Management Development*, (Dar es Salaam, 2000, Vol. 12 (1) pp. 120-140).

Masare, A. J.: *Lessons Learned and Recommendations on the Urban Informal Sector* (Interdepartmental ILO Seminar on Urban Informal Sector, Dar es Salaam, 26– 28 June 1996).

Morrisson, Christian: "What Institutional Framework For the Informal Sector?" in *OECD Development Centre Policy*, (Paris, 1995, Brief No. 10).

Ngahu, Catherine W.: "Technological Innovations Used to Overcome the Problem of Resource Scarcity in Small Scale Enterprises (Implications for Policy)", in *ATPS Working Paper*, 1999, No. 12.

Office of the Special Coordinator for Africa and the Least Developed Countries Department for Policy Coordination and Sustainable Development: *Informal Sector Development in Africa*. (United Nations Headquarters, 13-15 June 1995).

Planning Commission and the Ministry of Labour and Youth Development: *The Dar es Salaam Informal Sector Survey, Vol. 1, Analysis and Tabulations*. (Dar es Salaam, 1995).

Planning Commission and the Ministry of Labour and Youth Development: *National Informal Sector Survey* (Dar es Salaam, 1991).

Pricewaterhouse-Coopers: *Tanzania Investor Roadmap, Final Assessment Report*, (Dar es Salaam, January 1999).

Shitundu, J.: *Industrial Investment for Poverty Reducing Employment in Tanzania*. (Paper submitted to the ILO as part of a study on Investment for Poverty Reducing Employment. Final Draft, 2000).

Tajzman, David: *Promoting Productivity and Social Relations in the Urban Informal Sector Employment Relations and Labour Laws in the Dar es Salaam Informal Sector*, (prepared as part of the ILO Interdepartmental papers, 26-28 June 1996).

Temu, S. L.: *Gender and Small Industry in Tanzania*, (University of Leipzig Papers, Politics and Economics No. 16, 1998).

Tibandage, P.: *Public Policy and Public Sector Investment in Tanzania*, (paper submitted to the ILO as part of a study on Investment for Poverty Reducing Employment 2000).

TRA: *Taxation of the informal sector in Tanzania: Final report*, (Research and Policy Department, 2001).

Tsikata, Y. M. and Madete, L. B.: *Private Sector Investment*, (paper submitted to the ILO as part of a study on Investment for Poverty Reducing Employment 2000).

Tueros, M.: *Informal sector and regulatory framework mainland Tanzania*, (Dar es Salaam, URT/88/007 Employment promotion in the informal sector in Tanzania, 1994).

UNDP: *The Tanzania Human Development Report: The State of Progress in Human Resource Development*. (UNDP: Dar es Salaam, 2000).

UNDP, ILO and UNIDO: *Roadmap Informal Sector Study for Tanzania Mainland*, Final Draft, (Dar es Salaam, 2001).

United Republic of Tanzania (URT): *Hon. Basil P. Mramba (MP) Introducing to the National Assembly the Estimates of Government Revenue and Expenditure for the Financial Year 2001/2002, on 24<sup>th</sup> June 2001*, (Government Printer, 2001).

\_\_\_\_\_ : *Report of the Presidential Special Advisory Committee on Revival, Strengthening and Development of Co-operatives in Tanzania*, (Dar es Salaam, October 2000).

\_\_\_\_\_ : *Integrated Labour Force Survey, 2000/01*, (National Bureau of Statistics, 2001).

\_\_\_\_\_ : *Integrated Industrial Development Programme for Capacity Building to Enhance Industrial Competitiveness and Sustainability in Tanzania (with emphasis on MSEs and Agro-Industries, 1999)*.

\_\_\_\_\_ : *Poverty Reduction and Employment*, (document prepared for the Tanzanian Assistance Strategy, 2000).

\_\_\_\_\_ : *The Economic Survey 1999*, (The Planning Commission: Dar es Salaam, 2000 a).

- \_\_\_\_\_ : *Poverty Reduction Strategy Paper*, (Government Printer: Dar es Salaam, 2000 b).
- \_\_\_\_\_ : *Programme for Business Environment Strengthening for Tanzania – (BEST, 2000 c).*
- \_\_\_\_\_ : *Trade policy background papers*, 2000 d.
- \_\_\_\_\_ : *Report on Informal Sector and Regulatory Framework in Mainland Tanzania*, (Dar es Salaam, June 1994).
- \_\_\_\_\_ : *The National Economic Survival Programme*, (Ministry of Planning and Economic Affairs, Dar es Salaam: Government printer, 1982).
- \_\_\_\_\_ : *Strategic Plan to Develop Tanzania's National Framework for Small Business, 1998.*
- USAID: *The Investor Roadmap of Tanzania – Draft report*, (Dar es Salaam, 1997).
- Van Diesen, Arthur: *International Development Targets; Millennium Declaration Development Goals*, (UN Country Team, 2001).
- Wangwe, S. M.: *Micro and Small Enterprises Development and Employment Implications: Review of Current Status and Prospects*, (Dar es Salaam, National Roundtable Meeting on Employment Policy, May 1999).
- Wangwe S. M. and Van Arkadie, B. eds.: *Overcoming Constraints On Tanzanian Growth: Policy Challenges Facing The Third Phase Government* (Mkuki Na Nyota Publishers, Dar es Salaam, 2001).
- Wangwe, S. M., Musonda, F. and Kapella, R.: *Public-Private Interface: Lessons from Recent Budgets and Prospects for Improvement*, (paper presented at public and private sector roundtable evaluation of the 2001/2002 budget's impact on Tanzania private sector development held in Dar es Salaam, 23 August 2001).
- Wangwe, S. M and Tsikata, Y. M.: *Macroeconomic Developments and Employment in Tanzania*. (paper presented at the National Round Table Meeting on Employment Policy, Dar es Salaam, May 1999).
- Wenga, P.; Ifnand, A. and Shultz, M.: *Self-help organizations in the informal sector of the Dar es Salaam region*, (ILO Interdepartmental Project, 1995).
- World Bank: *World Development Indicators*, (Washington D.C., 1999).
- \_\_\_\_\_ : *Country Economic Memorandum – Draft*, (Dar es Salaam, 1999).
- \_\_\_\_\_ : *Tanzania at the Turn of the Century: From Reforms to Sustained Growth and Poverty Reduction*, (Washington D.C., 2001).



