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This action is funded by the European Union

ANNEX

of the Commission Decision on the Individual measure in favour of Tanzania to be financed from the 11th European Development Fund

Action Document for Investing in Business Enabling Environment (iBEE)

1. Title/basic act/ CRIS number	Investing in Business Enabling Environment (iBEE) CRIS number TZ/FED/039-056 financed under the 11 th European Development Fund			
2. Zone benefiting from the action/location	The United Republic of Tanzania The action shall be carried out at the following location: Dar es Salaam			
3. Programming document	EU's National Indicative Programme 2014-2020			
4. Sector of concentration/ thematic area	Business Environment (non-focal sector)	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 6 400 000 Total amount of EDF contribution EUR 3 000 000 This action is co-financed in joint co-financing by : -DANIDA for an estimated amount of EUR 3 400 000			
6. Aid modalities and implementation modalities)	Project modalities: <ul style="list-style-type: none"> • Indirect management with DANIDA • Direct management - procurement of services 			
7 a) DAC code(s)	25010 - Business support services and institutions 32130 - Small and medium-sized enterprises (SME) development			
b) Main Delivery Channel	13000 – Third country Government (Delegated cooperation)			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N.A.			
10. Sustainable Development Goals (SDGs)s	SDGs 8 & 9 (secondary) SDG 8 :decent work and economic growth SDG9: industry, innovation and infrastructure			

SUMMARY

The 11th EDF National Indicative Programme (NIP 2014-2020) for Tanzania provides for EUR 3 000 000 "to promote private sector, employment and economic development". This envelope will be used to support Civil Society Organisations, in particular business associations or other organisations promoting business and employment. Following extensive consultations with a range of business associations, the proposed action will support: i) an improved business environment through enhanced capacity of the private sector for dialogue on the business climate with the government; ii) better export capacity and increased market attractiveness of Tanzania through the strengthening of services provided by the business associations operating in Tanzania. This action is an aid for trade initiative aiming at supporting business associations in: i) strengthening the private sector's capacity of engagement with the authorities to better structure an effective national public-private dialogue on the overall business environment in Tanzania, in order to clearly identify joint business environment issues on both sides and define a process with clear actions and timelines. This should contribute to simplify the complex regulatory framework which hampers the development of the private sector in Tanzania; ii), reinforcing its capacity to provide services and information to promote exports to the EU or to attract European investment in Tanzania. These combined actions are expected to contribute to inclusive growth through stimulating local entrepreneurship, attracting foreign investors, creating jobs and promoting industrialisation.

This action will focus on the priority areas of taxation (also highlighted in the WB's Doing Business Report and the Government's late Big Results Now¹), immigration (a specific concern of foreign businesses) and skills development (cross-cutting challenge along the economy).

This action is consistent with other EU programmes in Tanzania, particularly the Sector Reform Contract on Economic and Fiscal Governance, which will support the government on tax policy and reforms. This action will also build on the very successful launch of the study funded by the EU "European Investment in Tanzania : how European investment contributes to industrialisation and development in Tanzania". The Action is in line with the recently adopted Second Five Year Development Plan (FYDP II 2016/17 – 2020/21) - "Nurturing Industrialisation for Economic Transformation and Human Development" – which emphasises the role to be played by the private sector in building industrial capabilities and developing economic value chains with increased export capacity.

The first objective of this action will be implemented through a delegation agreement with DANIDA. The second objective will be implemented through direct procurement.

1. CONTEXT

1.1. Sector/Country/Regional context/Thematic area

As member of both the East African Community (EAC) and the Southern Africa Development Community (SADC), Tanzania is a country blessed with many resources such as gas, minerals, biodiversity, agriculture and a growing domestic market. Since the first economic liberalisation of the 1990's, Tanzania has been able to maintain steady economic growth which has been powered by public investment in infrastructure and by key dynamic economic sectors (tourism, export crops, mines, telecommunication, banking, oil and gas, transport). Foreign direct investment has substantially increased, with a yearly inflow of 2 billion USD per year in 2015, one of the highest in Sub-Saharan Africa. A certain number of privatisations of state owned companies and state farms have also occurred during the period contributing to the development of a first nucleus of Tanzanian manufacturers in several vibrant sectors. However Tanzania remains largely a rural economy dominated by subsistence farming. Another characteristic of the Tanzanian economy is its high level of informality in the rural as well as the urban areas. All these elements have limited the spill over effect of the economic growth in favour of the poorest categories of Tanzanian households. This creates huge challenges for Tanzania: i) first, job creation; 700 000 young Tanzanians enter the labour market each year and only 10% find a job in the formal sector; ii) secondly, how to develop an economy which can self-sustain the financing of its social redistribution system and deliver services efficiently. The limited prospect for youth creates social tensions, and potential risks for the stability and security of the country.

