

REPOA Brief



By REPOA

BUSINESS CLIMATE SURVEY OF NORDIC COMPANIES IN TANZANIA, 2022-2023

The business environment remains a significant matter of concern to many economies all over the world given its crucial role in socio-economic transformation, enhanced revenue mobilization as well as enhancement of new and existing investors. In recent years, the world has suffered from multiple shocks including the impacts of Covid-19, the Russian invasion of Ukraine as well as effects of climate change which have posed huge implications for the slowing down of many economies.

Tanzania has witnessed a change in the government regime which has brought significant changes in economic diplomacy, change in regulatory and policy reforms, and institutional reforms. All these have contributed to changes in the business and investment environment, as well as trade development in the country. Increasingly uncertain times pose huge challenges to policymaking and investment decisions. Against this context, this survey captures the perceptions of Nordic firms operating in Tanzania on the effects of the above changes on their business and investment decisions.

The 2022-23 Business Climate Survey for Nordic companies is a follow-up to the 2019 survey. This survey draws on evaluating the business environment of Nordic companies and businesses in Tanzania.

QUICK FACTS ABOUT NORDIC FIRMS IN TANZANIA

- 59% have been in Tanzania for over 10 years.
- 48% are locally headquartered in Tanzania.
- 53% are involved in services, 25% in production and manufacturing, and 22% in trade.
- 47% directly employ between 5 and 49 people, 25% employ 100 or more.
- 37% indirectly employ 100 or more people, and 40% indirectly employ between 5 and 99.
- Women own at least 50% of shares in 2 out of 5 firms.
- 45% see the value of their investment increasing within the year.
- Surveyed firms directly employ some 3152 people in Tanzania with nationals accounting for over 4 out of 5 employees (80%).

About the 2022-23 Business Climate Survey for Nordic Companies in Tanzania

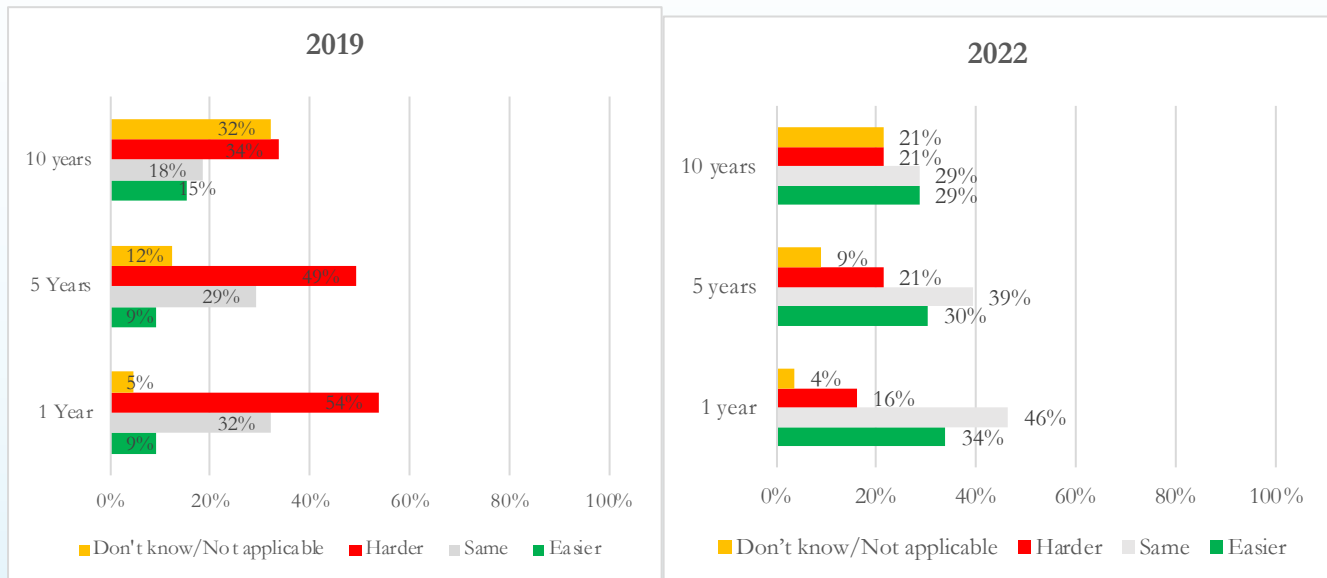
The 2022-23 Business Climate Survey for Nordic Companies in Tanzania is a joint initiative of the Embassies of Denmark, Finland, Norway, Sweden and REPOA. The survey is based on a mixed methods assessment of firms drawn from a non-probability sample of 99 firms operating in Tanzania mainland and Zanzibar. The survey was carried out between November 2022 and February 2023 with a response rate of 57%. It assessed practical features of the policy and regulatory framework governing business registration and operations in Tanzania. Survey findings are analytically rather than statistically generalizable.



