CIBER
Competitiveness Impacts of Business Environment Reform

COMPETITIVENESS IMPACTS OF BUSINESS ENVIRONMENT REFORM (CIBER)

Regulatory Constraints to the Competitiveness of the Tourism Sector in Tanzania: Platform for Advocacy

By Zaki Raheem
and Alex Mkindi

December 2010

Prepared for
The Tourism Confederation of Tanzania (TCT)

BEST-AC Sauti ya Biashara

DAI

Source: MNRT

Source for map: TANAPA

DISCLAIMER:

The views expressed in this publication do not necessarily reflect the views of BEST-AC, its donors, or TCT.

TABLE OF CONTENTS

TABLES AND FIGURES

ACRONYMS

ATE	Association of Tanzanian Employers
BEST-AC	Business Environment Strengthening for Tanzania – Advocacy Component
BRELA	Business Registrations and Licensing Agency
CBT	community-based tourism
CCP	Cluster Competitiveness Program
CIBER	Competitiveness Impacts of Business Environment Reform
CIF	Cost, insurance, and freight (for importing a vehicle)
COSOTA	Copyright Society of Tanzania
Danida	Danish International Development Agency
EAC	East African Community
EFD	electronic fiscal device
HAT	Hotel Association of Tanzania
ITO	international tour operator
KINAPA	Kilimanjaro National Parks Association
MNRT	Ministry of Natural Resources and Tourism
MoL	Ministry of Labor
NCAA	Ngorongoro Conservation Area Authority
NCT	National College of Tourism
NSSF	National Social Security Fund
OSHA	Occupational Safety and Health Authority
PPP	The Public–Private Partnership
PSO	private sector organization
SCM	standard cost model/modeling
SDL	skills development levy
SME	small and medium-sized enterprise
SUMATRA	Surface and Marine Transport Regulatory Authority
TALA	Tourist Agent Licensing Authority
TANAPA	Tanzania National Parks Authority
TATO	Tanzania Association of Tour Operators
TCRA	Tanzania Communications Regulatory Authority
TCT	Tourism Confederation of Tanzania
TFDA	Tanzania Food and Drug Authority
TIB	Tanzania Investment Bank
TRA	Tanzania Revenue Authority
Tsh	Tanzanian shilling
UNWTO	United Nations World Tourism Organisation
VAT	value-added tax
VETA	Vocational Education and Training Authority
WTTC	World Travel and Tourism Council

EXECUTIVE SUMMARY

- The administrative burdens in the Tanzanian tourism sector place a heavy cost on businesses in terms of time and money.
- Businesses would be more willing to pay levies if the levies were more streamlined and more transparent.

TOUR OPERATORS

Taxes and Licenses

- **Tour operators face 12 tax and license payments**, including those for their certificate of registration; business license; TALA (Tourist Agent Licensing Authority) license (for tour operations, camping, and mountain climbing); value-added tax (VAT); corporate and withholding tax; skills development levy (SDL); municipal service; National Social Security Fund (NSSF); and work permits.
- This study's tour operators cite the TALA licensing process, in particular, as one of the most burdensome procedures.
- Without acknowledging the financial crisis, the Tanzania Revenue Authority (TRA) is skeptical of businesses reporting lower year-over-year turnover.
- Tourism businesses feel they are not directly benefitting from the SDL.

Vehicle Regulations

- **Tour operators incur 11 duties, licenses, and fees for each vehicle they employ**, including those for the import and excise duty; VAT; vehicle registration and inspection; road license; insurance; fire safety sticker; safety sticker; Surface and Marine Transport Regulatory Authority (SUMATRA) sticker; and frequency radio license.
- Mandating that local and foreign tour operators license 5 to 10 vehicles, respectively, is viewed by the sector as a barrier to entry.
- The present import duty–excise duty–VAT costs add an extra 62 percent to the cost of the vehicle.
- **A lack of access to credit creates burdens for small, locally owned operators**. Foreign operators can receive cheaper credit, and Tanzanian banks presently do not have tourism-specific loan products.

Fees

- **Tanzania has the highest park fees** in the Southern and Eastern Africa region.
- Unregulated and uncoordinated gate fees along national roads hinder a tour operator's ability to plan a tour package.
- A lack of streamlined debit-card payment systems increases administrative burdens and risk exposure for tour operators.

HOTELIERS

- **Hotels face a minimum of 14 taxes, licenses, and fees,** including those for VAT; corporate tax; dividend withholding tax; stamp duty on rent; payroll levy/SDL; property tax; municipal service levy; land rent; work permits; TALA; Occupational Safety and Health Authority (OSHA) fees; Copyright Society of Tanzania (COSOTA) fees; Tanzania Food and Drug Authority (TFDA) permit; and sign board fees.
- Frequent and unannounced visits by different government officials continue to burden hoteliers.
- Changing license, tax, and fee regulations for the hotel industry obliges hotel management to constantly stay abreast of new regulations and plan for upcoming ones.
- The new electronic fiscal devices (EFDs) offer opportunities for improved tax collection; however, the issue of how to address purchases in U.S. dollars and other currencies must be addressed, among other practical considerations.

ANALYSIS OF PRIORITIZED ISSUES

Standard Cost Model for Tour Operators and Hoteliers

- A Tanzanian tour operator spends an average of 745 hours per year (more than four months) on regulatory procedures, costing Tsh 2.9 million.
- A Tanzanian hotel spends 1,042 hours a year (nearly six months) on regulatory procedures, costing Tsh 3.4 million.
- The administrative costs of doing business for the Tanzanian tourism sector exceed Tsh 1.1 billion per year.

Investment in Training versus Skills Development Levy

- The most recent TRA figures state that the SDL accumulated Tsh 72 billion in 2008. Therefore, it can be estimated that **at least Tsh 4.32 billion (6 percent of the total SDL) was contributed by businesses in the tourism sector.**
- Both small and large tourism businesses invest a great deal in in-house skills training. This investment amounts to between 100 percent and 900 percent more than what these businesses pay in terms of an SDL and 20 percent to 60 percent of total payroll.
- At least 20 percent to 40 percent of in-house training investment is directed toward basic skills.

RECOMMENDATIONS

Reduction of Administrative Burdens

- Streamline the TALA documentation process;
- Streamline the vehicle registration process; and
- Combine the municipal service levy and sign board fees.

TCT Support for SDL Reforms

- TCT and the Public–Private Partnership (PPP) should support the ongoing advocacy efforts of the Association of Tanzanian Employers (ATE) to reform the SDL.
- PPP should consider lobbying the Ministry of Labor to allow TCT or the joint Ministry of Natural Resources and Tourism–National College of Tourism entity to possibly have some oversight or management capabilities over the SDL funds collected from the tourism sector.