The development of Tanzania's formal Private Sector is a prerequisite to increase its economic potential and address the above mentioned challenges of job creation and an improved social redistribution system. The government of Tanzania recognises in its development plans the role of the private sector as an actor of development. However, the government's economic vision has historically been torn between traditional state interventionism and liberalisation based on a market economy including the opening to

¹ The Government's late Big Results Now initiative (BRN) included improvement of the business environment as a priority to tackle. This was translated into six key areas: Realigning Regulations and Institutions, Access to Land and Security of Tenure, Taxation, Curbing corruption, Labour Law and Skillsets and finally; Contract Enforcement

foreign direct investment. This hesitation on the role which should be given to the State and the role which should be given to the private sector left a limited space for an open and effective dialogue on the business environment. As a consequence, the business environment has not been given the highest priority. Tanzania continues to rank poorly in comparison to other countries on the ease of doing business index (139 out of 189 countries)² as well as on most key business environment indices. Tanzania also remains towards the bottom of the Global Competitiveness Index ranking³ (121 out of 144 countries); the Transparency International Corruption Perceptions Index⁴ (119 of 175 countries); and the 2015 Index of Economic Freedom (109 out of 178 countries)⁵. In terms of dialogue between the State and the private sector organisations, despite some positive sector dialogue outcomes, dialogue on crosscutting issues at national level has stalled while relations with the State have been often dominated by informal connections which can lead to dishonest practices.

The new government of President Magufuli has put the issue of Tanzania's industrialisation at the top of its national development agenda, while the ongoing debate on the Economic Partnership Agreement (EPA) signature between the EU and the East African region has raised the issue on how trade can contribute to development. There is an opportunity for private sector organisations to contribute effectively to industrialisation by supporting companies in Tanzania to take advantage of the trade flows existing between the European Union and Tanzania. Total trade between Tanzania and the EU stands in 2015 at around 2 billion USD each year. As a bloc, the EU is Tanzania's primary export destination with 16% of its exports per year representing 650 million USD per year. In terms of Foreign Direct Investment (FDI), the EU is the main contributor to Tanzania, and the Tanzania Investment Centre recently announced its plans to attract further FDI, aiming to increase investments from 2 billion to 5 billion USD in the coming years. Together with Tanzanian agencies promoting exports and FDI, business associations in Tanzania could further develop services and information to their members to support their export capacities and attract the investment of European companies interested in investing in the country.

Tanzania has today a window of opportunity to improve its public-private dialogue on the business environment and to improve the connections between trade and industrialisation. President Magufuli, through his fight against corruption and his efforts to increase the tax compliance of Tanzanian companies, is trying to break up the traditional patrimonialism linkages existing between the economic sector and the political sphere. In his first year of mandate, President Magufuli has already met twice the Tanzania National Business Council (TNBC) which is the main platform for dialogue between the public and private sector. As the TNBC was practically dormant during the previous presidency, this is considered a positive step. These bold measures clear the way for a different type of engagement between the public and private sectors on key crosscutting business environment issues. The question of industrialisation has now become the core element of Tanzania's new national development strategy. Initiatives from the private sector to support exports of Tanzanian companies or attract further EU FDI will be fully supported by the government.

² Source: World's Bank Ease of Doing Business Report 2016 <http://www.doingbusiness.org/rankings>

³ Source: World Economic Forum Report 2014-2015: <http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>

⁴ Source: Transparency International's Corruption Index: <https://www.transparency.org/cpi2014/results>

⁵ Source: The Heritage Foundation's Economic Freedom Index: <http://www.heritage.org/index/>

1.1.1. Public Policy Assessment and EU Policy Framework

The Tanzania Development Vision 2025, which has the ambition for Tanzania to become a middle income country by 2025, envisages a transformation process that is industry/manufacturing sector-led, able to build a diversified competitive economy and desirable human development outcomes. The FYDP II is the cornerstone of this process and builds the foundation for the requisite structural change and socially inclusive development. This new plan recognises the role of the private sector as an actor of development. It foresees an institutionalisation of public-private dialogue, which is seen as necessary to improving the business environment, promoting trade and investment, and upscaling the skills of youth for better access to employment opportunities coming from the new sectors of activities promoted by the FYDP II (oil and gas, agro-processing, light manufacturing). The Plan aims to create a conducive environment for doing business and investing in the country, though it is still unclear which specific reforms will be put in place as part of the Plan. It acknowledges the need for priority interventions aiming at boosting the quantity, connectivity and quality of infrastructure and services, as well as policy and institutional reforms aiming at making it easier to do business (dealing with the provision of business permits, protecting investors, paying taxes, cross-border trading, just to name a few).

The Government has a wide range of policies designed to promote economic growth through private sector development, including: the Small and Medium Enterprise Development Policy of 2002, the Sustainable Industrial Development Policy (1996-2020), the Strategic Trade Policy (2002–2007) which is due to be revised shortly, the Minerals Policy of Tanzania (2012) which provides for enhanced support to artisanal and small scale mining, the 2000 National Micro-Finance Policy, and the National Employment Policy. Other government-led reform measures designed to improve the country's business and investment prospects include the Agricultural Sector Reform Programme, the Legal Sector Reform Programme and the Gas policy which was revised in 2015.

In addition to those mentioned above, Tanzania has a draft Private Sector Development Policy (February 2015), which highlights the need for the public sector to interact with the private sector to enable the private sector to grow and flourish. The draft paper acknowledges the private sector's role in economic activities related to sustaining rapid growth in the macro-economic settings, policy directives, legal, institutional and regulatory frameworks. Moreover, the Government has circulated in a consultative process with the private sector the drafts of an Investment Policy (2015) and an Investment bill (2015) which are now in the final stages of adoption.

The EU's Agenda for Change⁶ sets a clear framework for actions in the priority field of promoting business environment: "The EU should develop new ways of engaging with the private sector, notably with a view to leveraging private sector activity and resources for delivering public goods". The proposed action is also in line with the EC Communication "The stronger role of the private sector in achieving inclusive and sustainable growth in developing countries" adopted in 2014, that proposes a strategic framework for strengthening the role of the private sector in achieving inclusive and sustainable growth, as well as with the recent "Proposal for a new European Consensus on Development Our World, our Dignity, our Future" and the forthcoming European External Investment Plan (EEIP).

