

Executive Summary



The Tanzania Diagnostic Trade Integration Study (DTIS) 2017 identifies priority actions in support of the country's strategy to deliver broad-based growth through trade integration. The study seeks to (a) take stock of the progress in implementing the action matrix adopted in the DTIS 2005; (b) provide an in-depth focus on agribusiness, mining, and tourism; (c) identify obstacles to the realization of the full development potential of agriculture and tourism in Zanzibar; and (d) prepare an updated action matrix. While the report focuses on agribusiness, mining, and tourism, it more broadly addresses the issues of regional integration, trade facilitation, small-scale trade, and gender. The report identifies a package of measures that will support Tanzania's effective delivery of its Integrated Industrial Development Strategy 2025.

This Diagnostic Trade Integration Study update focuses on the trade-related constraints holding back Tanzania from diversifying and increasing its regional and global trade.

I. Further trade reforms are needed for diversification, job creation, and poverty reduction

a. Growth has been strong, but it needs to be higher and more broad-based to eradicate poverty

Growth has not been high enough to absorb the fast-growing labor force. Tanzania has achieved an annual real rate of growth of 6.4 percent over the past 15 years, which is forecast to continue through 2018. Tanzania's high rate of growth—driven largely by the construction, transport, communications, and financial services—has outperformed growth in its East African Community (EAC) partners. And yet it has not been sufficient to absorb the 700,000 annual new entrants to the labor market, resulting in underemployment or employment in low-productivity jobs.

Poverty remains widespread. The poverty rate fell from 34 percent in early 2000s, but, at 28.2 percent in 2015 (or 12 million Tanzanians still living below the national poverty line), it remains high. Moreover, while the pace of reduction has been rapid in Dar es Salaam, driven by employment in nonfarm activities and by increased asset ownership, it has been much slower in rural areas and smaller cities.

b. Trade potential has not been fully utilized

- Trade has expanded, but export base has remained narrow.

Trade has increased over the past decade. Tanzania's world market shares of goods and services exports doubled from 0.02 percent to 0.04 percent between 2004 and 2014. Its trade openness rose from an average of 44 percent in fiscal 2005 to an average of 48.6 percent in fiscal 2015, making it the most open economy in the EAC (above Kenya at 47.9 percent, Uganda at 46.1 percent, Rwanda at 45.8 percent, and Burundi at 38.5 percent). However, Tanzania is still below the openness level consistent with its per capita income, and trade growth of 6.2 percent recorded in the past decade was slower than in some other EAC countries (9.5 percent in Uganda and 9.3 percent in Rwanda).

Despite the emergence of new products, trade is still largely dependent on mineral and traditional agricultural exports. These traditional products accounted for 80 percent of exports on average, between 2005 and 2015, with the five largest destinations—India, South Africa, China, Kenya, and the Democratic Republic of Congo—accounting for almost 60 percent of total exports. Mineral exports increased rapidly between 2005 and 2012 driven by higher gold prices, but have subsequently declined in line with fluctuations in international commodity prices. Agricultural exports are relatively diversified, including cereals, seeds, fruits, vegetables, and fish and—since 2000 reforms in agricultural marketing—tobacco, coffee and cashew. The diversity in agricultural exports is not matched by a range of manufactured products. Manufacturing exports are almost entirely accounted for by knitted apparel exports to the United States, which are duty-free under the African Growth and Opportunity Act and have more than doubled from US\$17 million in 2014 to US\$37 million in 2016.

- The regional trade potential has not been fully exploited.

Trade with the EAC has remained relatively low for an economic union. In 2015, Tanzania sourced only 4 percent of its imports from within the EAC and exports accounted for 10.5 percent, growing slower compared to other regions (from 3 percent to 8 percent to the rest of Africa, between 2010 and 2015). There is therefore considerable potential for increasing exports to neighboring countries, but the relatively low degree of trade integration reflects the continued high trade costs.

- Trade costs have been a major impediment

Trade costs have been high and unpredictable. The costs of exporting products from Tanzania to its major markets remained high through 2005 to 2014, with average bilateral trade costs recording only a modest decline from 310 to 275 percent. Average trade costs exceeding 150 percent for agricultural commodities for the 10 largest export partners in 2013 result in trade being crowded out or diverted to informal channels.

High costs divert trade to informal channels. A substantial portion of Tanzania's trade goes unrecorded. Comparing mirror trade data (that is, the value of Tanzania's exports to EAC partner countries' import data for the same products) reveals substantial gaps, indicating that informal exports from Tanzania to partner EAC countries could account for as much as US\$262 million. Other estimates show that approximately 500,000 tons of maize were informally exported to Kenya in 2014, amounting to more than US\$150 million in value. This is in addition to the dozens of thousands of metric tons of other crops, such as rice, dry beans, coffee, and cloves that are regularly exported to neighboring countries through informal channels.

This 'missing trade' has a disproportionately negative impact on small farmers and traders, and women in particular. Women play a key role in small-scale, informal agricultural trade. Estimates indicate that they may represent up to 70–80 percent of the total population of cross-border traders in East Africa, including in Tanzania. They typically reside in remote border locations, often live below the poverty line, can be single mothers or heads of households, and cross-border

trade may be their main or unique source of livelihoods. Women also tend to be less educated than their male counterparts, experience lower access to finance, skills, machinery, logistics, and distribution networks, and face gender-specific cultural biases and harassment. As a result, they are disproportionately affected by formal restrictions and informal trade hurdles.

c. Diversification through exploiting links from traditional sectors is key to higher and more broad-based growth.