INTRODUCTION

PROJECT BACKGROUND

The Tourism Confederation of Tanzania (TCT) conducted a value chain study in 20091 that highlighted major issues affecting the competitiveness of the country's tourism sector. This report is the follow-up to that study and analyzes key regulatory constraints using the Competitiveness Impacts of Business Environment Reform (CIBER) methodology as a platform for discussion between TCT and the Ministry of Natural Resources and Tourism (MNRT). (The earlier study highlighted priority regulation and tax issues.) This assessment builds upon the 2009 findings and recommendations through the identification and prioritization of constraints in legal and regulatory areas as well as the broader business environment. By working closely with tourism stakeholders, the report team developed cost models for prioritized issues and assessed the political and administrative feasibility of reform, in both the near and long terms.

The project is supported by BEST-AC (Business Environment Strengthening for Tanzania – Advocacy Component), which aims to enhance the quality and credibility of private sector organizations (PSOs) to engage effectively in public–private dialogue and to advocate for improvements in the business environment.

STATEMENT OF PROBLEM

The tourism sector in Tanzania is at a crossroads. Tourism continues to offer large employment and revenue potential, but increasing costs of doing business for both large and small operators impedes sector growth. The recent support by the Cluster Competitiveness Program (CCP) to facilitate the formation of the formalized tourism Public–Private Partnership (PPP), through the signing of a memorandum of understanding between TCT and the MNRT, offers much opportunity to address key regulatory constraints. The value chain study laid the foundation for dividing the PPP into four working groups:

1) *Workforce*: development of human resources and provision of quality services in the tourism sector;
2) *Market and Product Development*: all issues relating to market and product development;
3) *Business Investment Environment*: establishment of a conducive and competitive business investment environment; and
4) *Institutional Strengthening*: ensuring that institutions (both public and private) are enabled to offer efficient and quality services to the sector.

This report is designed to provide background research and analysis to support the agenda of the Business Investment Environment Working Group of the tourism PPP.

METHODOLOGY AND SAMPLING

In November 2010, TCT convened a focus-group discussion with all member associations to review the 2009 value chain study and build consensus on how BEST-AC could build upon its findings. The CIBER approach (discussed below) was presented, and members acknowledged the potential effectiveness of being able to monetize the time/dollar value of various regulatory constraints to the tourism value chain as a platform for discussion in upcoming PPP forums. It was agreed that this initial CIBER study would focus on regulatory and tax issues affecting tour operators and hotels because the Tanzania Association of Tour Operators (TATO) and the Hotel Association of Tanzania (HAT) make up the two largest associations within TCT and many of their key issues are crosscutting in the sector.

The research team conducted a literature review of policy constraints to Tanzanian tourism growth, complemented by key informant interviews with the staffs of TATO, HAT, and TCT. [2] The researchers also conducted focus groups and stakeholder meetings with a small but diverse sampling of

1 Tourism Confederation of Tanzania: Value Chain Study. February 2009. Strategic Business Advisors and Serengeti Advisors.

[2] This study was conducted by Zaki Raheem, Regulatory Reform Advisor with DAI, and Alex Mkindi, independent business consultant. Research and advisory support was provided by Bryanna Millis and Jennie Taylor of DAI's Economic Growth Sector.

businesses in Dar es Salaam and Arusha. These included in-depth interviews with representatives of locally and foreign-owned tour operators and locally and foreign-owned hotels.

OVERVIEW OF CIBER

DAI developed the CIBER approach to provide guidance for increasing the competitiveness of targeted value chains by accomplishing reforms in the business environment while building advocacy capacity among value-chain stakeholders. Using this action-oriented approach, researchers and program staff can do the following:

- Carry out a comprehensive strategic analysis of markets and competitors;
- Identify key elements of the business environment that affect competitiveness from the perspective of the selected value chains;
- Assess the benefits and costs of business environment reforms that target the constraints (or reinforce the positive effects) identified in Step 2 above;
- Assess the political and administrative feasibility of specific reforms; and
- Develop and implement advocacy plans to support reform initiatives.

The approach builds on existing research and understanding of official documentation governing business environment issues (such as laws or regulations) while working closely with value-chain stakeholders to assess the on-the-ground impacts of specific constraints or missed opportunities (frequently in terms of quality or market access). These assessments, which include cost models estimating the value lost to the value chain or specific categories of stakeholders, serve as the foundation for stakeholder-led activities to advocate for reform.

OVERVIEW OF STANDARD COST MODELING

The CIBER approach assesses the costs of business environment reforms using a variety of cost modeling techniques to estimate the impact on income, revenue, sales, and employment of an existing regulation, a “missing” regulation that could improve the sector’s competitiveness, or a regulation that exists but is not being enforced. One of the methodologies used in this study to assess the administrative burdens imposed by regulation is the standard cost model (SCM), a quantitative methodology used, in this case, to measure the costs of completing all licenses and levy forms and procedures on an annual basis for tour operators and hotels, calculated in terms of person-hours converted to Tanzanian shillings (Tsh). The Tanzanian tourism sector bears heavy administrative burdens regarding regulatory and tax-related procedures. The process of registering one’s business, obtaining licenses, paying taxes, verifying regulations, disputing claims, and visiting a variety of government agencies to receive approvals and ensure that one’s paperwork is being processed places a real cost on businesses in terms of time and person-hours. Smarter regulation of this paperwork is crucial to improving the competitiveness of tourism businesses. Before one can make a systematic effort to reduce these administrative burdens, however, it is essential to know from where the burdens come. Measuring administrative burdens is the key to reducing them. To do so, this study calculates the cost of completing all tax and license processes as follows:

Administrative burden =

Price (average salary of staff completing all paperwork) x
Time (estimated hours needed to complete all licenses and levies on an annual basis) x
Quantity (number of businesses facing these administrative burdens)

KEY FINDINGS

Overview of Key Findings

- ***If we (tourism businesses) make more money, they (the government) make more money:*** The general consensus among Tanzanian tourism businesses regarding regulatory constraints is that the number and complexity of regulations hurt the sector by shrinking profit margins and discouraging formalization, which in turn hurts the government's efforts to generate revenue from this sector. Businesses interviewed in this study noted that this overregulation has been the cause of many small-business bankruptcies. In addition, difficulty obtaining documentation of updated regulations and little support in interpreting new license, registration, and tax issues have tended to encourage some small locally owned businesses to "stay below the radar," preferring not to join the formal tourism sector. Tourism businesses acknowledge that these challenges are faced by businesses in all industries throughout Tanzania.

  There appears to be a need to create a more amicable and understanding relationship between the private sector and the government. The government has a mandate to regulate businesses, ensure the safety and well-being of employees and tourists, and generate revenue. However, there must be an understanding that a pro-business enabling environment for tourism—one in which the cost of doing business is lowered, the administrative burdens of complying with regulations are lessened, and the tourist has a positive experience— must be ensured so that businesses can maximize their earnings, which will in turn allow the government to maximize its potential revenue.