⁶ "Increasing the impact of EU Development Policy: an Agenda for Change"- Com(2011)637 Final

1.1.2. Stakeholder analysis

The action will support private sector organisations, and indirectly public institutions to: (i) improve public-private dialogue on the business environment and (ii) develop information and services for improved EU-Tanzanian trade (both Tanzanian companies exporting to the EU and EU companies investing in Tanzania).

The main private sector organisations, think tanks, academic institutions involved in collecting and analysing economic data, developing advocacy actions, include indicatively:

- Tanzania Private Sector Foundation (TPSF);
- Tanzania Chamber of Commerce, Industries and Agriculture (TCCIA);
- Confederation of Tanzanian Industries (CTI);
- Zanzibar Chamber of Commerce, Industries and Agriculture (ZCCIA);
- Tanzania Women Chamber of Commerce (TWCC);
- European Business Organisations such as EU Business Group, British Business Group, Nordic Group, etc.
- University of Dar es Salaam, business schools and other academic centres in the country; think tanks (Research on Poverty Alleviation (REPOA), Economic and Social Research Foundation(ESRF), Uongozi institute).
- Other sectoral and dedicated business associations such as (non-exhaustive list): the Tanzania Horticulture Association (TAHA), the Agricultural Council of Tanzania (ACT), the Tourism Confederation of Tanzania (TCT); the Association of Tanzanian Employers (ATE); the Tanzania Association of Tour Operators (TATO), the Association of Tanzanian Employers (ATE), the Hotel Association of Tanzania (HAT).

This Action is intended to strengthen the capacity of the above mentioned private sector organisations to engage further with the Government and other public institutions. The following public institutions will be prioritised because of their particular role in achieving the objective and results of the action:

- The Tanzania National Business Council (TNBC) that provides, formally but not actively, the forum for public and private sector dialogue.
- Ministry of Industry, Trade and Investments (MoITI) responsible for the overall policy and regulatory framework;
- Tanzania Revenue Authority (TRA);
- Tanzania Investment Centre (TIC);
- The Tanzania Trade Development Authority (TANTRADE);

Other related public authorities that the action will seek to interact with based on specific activities include:

- Minister of State in the Prime Minister's Office Policy, Parliamentary Affairs, Labour, Employment, Youth and the Disabled;
- Tanzania Bureau of Standards (TBS)
- Tanzania Food and Drug Authority (TFDA);
- Tanzania Ports Authority (TPA);
- Small Industries Development Organisation (SIDO);
- National Economic Empowerment Council (NEEC);
- Tanzania Industrial Research and Development Organization (TIRDO);

1.1.3. Priority areas for support/problem analysis

Tanzania has developed over the years a corpus of business legislation and market regulatory institutions which have by many aspects contributed to the economic development of the country, but which need to be enhanced to face the economic challenges of today. Matters such as the regulatory framework (high number of taxes, fees and levies), institutional constraints (a variety of regulatory authorities with overlapping mandates), or corruption are sources of concern. The labour market also suffers from relatively high regulation and poor quality in training of employees. Tanzanian firms have also identified access to finance as their most significant obstacle⁷. This action cannot address the full range of pre-identified challenges and therefore will focus on areas of taxation (also highlighted in the WB's Doing Business Report and the Government's late Big Results Now⁸), immigration (a specific concern of foreign businesses) and skills development (cross-cutting challenge along the economy). These priority areas will subsequently be deepened and disaggregated during the implementation of the action.

Within this environment, the lack of progress in reforms can be explained by the limited public-private national dialogue around critical issues in the business environment. Public/private dialogue often takes place in a fragmented way; consultation with and communication to businesses on key development policies are not planned enough; whereas the culture of economic impact assessment for new business policies has not been fully deployed in all Ministries. Tanzanian business associations have limited capacity (human resources) and have not always been able to come prepared with enough evidence-based proposals to lead a fruitful dialogue with Tanzanian authorities. Furthermore think tanks or universities/business schools are not sufficiently involved in research work with business associations.

As regards trade between the EU and Tanzania, despite the large access granted by the EU to its Market, the number of Tanzanian exporting companies to Europe remain small. This can be largely explained by structural issues, but in a certain number of cases there is also a lack of structures or information to support Tanzanian firms seeking to access the European market. Organisations like TANTRADE can partially support the export of Tanzanian products. As regards EU companies willing to invest in Tanzania, the development of dedicated support by EU business associations -notably for SMEs to get services or information on real estate, marketing, legal or accounting support - could contribute to increasing the number of EU companies investing in Tanzania. The Tanzanian Investment Centre beyond the issuance of the investment licenses is currently unable to respond to very different situations or specific demands. Tools like the EU Export helpdesk or the Market Access database can usefully be promoted as instruments with wide-ranging information regarding access to the EU market and to companies exporting from the EU about import conditions in third country markets

A report by the Organisation for Economic Co-operation and Development (OECD) on the Tanzania Investment Policy (2013)⁹ confirms this above mentioned analysis and suggests reinforcing dialogue mechanisms between investors and public bodies to discuss business environment issues. It also proposes strengthening investment promotion and facilitation in

⁷ Source: World Bank's Enterprise Survey (2013).