Agriculture provides the main source of income for approximately 80 percent of the population. However, investment and growth in this strategic sector, which remains vital to reduce rural poverty, continue to be held back by unnecessary trade regulations. Tanzania has numerous regulatory agencies and complex trade rules that increase the costs of doing business, slow down farmers' access to new and improved inputs, and prevent smallholders from competing on a level playing field with larger firms. Virtually all the regulatory agencies target 100 percent physical inspection, testing, and certification, rather than adopting a risk-based approach. Limitations on marketing, the use of consignment-based export permits for maize, and the risk of a sudden policy change all serve to discourage investment.

Tanzania is endowed with large mineral and fossil fuel deposits, but the recent decline in commodity prices has delayed new investments, including in downstream processing. Tanzania is known for its high-grade gold reserves and a wide range of precious minerals including Tanzanite. The sector consists of large-scale mining, gas projects, and artisanal and small-scale mining. A significant provider of jobs, in particular, artisanal mining employs almost 700,000 people, with 27 percent being women. Deepening the links from the mining and extractive sector through encouraging downstream processing has a potential to increase value added from mineral and fossil fuel deposits. But the decline in commodity prices has resulted in the postponement of new investments, including the further development of offshore gas deposits.

Tourism is the sector with the highest job creation potential, but to date, this is not being realized. Tourism accounts for 60 percent of the trade in services receipts

and provides jobs for over 450,000 people. With world-class wildlife and landscapes, Tanzania has a natural comparative advantage to grow the sector and develop much stronger links to agriculture, and other sectors. Recent studies have identified tourism's potential to generate additional jobs by developing a range of products in beach, adventure, conference, and cultural heritage tourism. By diversifying its product range, Tanzania can reach beyond the existing low volume, high-value strategy that channels tourists to the northern circuit. Tourism is also an important source of livelihood and employment for women in Tanzania, yet they face an array of gender-specific constraints ranging from occupational segregation to salary gaps and harassment in the workplace. In addition, sector-wide constraints generally experienced by small-scale operators such as poor access to finance, limited and/or inadequate skills, and difficulties in coping with a complex fiscal and regulatory environment tend to be particularly burdensome for women.

II. Key elements of the enhanced strategy to reduce trade costs

Driving trade costs down is key to promoting international competitiveness and export diversification. Lowering Tanzania's trade costs requires three key steps aimed at broadening the economies competitiveness and expanding trade in goods and services:

1. Reduce the trade barriers limiting access to markets for exporters, and reform regulations that increase the price of imported inputs. Removing the barriers to regional trade in the EAC and Southern Africa Development Community (SADC) will disproportionately benefit the poor.
2. Improve the quality and transparency of trade-related regulations by eliminating redundant regulations that no longer address public safety and welfare concerns, simplify and streamline procedures that remain, and improve administrative efficiency through strengthening capacity and targeting resources through applying risk management.
3. Address logistics bottlenecks that increase supply-chain costs and prevent many poor people in rural areas to participate and benefit from trade. This requires investment in both physical infrastructure and regulatory reform to remove the existing policy hurdles.

a. Reduce trade barriers limiting access to export markets

In addition to specific sector recommendations, the key task is to simplify and streamline trade permits to reduce the regulatory burden on small businesses and smallholders. While the rules apply to all firms, their impact varies—they are particularly burdensome for small firms. Large firms and multinational companies benefit from economies of scale and frequently employ staff to comply with multiple regulatory requirements. Most permits can only be obtained in Dar es Salaam or occasionally at branch offices in regional centers—a serious barrier for small businesses. Similarly, inspection costs are just not economical for small consignments.

b. Regulatory reform to address nontariff barriers

Nontariff barriers imposed at the border and “behind the border” contribute to Tanzania’s high trade costs. These include technical barriers to trade, sanitary and phytosanitary requirements, customs procedures, rules of origin, trade, and transport regulations. Regulations are justified to deliver public policy objectives (health, safety, and security). The problem is not with the principle of regulating—that is necessary. However, mandatory regulations should not be extended to address quality issues—these are best addressed through voluntary standards. This would allow the Tanzania Bureau of Standards (TBS) to focus their scarce resources on ensuring product safety. The high trade costs largely result from the way the regulations are administered. Cumbersome and duplicative procedures, suspicion against private sector traders, the importance of revenue levied at the border (from value-added tax on all imports as well as tariffs on third-country imports), in conjunction with technical and staffing capacity shortages result in high trade costs.

Increasing coordination, including information sharing between all the agencies involved in border clearances, will reduce trade costs at the border. Ensuring that all parties have ready access to accurate information on the regulations and administrative processes required for importing and exporting through a National Trade Portal can reduce costly clearance delays.