## Annexes

### Annex 1: Enterprises by size and education and sex of owner/manager (see Section 2.2 of this Report)

Education	Size	SEX		Total
		Male	Female	(%)
		(%)	(%)	
No School	0	40.9	43.2	84.1
	1	6.2	3.7	9.9
	2 - 4	3.8	2.3	6.0
	5 - 9	.0		.0
Primary Not Complete	0	50.7	27.4	78.0
	1	9.0	3.1	12.1
	2 - 4	6.7	2.5	9.2
	5 - 9	.4	.3	.7
Primary Complete	0	52.3	26.4	78.7
	1	9.8	4.0	13.8
	2 - 4	5.9	1.1	7.0
	5 - 9	.5	.0	.6
Secondary (Form 2)	0	55.8	11.1	66.8
	1	17.9	4.4	22.2
	2 - 4	8.4	1.6	10.0
	5 - 9	.6		.6
Secondary (Form 4)	0	41.2	18.7	59.9
	1	17.3	7.5	24.7
	2 - 4	11.3	2.9	14.2
	5 - 9	1.2		1.2
Secondary (Form 6)	0	46.1	2.2	48.3
	1	15.1	5.0	20.1
	2 - 4	19.2	7.3	26.5
	5 - 9	5.1		5.1
Other Tertiary	0	34.5	7.4	41.9
	1	23.3	7.6	30.9
	2 - 4	20.3	1.0	21.2
	5 - 9	1.7		1.7
University	0	4.3		4.3
	1	13.3	8.5	21.8
	2 - 4	20.9	32.6	53.5
	5 - 9	16.2	8.5	24.7
<b>Total</b>		63.9	36.1	100.0

Source: Planning Commission and MLYD, 1991.



## Annex 2: Summary of economic reforms undertaken after 1992 (see Section 3.2 of this Report)

Policy	Measures	Achievements/Results
<b>A. MACROECONOMIC STABILIZATION MEASURES</b>		
Fiscal Policy	<ul style="list-style-type: none"> <li>• Identification of new tax revenue sources and adjustments to some existing taxes with a view to collecting more tax revenue</li> <li>• Reducing and stopping subsidies extended to state institutions</li> <li>• Reducing and stopping GOT from bank borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• General improvement in GOT revenue collections</li> <li>• Increased control of government expenditure as progressive improvement in budget deficit</li> </ul>
Monetary Policy	<ul style="list-style-type: none"> <li>• Stopping administrative allocation of credit to public institutions</li> <li>• Curtailing and finally stopping bank borrowing to increase credit available to productive sectors</li> <li>• Establishment of flexible and more liberal interest rates</li> <li>• Establishment of market determined exchanged rates</li> </ul>	<ul style="list-style-type: none"> <li>• General improvement in supply of foreign exchange</li> <li>• Competitive and remunerative sales of foreign exchange</li> <li>• Reduction of inflation to a single digit number</li> </ul>
Domestic and Foreign Trade Liberalization	<ul style="list-style-type: none"> <li>• Removing protectionist policies responsible for inefficiencies in the economy</li> <li>• Price decontrol</li> <li>• Expansion of OGL facility for availing requisite foreign exchange resources</li> <li>• Deconfinement of import/export and wholesale trade</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced efficiency in domestic production and import/export trade</li> <li>• Boosting production and supply of commodities</li> </ul>
<b>B. INSTITUTIONAL REFORMS</b>		
Financial Sector	<ul style="list-style-type: none"> <li>• Strengthening the supervisory role of BoT in managing monetary policy</li> <li>• Licensing local and foreign private institutions</li> <li>• Restructuring of public institutions</li> <li>• Introduces competition in previously public dominated financial sector</li> <li>• Enhanced efficiency</li> </ul>	
Autonomous TRA (July 1996)	<ul style="list-style-type: none"> <li>• Strengthening tax administration.</li> <li>• VAT operational July 1998</li> </ul>	
Parastatal Sector Reform Programme	<ul style="list-style-type: none"> <li>• Implemented through PSRC (1993) and LART (1991)</li> <li>• To reduce public sector's dominance on economic activity</li> <li>• Paved way to private sector development</li> <li>• Alleviated fiscal and efficiency problems in GOT</li> </ul>	
Civil Service Reform Programme	To enhance efficiency of GOT by: <ul style="list-style-type: none"> <li>• Downsizing staff and operations</li> <li>• Alleviated undue pressure on GOT budget</li> </ul>	
Focus on Poverty Reduction	<ul style="list-style-type: none"> <li>• Vision 2025: from short term view to long-term view</li> <li>• National Poverty Eradication Strategy (1996): focus on poverty</li> <li>• TAS (2000): defining development partnership</li> <li>• PRSP (2000): integrating policy concerns in policy framework</li> </ul>	
Political Liberalization		
Redefinition of core functions of Government		
Promotion of Investment	<ul style="list-style-type: none"> <li>• CMSA Act 1994</li> <li>• Foreign Exchange Act 1992 and Tanzania Investment Act 1997</li> <li>• Establishment of IPC/TIC</li> </ul>	