⁸ The Government's late Big Results Now initiative (BRN) included improvement of the business environment as a priority to tackle. This was transacted into six key areas: Realigning Regulations and Institutions, Access to Land and Security of Tenure, Taxation, Curbing corruption, Labour Law and Skillsets and finally; Contract Enforcement

⁹ <http://www.oecd.org/investment/investment-policy/tanzania-investment-policy-review.htm>

Tanzania to attract foreign investors and help Tanzanian exporters to conquer new markets. As regards to the improvement of the business environment, this Action will seek to: i) build up coalitions of business associations by improving the circulation of information between private sector organisations, ii) increase the linkage between national and foreign business associations, iii) improve the representation of the private sector in consultative Group set up by the government, iv) reinforce the national platform of dialogue where crosscutting issues are addressed. This Action will also develop the linkage between business associations and think tank to develop a local capacity to produce evidence based research to sustain advocacy. Regarding the support to industrialisation through trade and investment, this action will seek to enhance the capacity of some Tanzanian private sector organisations to develop services and information systems for their members (Tanzanian companies) wishing to export to the EU. These will include building up their knowledge of the market and capitalising on the experience of their members, using existing European tools. Furthermore, this action will support the EU Business Group associations established in Tanzania to support EU companies to settle in Tanzania, in support and complementarity to operations under the forthcoming European External Investment Plan.

The EU has a lot to offer on the above-mentioned challenges given its social dialogue experience in Europe and its key role as trade and investment partner with Tanzania. DANIDA's programme BEST Dialogue - building on a long experience in developing public-private dialogue in Tanzania - is the best implementer to achieve the objective of this action to support public-private dialogue on business environment. Building on its successful experience in supporting mainly private sector business associations on advocacy requests, BEST-Dialogue would support coalitions of private sector associations focussing on crosscutting advocacy. The EU business groups based in Tanzania through the support of EU technical assistance are best placed to develop a service capacity to serve companies operating in Tanzania aiming to export in the EU market or invest in the Tanzanian market.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Government perceives this support to Civil Society Organisations (CSOs) /Private Sector Organisations (PSOs) as external interference.	Low	EU in coordination with other DPs will emphasize with Government the importance of dialogue with the private sector in support of the country's development plan.
Sensitivities from local business associations around an involvement of foreign business associations.	Low	EU in coordination with DPs will emphasize the benefits of the dialogue and the exchange of experiences between local and international business associations in search of mutual interests.
Businesses are not supportive of the proposed action and boycott the activities planned.	Low	EU in coordination with DPs will engage with all private sector organisations to illustrate the added value the programme can have.
Government lacks the ability to enact and legislate pro-business amendments by the business community due to technical capacity, political constraints or simply because of bureaucracy.	Moderate	Strengthened advocacy and dialogue with Government institutions and agencies as well as members of the Parliament and its sub-committees. Strong network of academic institutions backs the dialogue environment and delivers inputs in research and training.
The Government of Tanzania does not translate its commitment to work with the private sector into an active partnership and an active dialogue.	Moderate	As the Government has shown commitment to working closely with the private sector in implementing its FYDP II, EU in coordination with Development Partners (DPs) will engage with Government to ensure that dialogue with the private sector is taking place.
Sustainability of the project.	Moderate	Advocacy work and services become sustainable through membership fee and service fee payment of their members.
Assumptions		
<ul style="list-style-type: none"> • The programme is implemented against a stable monetary, economic and political background. • The approach under the Government's new Five Year Development Plan (FYDP II, 2016-2021) will remain relevant and will allow and promote dialogue between public and private partners. • Willingness of business associations and other civil society organisations to cooperate despite potentially conflicting interests. 		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The Government of Tanzania has put in place a number of initiatives to promote public-private dialogue on business environment issues (Business environment road map, BRN on business environment). However, business environment reform has been limited, and the government has faced difficulties in coordinating the different public entities and establish a functioning national business dialogue platform. In parallel, a few sectoral advocacy initiatives launched by business associations have been successful but remain limited in key sectors where opaque interests (traders versus producers) have blocked reforms. In addition market regulators or sector ombudsmen have limited means or lack independence; as a result they are unable to challenge decisions taken by institutions which negatively impact the private sector. Experience also shows that for a bigger impact on business environment, the monitoring of the reforms has to take place at the highest levels.

As regards trade promotion, the government's efforts have favoured few public institutions (TIC, SIDO, agriculture management boards) with varying results. Contrastingly, private sector organizations with a good understanding of their market potential have been very successful (e.g. the Confederation of Tanzanian Industries when addressing with the government port congestion, reliable provision of electricity and the issue of counterfeits). Sub-sector champion TAHA entertains an effective dialogue on the many issues affecting its sector with a range of public sector agencies and ministries. As a result, the horticultural sector is now one of the fastest growing and most promising sub-sectors in terms of exports and employment. In the same vein, the Tourism association with an effective backing by investors (and donors) has been able to defend their sectoral interests. When given a chance to develop think tank capabilities, a number of business associations at national or sector levels have the capacity to support trade promotion for their members while at the same time having an impact on Tanzania's competitiveness through sustained dialogue with government and political society on improvements in the nation's investment climate. However the biggest challenge for the State and the business associations has been to address crosscutting issues through an effective national platform of dialogue. The Tanzanian National Business Council which could fit this purpose is not meeting regularly and has not received the necessary political backing to be able to handle an effective problem solving dialogue.

