

**State-business relations in the tourist industry in Tanzania:
*Institutional and regulatory challenges***

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Abstract

This article explores the institutional and regulatory challenges and their effects on state-business relations (SBRs) in the tourist industry in Tanzania. Based on face-to-face interviews, focus group discussions and observations of stakeholders' workshops, it is evident that tourism enterprises are governed by several national, sub-national and sectorial institutions with mandates to impose multiple taxes, fees and levies. Despite ongoing public-private dialogues (PPDs), SBRs are largely characterized by state capture and the inadequate participation of the private sector in policy decision making. Therefore, in order to improve SBRs there is a need to streamline the functions of divergent regulatory institutions and promote collaboration among the regulators governing the tourist industry.

Introduction

Social scientists are becoming increasingly interested in the dynamics of state-business relations (SBRs) in connection with economic growth. Research in this area is motivated by the belief that effective SBRs are the key determinants of structural transformation of economic sectors (Sen, 2015; Taylor 2012). Viewed as a set of institutionalized, responsive and public interactions between the state and businesses (Sen, 2013), effective SBRs promote a more efficient allocation of scarce resources and a more prioritized removal of key obstacles to growth, than when the two sides engage in harmful collusion (Charles et al., 2016). SBRs cover specific sectors, specific firms or specific policies; and they can be of a more collaborative or more collusive nature. They can be formal, regular or informal and ad hoc (te Velde, 2013), and their scope varies with the complexities of different policy processes (Charles, 2014). Consequently, each sector experiences unique challenges and opportunities for SBRs resulting largely from differing legal, regulatory and investment considerations (Xia Cao, 2015). Certain sectors such as food processing (Charles et al., 2016) and tourism (Ellis et al., 2016) are the target of heavy regulatory interventions.

Due to the stringent regulations facing tourism firms, business associations and business lobbyists consistently dialogue with the government to influence legislative decision-making processes (Anderson et al., 2017). However, there is limited understanding of how the regulatory environment influences the nature of interactions between the private sector and the state, especially in sectors which are highly regulated such as tourism, perhaps because the literature has largely dealt with the generic issues of SBRs without paying sufficient attention to the uniqueness of each sector. With the exception of a few studies on regulations and PPDs in tourism (e.g. Anderson et al., 2017, Mahangila & Anderson, 2016), studies on SBRs and regulations governing the tourism sector are scarce. Although studies (e.g. Taylor 2012; Charles et al.) indicate that, in an African context, businesses influence policy development through their formal and informal organizations, the specific policy issues which trigger interactions between state and private sector have not received a fair consideration in an academic literature. Existing literature puts a lot of emphasis on

how businesses engage with governments in order to cope with changing institutional environments without paying sufficient attention to critical issues which necessitate such engagements. For instance, even as the regulatory and institutional environment is cited as a critical challenge in the tourist industry (Mahangila & Anderson, 2016), there has not been a systematic analysis of the regulatory issues and the effort made to improve SBRs in the industry. Therefore, this article explores the institutional and regulatory challenges and their effects on SBRs in the tourist industry in Tanzania.

Tourism attracts sustained PPDs (Anderson et al., 2017), perhaps due to its economic and social benefits, and the government's influence on tourism activities through actions and policies which either constrain or develop the sector (Anderson, 2015; Xia Cao, 2015). The importance of the sector has grown significantly in terms of foreign exchange earnings, creating jobs and developing destination economies (Xia Cao, 2015). For example, more than a million tourists visited Tanzania in 2015 and contributed nearly 14% of the Gross Domestic Product (GDP), making tourism the largest service exporter, which represents more than 25% of Tanzania's total exports and 60% of services receipts (Ellis et al., 2016). It directly supported 467,000 jobs, and through backward linkages and was responsible for 1,337,000 jobs or 12.2% of the nation's total employment (ibid). Nevertheless, in 2017, Tanzania was ranked 91 by the World Economic Forum (WEF) out 136 countries in terms of tourism competitiveness as compared with South Africa (53rd), Mauritius (55th), Kenya (80th) and Namibia (82nd), which were ranked as the most competitive economies in Africa (WTTC, 2017).