### Annex 3: Business start-up costs and delays (see Section 3.2 of this Report)

Office	Steps	Costs	Delays
<b>1. General Approvals, Permits and Licenses</b>			
<b>Registrar of Companies</b>	Trade Name Registration	Certificate of Incorporation:	2-3 days
	Private and Public Companies	Graduated Fee Scale	1-3 days
<b>Commission for Income Tax  Tanzania Revenue Authority</b>	Tax Registration	Business Enquiry (Businesses): No Fee	Minimal
		Preliminary Enquiry (Individuals): No Fee	Minimal
<b>Stamp Duty/VAT Registration  Tanzania Revenue Authority</b>	Stamp Duty Registration	Issuance of Composition Agreement Number	2-3 days
<b>2. Specialized Approvals</b>			
<b>National Environment Management Council (NEMC)</b>	Environmental impact assessment		3weeks- 3 months
<b>Industrial Licensing Board (ILB)</b>	Industrial licensing	“Application for Industrial License/certificate of Registration”: No fee	Up to 3 months
<b>3. Land Acquisition</b>	Ministry of Land		3 months to 6 years
<b>4. Site Development</b>			
<b>Lands Commission</b>	Reservation of land and identification of plots		1 month
	Site Inspection and Compensation for customary tenants		4-6 months
	Site survey	Various	3 to 4 days
	Letter of offer	Various	3 weeks-6 months
	Certificate of occupancy Title registration at Lands Registry	Various	4 months-1 year.
<b>Municipal/Town Council</b>	Building permit application	Various	6 months- 1 year
	Planning consent	Various	
	Building permit	Various	

Office	Steps	Costs	Delays
<b>Regional Water Authorities</b>	Water connection	<p>Application for water connection TZS 1,000</p> <p>Installation: Average industrial installation cost: TZS 1 million</p> <p>Deposit charges for water meters: TZS 50,000- TZS 1 million.</p>	1-2 weeks
<b>Department of Sewerage and Sanitation</b>	Sewerage connection	<p>Survey Form: No fee</p> <p>Commercial Sewerage connection fee: 50,000- TZS 1 million</p>	
<b>Tanzania Electric Supply Company (TANESCO)</b>	Electricity connection	<p>Preliminary application form for power supply TZS 200</p> <p>Installation completion card TZS 500</p> <p>Hook-up costs: Residential: TZS 15,000 Commercial: TZS 8 million-TZS 15 million</p> <p>Transformer installations: TZS 1.2 million- 30 millions</p> <p>Meter deposit for installations: TZS 100,000- TZS 200,000</p>	Overall 6 weeks (in practice it can take 2 years!).
<b>Tanzania Telecommunication Company Limited (TTCL)</b>	Phone installation	Average total cost for a business phone installation is TZS 95,895.	One month.

Source: Tanzania Investor Road Map (Final Assessment Report).

## **Annex 4: Definitions of the Informal Sector**

### **1. Definition in the 1991 Informal Sector Survey (National)**

The definition of the informal sector in the 1991 ISS takes into account the following:

- The Informal Sector is restricted to the Private Sector. Excluded are all Government and Parastatal concerns and registered Co-operatives.
- Agriculture activities were included in urban areas only, provided the activity was a business enterprise with the objective of raising income and not solely for home consumption. Fishing was included in urban and rural areas with the same restriction.
- Private enterprises have 5 or less paid employees.
- Enterprises at the following locations were included if they met the above criteria in a market place, in a temporary structure, or on a footpath, in the street or in an open place.

### **2. Definition in the 1995 Dar es Salaam Informal Sector Survey**

Enterprises covered in the 1995 DISS were chosen on the basis of the following attributes:

- The informal sector is considered as a subset of household enterprises or unincorporated enterprises owned by households.
- They are enterprises which are not separate legal entities independent of the households or household members who own them.
- They do not have a complete set of accounts that permit a clear distinction of production activities of the enterprise from other activities of their owners and the identification of flows of income and capital between enterprises and owners.
- The enterprises may or may not employ paid labour and the activities may be carried out inside or outside the owner's home.
- All or at least some of the goods or services of the business have to be produced for sale.

The 1995 DISS included enterprises rendering professional or business services (e.g. doctors, lawyers, teachers, accountants, engineers, architects etc.) in the definition if they meet the requirements of informal own account enterprises or enterprises of informal employers.

### **3. Definition in the 2000/01 Integrated Labour Force Survey (ILFS)**

The informal sector is considered as household enterprises or unincorporated enterprises owned by households with the following characteristics:

- They are enterprises which are not separate legal entities independent of the households or household members who own them;
- They do not have a complete set of accounts which permit a clear distinction of production activities of the enterprises from the other activities of their owners and the identification of flows of income and capital between enterprises and owners;
- The enterprises may or may not employ paid labour and the activities may be carried out inside or outside the owners' home
- All or at least some of the goods or services of the business have to be produced for sale.
- They should have a maximum of five paid employees, except for the construction, manufacturing and mining sectors where the maximum is ten paid employees.

Informal own account enterprises (with or without employees on an occasional basis and unpaid family helpers) and informal employers (employing workers on a continuous basis) are both included in the definition.

Contrary to the 1990/91 survey, enterprises rendering professional or business services (e.g. doctors, teachers, lawyers etc) and those using high technology are included in the definition if they meet the requirements of informal own account enterprises or informal employers.