3.2 Complementarity, synergy and donor coordination

The proposed action will exploit synergies with the following linked projects/activities:

- EU's *Economic and Fiscal Governance* sector reform contract (FED/2016/038-939) which includes specific support to the Tanzania Revenue Authority (TRA) tax modernisation programme. The budget support operation will target the Government's fiscal policies, strengthening equitable domestic revenue mobilization and administration, while the proposed action will support the private sector on engaging with the Government on the same topic.
- The study funded by the EU "European Investment in Tanzania: how European investment contributes to industrialisation and development in Tanzania".
- USAID's *East Africa Trade and Investment Hub* work to boost trade and investment with and within East Africa. Another USAID's project specifically targeted to Tanzania, starting June 2016, will focus on the agriculture sector (central corridor) promoting policy dialogue, access to finance and business development services.

- DANIDA's *Business Sector Programme Support (BSPS IV 2013-2019)* has several components: i) access to finance *Financial deepening trust (FDT) and Private agriculture sector support (PASS)*; ii) agriculture value chain Agricultural Markets Development Trust (AMDT) iii) business environment *Local Investment Climate (LIC) and Business Environment Strengthening for Tanzania Private Sector Advocacy and Dialogue Component programme (BEST-Dialogue)* This last component aims at “enhancing the quality and credibility of private sector organisations to engage effectively in private/public dialogue”.
- *TradeMark East Africa (TMEA)* is an international donors' funded programme with the aim of growing prosperity in East Africa through trade. TradeMark East Africa (TMEA) works closely with East African Community (EAC) institutions, national governments, the private sector/civil society organizations to increase trade through increased physical access to markets, enhanced trade environment and improved business competitiveness
- The World Bank's *Development Operation Policy (DPO)* on Business Environment reform evolves around three policy areas: 1) making the regulatory environment (for business registration, licensing, trade and taxation) more “Business Friendly”; 2) improving the functioning of factor markets (labour, land, and capital); and 3) establishing an enabling environment for competitive, job-creating industries (in particular for Agribusiness and Tourism).
- The Gatsby Trust (GT) is a leading catalyst for Small and Medium Enterprises (SMEs) and farmer development through innovations that make markets work for the poor. The overall aim is wealth creation through supporting creation and growth of innovative Small and Medium sized Enterprises (SMEs). The GT’s programme activities aim at empowering vulnerable groups and SMEs with entrepreneurial skills and opportunities within a variety of value chains.
- The Private Sector Window (PrSW) is implemented and managed by International Finance Cooperation (IFC) to provide innovative financing aimed at increasing the commercial potential of small and medium-sized agri-businesses and farmers by connecting them with local, national and global value chains. It focuses on: 1) Increasing productivity, 2) Supporting Innovation and 3) Reducing risks.

In addition to donor funded programmes, there are a number of well-established business associations and related groups promoting a better business climate through different activities (workshops, studies, fora). Beside local organisations (Tanzania Private Sector Foundation; Tanzania and Zanzibar Chambers of Commerce, Industry and Agriculture; Agricultural Council of Tanzania; Confederation of Tanzanian Industries; Tourism Confederation of Business Link International; Tanzania Women's Chamber of Commerce; etc.), Tanzania's economic and trade partners such as the United States, India, Turkey, South Africa, and China have established business groups to lobby and advocate for a better business climate. As regards to the European Business association in Tanzania, the European Union Business Group (EUBG) was established in April 2015 to address the need for European companies to structure around one organisation to provide Tanzania's national counterparts with one business interlocutor. As part of the local private sector and considering the important role (present and future) of the European investors in Tanzania's economy, the EUBG is expected to be an active player within the framework of the iBEE and be reinforced as a key interlocutor among others.

The development partner group for private sector development (DPG-PSD) and trade is the principal platform for donor coordination. The main purpose of the PSD/Trade-DPG is to promote coherence in development assistance to private sector development, trade and financial sector, and coordinate Development Partners' support in these areas. The group promotes information sharing and dialogue among PSD/Trade-DPG partners on PSD, employment, financial sector and trade related issues and enhance coordination, harmonisation, effectiveness, and impact of partners' assistance.

3.3 Cross-cutting issues

Three main crosscutting issues have been mainstreamed in the identification of this action and are developed in the dedicated annex: gender issues, youth and climate change;

- Gender equality: In the area of business environment, special attention will be given at an intensified lobby for incentives that can help create women's access to markets through business incentive schemes: loan guarantee schemes, access to micro-finance (e.g. using big data collateral alternatives). Special attention will also be dedicated to sectors that contribute to a growing market access for women (e.g. horticulture, crafts).
- Youth as main targeted beneficiary: Tackling the business environment will help reducing barriers to expand business and therefore recruit young graduates. Improving the business environment will provide young entrepreneurs the incentives to start and run a business on their own.
- Environment: the project will give a specific emphasis to Private Sector Organisations which target the improvement of regulations in the renewable energy business sector. Furthermore as the Government requires the private sector to contribute to the country's industrialisation process, the private sector will be sensitized to develop and include an environment focus in its approach with the Government: land exploitation, environmental standards, recycling processes, environmentally friendly projects, etc. Links to *Sustainable Consumption and Production* may be assessed and discussed when for new manufacturing (better investment environment for green technologies and/or renewable energy) or in relation to Climate Change in terms of energy balances in products produced (and consumed) or new infrastructure built and sustainable use of it.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

This action is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG Goals, but also promotes progress towards these Goals. This does not imply a commitment by the United Republic of Tanzania benefiting from this action.