Although the performance of the tourism sector is affected by several factors, such as inadequate infrastructure and poor destination marketing, outdated regulatory frameworks and weak institutional capabilities are among its key constraints (Anderson, 2015). The regulatory framework for tourism is characterized by a multiplicity of taxes, levies and fees, and an often overlapping collection system spread across multiple government entities at local and national level (Mahangila & Anderson, 2016). This kind of regulatory framework is costly to enterprises (Charles 2014) and creates collusive SBRs (Charles, 2016). For instance, due to the tough regulatory environment, Tanzania was ranked 102 out of 136 countries in terms ease of doing business relating to tourism (WTTC, 2017). The most critical challenges were: the effect of taxation on the incentive to work (ranked 115); the time taken to start a business (108); the time taken and the cost of obtaining a construction permit (106 and 104 respectively); and the tax rate as a percentage of profits (92). The report indicates that the tourism business in Tanzania is not only affected by the specific tourism regulations, but also by many other general regulatory practices directed at the private sector as a whole.

This study is of utmost importance given that improvements in the regulatory environment could reduce the uncertainty that investors face and increase the credibility of the government's policy intentions and actions (Moore and Schmitz, 2008). A stable regulatory environment provides an enabling environment for the private sector to invest, by ensuring that there are no regulatory reversals that can be justified on economic grounds (Harris, 2006). The design of effective government policies and regulations depends, among other things, on input from, and consultation with, the private sector (Charles, 2016). Therefore, due to the many stakeholders who influence and are influenced by tourism development policies, both academics and

practitioners have alluded to the importance of establishing better coordination in regulating the tourism sector, as well as in planning and implementing policies. An improved understanding of the regulations and their successful application may therefore help tourism policy-makers and managers to reduce relational gaps and produce more effective tourism policies.

Theoretical and empirical perspectives

The landscape representing academic debates and empirical research on SBRs is vast and rugged, ranging from political science to sociology, economics and business. One of the early models of SBRs which emerged during the 1960s from the work of Mancur Olson (Olson, 1965) is the theory of collective action. This theory explains the rise of interest groups, such as business groups, and the way these groups try to pressure the state into implementing certain policies. The theory has inspired research on the economics of rent-seeking by explaining how state intervention creates rents, as in the case of the introduction of new licences. In relation to this, Leftwich (2009) argued that rent-seeking relations between businesses and the state, and the capture of state agencies and business associations by influential bureaucratic, political and economic elites lead to collusive SBRs. Tullock (1980) claimed that in collusive SBRs, actors try to gain advantage through direct monetary payments, tax deductions or certain favourable regulatory arrangements with the state. In this case, elites use state agencies and business associations for particularistic benefits and not for collective goals of improved efficiency and economic transformation (Sen, 2015).

On the other hand, when SBRs are collaborative (or effective), there is a synergistic and productive relationship between the government and the private sector (Maxfield and Schneider, 1997). Having collaborative SBRs in the tourism sector, for instance, is not only about public-private sector coordination but more often it involves coordination between various public agencies that have jurisdiction affecting the tourism sector. Both collusive and collaborative SBRs are however an outcome of close interactions between the state and the business sector and so, in practice, it is often difficult to distinguish between the two types of relations in many contexts (Sen, 2015). Yet successful collaboration between the state and the private sector needs close consultation and coordination, which would help to increase the level of trust and reassure the private sector that their interests and concerns are being addressed (Doner and Schneider 2000 in Sen, 2015).

Although Porter's (1990) seminal contribution emphasizes that companies which are able to determine the rules in the economic sector on the basis of their competitive advantage will be more successful than companies that are unable to do so, there is another important strand in the literature that deals with the dependence of businesses on state action. Building on Lowi's (1964) work, which addressed the issue of state intervention in business activities either through direct action or through rule setting and enforcement, this view takes business as whole or a specific industry as the object of state action and looks at the role played by the state or independent regulatory authorities in this process. Accordingly, there is growing scholarly awareness of the wave of regulatory reforms (Lang and Tenbücken, 2006). For instance, since the mid-1980s, governance through regulatory reforms is no longer a peculiarity of the western administrative state but a central feature of reforms in the other parts of the world (ibid), including Africa and Tanzania in particular (Charles, 2014).