Simplifying and streamlining border and regulatory border policies will increase revenue and reduce trade

costs. Tanzania should continue to modernize customs clearance procedures through implementing the national electronic single window system and adopting the EAC Protocol on One-Stop Border Posts. It is also important for Tanzania, with its commitment to continue upgrading Dar es Salaam Port, to introduce the port community system. Improvements in electronic data management and electronic processing will permit Tanzania to increase the use of risk management and risk profiling.

Risk Management is an effective strategy for curbing the regulatory burden while strengthening enforcement of health and safety norms. Risk management allows for the most efficient use of scarce technical personnel and infrastructure and enables safer trade. Poor targeting of regulatory resources is costly. Subjecting already tested and authenticated products to retesting takes resources away from identifying and targeting higher-risk consignments. Requiring all regulatory agencies to adopt a risk management strategy will reduce the regulatory burden for compliant producers and traders and enable the Tanzania Revenue Authority (TRA), the TBS, and other regulatory bodies to ensure increased safety and security. This could be assisted through requiring regulatory agencies to publish statistics on inspection, testing, or compliance rates. The World Customs Organization’s Revised Kyoto Convention and the recently concluded World Trade Organization’s Trade Facilitation Agreement require members to adopt effective risk management systems.

c. Reduce logistics costs

Tanzania continues to face higher logistics costs and more time-consuming processes relative to most of its regional neighbors. Logistics refers to the management of firms’ supply chain and is a key component in determining their competitiveness. This relates to the efficiency and reliability of transport infrastructure, border agencies, transport regulators, and services providers. In 2016, Tanzania was ranked 180 (out of 189 countries) for ease of trade across borders, owing to long delays and extensive documentation requirements. In 2016, Tanzania remained 80 percentage points away from the frontier (best performance). Encouraging the growth of the private sector requires a more supportive business environment. This requires the TRA to continue to introduce trade facilitation reforms, including increasing

reliance on risk management as a tool for restricting the number of costly physical inspections. Further, regional collaboration is key in reducing the trade costs. The experience of the EAC One-Stop Border Posts indicates that supporting physical facilities with necessary institutional and regulatory reforms is key to reduction of border crossing times.

d. Sector recommendations

In agriculture, Tanzania needs to simplify and introduce transparent marketing arrangements for exports crops such as maize. The imposition of product specific export bans discourages investment, reduces the prices paid to growers, and exacerbates price fluctuations. Government concerns over food security have resulted in export restrictions being imposed at short notice on basic commodities. Increasing policy predictability and improving access to information on trade restrictions and procedures would permit Tanzania to expand production and become a reliable exporter to the region. Limitations on marketing (which preference selling to state-owned commodity boards), the use of consignment-based export permits for maize, and the risk of sudden policy change all serve to discourage investment.

Deepening links from the mining and extractive sector would enable Tanzania to increase the benefits from their large mineral and fossil fuel deposits. Restrictions on exports of raw tanzanite and the recently imposed export bans on the export of gold and copper ores aim to encourage additional processing and value-added activities in Tanzania. Deepening links and achieving economic diversification is indeed essential for Tanzania's development. But this will be more effectively achieved by directly addressing the constraints that inhibit investment in downstream processing. This includes addressing the business-enabling environment challenges, skill shortages, or other supply constraints. In particular, this includes reducing the current uncertainty over investment incentives, increasing clarity over the local content regulations, increasing access to primary mining licenses, and addressing skill shortages. Going forward, it is important to develop clear guidelines on mainstreaming gender equality concerns into the artisanal and small-scale mining (ASM) governance structures. Specific constraints

face the ASM sector, such as lack of recognition in the current policy framework, widespread informality and use of unlicensed intermediaries, poor links with larger, more established value chains, and social and environmental risks associated with ASM techniques. Female artisanal miners then face gender-specific constraints, ranging from precariousness of their mineral rights, limited access to government-funded credit schemes for ASM operators, and higher risks of harassment and cheating by fellow miners and/or intermediaries.

Capitalizing on tourism's potential requires streamlining the institutional management of the sectors and a fast adoption of the new National Tourism Strategy. The tourism sector faces a series of development challenges, including an unclear legal and regulatory environment which constrains both the approval and expansion of new and existing investments. The Ministry of Natural Resources and Tourism has insufficient resources to effectively regulate the sector, manage existing assets and implement development strategies. Creating more jobs and links throughout the economy requires actions focusing on addressing the skills shortage, ensuring land access for commercial development, streamlining the business-enabling environment, implementing the new National Tourism Strategy, and streamlining the institutional management of the sector.

e. Zanzibar

Zanzibar is renowned for its tourism and high-quality cloves, and both agriculture and tourism have the potential to create thousands of new jobs. Zanzibar has a young population, with more than half of the total 1.45 million under the age of 15. The Revolutionary Government of Zanzibar Development Vision 2020 and the Strategy for Growth and Reduction of Poverty (Draft MKUZA III) both highlight the importance of expanding the tourist sector and increasing productivity and value added in agriculture. With more than two-thirds of the population dependent on agriculture for their livelihood, increasing productivity is essential for achieving a broad-based reduction in poverty.