- ***The administrative burdens in the tourism sector place a heavy cost on businesses in terms of time and money:*** One of the key findings of this study is the tremendous administrative burden that is placed on both small and large businesses to complete all license and levy documentation on a monthly, quarterly, and annual basis. Besides the actual amount that businesses pay, these administrative burdens translate into real costs due to the many hours that managing directors, chief accountants, and other support staff must allocate for these processes—understanding the regulations, downloading forms, filling in paperwork, photocopying, getting copies of other support documents, duplicating documentation efforts for different government agencies, delivering documents to a variety of local and national government offices, verifying delivery, and continuing to follow up with appropriate government agencies. A more streamlined process would still earn the government appropriate revenue from this sector while creating a more efficient system that would ease the cost of doing business and free up staff time to engage in core activities such as marketing, training, and customer relations.

  Businesses would be more willing to pay levies if the levies were more streamlined and more transparent in terms of how the money is spent: Tourism businesses recognize that there is always a need to pay levies; however, the general sentiment among participants in this study is that a clearer and less burdensome process would serve the sector well. Also, businesses would appreciate a process by which they could more easily understand how their levies are spent by government agencies to support the sector.

- ***Large and small, local and foreign-owned businesses are all affected by regulations in different ways:*** Some tourism studies have detailed regulations that unfairly benefit one group or another, sometimes creating tensions within the sector between large and small businesses and foreign and local businesses. However, the current study found that, in general, there are burdens placed on all different types of tourism businesses for different types of regulations. Small locally owned firms, for example, are possibly less scrutinized by government officials for compliance with TALA requirements, while large foreign-owned firms are often more easily able to access loans to expand their vehicle fleets. Hence, more open dialogue and coordination with associations and with the government, through TCT and the PPP process, can possibly be used to fairly address constraints to competitiveness for all stakeholders and ensure that the public sector more actively involves the private sector in making new policies, laws, and regulations.

Positive Developments of MNRT and TRA over the Past Three to Five Years

Businesses interviewed in this study acknowledge that there have been positive developments by the MNRT and TRA over the past three to five years. Notably, these include:

- The reduction of the VAT to 18 percent;
- The increase in toilet facilities built on the way to and at viewing points in national parks;
- A general sentiment that TRA has become friendlier over the past five years, building a stronger collaborative relationship with the private sector;
- Research such as ongoing studies by BEST-AC, CCP, and others supporting TCT, which gives members a voice in the dialogue process; and
- The PPP process, formalized through the signing of a memorandum of understanding, which is seen as a step that encourages dialogue.

Tour Operators

Taxes and Licenses

Tour operators face a number of one-time, monthly, and annual tax and license payments, outlined in the table below.

Figure 1: Tour Operators' Taxes and Licenses

Payments	Amount (unit)	Frequency	Ministry/Organization
Certificate of registration	N/A	Every other year	MNRT
Business license	Variable (e.g., Tsh 20,000 to Tsh 46,000)	One-time fee	Business Registrations and Licensing Agency (BRELA)
TALA - tour operators	$2,000/year, local; $5,000/year, foreign	Up front, updated annually	MNRT
TALA - camping	$2,000/year, local; $5,000/year, foreign	Up front, updated annually	MNRT
TALA - mountain climbing	$2,000/year, local; $5,000/year, foreign	Up front, updated annually	MNRT
VAT	18%	Calculated monthly and paid either quarterly or annually	TRA
Corporate tax	30%	Annually, paid at the end of the financial year	TRA
Withholding tax	10% of rent	Monthly	TRA
Payroll levy/SDL	6% of payroll	Calculated monthly and paid annually	MoL/VETA (2%)
Municipal service levy	0.3% of gross revenue	Monthly	Municipal Council
Social security contributions (NSSF)	10% of gross salaries	Calculated monthly	MoL
Work permits - Class A/B	N/A	Every other year	Immigration/Labor Department

The study tour operators noted that the TALA license is one of the most burdensome procedures. The application has several forms that are repetitive, often demanding information that the government already has on file for the business, including vehicle registration and employee information for all staff. If a business has not bought a new vehicle and has not hired new employees in the past year, the TALA license application requires the business to fill out the identical information from the previous year—a time-consuming and redundant process, especially for businesses that have been operating for many years and that have a large fleet of vehicles and staff.

Figure 2: TALA Applications/Renewals

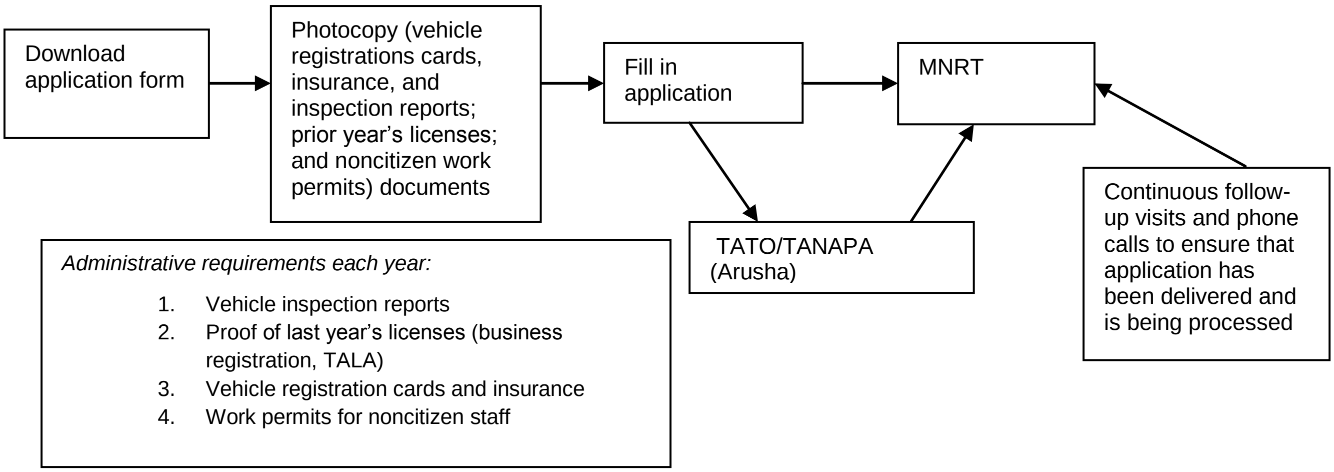

Figure 3: How Long Has It Taken to Get Your TALA License?

	Percentage of Surveyed Sample (%)
One to three months	15%
Three to six months	19%
Six to nine months	35%
More than nine months	19%
Still waiting for this year's TALA while applying for next year's	12%

In addition, both tour operators and hotel operators noted that there is a long lag time between submitting the application form and receiving the TALA license. Two-thirds of businesses interviewed have waited more than six months to receive their 2010 TALA licenses, and more than a tenth of businesses are in the process of applying for their 2011 TALA licenses *without* having yet received their 2010 licenses.

In regard to the VAT and corporate tax, our study businesses noted that there is an added burden in filing tax forms with TRA and needing to justify disputed claims. TRA appears to be skeptical of any business that reports lower turnover compared with the year before. In a sector such as tourism, which deals with large sums of cash (often in U.S. dollars), such scrutiny may appear justified. However, the global financial crisis has hurt tourism around the world, including in Tanzania, which in turn affects tourism businesses' turnover.