Key Findings

In a complete reversal to three years ago (Figure 1), a third of all firms (34 percent) find the current business environment to be more conducive than 12 months ago. Further, there are now significantly fewer firms (16 percent as opposed to 54 percent) that find the current business environment to be harder than it was 12 months ago.

Figure 1: Perceptions about the state of the business environment today relative to the past



Respondents were asked, overall, how do you perceive the current state of the business environment compared to 1, 5 or 10 years ago?

Overall, the assessment of the business environment is informed by perceptions about specific features of the business environment. About 36% of Nordic firms perceive Tanzania to be doing generally well in maintaining political stability which plays a key role in smoothening the business environment (Figure 2). Further, Nordic companies and businesses report generally positive perceptions about the role of immigration reforms in the business environment. Other key features of the business environment perceived to be doing well include the availability of candidates with post-secondary education (22%), infrastructure availability (18%), and access to licenses (13%).

On the other hand, the burden of regulations (69%), availability of specialist competencies (66%), tax enforcement (64%), tax refunds (64%), and tax burden (63%) are among the key features of the business environment in Tanzania perceived by the Nordic companies and businesses to be adversely affecting the business environment.

Figure 2: Perceptions about the quality of key features of the business environment, 2022

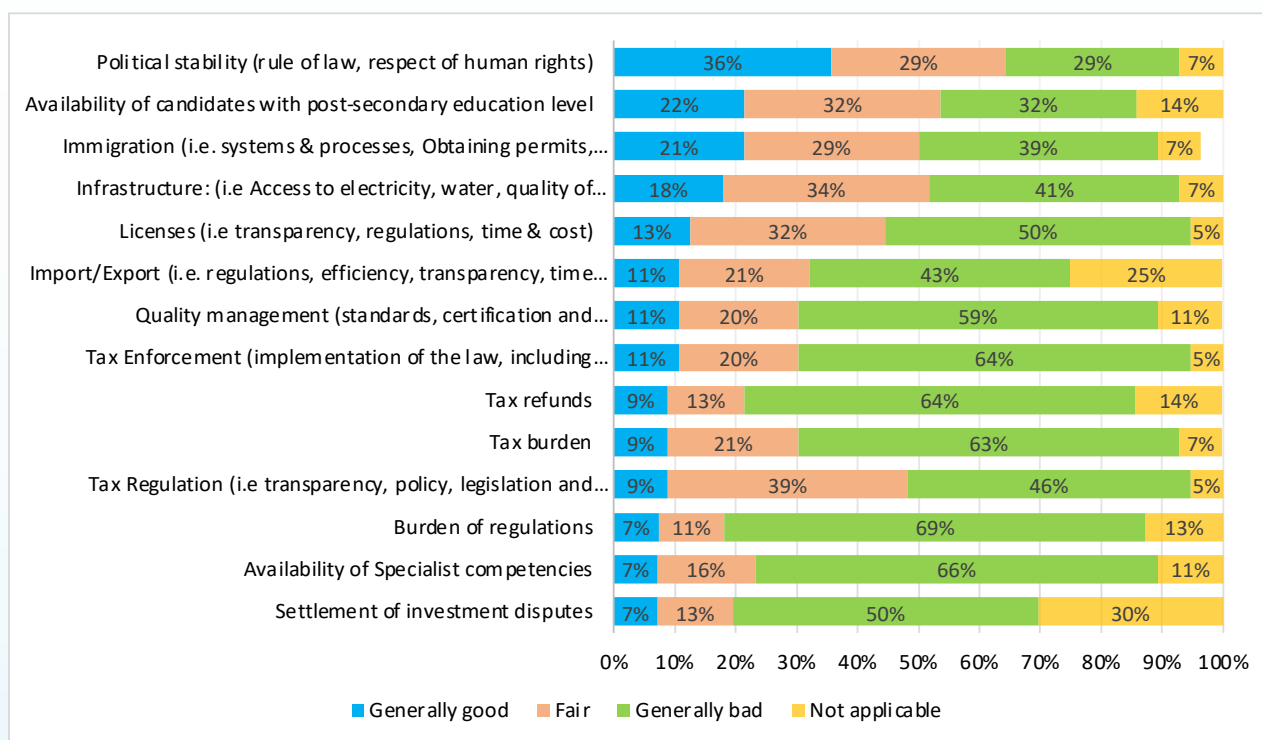
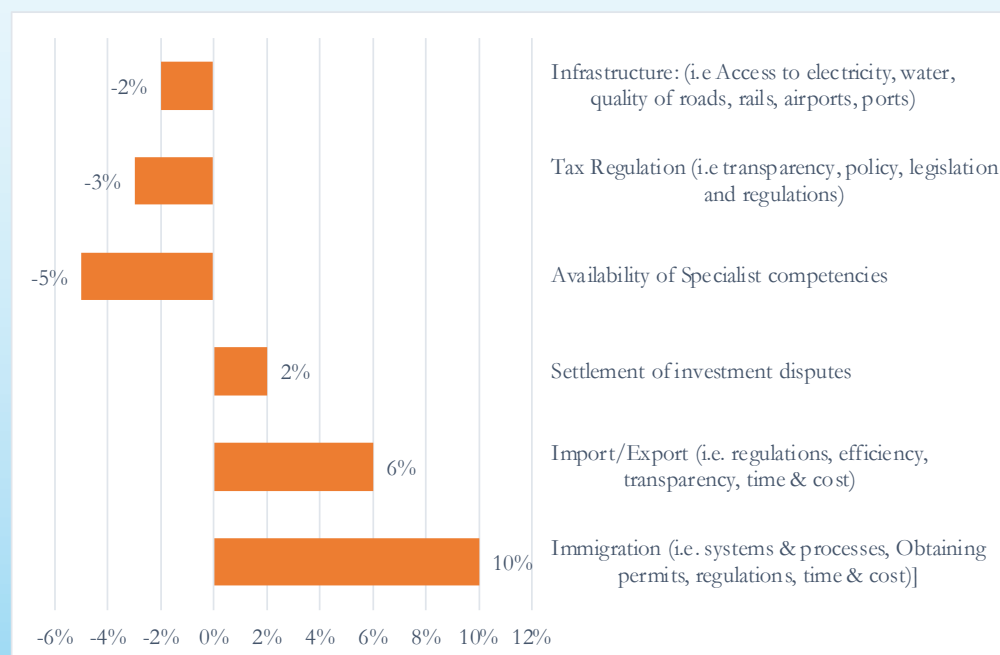


Figure 3: Changes in positive assessment about the quality of key features of the business environment between 2019 and 2022



Conclusions

Overall, there has been a remarkable reversal of fortunes among Nordic firms in the last three years despite a withdrawal of some firms from the Tanzanian market a sluggish recovery to Covid-19 and an increasingly uncertain global business environment. It is apparent that the Government has been constructively engaging with firms to improve their operating environment. These efforts bode well for Tanzania’s drive for sustained economic growth and demonstrated commitment to further business environment reforms aimed at making Tanzania a safe and profitable investment destination and trade gateway.

Policy Recommendations



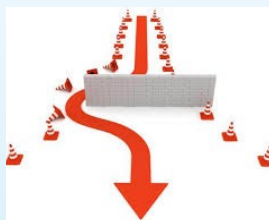
Strengthen alignment between education and training curriculum and the labour market



Sustain improvements in infrastructure including adequate and reliable supply of electricity and extension of road networks especially to remote areas.



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Reduce roadblocks to complement improvements in port logistics.



Sustain regular dialogue between the government, investors, and the business community.

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