As a result of state interventions, advocacy and lobbying have become an important aspect of the representation of interests over the past decade. The literature on advocacy and lobbying emphasizes the role and activities of individual companies in a system of influence and pressure (Mazey and Richardson, 1993) and in improving state actions and SBRs (Charles et al., 2016). In policy forums, interest associations and firms organize around specific issues, exchanging positions and discussing the possible implications of new regulatory provisions (Cowles, 1998). Through their associations, firms mostly oppose regulations because they argue that regulations restrict business start-up and contribute to business failure (Charles, 2016). The “problem” of regulations for business owners is they divert scarce resources away from profit-generating activities towards the discovery and understanding of, and compliance with, regulations (Charles, 2014). Regulations distort markets, reduce business rewards and are a disincentive to grow a business, all of which lead to a sub-optimal level of economic activity from which businesses, workers and consumers suffer. In tourism, the World Tourism Organisation (WTO, 1998) identified the existence of many groups of taxes and fees relating to tourism activities, which may hamper the performance of the sector. These concern travelling (visa fees, entry and exit charge); air and ship transport (airport and harbour charges and fees, charges on travel tickets, contributions and taxes on fuel and transit, allowance for safety); hotels and other accommodation; restaurants (value added tax, excise on alcohol); road traffic (tolls and excise on fuel); car rental (municipal and local taxes, other taxes, excise on fuel); taxes and fees for visiting tourist attractions; and, finally, taxes on games of chance which are played at casinos and gambling houses.

On the other hand, supporters of regulations argue that although they involve some costs for business enterprises, they confer benefits on business owners (Vickers et al., 2003). Regulations are needed to correct market failures, promote fairness, ensure public safety and protect the environment (Blackburn and Hart, 2004). For instance, it is argued that taxing the tourism sector is the most efficient way of raising tax revenue (Gooroochurn & Milner, 2005). Gooroochurn & Milner identified that around 45 various taxes on tourism are collected, around 30 of which were borne by tourist guests, and 15 were borne by hotel firms in Mauritius. They acknowledged however that shifting taxes and fees to tourism enterprises would mostly depend on demand-price elasticity. If the demand is sufficiently elastic, they will not be able to increase the price of their services and so shift the tax to guests. If, on the other hand, the demand is inelastic, they will be able to increase their prices so that guests will have to bear the newly introduced or increased tax and fees through increasing their prices. Therefore, whether increasing regulatory costs in tourism is beneficial or detrimental to tourism businesses requires more and deeper analysis.

Although the empirical literature on SBRs and regulatory practices in tourism is quite limited, there have been some studies from the perspective of interest groups, advocacy and lobbying. For instance, in a study on challenges and potential improvements in the policy and regulatory framework for sustainable tourism planning in China, Xia Cao (2015) found that China’s policy and regulatory framework were generally fraught with contradictory objectives, and were often incoherent with ambiguous legal provisions, and many organizations had duplicate responsibilities, an unclear definition of responsibilities, interlocking activities, and weak coordination due to the complicated institutional structure. The study proposed a new national tourism law to articulate and coordinate its laws and regulations with greatly improved

supportive by-laws. Knollenberg (2015) examined how political leaders in the tourist industry established relationships with members of the tourist industry in order to facilitate political influence in Virginia. Interviews with 26 tourism advocates indicated that policymakers only saw businesses as an engine for tax generation and that the industry as a whole did not receive the respect it deserved from policymakers. The fragmented nature of tourism presented a challenge for advocates desiring to develop a collective voice and legislative agenda for the industry. Swanson and Brothers (2012) suggested that understanding what politicians want, reflecting on the strengths of tourism organizations, and collecting input from organization members are key to the creation of an effective legislative agenda.