The most recent MNRT Tanzania Tourism Exit Survey states that:

"The overall average length of stay for visitors to the United Republic of Tanzania was 10 nights. This is a lower average length of stay compared to an average of 12 nights recorded during the past three years. [In addition], during the first half of 2009, the tourism industry was affected by the global financial crisis. Available immigration statistics indicate that during January to June 2009, the number of international arrivals dropped by 16.5 percent, to 303,819, compared to the corresponding period in the previous year."

Businesses interviewed in this study stated that they have had to go to TRA four to six times per quarter to dispute their turnover figures and their estimated tax contributions because they are reporting a lower turnover than for the previous year. In addition, with the Authority's policy of pay first and dispute claims later, businesses must first make payments to TRA and then go through the judicial and administrative process of disputing these claims later—a time-consuming process that small operators, in particular, cannot afford to do.

Businesses in the tourism sector are aware that the skills development levy (SDL)—6 percent of a business's total staff payroll—is mandatory for all businesses in Tanzania and is allocated toward investment in workforce development. In addition, businesses know that a portion of the SDL (one-third, or 2 percent of payroll) is mandated for the government's Vocational Education and Training Authority (VETA) program. However, while the tourism sector acknowledges that investment in the Tanzanian workforce is essential for competitiveness and economic growth, none of the businesses interviewed in this study felt that it had directly benefitted from this levy, and none had hired any new employees with VETA certification who were more skilled than those without such certification.

Tourism businesses with head offices in downtown Dar es Salaam or Arusha often pay an added cost in relation to the municipal service levy. This levy is mandated to finance various city services, including garbage pickup. However, many businesses interviewed in this study do not receive garbage pickup services from the city and therefore need to hire a private garbage collector on a weekly basis, which adds nearly 20 percent (Tsh 780,000 per year) to the amount paid for this levy. Estimated costs are outlined below.

Figure 4: Additional Fee in Relation to the Municipal Service Levy

Payment	Weekly Payment (Tsh)	Annual Payment (Tsh)	Percentage of Gross Revenue
Municipal service levy for a medium-sized tour operator with an estimated gross revenue of Tsh 1.4 billion	-	4.2 million	0.30%
Private garbage collector	15,000	780,000	0.06%

Figure 5: Tour Operators: Vehicle Regulations

Payments	**Amount (unit)**	**Frequency**	**Ministry/Organization**
Import duty	CIF value x exchange rate of the day x 25%	One-time fee	TRA
Excise duty	[CIF value x exchange rate + import duty] x 10%	One-time fee	TRA
VAT on each vehicle	[CIF value x exchange rate + import duty + excise duty] x 18%	One-time fee	TRA
Vehicle registration	Tsh 300,000 per vehicle	One-time registration	TRA
Vehicle inspection	Tsh 20,000/vehicle	Annually	Police Department
Road license	Varies depending on capacity of engine (e.g., Tsh 250,000 to Tsh 350,000)	Annually	TRA
Insurance	Comprehensive insurance (mandatory) = Tsh 500,000/year/vehicle	Annually	Insurance company
Fire safety sticker	Tsh 20,000 to Tsh 35,000/vehicle + Tsh 20,000/fire extinguisher	Annually	Fire Department
Safety-week sticker	Tsh 5,000/vehicle	Annually	Police Department
SUMATRA sticker	Varies: $70/mini-bus; $60/land cruiser	Annually	SUMATRA
Frequency radio license	$600 for the frequency + $60/radio	Annually	TCRA

Vehicle Regulations

Next to its trained staff, a tour operator's fleet of vehicles is its most valuable asset. Obtaining new vehicles when a business is looking to expand, and maintaining the present fleet in good working condition, requires a great deal of planning and investment. Tanzanian tour operators encounter several fees, licenses, stickers, and other vehicle regulations, outlined in the table below.

- A key issue for small and new operators concerns a mandate that states that locally owned tour operators must have at least 5 vehicles under 5 years old, and that foreign-owned tour operators must have at least 10 vehicles under 5 years old. The rationale for such a regulation appears to be grounded in the notion that the government does not want an unprofessional and unregulated entrepreneur with only a few vehicles trying to capitalize on incoming tourists. Such a scenario could result in a flood of unorganized individuals driving around the national parks and a drop in the quality of services provided to tourists and, hence, a drop in Tanzania's reputation. While the use of this regulation as a mechanism to ensure the professionalism of the industry has some merit, such a mandate poses several challenges, as well. In particular, this threshold creates a barrier to entry for the sector, favoring large operators able to purchase a fleet of vehicles as part of a start-up investment, and impeding the potential and gradual growth of smaller operators who would be more able to purchase vehicles one-by-one through savings.
- High importation costs also add to the burdens on small operators seeking to enter the tour operator market or possibly expand their vehicle fleets (see Figure 6). The current import duty–excise duty–VAT costs for a new vehicle add an extra 62 percent to the cost of the vehicle. For example, an extra $31,125 is added to the cost of an imported vehicle valued at $50,000.

Figure 6: Example of Import Duty, Excise Duty, and VAT for a New Vehicle to Enter Dar Port

CIF (Cost, insurance, and freight for a vehicle to Dar)		Example: $50,000
Import duty	CIF value x exchange rate of the day x 25%	$12,500
Excise duty	[CIF value x exchange rate + import duty] x 10%	$6,250
VAT on each vehicle	[CIF value x exchange rate + import duty + excise duty] x 18%	$12,375
	Total price	$81,125
	Amount paid in duties and VAT	$31,125
	Percentage extra paid	62%

A lack of access to credit creates further burdens for small, locally owned operators trying to expand their fleets. First, high interest rates among banks in Tanzania provide a competitive advantage to foreign businesses, which can more easily access loans from commercial banks in Europe, the United States, or the Middle East, at favorable rates. For example, local banks in Tanzania generally charge 18 percent to 33 percent interest on a loan, while a sampling of foreign banks (Swiss, Dutch, and Dubai) from which our study operators have borrowed charge interest rates as low as 2 percent to 5 percent.

Second, tour operators in this study indicated that loan products tend to be inappropriate for tourism. Similar to agriculture, tourism is cyclical, with varying cash flow throughout the year depending on tourist arrivals. Yet, all local loan products demand the same repayment schedule. In addition, the Tanzania Investment Bank (TIB), which is actively working to support the sector, tends to have a maximum repayment schedule of three years, a period of time that is often insufficient for a vehicle to show a real return on investment.

Fees

Fees for national parks, game reserves, and forest reserves are a large source of revenue for the Tanzanian Government. Generally, all such fees are passed on to tourists as part of their tour packages, so the fees do not necessarily add a direct cost to the tour operator. However, increasing park fees continue to be a concern to the industry because of the potential that more competitive park fees in neighboring countries throughout Eastern and Southern Africa could deter some tourists from coming or returning to Tanzania.