The Overall objective of this action is to promote effective public-private dialogue on business environment conducive to sustainable private sector growth and to take advantage of EU-Tanzania trade as a vector for investment and industrialisation in Tanzania.

The Specific Objectives are defined as follows:

SO1: Empower private sector organisations and their capacity to engage in advocacy on business environment issues through effective public-private dialogue.

SO2: Enhance the capacity of the private sector to become a more effective player of trade and investment between the EU and Tanzania.

The expected results are as follows:

Under SO1:

- R1: Sustained and effective **dialogue between private sector/civil society organisations and Government** through stronger **partnerships and coalitions**;
- R2: Enhanced advocacy and knowledge management **capacity of the private sector to carry out evidence-based research** on issues affecting **business environment** and investment climate;

Under SO2:

- R3: Enhanced **services and knowledge management capacity** of the private sector to expand trade and investments between the EU and Tanzania.

4.2 Main activities

The main activities foreseen are as follows:

- R1: Sustained and effective dialogue between private sector/civil society organisations and Government through stronger partnerships
 1. Promote and facilitate alliances/coalitions (through seminars, workshops, digital platforms, joint research) by improving the circulation of information between the Private sector organisations, increase the linkage between national and foreign business associations, improve the participation of the private sector in consultative Groups set up by the government and reinforce the national platform of dialogue dealing where crosscutting issues are addressed;
- R2: Enhanced advocacy and knowledge management capacity of the private sector to carry our evidence based research on business issues.
 2. Provide capacity building initiatives for private sector/civil society on data collection and analysis as well as related advocacy skills in cross-cutting areas such as taxation, immigration, skills development and land, innovations in the green economy, building on the work under the BEST programme;
 3. Provide grants for research on economics and government regulations on business (regulatory impact audits, social network analysis), building on the work under the BEST programme.
- R3: Enhanced research and knowledge management capacity of the private sector to expand trade and investments between the EU and Tanzania.
 4. Technical assistance supporting Tanzania in its efforts to promote trade to the EU and attract investments from the EU through capacity building, market studies, trade fairs, B2B workshops, trade policy support, business know-how and training, project studies.

4.3 Intervention logic

Tanzanian private sector organisations are scattered, and often grounded on sector-specific interests. They suffer from low staffing capacity and a chronic lack of means. The action will support the setting up of alliances among private sector organisations (including civil society organisations and academia) and consolidate the dialogue with the public sector. Appearing as one and with more capacity, the private sector should be in a position to incentivise the Government to promote a dialogue and maximise the results. Existing programmes

supporting the private sector on business advocacy tend to work on a demand basis with targeted private sector/civil society organisations. On particular topics, the approach is relevant and most efficient. When it comes to crosscutting matters such as taxation, immigration, skills development and land, a more strategic approach is required. Alliances under the shape of technical working groups, for instance, can promote harmonisation of positions, exchange of information and agreed lines to take on behalf of all private sector/civil society organisations towards Government authorities. This action will support organized private organisations to develop more capability and to push for pro-active and sustained dialogue around essential national and sub-national frameworks - such as the annual budget/fiscal act, local budget cycles, up-country public-private dialogue etc. Private sector organisations will also be supported to deliver sustained quality inputs into fiscal consistency, rationalisation of tax and levies administration, regulatory impact audits, issues of skills development, challenges with budget discipline, the fight against corruption, and also to provide parliament with quality information so that it can play its role more effectively.

Moreover this action will support the private sector organisations to develop research capacity to feed the dialogue. Currently, private sector organisations lack human resources and capacity to collect and analyse economic and business data. Private sector apex organisations require the means to gradually develop in-house advocacy capability. To reach this objective the proposed action will support the private sector organisations to work with universities and think-tanks to develop evidence-based policy proposals, research, statistics, and sourced documentation to build up their capacity to sustain meaningful dialogue.

It goes without saying that a better perception of the business environment will have effects on trade and investments into the country. The benefits will vary depending on the capacity of the different stakeholders to convert the dialogue into concrete measures. A streamlined and predictable environment will increase the business opportunities for Tanzanian companies to export to the EU and for European companies to invest in Tanzania. The envisaged activities in this second component of the proposed action will seek to support the capacity of private sector organisations to promote services and information on trade and investments. At the same time, more investments and further trade shall become incentives for further dialogue around business climate. This will reinforce the recognition of private sector organisations as actors of development in Tanzania.

The proposed action will also aim at facilitating bridges between Tanzanian and European private sector organisations based in Tanzania to jointly encourage trade and investments, thereby promoting partnerships between EU and Tanzanian businesses. Participation in initiatives such as the Enterprise Europe Network shall be explored. Private sector organizations are barely financially sustained through members' fees and therefore incapable of funding and developing internal capability. The development of services would progressively generate another source of revenue and increase the sustainability of these organizations.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action - during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented - is 48 months from the date of the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute a non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

5.4.1 Indirect management with an Agency

The Business Environment Component (defined through Results 1 and 2) of this action may be implemented in indirect management with DANIDA in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails the support to the ongoing *Business Environment Strengthening for Tanzania Private Sector Advocacy and Dialogue Component Programme* (BEST-Dialogue), particularly its specific objective 1 on promoting policy dialogue, capacity development, networking and coalition building. This implementation is justified as DANIDA is funding the programme BEST-Dialogue which main objective is to support business environment in Tanzania.