## **Annex 5: Institutions in Tanzania with an impact on MSEs (see Part 3 of this Report)**

Many institutions in Tanzania have responsibilities which, in one way or another, affect the MSE sector either directly or indirectly. The increasing importance of MSEs is indicated by the diversity of the sectors to which the institutions belong – government, semi-government, private, NGOs/CBOs and the international agencies, both multilateral and bilateral. Below we provide an outline of these institutions:

### **Government and Semi-government Institutions**

Many of the government institutions are ministries that oversee the formulation and implementation of policies, which directly or indirectly affect MSEs. There are also parastatals, which have played and continue to play a key role in the development and promotion of MSEs. These government and semi-government institutions include the following:

#### *1. Ministry of Industry and Trade (MIT)*

The MIT is in charge of formulating and monitoring policies aimed at supporting the industry and trade sector in Tanzania. The ministry monitors the performance of the industry and trade sector, facilitates industrial and trade development through appropriate recommendations on the legal framework and supervises agencies and firms performing regulatory roles in the industry and trade area such as licensing, company and business registration, weights and measures, quality and standardization and competition policy. Among the main functions of the ministry is entrepreneurship promotion and development. The Small Enterprise section under the Department of Industries is co-ordinating preparation of the SME policy.

#### *2. Ministry of Labour, Youth Development and Sports (MLYDS)*

The MLYDS is responsible for formulating and coordinating, among others, policies for promotion of employment both in the formal and informal sectors. The Ministry is also responsible for overseeing enforcement of labour legislations in work places. Apart from its primary role in the area of policy formulation and implementation, the Ministry also plays other key roles such as promoting youth groups engaged in entrepreneurial activities, and has, in collaboration with international agencies, implemented credit schemes for the youth.

#### *3. Ministry of Finance (MoF)*

The Ministry of Finance (MoF) oversees and coordinates formulation and implementation of financial policies and regulations, some of which affect, directly or indirectly, MSEs. It oversees government finances and all official donor assistance.

#### *4. The Vice Presidents' Office (VPO)*

The VPO co-ordinates and monitors implementation of poverty eradication/reduction efforts by different stakeholders, in accordance with the National Poverty Eradication Strategy (NPES) and the Poverty Reduction Strategy Paper (PRSP). The two strategies identify MSEs as a key sector promotion of which can contribute to poverty reduction. The VPO is currently running a special project providing credit through established micro-credit providing NGOs aimed at facilitating self-employment.

#### *5. Ministry of Co-operatives and Marketing*

The Ministry has mandate to formulate and monitor the implementation of co-operatives policies. The Co-operative Development policy is one of the policies that directly aim at promoting

and developing MSEs. The Ministry facilitates development of primary societies and formulation of co-operative savings and credit societies. The Ministry also oversees issues related to intra and inter region trade market research.

6. *Ministry of Community Development Women and Children's Affairs (MCDWAC)*

The Ministry oversees the formulation and implementation of policies on, among other things, gender and women development. The Ministry is facilitating advocacy activities aimed at promoting the empowerment of women to have equal access to resources and equal participation in economic activities. In its efforts to facilitate the empowerment of women, the Ministry has been overseeing schemes that provide credit to women entrepreneurs and facilitated programmes which promote development of women-owned MSEs. Such facilitation has been provided in terms of, for example, developing and implementing technical and business extension services to women entrepreneurs and management of credit schemes for women engaged in income generating activities.

7. *Ministry of Local Government and Regional Administration (MLGRA)*

The Ministry, among other responsibilities, promotes local development initiatives, including development of infrastructure and promotion of business. The Ministry oversees local authorities, within which MSEs operate, influenced by applicable local authority laws and regulations, and business support initiatives where they exist.

8. *Local Authorities*

Local authorities formulate and implement by-laws, which affect MSEs both directly and indirectly. They can also affect development of the MSE sector through other roles they play such as levying different types of taxes, provision of basic infrastructure such as waste disposal facilities and allocation of business premises.

9. *Ministry of Education and Culture (MoEC)*

The Ministry of Education and Culture oversees and co-ordinates the implementation of the Education and Training Policy, which has inclusion of entrepreneurship education in the school curricula as one of its objectives. The aim is to promote business culture in society.

10. *Ministry of Science, Technology and Higher Education (MoSTHE)*

This Ministry is, among other things, responsible for co-ordinating technical and vocational training, which is crucial for workers in MSEs.

11. *Ministry of Lands and Human Settlements Development*

The Ministry has several functions, which indirectly or directly have an impact on MSEs. They include overseeing the formulation and implementation of the Land Policy and matters related to allocation of land and registration of titles.

12. *Ministry of Communications and Transport*

Functions of this Ministry include overseeing the Communication and Transport Policies and their implementation. The activities of this ministry affect MSEs as they are meant to enable entrepreneurs to have easy access to inputs, markets and information.

13. *Small Industries Development Organisation (SIDO)*

SIDO is a semi-government (parastatal) institution under the MIT. SIDO plays multiple roles in the development and promotion of MSEs, ranging from provision of business development services and provision of credit to advocacy activities. For example, SIDO project on Strengthening Small and Micro Enterprises and their Co-operatives and Associations (SSMECA) has assisted MSEs by providing business advisory services, training and conducting feasibility studies. SIDO has also been advocating for a policy environment which promotes MSE development, and it provides advice to Government on issues related to MSE promotion and development.

14. *Business Registration and Licensing Authority (BRELA)*

BRELA, which is also under the MIT, has a function of issuing business licenses and registration of business names. The process of performing this function affects MSEs, which need licenses to operate.

15. *Tanzania Revenue Authority (TRA)*

TRA is a government agency with mandate to collect revenue on behalf of the Government. Among other things TRA has responsibility to monitor and educate people, especially tax payers on the tax structure as a way of ensuring accountability in paying taxes.