Improvements to the business-enabling environment are required. The business-enabling environment

remains challenging with high costs and time-consuming processes crowding out small businesses from formal registration. Streamlining business registration and licensing, property registration and tax administration are identified as priority actions. Zanzibar has the potential to realize significant growth in the cloves, seaweed, fisheries, and livestock subsectors. Increasing investment and deepening the links throughout the economy from tourism requires improved coordination and planning across government. The report recommends the creation of a delivery unit with responsibility for developing and implementing the Zanzibar tourism strategy.

III. Lessons learned from the 2005 action matrix and the dissemination of the new action matrix

Despite significant progress, many regulatory and policy issues identified in the 2005 action matrix remain valid. The DTIS update reviews the progress on implementing the 2005 DTIS action matrix and seeks to build on the lessons learned. Poor follow-up from the 2005 DTIS stemmed from systemic failures across a wide range of stakeholders. Fundamentally, there was no ownership for implementing the recommendations by senior government policy makers or officials. Further, there was little vocal private sector support for the recommendations and, finally, the relationship between development partners and the Ministry of Trade was characterized by divergent priorities.

The new Second Five Year Development Plan - 2016/17–2021/22 identifies these implementation challenges and stresses the importance of learning from the experience. This positive development bodes well for the DTIS Update which has been characterized from the outset by active engagement from senior government officials, the National Implementation Unit and dialogue with the private sector. The DTIS update provides an opportunity for development partners to support Tanzania realize its goal of increasing economic competitiveness through improving the trade environment.

Despite progress in improving many aspects of the business-enabling environment and committing to regional integration, many of the constraints identified in the earlier DTIS remain. Even with the improvements under the Big Results Now program the business environment remains challenging with Tanzania ranking lower than

Kenya, Rwanda, and Uganda on the 2016 Doing Business indicators. As an active member of the EAC, Tanzania implemented the Common External Tariff in 2004 and joined the common market in 2010. The commitment to regional integration also includes participation in the SADC Free Trade Area, the Tripartite Free Trade Area and engaging in the negotiations for a Continental Free Trade Area. Removing the tariff and nontariff barriers to regional trade has the potential to shift Tanzania onto a higher growth trajectory with real benefits from accessing a much larger market. This would create jobs and reduce poverty.

Commitment to reducing corruption, improving government efficiency, and economic diversification to deliver jobs are positive. The election of President John Magufuli in November 2015 ushered in a strong commitment to reduce corruption and strengthen public administration. Improved efficiencies within the TRA resulted in larger tax revenues in 2016. The commitment to deliver results quickly has resulted in new policies and regulations being implemented with immediate effect. These include measures targeting 'abuses' or 'corruption' and policies aimed at promoting economic diversification, however, rapid implementation can result in the government overlooking the unintended consequences for both existing and potential future investors. It is important to assess the regulatory impact prior to implementation.

This DTIS update presents an updated action matrix that summarizes the recommended policy reforms. The draft matrix was discussed by a wide variety of stakeholders, from the government, the private sector, and civil society at validation workshops in Dar es Salaam, and Stone Town in November 2017 and then after which the action matrix was finalized. Taken together, the action items will contribute to reducing trade costs, thereby enabling Tanzanian businesses and farmers to compete more successfully in regional and global markets and realize Tanzania's goals of expanding and diversifying exports for augmented growth and job creation.

The action matrix is prioritized according to the likelihood of implementation based on stated commitments, the expected payoff in terms of economic impact, and the likely timing.

TABLE E.1: DTIS Priority Action Matrix

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
TRADE POLICY AND TRADE FACILITATION				
Action 1. Phase out export taxes and export bans.				
Export restrictions	Tariffs or restrictions repealed	MOF, MITI, MOA and MLF	D = M P = H T = ST	None
Action 2. Establish dedicated gender desks at relevant government institutions, strengthen the capacity of women's sector associations through capacity building, and convene regular consultations to gather their inputs on ongoing policy processes.				
Limited participation of women representatives in trade policy-making processes	<ul style="list-style-type: none"> Gender desks established, staffed, and funded Training courses and awareness-raising campaigns delivered and policy dialogue 	<ul style="list-style-type: none"> MITI, MOA, MEM, MNRT, TRA, immigration, police Women's business associations 	D = L P = H T = ST	A gender desk already exists at the MEM.
Action 3. Establish a National Trade Portal as the 'go to' place for information on all trade requirements including links to TBT, SPS, Commodity Boards.				
Difficulty in obtaining accurate (and legally enforceable) information on existing trade rules and procedures	Trade Portal established, available online, and used by all agencies	TRA, MITI, MOA, MLF and regulatory agencies	D = L P = M T = MT	Individual agencies are at various stages of developing their own websites and trade portals (for example, the TRA).
Action 4.1. Update the Trade Facilitation Assessment.				
Action 4.2. Assess TANCIS' effectiveness as an automation tool and undertake a feasibility study on efficacy of its use as the basis for the NSW (underway).				
Action 4.3. Approve the EAC OSBP Bill.				
Action 4.4. Provide training on risk management.				
Action 4.5. Increase stakeholder engagement in the Cargo Release Monitoring.				
<ul style="list-style-type: none"> Multiple agencies with repetitive and duplicative procedures. Absence of effective risk management practice in multiple regulatory agencies. 	<ul style="list-style-type: none"> Trade Facilitation Assessment updated Feasibility study completed 	TRA, MITI, and regulatory agencies	D = L P = H T = MT	<ul style="list-style-type: none"> DFID is funding the baseline survey for implementation of the NSW. The World Bank is designing a private sector project, which includes support to the TRA to implement the NSW.
Action 5.1. Implement and raise awareness of the EAC STR at all EAC borders; initiate negotiations for a STR for other EAC borders.				
Action 5.2. Publicize the Traders Charter.				
Action 5.3. Establish toll free hotline for reporting abuse.				
High trade costs crowd out small traders from formal trade.	<ul style="list-style-type: none"> Reports on use of STR (disaggregated by border and gender) Traders Charter Published Hotline established (annual report listing trainings, complaints resolved/outstanding) 	TRA, MITI with others including regulatory agencies (TBS)	D = L (agreement in principle under EAC to implement STR) P = H T = MT	<ul style="list-style-type: none"> The government already committed to EAC STR; Zambia has similar STR framework. Traders Charter being promoted with Zambia at Tunduma.