BEST-Dialogue is the third phase of a successful multi-donor programme that has been in place since 2004. This third phase, which started in 2014, builds on the successes of the previous two phases and responds to recent developments in the Tanzania business environment and the conditions in which government and businesses interact with each other on these issues. BEST-Dialogue is engaged in building a meaningful relationship between government and business organisations in order to promote and strengthen sustained dialogue. The business environment component of the iBEE is intended to provide the additional capacity to consolidate and sustain the work done by BEST in terms of dialogue, with an emphasis on alliances between Business associations. BEST-Dialogue has a good reputation among both public and private sector. Joining the programme would allow the European Union to benefit from this reputation, while also limiting transaction costs and promoting aid effectiveness. BEST-Dialogue has identified a set of outcomes to focus on, including advocacy and dialogue, and capacity building. The entrusted entity (DANIDA) would carry out the following budget-implementation tasks : managing and enforcing the contracts concluded (making payments, accepting or rejecting deliverables, enforcing the contract, carrying out checks and controls, recovering funds unduly paid) and also running the procurement and grant award procedures preceding the conclusion of such contracts, including the award and rejection decisions.

5.4.2 Procurement (direct management)

Subject in generic terms, if possible	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
- Service contract for technical assistance to private sector organisations. It is destined to enhance the capacity of the private sector to become a more effective player of trade and investment between the EU and Tanzania.(Specific objective 2). The TA will perform, audit, strategies, trainings, studies and dissemination events. -The visibility and communication activities foreseen under this action document could be included in the same service contract.	Services	1	3rd quarter of 2017

5.4.3 Changes from indirect to direct management mode due to exceptional circumstances

If the indirect management with the Agency's modality foreseen for the business environment component of the programme (5.4.1.) cannot be implemented due to circumstances outside the Commission's control, it could be replaced with direct management through a procurement procedure. In the latter case, the EU, as contracting authority, will launch an international tender for services provision. Concrete Terms of Reference would be prepared in line with the objectives and results of this proposed action document. The services required would imply a technical assistance team based in Dar es Salaam which would provide specific support to the identified target groups.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party (DANIDA) contribution, in currency identified (in EUR)
5.4 Public/Private Dialogue on Business Environment (SO1) and Private Sector Organisations Services on Trade & Investment (SO2), composed of		
5.4.1 – Indirect management with DANIDA Result 1&2	2 000 000	3 400 000
5.4.2 – Procurement (direct management) Result 3	980 000	
5.9 - Evaluation, 5.10 – Audit (will be covered by another decision)	-	
5. 11. – Communication and visibility	20 000	0
Contingencies	N.A.	N.A.
Totals	3 000 000	3 400 000

5.7 Organisational set-up and responsibilities

The Financing Agreement is signed with the National Authorising Officer (NAO), who is also the Permanent Secretary of the Ministry of Finance & Planning (PS MoFP). The Ministry of Industry, Trade and Investment (MITI), as the most relevant Ministry within the framework of this action, shall be the main counterpart within the Government and responsible for ensuring participation of the public institutions around the policy dialogue of the programme. The NAO will be periodically informed on the implemented activities, while the overall monitoring and coordination will be ensured, in particular, with the Tanzania National Business Council and the MITI. Development partners operating in the referred areas will take part in the dialogue through the DPG-PSD platform or direct participants in the activities carried out under the programme.

For the SO1, R1 & R2, the EU Delegation will sign a delegation agreement with DANIDA, who is currently implementing a similar programme. The funds will be channelled through DANIDA who will be responsible for the implementation of the foreseen activities. The delegation agreement will allow the EU Delegation to take part in the steering committee meetings and technical meetings where progress on activities and performance on results and objectives will be monitored.

For SO2, R3, the EU Delegation will procure the services through international tender for a maximum amount of EUR 980.000 aiming at supporting Tanzania's private sector organisations in their trade and investment promotion strategy. The procured services will be jointly prepared and launched in close coordination with the NAO and the Ministry of Industry, Trade and Investment. The EU Delegation, as Contracting Authority, will be

responsible for setting up coordination steering meetings between the Contractor(s) to approve priorities, work plans and progress reports.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action and projects resulting from a call for proposals will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix.. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be undertaken for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the action is considered a pilot programme in the area of private sector development in Tanzania.

The evaluation may be carried out through a joint mission. The Commission shall inform the implementing partners at least 30 days in advance of the dates foreseen for the evaluation mission. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract within six months after the operational period (i.e. after four years of implementation).

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in the year following the end of the implementation period.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The amount foreseen for communication and visibility will be contracted through a procurement process under the service contract for the technical assistance. Specific activities will also be implemented from the indirect management with DANIDA.

