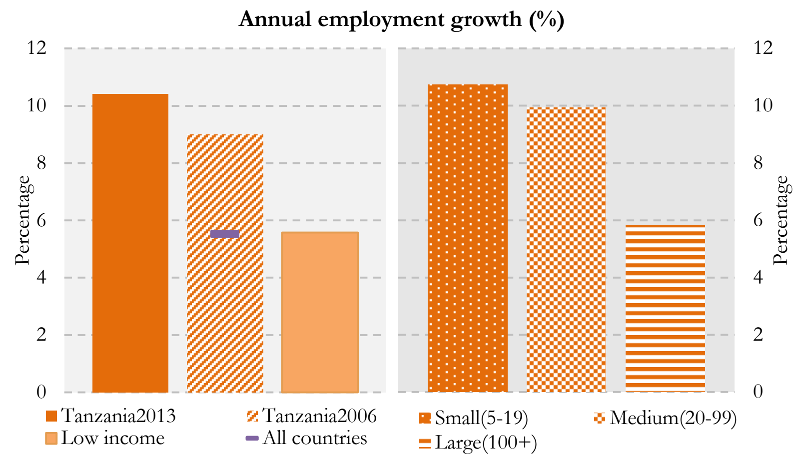
TANZANIA 2013

The World Bank interviewed a representative sample of the private sector in 5 of the most active economic regions in **Tanzania**. The sample consisted of 813 business establishments surveyed from January 2013 through August 2014. The Enterprise Survey (ES) covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

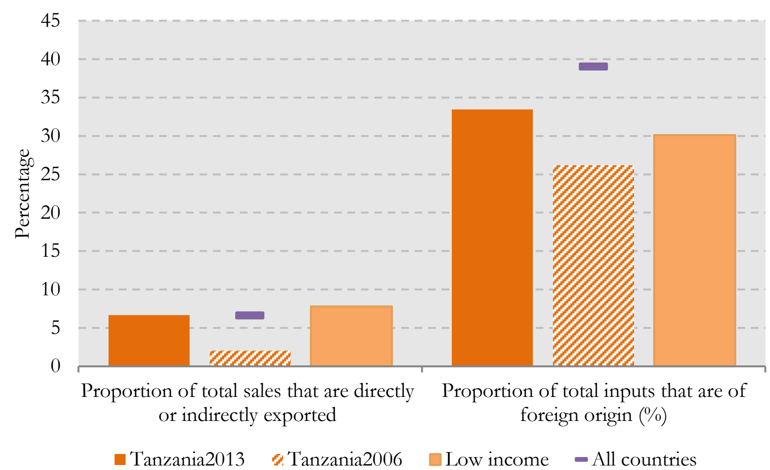
Tanzania's private sector experienced strong employment growth

Between 2010 and 2012, the **growth rate of employment** in the private sector in Tanzania continued to be high equaling 10 % per annum. This is comparable to the annual growth rate between 2004 and 2006 (9%) and higher than the average for the low income countries and for all countries with ES data (6%). Small firms (between 5 and 19 employees) and medium firms (between 20 and 99 employees) grew fastest adding jobs at 11% and 10% annual rates, respectively. Large firms (more than 100 employees) were also characterized by a positive dynamic with an annual employment growth rate of 6%.



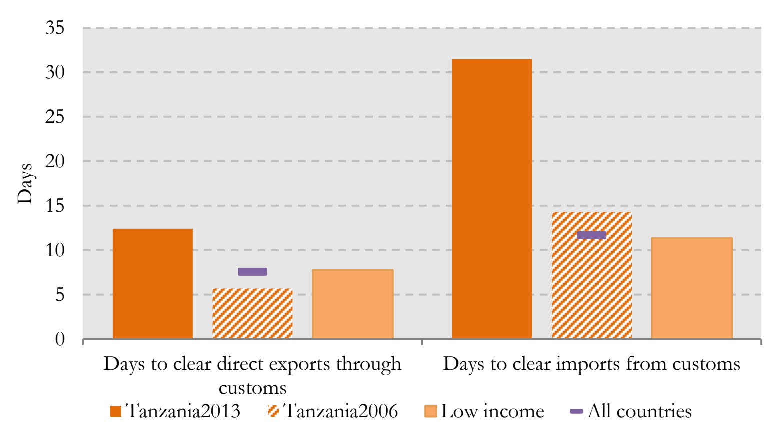
Firms in Tanzania trades more with the rest of the world compared to 2006 levels

A higher proportion of firms in Tanzania are **exporting** (directly or indirectly) in 2012 than in 2006 (14% vs 5% respectively). The proportion of total sales exported by a firm on average grew as well during the same period, from 2% in 2006 to 7% in 2012, which is close to the average for low income economies and all countries with ES data. At the same time, a higher share of firms in Tanzania are using inputs of foreign origin than previously (48% in 2006 vs. 63% in 2012). For a typical Tanzanian firm, the proportion of inputs that are of foreign origin also increased from 26% in 2006 to 33% in 2012, higher than the low income country average of 30%.