Figure 7 gives a breakdown of fees in some major parks in Tanzania, Kenya, Botswana, South Africa, Uganda, and Rwanda. The mandatory fees applied by government to national park visitors vary within Eastern and Southern Africa, but Tanzanian parks tend to be on the more expensive side for traditional game parks. Parks in Kenya charge an average daily fee of $56 and in Botswana of $48, while Kruger National Park in South Africa averages $27 per day, compared with Tanzania's average daily fee of $166 (or $115 excluding the high price of Ngorongoro Crater Park). Parks in Tanzania tend to charge both higher gate fees (ranging from $50 to $60 per person per day) than surrounding countries—whose fees range from $10 to $60 per person per day—and higher basic camping fees (an average of $31.25), making Tanzania an immediately more expensive destination than its neighbors before any additional excursions and optional costs are added.

Further, some Tanzanian parks tack on small fees, such as the "guard fee" in Selous. This is a mandatory fee for anyone camping in the park to hire wildlife guards. Selous also charges a gate fee, vehicle fee, and conservation fee, making the charge for merely entering the park for less than a day $95. This is more expensive than sleeping overnight in the most expensive national park of Kenya, Masai Mara.

The national parks of Rwanda and Uganda charge notably lower gate fees than Tanzania, but the parks' overall costs are significantly more expensive because of high fees for permits to observe mountain gorillas and chimpanzees. These permits are limited and therefore do not raise large sums of revenue, and they tend to attract a specialized set of tourists who specifically like to see gorillas and chimpanzees, not standard safari game. Therefore, while these parks are competitive compared with Tanzania's, theirs is a cost structure that is specialized and thus hard to compare with the fee structures of the large game parks found in Tanzania, Kenya, Botswana, and South Africa.

Figure 7: Comparative Park Fees for Eastern and Southern African National Parks[3]

Country	Tanzania			
Park	Kilimanjaro	Ngorongoro	Serengeti	Selous
Fees				
Gate Fee^	$60.00	$50.00	$50.00	$50.00
Camping Fee^	$ 50.00	$ 30.00	$ 30.00	$ 15.00
Guard Fee (if camping)^				$ 20.00
Rescue Fee*	$ 25.00			
Conservation Fee^				$ 15.00
Vehicle Fee^		$ 40.00		$30.00
Driver Fee*		$2.00		
Crater Fee*		$ 200.00		
Total	**$ 135.00**	**$ 322.00**	**$ 80.00**	**$ 130.00**

	Kenya			Botswana		South Africa	Uganda	Rwanda	
Park	Masai Mara	Amboseli	Hell's Gate	Chobe National Park - tour operator	Chobe - self drive	Kruger National Park	Bwindi National Park	Pac Nacional des Volcans	Parc Nacional de Nyungwe
Fees									
Gate Fee^	$60.00	$40.00	$20.00	$10.50	$18.00		$10.00	$ 25.00	$20.00
Camping Fee^	$12.00	$10.00	$8.00						
Guard Fee (if camping)^									
Rescue Fee*									
Conservation Fee^						$ 27.00			
Bicycle Fee^			$0.60						
Vehicle Fee^	$5.00				$7.50				
Village Visit Fee^	$15.00								
Victoria Falls Entry Fee^				$ 30.00	$30.00				
Driver Fee*									
Treking Fee^									$ 30.00
Monkey Permit^								$ 100.00	$ 50.00
Gorilla Permit^							$500.00	$ 500.00	
Crater Fee*									
Total	**$92.00**	**$50.00**	**$28.60**	**$40.50**	**$55.50**	**$27.00**	**$510.00**	**$ 625.00**	**$100.00**

*One Time Fee
^Daily Fee

[3] Sources include www.maasaimara.com; *Lonely Planet: East Africa, 8th Edition*; www.krugerpark.co.za; and tour operator correspondence.

The study tour operators highlighted a number of key issues in regard to park fees throughout this study. These include:

Lack of regulation of community-based tourism: As a small but growing niche tourist market in Tanzania, community-based tourism (CBT) offers an alternative or complement to visits to national parks and conservation areas. CBT consists of a variety of daylong or multiday village visits during which tourists learn about and interact with community members. A community fee that is supposed to be allocated to a community council for various local development projects is generally charged per person. However, tour operators are beginning to question the transparency of the management of this community fee. Without regulation or oversight, reported incidences of community fee misappropriation could jade perceptions of this niche market.

With increased interest in destinations outside of major parks, tour operators continue to expand their national coverage. However, **informal, unregulated, and uncoordinated gate fees** along national roads hinder the positive experience for the tourist. If new gate fees are not formally established, a tour operator cannot properly plan the cost of a tour package to certain destinations and must ask for extra money from the tourist when the trip has already begun. In addition, local government bylaws often establish gate fees without coordination at the national level, which also leads to unplanned challenges for tour operators trying to properly cost out trips for customers. A recent example of new gate fees along the road to Lake Natron underscores the challenges of continually increasing gate fees (see Figure 8). These gates are established at the border of every district; however, some are not nationally mandated and therefore are presently unregulated and result in an added, unplanned expense to travel to such a location.

Figure 8: Example of Gate Fees En Route to Tourist Destination

Longido District Gate	$10
Monduli District Gate	$10
NCAA Gate	$50
Engares Ero	$10
Lake Natron	$10
Total	$90

A lack of a streamlined debit-card payment system increases administrative burdens for tour operators and increases their risk exposure. Presently, three different debit-card payment systems are used by the government agencies managing different tourist destinations. The Kilimanjaro National Parks Association (KINAPA) uses CRDB Bank, the Tanzania National Parks Authority (TANAPA) uses Exim Bank, and the Ngorongoro Conservation Area Authority (NCAA) will soon introduce a new, stand-alone system. Such a nonintegrated system results in the added administrative costs of visiting and interacting with multiple banks. In addition, Exim Bank debit cards, for example, have a feature that allows the tour operator to block the card by calling the bank if the card is lost or stolen. However, the new NCAA card is not tied to a bank and places all the risk associated with a lost or stolen card with the tour operator. This is a major liability, particularly when thousands of dollars are often paid up front by tour operators before a large group visits Ngorongoro.

HOTELIERS

Besides TATO, the study team also worked with the Hotel Association of Tanzania (HAT), the other large association within TCT. HAT members consist of both large and small hoteliers, with both local and foreign management. Similar to tour operators, hoteliers face a number of monthly and annual tax, license, and fee payments (see Figure 9).

Key issues highlighted by hoteliers in regard to the current regulatory environment include:

- **Frequent and unannounced visits by different government officials** from MNRT, TRA, the

Ministry of Labor (MoL), the Copyright Society of Tanzania (COSOTA), and the municipal council have led to adversarial relations between hoteliers and these agencies. Key hotel managers and other employees are often interrupted from their duties to accommodate these visits. Better planned and cordial visits would build more amicable relations and lessen administrative burdens by allowing hotel management to properly plan for the visits and allocate appropriate staff time for them each month.