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
AGRICULTURE				
Action 6.1. Establish an “agriculture trade portal” as a place to go for information on trade requirements including SPS requirements, free (clickable) TBS standards if mandatory, online application forms for all trade permits, and mandatory public notice of all trade restrictions or trade bans.				
Action 6.2. Mandatory trade requirements and trade restrictions (for example, export bans) must be transparent and well-advertised.				
Nontransparent and/or limited access to agricultural trade policies and procedural requirements.	Platform established. All trade requirements including positive list of products requiring export license published, percent of permits needed for agriculture trade available online, number of clickable TBS standards, number of hits per month.	MOA, MLF and MITI to lead with TBS, TFDA, TAEC, TFRA, TOSCI, and others	D = M (Technology exists but many agencies involved, each with own requirements. P = H (Many benefits, particularly for small scale trade.) T = MT (for full platform, short for several specific improvements.)	Individual agencies at various stages of developing own website and trade portals (for example, TFDA).
Action 7. Through the “agriculture trade portal” establish a way for all trade permits and other procedures to be completed electronically from anywhere in Tanzania.				
Many trade permits, trade licenses, and registration certificates can only be fulfilled by traveling to each agency’s headquarters. This affects all, but is a particular burden to small traders who lack effective economies of scale.	Platform established. Number and range of trade permits issued per month.	MAFC and MITI to lead with TBS, TFDA, TAEC and, TFRA, TOSCI, and others	D = M (Technology exists but many agencies involved, each with own requirements. P = H (Many benefits, particularly for small-scale trade.) T = MT	Individual agencies at various stages of developing own website and trade portals (for example, TFDA, TBS).
Action 8. Stimulate an ongoing national dialogue on benefits of risk-based approaches to risk management leading to actual procedural and regulatory reforms.				
Overlapping and/or unnecessarily rigid technical regulations. Specific constraints listed below.**	Successful engagement with key agencies measured by adoption of risk-based approaches (see below)	MITI	D = M (Easy to organize workshops and trainings, more difficult to get follow-up) P = L (Real improvement depends on actual reform, not just dialogue) T = Start immediately, then ongoing.	Limited use of risk-based approaches by some agencies. Contrary to global best practice, most effort focused on strengthening inspection capacity to achieve 100 percent coverage.
Action 9.1. Allow for existing public and private test data from other countries to be used in granting product registration.				
Action 9.2. Eliminate the need for domestic trials where efficacy is already known and/or can be left to private competition (for example, mandatory farmer preference trials for seed, trials for new combinations of NPK, mandatory multi-year and multi-location trials for new agrichemicals).				
Time consuming and expensive procedures for approving crop inputs (new varieties of seed, new fertilizer products, new agrichemicals)	Time required to release new varieties of seeds, fertilizer, and pesticides. Average number of new products registered before and after reforms.	MAF, TOSCI, TFRA, and TPRI (with TBS and TFDA and others where needed).	D = M to H (Some steps can be simplified without legislative reform. Requires change of mindset, rents earned from current system would be lost) P = H T = NT to MT	<ul style="list-style-type: none"> Domestication SADC Seed Agreement underway. Acceptance of some varieties of potato seed from neighboring countries. EAC protocol on mutual recognition of test results being developed. New fertilizer Act pending (shorter registration period, no testing of NPK combinations).