16. *Vocational and Education Training Authority (VETA)*

VETA is vested with the responsibility of regulating and monitoring the provision of vocational education in the country, making it the main supplier of skills/know-how to the workers of the MSE sector.

17. *The Bank of Tanzania (BoT)*

BoT is entrusted with supervision of the financial sector. BoT has the responsibility of putting in place a regulatory and supervisory framework for financial operations, including those affecting MSEs such as micro finance.

18. *Tanzania Investment Centre (TIC)*

TIC is vested with the responsibility of authorizing different types of investments in the country. Its relation to the MSE sector is however limited as most of the MSEs do not meet the threshold placed on using the TIC.

19. *Tanzania Bureau of Standards (TBS)*

This is a parastatal, established since 1975 to provide, among other things, quality assurance. MSEs are expected to use the services of TBS in ensuring quality of their products.

20. *The National Income Generation Programme (NIGP)*

NIGP was set up as a Trust Fund by Government supported by donors to provide services aimed at promoting income generation and employment in agriculture, infrastructure and micro businesses.

21. *Tanzania Industrial Research and Development Organisation (TIRDO)*

This is also a parastatal, which has been in existence for more than 20 years. Its mandate is to conduct industrial research and provide consultancy services to industries.

## **Non-Governmental Organizations**

NGOs undertaking activities that affect MSEs include the following:

1. *Pride Tanzania Ltd.*

Established in 1994 as part of Pride Africa, Pride Tanzania provides credit to micro entrepreneurs on a group guarantee basis. It has branches in all regional centres and has started to open branches outside regional centres.

2. *Savings and Credit Co-operatives (SACCOs)*

SACCOs are basically owned by members in the community or work places. It is estimated that there are more than 1,000 SACCOs in Tanzania although only a substantially lower number could be described as active. Many SACCOs have not been very effective in lending.

3. *Finance and Advice in Development Assistance to Small Enterprise Promotion (FAIDA-SEP)*

This is a donor funded small enterprise promotion project operating in three regions. The project provides financial services to Small entrepreneurs, such as loan guarantee.

4. *FAIDA BDS CO. Ltd.*

This is an offspring of FAIDA, which, among other things, provides BDS.

## **Private Organizations**

There are various private institutions, which affect MSEs in different ways. Some of these are business associations, which primarily play an advocacy role while others provide BDS and/or financial services. Included are the following:

1. *National Micro Finance Bank (NMB)*

Formerly a parastatal called National Bank of Commerce (NBC), the NMB is now a private banking institution whose activities include provision of credit to MSEs. This service has only been introduced recently on a pilot basis in a few districts of Tanzania and is expected to be extended to all its branches in the country.

2. *CRDB Ltd.*

Also formerly a parastatal known as the Co-operative and Rural Development Bank, CRDB Ltd. is now owned by shareholders. The Bank primarily provides savings and financial services in the rural areas where it has branches. Lending services are also provided in some of its branches.

3. *Enterprise Development Centre (EDC)*

The Enterprise Development Centre provides training particularly on entrepreneurial and business management skills. Training is usually offered on behalf of clients targeting promotion and development of MSEs. Training is also offered to individuals through applications. The Centre also provides other services at a small fee such as business counselling, business support in terms of write-ups, for example feasibility studies and project evaluation for the informal sector.

#### 4. *Entrepreneurship Centre*

The Entrepreneurship Centre (EC) at the University of Dar es Salaam was established in 1999 within the Faculty of Commerce and Management. Its main objectives include: carrying out research and provision of consultancy services on enterprise development to governments, donor agencies, enterprise development organizations, as well as enterprises; strengthening the capacity of institutions and networks involved in supporting the establishment and development of small and medium sized enterprises (SMEs). The Centre is also involved in producing and disseminating innovative training and counselling programmes, methodologies and materials for enterprise development.

#### 5. *Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)*

TCCIA is a voluntary private sector organization representing businesspersons in industry, trade and agriculture. Its aim is to dialogue, lobby and advocate the course of its members. It also provides outreach services to its members such as training and seminars for capacity building purposes. TCCIA has branches in all regions of Tanzania Mainland and even has offices in some of the districts.

#### 6. *Confederation of Tanzania Industries (CTI)*

The Confederation of Tanzania Industries (CTI) is an independent, self-financed, legally constituted organization that serves its members mainly by speaking out on their behalf and generally representing their interests. Its major aim is to ensure a conducive financial and economic environment within which industry can operate effectively, prosper and contribute to national wealth and development.

The objectives of the Confederation include among others: to present the views of members to, and to co-operate with the Government of the day, local authorities and any other bodies essential to industry; promoting competitiveness in a minimally regulated business environment in which sustained development is possible; acting as a prime source of information about manufacturing and associated industries for its members, the Government, potential investors and media and to collect, disseminate and make available statistics and other information on matters concerning or affecting industry. Also it has the responsibility of gathering and maintaining information from the members with regard to matters related to industries for subsequent translation into policies. CTI members are however, primarily large and medium enterprises.

#### 7. *VIBINDO*

VIBINDO is an umbrella association of self help groups of micro businesses in industry and trade in Dar es Salaam. It represents and advocates for its members' interests in discussions with authorities on various issues including allocation of business premises charging of realistic levies and acquisition of business licenses.

### **International Organizations**

International organizations – both bilateral and multilateral have played a major role in promoting development of the MSE sector. Among other things organizations such as UNDP, UNIDO and ILO have been providing policy advice to the Government, for example on matters related to the informal sector where the majority of micro enterprises are found, and have assisted the Government in establishing credit programmes to benefit the informal sector and special groups such as women and the youth. The Agencies have also provided support to activities related to policy reforms geared at the development of micro and small enterprises in general.