One hotelier cited an increase in MoL visits over the past three years, with inspectors showing up as often as once every other month. Occupational Safety and Health Authority (OSHA) officials check the safety standards for a hotel's boiler, generator, electricity, elevator, motor vehicles, fire plans, and so on. However, there are often different OSHA staff arriving at varying times of the year to verify these items separately, adding further to a hotel management's administrative burdens in meeting regulatory standards.

- **Changing license, tax, and fee regulations for the hotel industry obliges hotel management to constantly stay abreast of new regulations and plan for upcoming ones.** Hoteliers say that it is often difficult to access updated regulations; that they must often spend many hours (sometimes with hired legal professional assistance) deciphering the nuances of these regulations; and that they often encounter instances when the government staff engaging with the hotel do not fully understand the regulation or are unaware of new ones. This leads to further adversarial relations between hoteliers and government agencies. As an example, one hotelier interviewed in this study cited repeated local TRA requests demanding that a hotel levy be paid; however, the levy was replaced by the VAT 15 years ago and no longer exists on the books. With such incidences, the burden of proof and the responsibility of verification fall back on hoteliers, adding further to their administrative burdens.
- **The new electronic fiscal devices (EFDs) offer opportunities for improved tax collection but pose several challenges.** These machines, which were introduced by TRA in July 2010, are designed to record detailed business sales and related transactions as a way to measure VAT compliance and curb revenue leakage. However, a number of challenges remain, particularly concerning businesses in the tourism sector, such as hotels. To begin with, the present EFDs only allow invoices to be paid in local currency. Generally, however, foreign tourists making reservations with tour operators and hotels do not pay in Tanzanian shillings. Therefore, without modification, such a device, while perhaps appropriate for users such as curio shops, are possibly not as appropriate for businesses handling U.S. dollars and other foreign currency on a frequent basis, such as hotels. In addition, EFD users must have wireless telecommunications access to be able to send invoices; however, hotel and lodge owners in the bush note that such a connection is not available at many of their sites, rendering the EFD not fully functional for them.

Figure 9: Hotel Taxes, Levies and Fees

	Payments	Amount (unit)	Frequency	Ministry / Organization
Taxes and License				
1	VAT	18%	Calculated monthly and paid either quarterly or annually	TRA
2	Corporate Tax	30%	Annually, paid at the end of the financial year	TRA
3	Dividend Withholding Tax	Varies	Annually	TRA
4	Stamp duty on rent	1%	Annually	TRA
5	Payroll Levy / SDL	6% of payroll	Calculated monthly and paid annually	MOL/VETA (2%)
6	Property Tax	Varies	Annually	Municipal Council
7	Municipal Service Levy	.3% gross revenue	Annually	Municipal Council
8	Land Rent	Varies depending on size of land	Annually	Municipal Council
9	Work permits - Class A/B		Every other year	Immigration / Labor Departments
Fees				
1	TALA License Fees	$2000/yr local; $5000/yr foreign	Annually	MNRT
2	OSHA Fees / Compliance License	Varies	Annually	MoL
3	COSOTA License Fee	Varies (review of audio, video, live music)	Annually	COSOTA
4	TFDA Business Permit (Food and Drug Admin)	150,000 Tsh	Annually	MoH
5	Sign Board Fee	Varies (e.g.100,000 Tsh /month)	Annually	Municipal Council

ANALYSIS OF PRIORITIZED ISSUES

The CIBER methodology is used to understand the regulatory framework and how it affects the competitiveness of businesses in a particular market subsector or value chain. This study has used such as framework to identify legal, regulatory, and administrative constraints that matter most to firms operating within the Tanzanian tourism sector. The analysis that follows builds upon the key findings to quantify the prioritized business environment constraints (that is, cost out their monetary value) that affect the competitiveness of Tanzanian tour operators and hotels.

Two of the prioritized issues addressed in this study, which will be used as a platform for discussion in the PPP, are:

- The administrative burdens of completing license, tax, and levy paperwork each year for businesses in the tourism sector.
- The yearly contribution to the SDL. The SDL appears to offer limited tangible returns to the tourism sector, so businesses must pay twice—once for the SDL and again through investments in basic and advanced training for staff that should be covered by the SDL.

STANDARD COST MODEL FOR TOUR OPERATORS AND HOTELIERS

The study team used the standard cost model (SCM) to quantify the administrative burdens of meeting license, tax, and levy regulations in the tourism sector. The model provides an estimate of the hundreds of hours and hence the millions of Tanzanian shillings spent on an annual basis by tour operators and hotels to complete all regulatory procedures, using the formula below.

The following figures summarize the amount of hours that tourism businesses spend each year understanding regulations, downloading forms, filling in paperwork, photocopying, getting copies of other support documents, duplicating documentation efforts for different government agencies, delivering documents to a variety of local and national government offices, verifying delivery, negotiating and confirming proper payment, and continuing to follow up with appropriate government agencies. Estimates were calculated from a range of managing directors and chief accountants of large and small, local and foreign, and Dar es Salaam– and Arusha-based tourism businesses.

The tables break down the estimated hours spent on each license, tax, or levy paid on an annual basis. As a result, one-time payments, such as business licenses or import duties for a vehicle, are not added for the purposes of this model (and hence are left blank in the tables). In order for the paperwork of a tax to be calculated, verified, delivered, negotiated, and confirmed, several staff members of a business are involved, including managing directors, finance managers, support staff, drivers, and others. Employees in these positions have differing salaries; therefore, estimated salaries have been calculated, for both tour operators and hotels, that represent the average monthly salary for a finance manager, the key staff person most directly involved with these responsibilities.

<u>*Administrative costs of doing business in the tourism sector*</u> =

Average monthly salary of staff completing all paperwork	**X**	*The estimated hours to complete all license and levy forms and procedures on an annual basis, including the time spent to follow up with the appropriate government agency*	**X**	*The number of businesses facing these administrative burdens, based on MNRT 2010 TALA figures*

Figure 10: SCM for Tour Operators

	Payments	Annual time to complete *(hours)*	Annual time to complete *(days)*
	Taxes and Levies		
	Certificate of registration	4	0.5
	Business license		
	TALA - tour operators	77	9.6
	TALA - camping		
	TALA - mountain climbing		
	VAT	128	16.0
	Corporate tax	68	8
	Withholding tax		
	Payroll levy/SDL	192	24
	Municipal service levy	64	8
	Work permits - Class A/B	32	4
	Vehicle Regulations		
	Import duty		
	Excise duty		
	VAT on each vehicle		
	Vehicle registration	44	5.5
	Vehicle inspection	36	4.5
	Road license	8	1
	Insurance	24	3
	Fire safety sticker	45	5.6
	Safety-week sticker	11	1.4
	SUMATRA sticker	13	1.58
	Frequency radio license	24	3
	Estimated hours to complete paperwork	745	93.2
	Estimated monthly salary of finance manager (Tsh)	678,000	