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
Action 10.1. Each agency to eliminate mandatory inspections and product registration requirements that do not have a direct and justifiable health or safety objective.				
Action 10.2. TBS and TFDA to agree on mutual recognition of each other's product registration and testing procedures (possibly leading to a merged or single-window system).				
Overlap between TBS and TFDA product registration and inspection requirements.	<ul style="list-style-type: none"> Number of inspections reduced. System for mutual recognition of each other's procedures put in place. 	TBS and TFDA***	D = M to H (Political economy of each organization favors multiple fees. National law mandates both TBS and TFDA to perform similar functions.) P = H T = NT to MT	Dialogue on MOU between TBS and TFDA ongoing for long time. Despite some progress, overlapping and unnecessarily ridged technical regulations remain in force. Note that many other overlaps exist (e.g. Dairy Board, Govt. Chemist, OSHA, etc.).
Action 11. Review and revise standards for at least 5 strategic commodities making clear distinction between aspects that must be complied with on health and safety grounds and voluntary aspects used to determine product value. Suggest focusing on crops of greatest relevance to smallholder farmers and small traders in regional markets.				
All standards for food products treated as mandatory technical regulations yet include nonessential quality aspects contrary to WTO SPS and TBT agreements.	Number of TBS standards revised.	TBS (with TFDA to minimize and eliminate duplicate requirements)****	D = M (Requires political will and information on how standards are used.) P = H (Many benefits for small traders and consumer safety as a result only regulating (and inspecting for) what truly matters.) T = NT to MT	Review of EAC maize standard and other product standards currently underway through East Africa Grain Council.
Action 12. Consistent with international best practice, TAEC to adopt a risk-based approach to agrifood inspections based on acceptance test results from internationally-accredited laboratories and spot inspection of products from areas with little or no risk of radiation exposure and for known traders who previously passed the test. Fees for all traders significantly reduced due to fewer physical inspections.				
Mandatory radiation testing for all agrifood imports and exports.	Develops and implements guidelines for a risk-based inspections; records the number of tests and interceptions.	TAEC with MITI	D = M (Technically but loss of revenue may require the government subvention.) P = H (for small traders); M to H (for consumers due to more effective border control); L (large traders who can afford current fees) T = NT then ongoing.	Very limited. Some collective certification of radiation-free areas for exports.
Action 13.1. Eliminate market restrictions to provide space for private sector engagement with small farmers.				
Action 13.2. Existing state channels may continue but should be competitive and without monopolistic protection. As appropriate, government may introduce guidelines for market behavior.				
Closed markets (official monopolies, single channels, and other controls) for cloves, coffee, cashew, cotton, and other major exports discourages large and small-scale private investment.	Elimination of existing monopolies and other market restrictions.	MAFC, MITI, and others.	D = H (Vested interests and mistrust of private sector may prevent real progress.) P = H (Many long-term benefits.) T = MT	Varies. Cloves currently 100 percent state monopoly with little or no sign of change. Cashew warehouse receipts "competitive" at buying stage but only through single channel. Coffee offers various export routes but with heavy control by TCB.

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
Action 14.1. Eliminate administrative controls on domestic trade.				
Action 14.2. Improve monitoring of national food supply to head off potential shortages.				
Action 14.3. Reduce tariffs to fall within the agreed standard EAC CET tariff bands.				
Permits required to transport food and other agriculture products across district borders.	Domestic trade restrictions abolished.	MAFC, MITI, and district authorities with TAMISEMI (local government authority under PM's office)	D = M to H (Requires trust that any food security risk will be offset by price signals and other systems.) P = H (Would attract large and small investment in production.) T = NT	None known.
High tariffs on a small number of strategic products (for example, rice and sugar)	Reduced tariffs published and enforced.	MOF, MAFC, and MITI	D = H (Large mills and farmers will lobby for maintaining protectionist policies; difficult to build a consensus as benefits widely dispersed.) P = H (Many long-term benefits.) T = NT to MT	None. Current efforts focus on enforcing tariffs and preventing smuggling.
MINING AND EXTRACTIVES				
Action 15. Implement a transparent and predictable taxation regime and revenue management system with timely reimbursements.				
Uncertainty of timely reimbursement of duties and VAT constrains financial planning for EI	TRA reports	TRA	D = M P = M T = ST	The WB had a Tax Modernization Project in Tanzania from 2006–11 supporting the TRA.
Action 16.1. Improve educational system.				
Action 16.2. Provide vocational trainings.				
Action 16.3. Scale-up support programs for SMEs.				
Action 16.4. Coordinate support initiatives with EI companies.				
Action 16.5. Increase flexibility of the labor law to allow for on-the-job training by foreigners where needed.				
Skilled labor shortages, deficient access to finance, and infrastructure constraining potential to increase local value added along the EI value chain.	Needs and gaps identified and published.	MOEVT, MOLE, MITI, MOWTC, MEM, MOF, Local Content Unit	D = H (these are long-term engagements that require significant resources) P = H (could broaden industrial base and transfer knowledge and technology) T = MT	<ul style="list-style-type: none"> • Integrated Mine Technical Training Program • Vocational training for construction and the oil and gas sector • Study to assess opportunities in local content for the construction of the LNG facility • WB's Tanzania Education and Skills for Productive Jobs Program and the Sustainable Management in Mineral Resources project