ILO and UNIDO have supported initiatives related to business development. For example, UNIDO provided support for the establishment of TIRDO and ILO collaborated with SIDO to establish a project called “Strengthening Small and Micro Enterprise and their Co-operatives and Associations (SSMECA). GTZ and DANIDA have provided support to VETA, which oversees and provides vocational training.

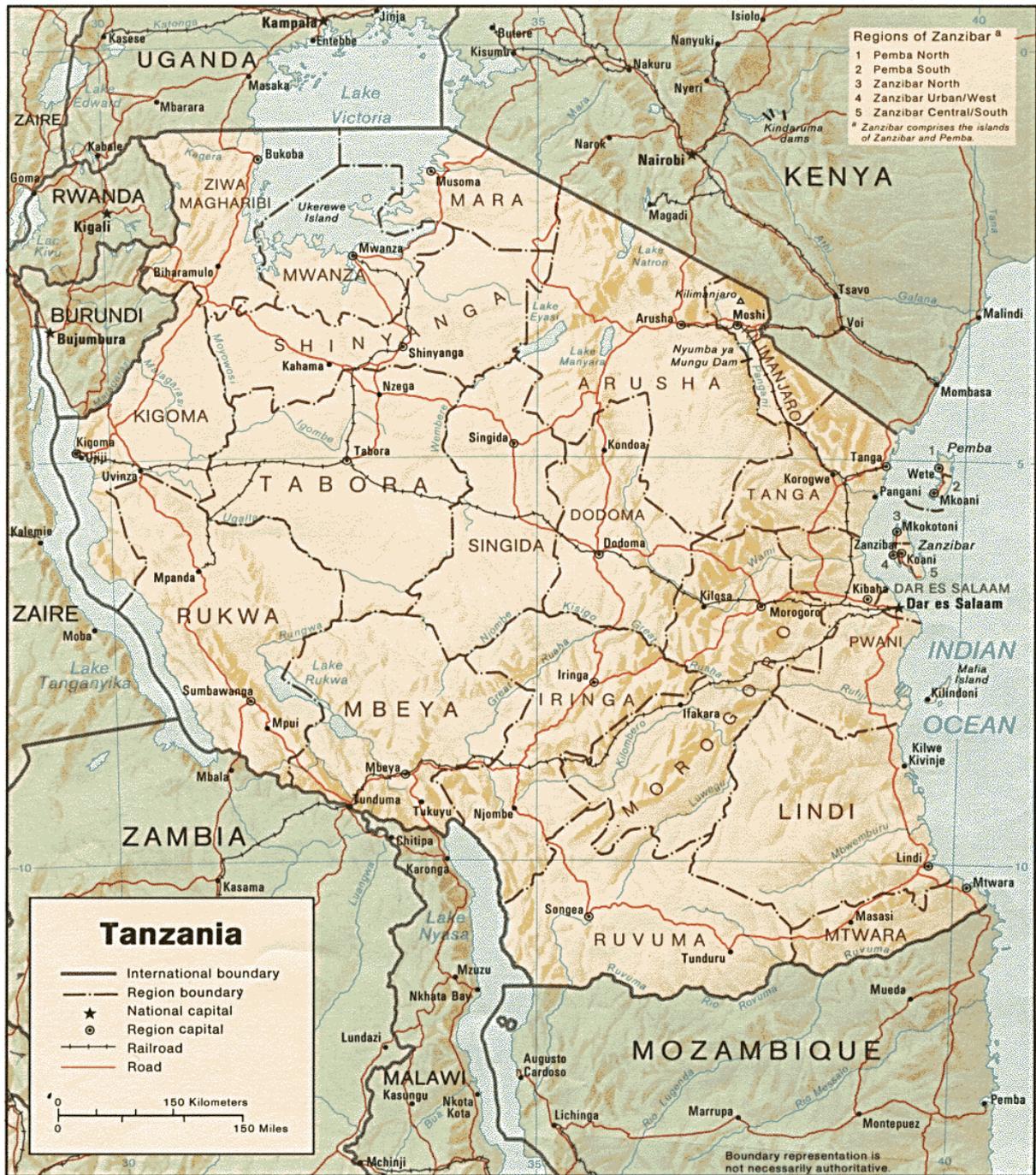
Other international agencies such as the European Union, DANIDA, and USAID have also been providing support to MFIs and have also provided funds for some of the credit schemes. SNV, a Netherlands Development Organisation has provided support to FAIDA-SEP, which supports small entrepreneurs in accessing finance and in business development services. SIDA is providing funding and technical assistance to strengthen the operations of TCCIA all over the country and DANIDA has provided support to CTI. NORAD provides funding to Pride Tanzania.