In terms of the impact of taxes, fees and levies imposed on tourism enterprises, there have been contradictory results from empirical studies. While some studies found that the impact of taxes, fees and levies imposed on tourism enterprises is negative, others support taxing the industry on economic grounds. For instance, a study by Deloitte and Touche (1998) showed that a higher tax burden reduces the revenue of hotels and tourism, while an increase or decrease in the tax rate significantly influences the decision of tourists regarding their destination and the accommodation there. Vjekoslav et al. (2012) examined the hidden tax burden and its influence on the development of the tourism sector and its competitiveness in Croatia. The study indicated that the Croatian fiscal system included an extensive list of hidden fees, and neither the number of these different fees nor the way in which they are calculated was fully known. The taxes and levies directed at tourism were found to be burdensome to the private sector.

On the other hand, Bird (1992) argued that developing countries tend to under-tax their tourism sector. Since there are distinctive natural amenities and the demand for tourist products is relatively inelastic, there is scope to “extract” more tax revenue from tourism. For example, a computable general equilibrium analysis of Mauritius by Gooroochurn & Sinclair (2005) found that taxing tourism was more efficient and equitable than levying other sectors. It also found that taxing highly intensive tourism sectors extracted significantly more revenue from tourists than a broader policy whereby all tourism-related sectors were taxed. Similarly, a study by Gago et al. (2009) on the effects of specific and general taxation on tourism in Spain indicated that both specific and general taxes on tourism would yield improvements in terms of revenue and internalizing costs without hampering the economy. The authors argued that taxation on tourism could be used as a specific instrument for funding extra tourism-related costs brought about by the provision of more public goods and services. Actually, intensive tourism-related activities may lead to the need for more services or infrastructure, such as those relating to public safety, medical services, road maintenance, water supply, sewerage and sanitation services, garbage collection, etc., whose costs may not be covered by the taxes already paid by tourists. Moreover, local constituencies must provide adequate infrastructure to meet demand in the high season, and invest in facilities that are under-used during the rest of the year (Briassoulis, 2002). Taxes and charges imposed on tourists can also be used to address externalities, which include increased congestion on roads and additional environmental degradation (Sinclair and Stabler, 1997).

Although studies on the tourism business environment, SBRs and regulations in Tanzania are quite limited, a few policy studies have generally addressed the tourism

business environment and regulatory issues. For example, Ellis et al. (2017) found that onerous regulations and multiple taxes imposed on tourism firms are major obstacles to the growth of the sector. The high costs in tourism are partly due to over-regulation and taxation, which force tour operators and other service providers to charge higher prices in order to break even (Rugimbana 2016; Ellis et al., 2017). The environment for investing in tourism in Tanzania is harsh, and the number of licences required, taxes to be paid, and other regulatory burdens is extremely high (Ellis et al., 2017). These regulations are imposed by the central government as well as local officials, and it becomes very expensive for tourism operators to meet all the requirements (ibid). Raheem and Mkindi (2010) established that in addition to multiple charges and fees imposed on enterprises in general, tour operators and hotels are seriously affected by additional compliance requirements, from the registration stage to operations. In 2014-2015, the World Bank analyzed the business environment for tourism, mainly focusing on licensing fees and taxes. The World Bank observed that levies and taxes in the tourism sector were unpredictable, uncertain and often duplicated. The major issue for them was the confusing and overlapping processes and procedures involved in obtaining licences and permits and paying the various taxes to different authorities.

Consequently, most policy studies have called for a review and harmonization of the regulatory system in relation to the tourist industry. Accordingly, there has been an ongoing dialogue and interactions with the state through the National Business Council, business associations (e.g. Tanzania Confederation of Tourism (TCT), Tanzania Association of Tour Operators (TATO), Hotel Association of Tanzania (HAT), Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Tanzania Air Operators Association (TAOA) and Tanzania Society of Travel Agents (TASOTA)) to push for an improved regulatory environment and a better relationship between the private sector and policy makers (Charles, 2016). The multiplicity of laws and regulations, licences, permits and certifications, as well as the involvement of regulatory institutions with duplicate mandates have consistently been cited as critical factors hampering enterprises' competitiveness. In their study on PPD in tourism, Anderson et al. (2017) indicated that while several PPD initiatives at national, sub-national, sub-sectorial and local level exist in the tourism sector, most of the existing PPDs are overlapping in terms of their subject matter, mandate, participants and sometimes their timing. Some specific forums are promoting reforms in the business environment and investment climate, which apply to specific groups in the travel, tourism and hospitality sector. Although previous studies acknowledge that some business environment issues affecting tourism have been addressed, the issue of overlapping regulations remains a serious concern, and interactions between the state and the private sector on the issue have always been collusive. This is perhaps due to the complexity of the regulatory reform (Charles, 2014) and the interest of the state in generating revenue from taxes, fees and charges imposed on tourism enterprises.