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
Action 17.1. Publish clearly defined and consistent regulations.				
Action 17.2. Alignment of duties and tariffs.				
Action 17.3. Employment regulations that facilitate on the job training.				
Conflicting trade and local content policies (exemptions for EI companies on inputs, but not extended to potential suppliers; export ban on tanzanite yet tariffs levied on inputs required for cutting and polishing; and restrictions on employing skilled foreign trainers).	Local content regulations revised and published.	MITI, MEM, MOLE, Local Content Unit	D = M (requires coordination among various entities) P = H T = ST	Not aware of initiatives addressing this constraint
Action 18.1. Review SOEs' roles and responsibilities				
Action 18.2. Consider merging STAMICO and the mining entity in NDC				
Action 18.3. Separate out regulatory and commercial functions to the extent possible, and fully clarify the roles of the TPDC now that the functions are separated				
Action 18.4. Put in place clear financial rules for state-owned companies				
Conflicting roles of SOEs	SOE annual report and PURA and EWURA annual reports.	MEM and MITI	D = H P = M/H T = MT	Natural Resource Charter Benchmarking Exercise currently being completed
Action 19.1. Establish a legal distinction between small-scale and artisanal mining activities				
Action 19.2. Roll out awareness raising campaigns				
Action 19.3. Reward formalization through support initiatives				
Action 19.4. Decentralize the enforcement authority to regional and district offices, and invest in staffing and capacity building for Zonal Mining Offices				
Action 19.5. As part of PML application process, require successful applicants to commence mining operations, or face license revocation.				
Action 19.6. Strengthen Gender Desk at MEM				
<ul style="list-style-type: none"> • Slow formalization process of the ASM sector and inadequate enforcement of compliance. • Access to PMLs and to finance is particularly limited for women in ASM. 	Statute establishing legal distinction published MEM reports on awareness campaigns, formalization, and PML activity, disaggregated by gender.	MEM, MITI, Tanzania Chamber of Mine, TAWOMA	D = H (formalization of the ASM sector is difficult to achieve) P = H (has the potential to improve the quality of life largest part of people engaged in the EI sector in Tanzania) T = MT to LT	<ul style="list-style-type: none"> • The government has been following dual approach of attracting investment in the LSM sector and supporting the ASM sector • The MEM is setting aside mining areas for the ASM sector and will provide geological data • The Tanzania Investment Bank provides ASM grants • The WB supports the government in ASM issues through the Sustainable Management in Mineral Resources project

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
TOURISM				
Action 20.1. Develop a new tourism policy that informs and prioritizes actions in a new national tourism strategy; and develop and implement a legal framework that increases inter government coordination and cooperation focused on specific targets for investment, job creation, and fiscal revenue.				
Action 20.2. Develop and implement a formalized coordination mechanism for public-private dialogue in tourism sector to develop a result and issue a driven work program.				
The legal, regulatory, and governance framework for the tourism sector is constraining its potential to deliver jobs, investment, and increased revenue. Weak and inconsistent Policy and Planning Development.	<ul style="list-style-type: none"> • Draft Tourism Policy published • Task Force Reconstituted -record of meetings 	MNRT and other relevant government agencies at national, regional, and local levels, TCTP.	D = L P = H T = ST	Consultants and Task Team Appointed and the New National Strategy is being prepared
Action 21. Undertake a labor supply gap analysis and develop programs and support measures for public and private training institutions to produce required tourism labor force.				
<ul style="list-style-type: none"> • Shortage of skilled labor for improved tourism experiences is lacking due to weak education and training programs. • Work permits for international expertise are difficult to obtain. 	<ul style="list-style-type: none"> • Undertake labor supply gaps analysis • Develop programs and support measures for public and private training institutions to produce tourism required labor force 	MNRT, TTB, Tanzania Tourism Confederation	D = M P = H T = MT	
Action 22. Adopt and implement the BRN-BE Lab recommendations in tourism sector, especially a one stop-shop for tourism registration, licensing, and tax payments.				
The business-enabling environment for tourism is challenging, with multiple permits required across multiple agencies at the local and national levels.	Number of recommended actions implemented.	MNRT, TTB, MITI, MOF, Bank of Tanzania, HAT, Tanzania Tourism Confederation	D = M P = M T = ST	FYDP II commitment to improve the BEE.
Action 23. Harmonize concession procedures and policies				
Unsecured tenure in protected areas for tourism accommodation investors	Number of concessions successfully identified, taken to market, and investments realized.	MNRT, Tanzania Investment Center, Wildlife Management Areas	D = M P = H T = ST	The WB's Resilient Natural Resource Management for Growth project and USAID's southern Tanzania project. ICAS II program
Action 24. Strengthen data-collection capacity of relevant government institutions, and conduct industry surveys to capture gender-disaggregated statistics, including on salary gaps and occupations.				
Lack of gender disaggregated data for the tourist sector	<ul style="list-style-type: none"> • Number of M&E staff appointed and trained • Gender-disaggregated industry surveys conducted and data available on-line 	MNRT, MITI, Tanzania National Bureau of Statistics, Bank of Tanzania	D = M P = M T = MT	None