## **Annex 6: Individuals consulted in the course of this Report**

<b>Name</b>	<b>Position and Institution</b>
1. Mr. A. Nyiti	Assistant Director (SMEs) Directorate of Industry, Ministry of Industry and Trade
2. Mr. Masare	Ministry of Labour, Youth Development and Sports
3. Mr. S. Buberwa	Director of Social Service and Human Resources Dev. (Planning Commission)
4. Mr. R. Musingi	Local Government and Regional Administration
5. Mr. Mahingila	Registrar of Companies and Business Names, Business Registration and Licensing Authority
6. Mrs. Shuma	Planning Officer, Planning and Monitoring Department, Kinondoni Municipal Council
7. Ms. Mariam Magota	Officer-in-charge (small businesses), Kinondoni Municipal Council
8. Ms. Janeth Minja	Project Coordinator, Small Industries Development Org. (SIDO)
9. Mr. Basil Saprapasan	Vice Chairman, Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)
10. Ms. Christine Kilindu	Chief Executive Officer, Confederation of Tanzania Industries (CTI)
11. Mr. Akida Mwaimu	Chairman, VIBINDO
12. Ms. Micheline Goedhuys	Enterprise Development Expert, ILO Country Office
13. Ms. Janeth Mbene	UNDP
14. Ms. Karin Sorensen	Programme Officer, UNIDO
15. Dr. S. Nyantahe	UNIDO
16. Ms. C. Ntuyabaliwe	PRIDE (Tanzania)
17. Mr. Mkayu	Director, Enterprise Development Centre
18. Mr. Kaijanante	Trainer, Enterprise Development Centre
19. Dr. D. Olomi	Director, Entrepreneurship Centre, Faculty of Commerce, University of Dar es Salaam
20. Ms. J. Baghdella	CEO, Equal Opportunity Trust Fund
21. Ms. Anna	(Business Owner), Anna Designs
22. Mrs E. Minja	(Business owner), Millennium Secretarial and Stationers



Annex 7: Map, United Republic of Tanzania (see section 1.3 of this report)





## SEED Working Papers

1. “Home Work in Selected Latin American Countries: A Comparative Overview” (*Series on Homeworkers in the Global Economy*), Manuela Tomei, 2000
2. “Homeworkers in Paraguay” (*Series on Homeworkers in the Global Economy*), María Victoria Heikel, 2000
3. “Homeworkers in Peru” (*Series on Homeworkers in the Global Economy*), Francisco Verdera, 2000
4. “Job Quality and Small Enterprise Development” (*Series on Job Quality in Micro and Small Enterprise Development*), 1999
5. “The Hidden MSE Service Sector: Research into Commercial BDS Provision to Micro and Small Enterprises in Viet Nam and Thailand” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Gavin Anderson, 2000
6. “Home Work in Argentina” (*Series on Homeworkers in the Global Economy*), Elizabeth Jelin, Matilde Mercado, Gabriela Wyczykier, 2000
7. “Home Work in Brazil: New Contractual Arrangements” (*Series on Homeworkers in the Global Economy*), Lena Lavinas, Bila Sorj, Leila Linhares, Angela Jorge, 2000
8. “Home Work in Chile: Past and Present Results of a National Survey” (*Series on Homeworkers in the Global Economy*), Helia Henríquez, Verónica Riquelme, Thelma Gálvez, Teresita Selamé, 2000
9. “Promoting Women’s Entrepreneurship Development based on Good Practice Programmes: Some Experiences from the North to the South” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Paula Kantor, 2000
10. “Case Study of Area Responses to Globalization: Foreign Direct Investment, Local Suppliers and Employment in Győr, Hungary” (*Series on Globalization, Area-based Enterprise Development and Employment*), Maarten Keune, András Toth, 2001
11. “Local Adjustment to Globalization: A Comparative Study of Foreign Investment in Two Regions of Brazil, Greater ABC and Greater Porto Alegre” (*Series on Globalization, Area-based Enterprise Development and Employment*), Glauco Arbix, Mauro Zilbovicius, 2001
12. “Local Response to Globalization: MESTA Region, Bulgaria” (*Series on Globalization, Area-based Enterprise Development and Employment*), Hanna Ruszczuk, Ingrid Schubert, Antonina Stoyanovska, 2001

13. “Ethnic Minorities — Emerging Entrepreneurs in Rural Viet Nam: A Study on the Impact of Business Training on Ethnic Minorities”, Jens Dyring Christensen, David Lamotte, 2001
14. “Jobs, Gender and Small Enterprises in Bangladesh: Factors Affecting Women Entrepreneurs in Small and Cottage Industries in Bangladesh” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Nilufer Ahmed Karim, 2001
15. “Jobs, Gender and Small Enterprises: Getting the Policy Environment Right” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Linda Mayoux, 2001
16. “Regions, Regional Institutions and Regional Development” (*Series on Globalization, Area-based Enterprise Development and Employment*), Maarten Keune, 2001
17. “ICTs and Enterprises in Developing Countries: Hype or Opportunity?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Jim Tanburn and Alwyn Didar Singh, 2001
18. “Jobs, Gender and Small Enterprises in Africa and Asia: Lessons drawn from Bangladesh, the Philippines, Tunisia and Zimbabwe” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Pamela Nichols Marcucci, 2001
19. “Jobs, Gender and Small Enterprises in the Caribbean: Lessons from Barbados, Suriname and Trinidad and Tobago” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Carol Ferdinand (ed.), 2001
20. “Jobs, Gender and Small Enterprises in Bulgaria” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Antonina Stoyanovska, 2001
21. “Women Entrepreneurs in Albania” (*Series on Women’s Entrepreneurship Development and Gender in Enterprises — WEDGE*), Mimoza Bezhani, 2001
22. “Ajuste Local à Globalização: um estudo comparativo do investimento estrangeiro direto no ABC e na Grande Porto Alegre” (*Série sobre Globalização, Desenvolvimento de Empresas ao Nível Local e Emprego*), Glauco Arbix, Mauro Zilbovicius, 2002
23. “Small Enterprises, Big Challenges: A Literature Review on the Impact of the Policy Environment on the Creation and Improvement of Jobs within Small Enterprises”, (*Series on Conducive Policy Environment for Small Enterprise Employment*), Gerhard Reinecke, 2002
24. “Méthodes et Instruments d’Appui au Secteur Informel en Afrique Francophone”, Carlos Maldonado, Anne-Lise Miélot, Cheikh Badiane, 2003 (forthcoming)