However, compilation of the regulatory requirements, taxes, fees and levies directed at tourism enterprises is lacking, especially in developing countries where these costs are not apparently revealed to enterprises. We lack empirical cases to demonstrate the challenges experienced by the private sector and the efforts made to influence regulatory reform in the tourist industry. There are mixed findings about the rationale of taxing and charging levies on tourism enterprises in the sense that some authors see it as a way of extracting income from foreign tourists while others feel that these costs

are borne by the enterprises. While some reforms have been acknowledged, it is unclear whether the situation is now better since new regulations have been emerging. Although the issue of SBRs has been addressed from the general perspective, the connection between the institutional and regulatory environment and SBRs has not yet been explored.

Methodology

This article is based on the data obtained from qualitative research conducted in the northern tourism circuit of Tanzania, the most popular tourist destination in the country (Anderson & Juma, 2011). The complexity of the compliance system in relation to tourism triggered the research to adopt the qualitative research design in order to have an in-depth understanding of the research problem and to generate findings that will inform future studies. The explorative research design provides insights into the research problem and assists in developing a research proposition for further analysis (Hammersley and Atkinson, 2007). More specifically, the study critically reviewed academic literature, legal documents and policy-related literature (position papers and policy briefs) on the tourism business environment, SBRs and regulatory reforms affecting tourism. The statistical data on taxes, fees and charges imposed on tourism enterprises were drawn from regulations and schedules of taxes, fees and levies published by the Ministry of Natural Resources and Tourism (MNRT) and local governments. Relevant controversial issues drawn from the literature guided us in preparing the checklists used for collecting the field data.

The data were collected through semi-structured face-to-face interviews, focus group discussions (FGDs) and observation of 2 stakeholders' meetings held in the northern circuit (Arusha and Kilimanjaro). These areas were selected because of their importance in the tourism and hospitality sector in the country (Anderson and Juma, 2011). The northern tourism circuit receives around 75 percent of safari tourists in Tanzania (MNRT, 2015). In view of the fact that tourism actors are defined in the Tourism Act 2008 as persons (as well as registered companies) licensed to provide transport and accommodation, make reservations and operate tours and related services for tourists and visitors (United Republic of Tanzania, 2008), purposeful sampling was used to select the respondents from the dominant sub-sectors, namely tour operators, travel agents and hoteliers. In addition, business consultants and respondents from business associations and the public sector were interviewed.

A total of 33 respondents participated in the face-to-face interviews, 10 from the public sector representing regulatory agencies, city and local councils, and the rest from the private sector. In addition, 17 respondents participated in 4 FGDs, 6 of whom were from the public sector. Business associations and representatives from the public sector were considered a credible source of information, as they participate in PPDs in the tourist industry. The Executive Secretaries of TCT, TATO, HAT, TCCIA-Arusha, TASOTA and TAOA were interviewed to obtain their views on SBRs and regulatory reforms in the tourist industry. The interviews and FGDs were held from June to December, 2016. They focused on identifying the regulatory challenges, dialogue experiences, the nature of SBRs in the sector and the extent to which the government was reforming regulations affecting tourism enterprises. After the interviews and FGDs, we developed summary tables of key observations and extracts of stories and evidence relating to key issues. Key observations were analysed in accordance with theoretical and empirical underpinnings.

Findings

The findings presented in this paper are organized as follows. First, the findings from the review of the institutional and framework relating to tourism and the analysis of the regulatory requirements for tourism firms are presented. Second, the findings from interviews and FGDs are analysed to provide evidence of the regulatory challenges and how the private sector relates to the state.