	Value
Estimated total number of hours to complete tax/license paperwork for tour operators	745 hours
Estimated monthly salary for designated employee who completes tax/license forms	Tsh 678,000/month
Average number of months in person-hours to complete regulatory paperwork	4.24 months
Average annual cost of personnel to complete regulatory paperwork per local tour operator	Tsh 2,871,477.98/year
Estimated number of regulated tour operators in Tanzania	275
Total administrative burden for tour operators to complete all license, fee, and levy processes	Tsh 789,656,443/year

Figure 11: SCM for Hoteliers

	Payments	Annual time to complete *(hours)*	Annual time to complete *(days)*
	Taxes and Levies		
	VAT	417	52
	Corporate tax	119	15
	Dividend withholding tax	-	-
	Stamp duty on rent	-	-
	Payroll levy/SDL	254	32
	Property tax	16	2
	City service levy	56	7
	Land rent	8	1
	Work permits - Class A/B	32	4
	Fees		
	TALA license fees	48	6
	OSHA fees/compliance license	40	5
	COSOTA license fee	16	2
	TFDA business permit	12	1.5
	Sign board fee	24	3
	Estimated hours to complete paperwork	1,042	130
	Estimated monthly salary of finance manager (Tsh)	575,000	

	Value
Estimated total number of hours to complete tax/license paperwork for hotels	1,042 hours
Estimated monthly salary for designated employee who completes tax/license forms	Tsh 575,000/month
Average number of months in person-hours to complete regulatory paperwork	5.92 months
Average cost of personnel to complete regulatory paperwork per local hotel	Tsh 3,404,261.36
Estimated number of hotels in Tanzania	94
Total administrative burden for all hotels to complete all license, fee, and levy processes	Tsh 320,000,568/year

	Administrative burden for all tour operators (Tsh):	789,656,443.45	Tsh
+	Administrative burden for all hotels (Tsh):	319,335,179.92	Tsh
	Estimate of total administrative costs for tour operators and hotels:	1,108,991,623.37	Tsh

Summary of Key Analysis

- ***A tour operator spends an average of 745 hours (over four months) per year on regulatory procedures, costing Tsh 2.9 million.***
- ***A hotel spends an average of 1,042 hours (nearly six months) per year on regulatory procedures, costing Tsh 3.4 million.***
- ***The administrative costs of doing business for the Tanzanian tourism sector exceed Tsh 1.1 billion per year.***

Investment in Training versus Skills Development Levy

The June 2010 JE Austin Associates SDL study,[4] which researched businesses in a variety of sectors, states that the members of the Association of Tanzanian Employers (ATE) recognize that the existing SDL does not meet the needs of employers, is too high, and does not adequately include the private sector in the skills development process. Tourism businesses interviewed in the current study, and their affiliated associations, agree with these findings.

In addition, the SDL study found that employee requirements are changing faster than the skills system; that the VETA system is inadequate to meet current and future market demands; and that businesses are often forced to hire outside of Tanzania to stay competitive. These findings are particularly true for the tourism sector, a service sector depending on skilled labor to meet the high standards of foreign tourists.

Finally, the SDL study found that businesses believe that the SDL is not distributed transparently and does not provide an adequate return on investment. According to the most recent World Travel and Tourism Council survey, the travel and tourism sector accounts for 8 percent of the Tanzanian economy and 6 percent of employment. The most recent TRA figures[5] state that the SDL accumulated Tsh 72 billion in 2008. Therefore, it can be estimated that **at least Tsh 4.32 billion (6 percent of the total SDL) was contributed by businesses in the tourism sector.**

The analysis below costs out the amount that tour operators and hotels spend on in-house skills training for their staff versus what they pay to the SDL each year. Examples of an average small, locally owned tour operator and a large, foreign-owned hotel are highlighted with cost estimates across the sector.

---

[4] Jones, Carlton, and Peniel Uliwa. June 2010. "Transforming Tanzania's Technical and Vocational Education and Training for Tanzanian Employers." JE Austin Associates.

[5] Ibid.

Figure 12: Examples of Small and Large Tourism Business In-house Investment in Skills Training

Small, Local Tour Operator with 5 Full-Time Staff and 10 Temporary Staff

	Investment in In-House Training	Estimated Annual Cost ($US)	Estimated Annual Cost (Tsh)
	Mechanics course for all drivers*	$350	514,710
	Customer care and handling*	$600	882,360
	Internal customer management for tour agents	$3,000	4,411,800
Total investment in skills training:		**$3,950**	**5,808,870**

Average payment of SDL (6% of payroll)	$418.20	615,000

*Basic skills training

Percentage of SDL invested in skills training	***845%***
Percentage of payroll invested in skills training	***57%***
Percentage of training costs devoted to basic skills training	***24%***

Large, Locally Owned Hotel with a Staff of 135

	Investment in In-House Training	Estimated Annual Cost ($US)	Estimated Annual Cost (Tsh)
	Customer care*	590	867,654.00
	Marketing training	3,399.97	5,000,000.00
	Housekeeping training*	3,399.97	5,000,000.00
	Driver training*	1,359.99	2,000,000.00
	Security training	1,699.99	2,500,000.00
	Environment training	1,019.99	1,500,000.00
	HIV awareness	1,019.99	1,500,000.00
	Maintenance training	1,019.99	1,500,000.00
	Accounts Department	4,000.00	5,882,400.00
	Kitchen training*	1,359.99	2,000,000.00
	Cleaners training*	1,019.99	1,500,000.00
	Other continual training	1,359.99	2,000,000.00
Total investment in skills training		**21,249.87**	**31,250,054.00**
Average payment of SDL (6% of payroll		5,439.96	8,000,000.00

* Basic skills training

Percentage of SDL invested in skills training	***291%***
Percentage of payroll invested in skills training	***23%***
Percentage of training costs devoted to basic skills training	***36%***

Figure 13: Average Investment in Training vs. SDL

	Average Investment in In-House Training	Average Payment for SDL
Small Tour Operator	Tsh 5 million to 10 million	Tsh 500,000 to 2 million
Large Tour Operator	Tsh 15 million to 30 million	Tsh 5 million to 10 million
Small Hotel	Tsh 5 million to 15 million	Tsh 3 million to 5 million
Large Hotel	Tsh 20 million to 30 million	Tsh 7 million to 20 million

Both small and large tourism businesses invest a great deal in in-house skills training. This investment amounts to 100 percent to 900 percent more than what the business is paying in terms of a skills development levy and 20 percent to 60 percent of total payroll.