APPENDIX - INDICATIVE LOG FRAME MATRIX (FOR PROJECT MODALITY) ¹⁰

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Promote effective public-private dialogue on business environment conducive to sustainable private sector growth and take advantage of EU- Tanzania trade as a vector for investment and industrialisation in Tanzania.	1. - GDP growth rate (<i>in line with EU RF Level 1: ## 3, 29 and 30</i>) 2. - Business development indicators (<i>in line with EU RF Level 2: ## 28 and 29</i>)	1. 7.1% (2015) 2.1 Ranking 139 on WB's Ease of Doing Business Report (2016) 2.2. Ranking 120 on GCI report (2015)	1. 8% (as per FYDP) 2. Ranking among the first 100	1. WB country statistics 2.1 - Ease of Doing Business 2.2 - Global Competitiveness Index (Annually, by programme team)	
Specific objective(s): Outcome(s)	1. Empower private sector organisations and their capacity to engage in advocacy on business	1.1. Number of dialogue initiatives engaged by different PSOs under the	1.1. None (2016)	1.1. At least 10 (2017)	1. Programme Reports	- - Tanzania remains politically and economically stable during the programme period

¹⁰ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	environment issues through effective public-private dialogue.	iBEE programme (<i>in line with EU RF Level 2: # 32</i>) 1.2. Government and PSOs entertain sustained and effective dialogue platforms under the iBEE programme (<i>in line with EU RF Level 2: # 32</i>)	1.2. None (2016)	1.2. At least 4 (2017)	2. Programme Reports (Annually, by programme team)	- Political commitment and leadership for economic reforms continues to exist. - Willingness of business associations and other civil society organisations to cooperate despite potential conflicting interests - Partner PSOs and CSOs understand and agree which changes / strategies will most likely improve the business environment
	2. Enhance the capacity of the private sector to become a more effective player of trade and investment between the EU and Tanzania.	2.1. Number of joint initiatives and/or contracts/agreements between the EU and TZ PSOs (<i>in line with EU RF Level 2: ## 29 & 32</i>) 2.2. Number of market research/access initiatives with EU under this programme (<i>in line with EU RF Level 2: ## 29 & 32</i>)	2.1. None (2016) 2.2. None (2016)	2.1. At least 2 (2018) 2.2. At least 2 (2018)	2.1 – 2.3 Programme beneficiary quarterly reporting data, analysed and presented in annual overviews by the implementer (Annually, by programme team)	- Government departments and agencies effectively design and implement policies and/or regulations in favour of trade promotion - There are sufficient PSOs with leadership wishing and willing to collaborate together toward improving trade with the EU
Outputs	1. Coalitions are set-up between private stakeholders and provided with dialogue	1.1. Number of technical workshops, events, seminars, etc. (both at private and public-private	1.1. None	1.1. At least 10 (2017)	1.1 – 1.3 Programme beneficiary quarterly reporting	- Willingness of business associations and other civil society organisations to cooperate despite potential

	mechanisms	<p>level) under this programme</p> <p>1.2. Quality of the outcomes (minutes, action plan, follow-up meetings) from organised events under this programme</p> <p>1.3. Number of private stakeholders involved in the discussions under this programme</p> <p>1.4. Status of thematic platforms in tax admin / business licensing regulation, standards / skills development</p>	<p>1.2. None</p> <p>1.3. None</p> <p>1.4. Non-existent by 2016</p>	<p>1.2. Minutes, reports and action plans agreed and disseminated</p> <p>1.3. More than 50% of identified stakeholders</p> <p>1.4. Established, operational and have met regularly by 2019</p>	<p>data, analysed and presented in annual overviews by the implementer</p> <p>(Annually, by programme team)</p> <p>1.4. Establishment decision/MoU among participants; minutes of meetings and outputs in the form of reviews and recommendations (Annually, by programme team)</p>	<p>conflicting interests.</p> <p>- Capacity building partners have developed thorough understanding of advocacy and dialogue and can deal with these on a continuing basis</p>
	2. Capacity building on data collection and analysis provided	<p>2.1. The status of internal procedures and skills/methodology/training toolbox at PSOs</p> <p>2.2. Set of advocacy tools (papers, workshops, media, Public-Private</p>	<p>2.1. – 2.3. Very low (2016)</p>	<p>2.1. – 2.3. To be determined (* a proper target can be defined as a first step once the programme is</p>	<p>2.1. – 2.3. Programme beneficiary quarterly reporting data (including surveys), analysed and presented in annual overviews</p>	<p>- Availability of data</p> <p>- Capacity building partners have developed thorough understanding of advocacy and dialogue and can deal with these on a continuing basis</p> <p>- Capacity building</p>

		(PP) meetings) under this programme 2.3. Status of research and policy proposals by partner PSOs and CSOs under this programme		<i>running)</i>	by the implementer (Annually, by programme team)	partners have developed a proper institutional memory on the training packages and methodologies applied during the project
	3. Regulatory impact audits (RIA) and other research papers produced and endorsed PSO/CSOs	3.1. Number of RIA and research papers carried out under this programme and used for dialogue and advocacy purposes by PSOs/CSOs	3.1. None (2016)	3.1. 3 to 4 (2017) based on topics covered by programme	3.1. Programme beneficiary quarterly reporting data, analysed and presented in annual overviews by the implementer - Publications (Annually, by programme team)	- Availability of data - Capacity building partners have developed thorough understanding of advocacy and dialogue and can deal with these on a continuing basis
	4. Private Sector Organisations have services in place to promote exports to EU or EU investment in Tanzania	4.1. Number of Tanzanian PSO has an effective service offer to support and advise companies willing to export to the EU 4.2. EU Business group has an effective service offer to support EU companies willing to invest in Tanzania	4.1. None (2016) 4.2. None (2016)	4.1. At least 1 (2017) 4.2. At least 1 (2017)	4.1. - 4.2. Programme beneficiary quarterly reporting data, analysed and presented in annual overviews by the implementer; Publications; Media coverage (Annually, by TA team)	- There are sufficient PSOs with leadership wishing and willing to collaborate together toward improving trade with the EU