

AID-FOR-TRADE CASE STORY

TANZANIA

THE IMPACT OF BUSINESS SECTOR PROGRAMME SUPPORT (BSPS III) ON TANZANIA BUSINESS SECTOR PERFORMANCE

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EXECUTIVE SUMMARY

Business Sector Programme Support – Phase III (BSPS III) comprises three sub-components addresses areas of problems that Tanzanian businessmen face. Component A supports efforts to reduce the costs and complications that businesses have when trying to comply with official regulations.

Component B supports the development of human resources and institutional capacity that Tanzania needs in order to improve her participation in international markets. The capacity of Ministry of Industry and Trade (MIT) to manage international trade negotiations will be enhanced.

Component C improves the access of selected Micro, Small and Medium Enterprises (MSMEs), and small and large commercial farmers to financial services and Business Development Services (BDS).

The overall objective of the programme is to accelerate more equitable, broad-based and export-oriented growth in Tanzania's business sector

Issues addressed by the programme include improved business environment, better access to markets, and development of Micro, Small and Medium Enterprises.

The programme is designed and implemented through various institutions and the overall coordinator is Royal Danish Embassy (DANIDA).

Tanzania still needs more Aid for Trade to address among others issues pertaining to supply side constraints such as productive capacity, infrastructure just to mention the few in order to facilitate trade. Also Aid for Trade is needed to raise awareness to private sector about new trade agreements and their opportunities and challenges for Tanzanian enterprises to enter foreign markets. For this purpose, Aid for Trade is very important for development and implementation of various strategies in Tanzania.

ISSUES ADDRESSED

BSPS III is designed to make a contribution to removing selected obstacles and deficiencies in five main areas:

- An inadequate regulatory framework to facilitate the formalization and growth of private enterprises. The framework is comprised of the regulations themselves but also the institutional capacity to implement the regulations.
- Inadequate participation in international markets. Component B of BSPS III addresses the following: (i) the limited capacity within government to obtain advantageous international trade deals; and (ii) the shortage of people with qualifications and skills in international trade and business, company management, and entrepreneurship. Under Component C, support is provided to address the limited capacity of food processing and marketing in SMEs to process and sell their products to supermarkets and hotels in Tanzania and to markets abroad.
- Limited access for MSMEs to financial services, markets, technology and innovations, and business development services – where MSMEs here are understood to include commercial agriculture, agro-processing and agribusiness.
- Problems in the Business Environment
- Limited Public and Private Capacity for International Trade and Business

OBJECTIVES PURSUED

The Immediate Objectives, at programme level, are the development objectives of the three components. The achievement of component objectives should make a direct contribution to achieving the development objective. The immediate objectives of the components A, B, and C are as follows:

- To provide an enabling, regulatory and institutional framework for the business sector, delivering services inducing businesses to formalize and grow
- To improve participation of Tanzania in international markets
- To enhance contribution of MSMEs and commercial agriculture to equitable growth, exports, employment and government revenue.

DESIGN AND IMPLEMENTATION

- The third phase of Danida's Business Sector Programme Support (BSPS III) covers the period 1 July 2008 – 30 June 2013 and comprises three components, A, B and C.
- The implementation of BSPS III is facilitated and coordinated by a Programme Coordination Unit at the Royal Danish Embassy (RDE). It comprises an international Programme Coordinator and a Tanzanian Programme Officer. The partners (whether government or private organisations) manage the implementation according to their systems and procedures. Financial and progress reporting take place according to institution formats and schedules.

PROBLEMS ENCOUNTERED

- Insufficient / Allocation of resources. Lack of sufficient budget for systematically engaging private and public stakeholders in international trade negotiations, and for implementing follow-up actions on signed agreements.

- Lack of coordination between the coordinator of the programme (MIT) and other implementers e.g. Ministry Departments and Agencies (MDAs)
- Lack of Synergy and overlap of various policies within the country eg National Trade Policy 2003, Land Act, Education Policy, it becomes difficult to realize and accomplish the programme objectives.
- Since the programme doesn't address the issues on Supply side constraints such as building productive capacity, infrastructure etc, it becomes difficult to link domestic efforts with international market access.
- Management of the Programme e.g. who own what, reporting system etc

FACTORS FOR SUCCESS/FAILURE

- To improve stakeholder consultation in the Negotiation Processes, MIT formulated sectoral Technical Working Groups (TWGs) comprising key stakeholders in various subjects under negotiations.
- Institutional capacity: The Ministry of Industry and Trade which manage the implementation of the programme has not been able to perform her duty effectively in the accomplishment of the programme. The management of the programme has been shifting from one department to another hence poor performance.
- Good cooperation with Royal Danish Embassy has facilitated to the success of the programme.

RESULTS ACHIEVED

- The cooperation under BSPS III achieved a number of positive results, including professional preparation of position papers for international negotiations,
- With support of BPS II, and now BPS III, University of Dar es Salaam Business School (UDBS) has established a high quality Master's degree Programme in International Trade, the only one in the East African region.
- Participation on short term training on WTO issues and WTO Internship programme
- More participation on International Trade Negotiations
- Increased awareness on International trade issues

LESSONS LEARNED

- Once the priorities have already been identified by the Donors, It is very difficult to change (The issue of re-allocation)
- Difficulties on M& E
- The project and programmes can work and achieve the intended objectives if there is strong partnership between the government, private sectors and donors.
- Top down approach doesn't work

CONCLUSION (applicability to other programmes)

The support for MIT will enhance the capacity for international trade negotiations; also support improvements in general ministerial planning and management functions. Furthermore, support is provided to strengthen MIT's general capacity for all strategic issues in international trade. These aspects have an important influence on the performance in trade negotiations and the cooperation with development partners and other stakeholders.

Aid for Trade projects and programmes, for this case BSPS III have helped in building trade capacity.

However, Tanzania still needs more Aid for Trade to address issues concerning supply side constraints such as productive capacity, infrastructure among others in order to facilitate trade. Also raise awareness to private sector about new trade agreements and their opportunities and challenges for Tanzanian enterprises. For this purpose, Aid for Trade is very important for development and implementation of various strategies in Tanzania.