While continual training and skills upgrading are always required to stay competitive in this sector, tour operators and hotels allocate a portion of training resources for basic skills training of new and existing employees. While basic skills development in topics such as hospitality and driving are taught at VETA and other certificate programs, the businesses interviewed in this study believe these programs do not yield graduates competent enough to engage in more advanced responsibilities in their businesses. As a result, there continues to be a need to invest in basic skills for new and existing employees. In fact, findings from this study estimate that **at least 20 percent to 40 percent of in-house training investment is directed toward basic skills.**

A labor market study[6] conducted by VETA found that, overall, 66.4 percent of employees in the hospitality industry are vocational level; if semiskilled employees are also considered, the proportion rises to at least 71.4 percent. Such a high proportion highlights the need for improved VETA training for the hotel and hospitality sectors in order to assist businesses in reducing their own in-house investment in basic skills training.

[6] See www.veta.go.tz/.

RECOMMENDATIONS

This section highlights several recommendations the study team proposes to be used as a platform for discussion in the near term within the Business Investment Environment Working Group of the tourism PPP in 2011. In addition, this section also highlights additional issues to be considered as agenda items in the PPP in the medium to long term. All these issues affect the competitiveness of this sector in various ways; however, some are more politically feasible than others in the near term; some create clearer win-win scenarios for both the MNRT and TCT members; and others have potentially strong opponents whose interests and perspectives will need to be addressed in an open dialogue process.

The authors of this study would like to note that the new 2010 tourism regulations were not available at the time of this research; therefore, discussion regarding these recommendations must be properly complemented with an understanding of possible changes to affiliated regulations.

REDUCTION OF ADMINISTRATIVE BURDENS

Three key recommendations from this study focus on reducing administrative burdens of regulatory procedures: streamlining of the TALA documentation process, streamlining of the vehicle registration process, and consolidation of related municipal levies. These efforts could significantly reduce the hours of paperwork and regulatory processes currently required of tourism businesses, implying direct cost savings in terms of freed-up staff time. In addition, smarter and more efficient registration and revenue collection would not reduce government revenue from this sector and would possibly create more transparency within these processes.

Streamline the TALA Documentation Process

Presently, the average administrative burden to complete and retrieve a TALA license amounts to Tsh 300,000 worth of labor hours per year for tour operators and nearly Tsh 160,000 worth of labor hours per year for hotels. This amounts to more than Tsh 96 million worth of labor hours for the tourism sector.

Recommendations to streamline the TALA process include:

- Photocopies of vehicle registration cards and insurance, previous-year licenses, and work permits should be requested only once, when a business is registering. If the government has these on file, businesses should not be required to gather and submit the same forms each year.
- TALA documentation requirements should be limited to issues related to the MNRT mandate. MNRT can cross-check with other governmental agencies rather than requesting the same information each year from businesses. For example, work permits are mandates of the Immigration/Labor Department that MNRT can retrieve from this agency instead of demanding that dual administrative burdens be placed on businesses.

Figure 14: Mandatory vehicle stickers

- TALA licenses should be processed regionally to ease the financial and administrative burdens for businesses located far from Dar es Salaam, the only place where the licenses are currently processed. For example, co-locating a TALA office in local government offices in several regions (for example, an eastern office in Dar es Salaam, a northern office in Arusha, an office in Mwanza for the Lake region, a western office in Tabora, and southern offices in Mbeya or Iringa) would significantly reduce the administrative burdens associated with obtaining licenses for many businesses throughout the sector.

Streamline the Vehicle Registration Process

Presently, tour operators must get eight stickers per year for each of their vehicles. There is a joke in the industry that the abundance of stickers on each car blocks out an entire window that should be used by tourists to admire the wildlife. These eight stickers comprise the following:

- Three TRA-related stickers, one each for a road license, vehicle registration, and corporate tax;
- An MNRT-related sticker (TALA);
- A police (road safety) sticker;
- A fire department sticker (for fire safety and fire extinguishers);
- A SUMATRA sticker; and
- An insurance sticker.

Simple streamlining procedures to reduce the amount of stickers and consolidate affiliated vehicle regulation procedures could include:

- Removal of the corporate tax sticker, as this has no direct relationship with road usage or licensing in general.
- A consolidation of the road and fire safety stickers, to be combined with the SUMATRA sticker and paid together at the SUMATRA office. The fees of all three could remain the same, but the change in procedure would reduce administrative burdens for tour operators. Presently, the process of obtaining all three of these stickers takes an average of 69 hours per year, costing a tour operator an average of Tsh 266,000 in labor hours per year, or Tsh 73 million in labor hours for the sector.

Were such changes implemented, the number of required vehicle stickers would be reduced to four—one each for insurance, SUMATRA, TALA, and a road license.

Combine Municipal Service Levy and Sign Board Fees

Hotels must allocate an average of 80 hours per year to complete the municipal service levy and the sign board fees. This amounts to Tsh 260,000 worth of labor hours per year, or Tsh 25 million worth of labor hours per year for the sector. Because both of these fees are being paid to the municipal council, it is recommended that their payment be combined in one process, to reduce administrative burdens.

TCT Support for SDL Reforms

- The findings from this study agree with the major findings of the ATE SDL study; namely, that there is a need for improved transparency of SDL spending and more market-appropriate courses so that tourism businesses can lower their investment in basic skills training for employees. As a result, the study team recommends that TCT and the PPP support the ongoing advocacy efforts of the ATE to reform SDL.
- In addition, with estimates that the tourism sector contributes more than Tsh 4.0 billion to the SDL each year, the PPP should consider lobbying the MoL to allow TCT or the joint MNRT-NCT entity to possibly assume some oversight or management capabilities regarding these funds. Government-sponsored courses could be vetted by the private sector, making them more market-driven. Incentive structures could be designed that encourage tourism businesses to continue to invest in their staffs but also ensure that quality basic skills training is being conducted by VETA and others to meet tourism demands. And targeted subsidies could be jointly agreed upon to ensure that Tanzanian businesses have cutting-edge training in all aspects of the tourism sector, in order to continue to compete with other regional and global destinations.

CONSIDERATIONS FOR UPCOMING PPP AGENDA ITEMS

- Further research and possible agenda items for consideration for upcoming PPPs include:
- Reexamine the possible consequences of the minimum-vehicle threshold for local and foreign operators.
- Discuss further the rationale and possible macroeconomic consequences of the dual currency payment systems in tourism, which demand that some licenses, levies, and fees be paid in U.S. dollars and others in Tanzanian shillings.
- Explore options for addressing the ongoing challenges tourism businesses face in properly implementing EFDs.
- Help MNRT bring together TANAPA, NCAA, KINAPA, and TATO to discuss ways to streamline fees to parks, such as using a single debit-card payment system.
- Explore mechanisms with TIB to design more appropriate and affordable tourism loan products.
- Mobilize support from other business associations and ministries to encourage the performance of longer-term regulatory impact assessments in order to engage in further government regulatory streamlining processes, such as:
- A unified business database that all relevant agencies could access, in order to minimize the cross-referencing of documents; and
  — An easily searchable and retrievable online website or database of all updated regulations.
- Have TCT and MNRT work together to establish easily retrievable libraries of updated tourism laws and regulations in regional government offices staffed with government officials who are regularly trained in how to help tourism businesses understand and implement them.