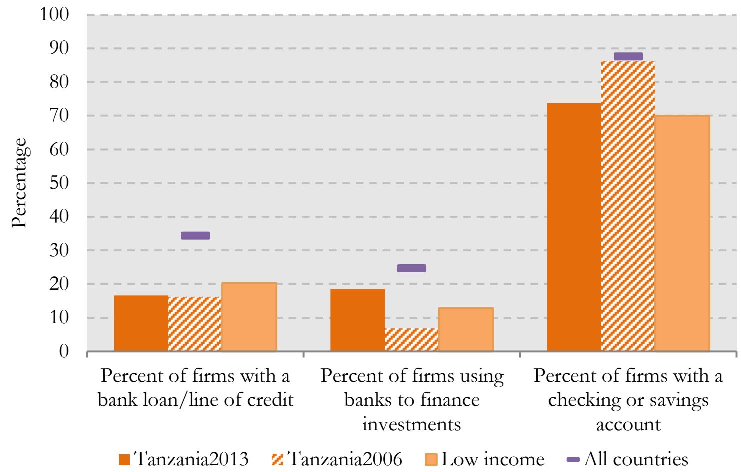
However, customs clearances take longer

Together with increased trading activity across borders, firms in Tanzania report longer **customs** related delays. In 2012, it took on average 12 days to clear direct exports through customs, up from 6 days in 2006 (only 8 days on average for low income countries). Similarly, the time needed to clear customs for imports into Tanzania doubled from 14 days in 2006 to 32 days in 2012. The corresponding figure for the low income countries is considerably lower at 11 days. This suggests the need to improve customs capacity in Tanzania in order to keep pace with increased trade intensity.



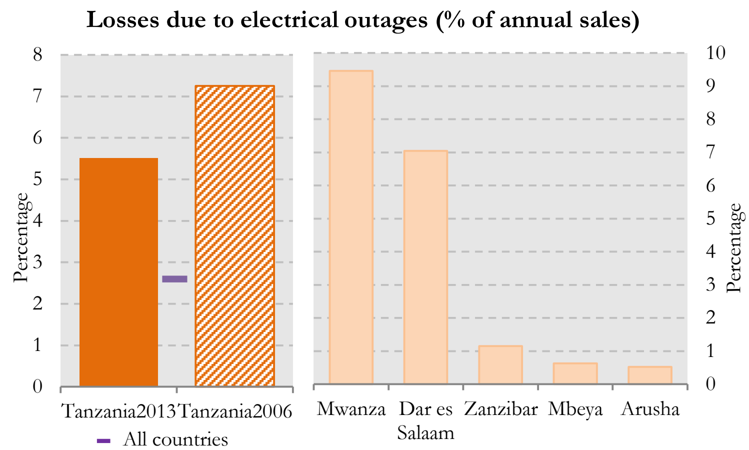
Access to finance remains difficult

The use of **bank financing** by firms in Tanzania is still limited by international standards. In 2012, more firms in Tanzania used banks to finance investments compared to 2006: 18% vs 7%. The proportion of firms that use banks to finance investment is higher in Tanzania than in other low income countries but lower compared to the global average (25%). Furthermore, in 2012, around 17% of firms had a loan or a line of credit from a bank compared to the averages of 20% for low income economies and 34% for all countries with ES data. On the deposit side, fewer firms in Tanzania had a checking or saving account in 2012 (74%) compared to 2006 (86%).



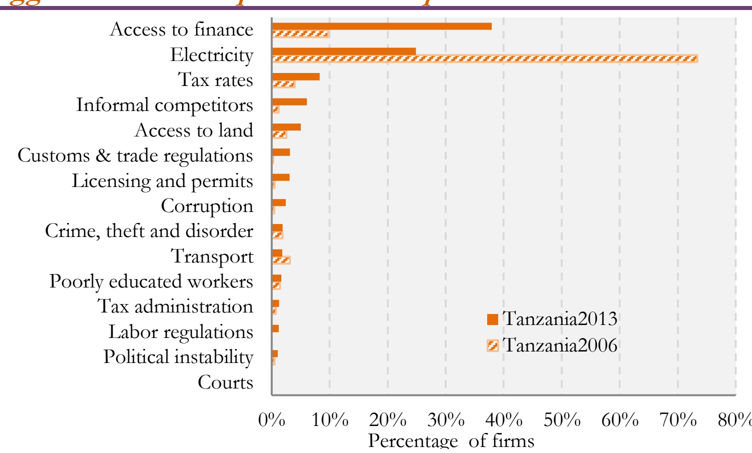
Electricity supply has become more reliable but is still insufficient compared to other countries

Power supply in Tanzania improved between 2006 and 2012. The average number of hours without power in a month declined from 71 hours in 2006 to 58 hours in 2012. However, Tanzania still lags behind other countries: globally power outages last 29 hours per month on average. The same pattern emerges regarding losses due to electrical outages. In 2012, firms in Tanzania lost on average 5.5% of annual sales due to electrical outages, down from 7% in 2006, but still above the global average (2.6%). Furthermore, within Tanzania, there is a wide variation in the losses due to power outages by region with the higher percentage of losses in Mwanza and Dar es Salaam.



Access to finance and electricity continue to be the biggest obstacles to private firms' operations

From a list of fifteen items, respondents were asked to rank the **biggest obstacle** faced by the firm for its day-to-day operations. The three most commonly chosen top obstacles in Tanzania remain the same in 2012 as in 2006, although not in the same order. The improvement in firms' experience dealing with power supply is consistent with the change in firms' perception of the business environment, with less firms reporting electricity as the biggest obstacle (25% in 2012 compared with 73% in 2006). On the contrary, more firms reported access to finance as the biggest obstacle (38% in 2012 vs. 10% in 2006). Finally, tax rates were the third most commonly cited biggest obstacle, both in 2006 and 2012.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org