25. “Artisanat et Emploi dans les Provinces de Settat et El Jadida”, Gérard Barthélemy, 2002
26. “Employment Creation and Employment Quality in African Manufacturing Firms”, Micheline Goedhuys, 2002
- 27E. “An Information Revolution for Small Enterprise in Africa: Experience in Interactive Radio Formats in Africa” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Mary McVay, 2002
- 27F. “Une révolution de l’information pour les petites entreprises en Afrique : L’expérience en matière de formats radio interactifs en Afrique” (*Série Innovation et viabilité des services d’appui aux entreprises*), Mary McVay, 2002
28. “Assessing Markets for Business Development Services: What have we learned so far?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Alexandra Overy Miehlbradt, 2002
29. “Creating a Conducive Policy Environment for Micro, Small and Medium-Sized Enterprises in Pakistan” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Small and Medium Enterprise Development Authority of Pakistan (SMEDA), 2002
30. “Creating Market Opportunities for Small Enterprises: Experiences of the Fair Trade Movement”, Andy Redfern and Paul Snedker, 2002
31. “Creating a Conducive Policy Environment for Employment Creation in Small Enterprises in Viet Nam” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Pham Thi Thu Hang, 2002
32. “Business Training Markets for Small Enterprises in Developing Countries: What do we know so far about the potential?” (*Series on Innovation and Sustainability in Business Support Services (FIT)*), Akiko Suzuki, 2002
33. “Organizing Workers in Small Enterprises: The Experience of the Southern African Clothing and Textile Workers’ Union” (*Series on Representation and Organization Building*), Mark Bennett, 2002
34. “Protecting Workers in Micro and Small Enterprises: Can Trade Unions Make a Difference? A Case Study of the Bakery and Confectionery Sub-sector in Kenya” (*Series on Representation and Organization Building*), Gregg J. Bekko and George M. Muchai, 2002
35. “Creating a Conducive Policy Environment for Employment Creation in SMMEs in South Africa” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Jennifer Mollentz, 2002
36. “Organizing in the Informal Economy: A Case Study of Street Trading in South Africa” (*Series on Representation and Organization Building*) Shirin Motala, 2002

37. “Organizing in the Informal Economy: A Case Study of the Clothing Industry in South Africa” (*Series on Representation and Organization Building*), Mark Bennett, 2003
38. “Organizing in the Informal Economy: A Case Study of the Building Industry in South Africa” (*Series on Representation and Organization Building*), Tanya Goldman, 2003
39. “Organizing in the Informal Economy: A Case Study of the Minibus Taxi Industry in South Africa” (*Series on Representation and Organization Building*), Jane Barrett, 2003
40. “Rags or Riches? Phasing-Out the Multi-Fibre Arrangement”, Auret van Heerden, Maria Prieto Berhouet, Cathrine Caspari, 2003
41. “Flexibilizing Employment: An Overview”, Kim Van Eyck, 2003
42. “Role of the Informal Sector in Coping with Economic Crisis in Zambia and Thailand”, Gerry Finnegan and Andrea Singh (eds.), 2003 (forthcoming)
43. “Opportunities for SMEs in Developing Countries to Upgrade in a Global Economy” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), John Humphrey, 2003
44. “Participation in Global Value Chains as a Vehicle for SME Upgrading: A Literature Review” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Cathrine Caspari, 2003
45. “Local Implementation of Quality, Labour and Environmental Standards: Opportunities for Upgrading in the Footwear Industry” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Lizbeth Navas-Alemán and Luiza Bazan, 2003
46. “Industrial Renewal and Inter-firm Relations in the Supply Chain of the Brazilian Automotive Industry” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Anne Caroline Posthuma, 2003 (forthcoming)
47. “The Competitive Advantage of Buying Networks in Wood Products Value Chains” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Jeff Readman, 2003 (forthcoming)
48. “High Road Upgrading in the ‘Third Italy’: Lessons for Integrated Small Enterprise Development and Good Labour Conditions in Developing Countries” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Alberto Criscuolo, 2003 (forthcoming)
49. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: The Music Sector” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Cecile Lambert, 2003 (forthcoming)

50. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Ethno-Tourism” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Steven Bolnick, 2003 (forthcoming)
51. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Visual Arts and Crafts” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), The Trinity Session, 2003 (forthcoming)
52. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Performing Arts and Dance” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Annabell Lebethe, 2003 (forthcoming)
53. “Small Enterprise Development and Job Creation in the Culture Sector in the SADC Region: Television and Film” (*Series on Upgrading in Small Enterprise Clusters and Global Value Chains*), Avril Goffe and Natalie Jacklin, 2003 (forthcoming)
54. “Promouvoir un environnement de développement des micro et petites entreprises guinéennes favorable à la création d’emplois décents” (*Série Cadre stratégique favorable à l’emploi dans les petites entreprises*), Moussa Kourouma, 2003
55. “Creating a Conducive Policy Environment for Employment Creation in Micro and Small Enterprises in Tanzania” (*Series on Conducive Policy Environment for Small Enterprise Employment*) Paul Tibandebage, Samuel Wangwe, Moses Msuya, Darlene Mutalemwa, 2003
56. “Public Policy and Employment in Micro and Small Enterprises in Peru” (*Series on Conducive Policy Environment for Small Enterprise Employment*), Juan Chacaltana, 2003 (forthcoming)
57. “Business Centres for Small Enterprise Development: Experiences and Lessons from Eastern Europe”, Merten Sievers, Klaus Haftendorn, Astrid Bessler, 2003
58. “Promoting Female Entrepreneurship in Mauritius: Strategies in Training and Development”, (*Series on Women’s Entrepreneurship Development and Gender Equality — WEDGE*), Patricia Day-Hookoomsing, Vedna Essoo, 2003