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
Action 25.1. Develop and implement a tourism sector backward links strategy.				
Action 25.2. Develop and implement capacity building program for relevant institutions to strengthen tourism backward links.				
Limited links between tourism sector and other sectors which constrain the sector to grow.	<ul style="list-style-type: none"> Adoption of the tourism backward links strategy and establishment/co-option of a tourism component/ counterpart in the implementation unit. Adoption of capacity building program for relevant institutions. Increased number of products or percentage of goods sourced locally for tourist consumption (star hotels). 	MITI, MNRT and other relevant government agencies at national, regional, and local levels.		The government, under the MNRT, is reviewing the 1999 National Tourism Policy; the new policy is expected to promote sectoral links between tourism and other sectors of the economy. Re-Grow project promotes diversification from the Northern circuit and links with local communities.
ZANZIBAR				
Action 26. Consider introducing a simplified tax regime for MSMEs, administered by a single entity and implemented through streamlined procedures (including, where possible, the use of mobile-money-based payments).				
Existing tax administration is challenging (two revenue authorities: TRA and ZRB)	<ul style="list-style-type: none"> One-stop MSME development center established. Number of MSMEs registered with the new center. Percent increase in revenues collected from MSMEs. 	Ministry of Trade, Industry and Marketing; TRA; ZRB; ZNCCIA	D = M P = M T = MT	MKUZA III Commitment
Action 27. Establish a National Trade Portal as the 'go to' place for information on all trade requirements including links to TBT, SPS, and ZSTC				
Difficulty in obtaining accurate (and legally enforceable) information on existing trade rules and procedures	Trade Portal established, available online, and used by all agencies.	ZRA, Ministry of Trade Industry and Marketing, Ministry of Agriculture and Fisheries, MLF and regulatory agencies	D = L P = M T = MT	Individual agencies are at various stages of developing their own websites and trade portals (for example, the ZRB).
Action 28. Remove the mandatory requirement for farmers to sell cloves to ZSTC				
Monopoly of Zanzibar State Trading Corporation for purchase of cloves	Sales data from Clove Industry and Government Statistics	MOF and ZSTC	D = H P = H T = LT	Potential long run goal. In the short run ZSTC to increase transparency on pricing and strengthen support services.
Action 29.1. Regulatory agencies implement risk-based approaches. Stimulate an ongoing national dialogue on the benefits of risk-based approaches to risk management leading to actual procedural and regulatory reforms.				
Action 29.2. Ensure mutual recognition between mainland Tanzania and Zanzibar for all agricultural products.				
Action 29.3. TAEC adopts a risk-based approach to agrifood inspections based on acceptance test results from internationally accredited laboratories and spot inspection of products from areas with little or no risk of radiation exposure and for known traders who have previously passed the test.				
<ul style="list-style-type: none"> Overlapping and/or unnecessarily rigid technical regulations. Absence of risk management strategies for using scarce technical and staffing resources efficiently. Mandatory radiation testing for all agrifood imports and exports. 	<ul style="list-style-type: none"> Successful engagement with key agencies measured by adoption of risk-based approaches. TAEC develops, publishes, and implements guidelines for risk-based inspections. ZAEC quarterly and annual reports listing inspections, interceptions, and test results 	Ministry of Agriculture and Fisheries, ZBS TAEC	D = M P = H T = ST (ongoing)	<ul style="list-style-type: none"> Limited use of risk-based approaches by some agencies. Contrary to global best practice, most efforts focused on strengthening inspection capacity to achieve 100 percent coverage. Very limited. Some collective certification of radiation-free areas for exports.

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TABLE E.1 (continued)

Identified constraint	Monitoring indicators	Responsibility	Difficulty, payoff, and priority timeframe	Existing initiatives
Action 30. Investment in laboratories and technical capacity. Ensure mutual recognition for all agricultural products accredited by mainland Tanzania regulatory agencies.				
Weak SPS infrastructure and technical capacity constrains animal-based exports and links to the tourism sector		Ministry of Agriculture and Fisheries, ZSTC, private sector	D = M P = H T = MT	
Action 31.1. Create a delivery unit responsible for the development of a strategy and its implementation				
Action 31.2. Strengthen data collection system and skills in the Ministry of Tourism				
Tourism strategy and tourism destination development and management. Insufficient recent tourism related data	<ul style="list-style-type: none"> • Strategy developed and adopted • Delivery unit formed and meeting regularly, tourism data (gender disaggregated) developed and published • Destination management entity established 	Ministry of Tourism leading but in partnership with the private sector and other government departments	D = M P = H T = ST	
Action 32. Ensure existing incentives are transparent and not discretionary.				
Weak incentives for investment in the fishery sector	Record of investment flows to the fishery sector	Ministry of Agriculture and Fisheries, Investment Promotion Agency	D = M P = H T = MT	

Notes: D = difficulty; P = payoff; T = priority timeframe; L = low; S = small; M = medium; H = high; ST = short-term; MT = medium-term; LT = long-term; MNRT = Tanzanian Ministry of Natural Resources and Tourism; TCT = Tanzania Cultural Tourism Program; PPD = public-private dialogue; TTB = Tanzania Tourist Board; MIT = Tanzanian Ministry of Industry and Trade; MOF = Tanzanian Ministry of Finance; USAID = U.S. Agency for International Development; BRN-BE = Big Results Now-Business Environment; HAT = Hotels Association of Tanzania; and ICAS = Investment Climate Advisory Services; TAEC = Tanzania Atomic Energy Authority (Zanzibar Office); ZBS = Zanzibar Bureau of Standards; ZNCCIA = Zanzibar National Chambers of Commerce and Industries Association; ZRB = Zanzibar Revenue Board; ZSTC = Zanzibar State Trading Corporation.

* In some cases genuine reform may require Acts of Parliament to eliminate overlapping mandates.

** Similar overlaps likely exist with the Zanzibar Bureau of Standards and the Zanzibar Food, Drug and Cosmetic Board.

*** Legislative reform may be needed to eliminate overlapping responsibilities.

**** May require working with other EAC countries on regional standards.