Policy and institutional framework governing tourism

Tanzania has several policies, laws and institutions governing the tourist industry. A key policy is the National Tourism Policy of 1991 (revised in 1999) which seeks to encourage the development of sustainable and quality tourism by promoting Tanzania as a favoured tourist destination. The 1991 policy led to the establishment of the Tanzania Tourist Board (TTB), an improvement in private sector participation, and the approval of several new tourism-related projects through the Tanzania Investment Centre (TIC). The Tanzania Investment Act of 1997 provided for tax relief and concessionary tax rates, which may be accessed by an investor. Tourism investors were provided with an opportunity to import duty free four-wheel drive vehicles built for tourism purposes and hotel equipment. Other items that were “deemed capital goods,” such as building materials and utility vehicles, were exempt from paying 75% of import duties. These goods were also exempt from value added tax (VAT) until July 2016, when the current government reintroduced it. Tax incentives are basically determined by the Income Tax Act of 2008, which resulted in the abolition of income tax holidays.

The Tourism Act of 2008 and Wildlife Conservation Act, 2009 guide activities relating to the sector in Tanzania. While the Wildlife Conservation Act focuses on the management of wildlife areas, the Tourism Act governs the institutional and administrative arrangements of the sector. It deals with the registration, grading and licensing of tourism facilities and activities, the licensing of tourism operators, the registration of tour guides and other guidelines relating to the sector (URT, 2008). In addition, there are several regulations governing the tourist industry, including: the Tourism Development Levy Regulations, 2009; the Tourism (Fees and Charges) Regulations, 2009; The Tour Operator (Regulations and Licensing Regulations), 2009; the Tourism (Tour Guide) Regulations, 2009; the Tourism (Accommodation) Regulations, 2009; Wildlife Conservation (Capture of Animals) Regulations, 2010; Dealers in Trophies Regulations, 2010; Tourist Hunting Regulations, 2015; Wildlife Fencing and Breeding Sites, Orphanages and Sanctuaries Regulations, 2004 and Forest (Amendment) Regulations, 2012. While several institutions govern tourism enterprises, there are additional agencies regulating all enterprises in Tanzania. As shown in Table 1, a multitude of institutions are mandated to govern the tourist industry. For instance, each tour operator, hotel, lodge and camp in Tanzania is governed by at least 20 regulatory agencies, and aircraft operators are governed by 10 agencies. Most agencies charge multiple fees and levies, some as many as 19 (e.g. Tanzania Civil Aviation Authority - TCCA). Interventions by the regulatory agencies include environmental regulations labour controls, taxation, food hygiene and occupational health and safety, liquor licensing and building and general business regulations, which span a range of areas and levels of government. In line with

previous studies (e.g. World Bank, 2015), the existing regulatory agencies involve many organizations with duplicate responsibilities, an unclear definition of responsibilities, interlocking activities and weak coordination due to the complicated institutional structure. It was however observed from the public sector officials interviewed that state agencies governing tourism are somehow disjointed as they were established by different Acts enforced by different public agencies. This situation contributes to duplication of some functions and the fees charged by different agencies.

Table 1: Institutions governing tourism enterprises in Tanzania

Tour operators	Hotels, lodges and camps	Aviation
Ministry of Natural Resources and Tourism	Tanzania Revenue Authority (TRA)	Ministry of Natural Resources and Tourism
Tanzania Revenue Authority (TRA)	Tanzania Food and Drugs Authority (TFDA)	Tanzania Revenue Authority (TRA)
Business Regulation and Licensing Authority (BRELA)	National Environmental Management Council (NEMC)	Tanzania Bureau of Standards (TBS)
Ministry of Trade, Industry and Investments	Ministry of Lands	Tanzania Civil Aviation Authority (TCAA)
Surface and marine Transport Regulatory Authority (SUMATRA)	Copyright Society of Tanzania (COSOTA)	Fair Competition Commission (FCC)
National Environment Management Council (NEMC)	Fair Competition Commission (FCC)	Fire and Rescue Force (FRF)
Fair Competition Commission (FCC)	City, municipal & district councils	Workers' Compensation Fund
Fire and Rescue Force (FRF)	Fire and Rescue Force (FRF)	National Social Security Fund (NSSF)/Parastatal Pension Fund (PPF)
City, municipal & district councils	Tanzania National Parks Authority (TANAPA)	Ministry of Home Affairs
Tanzania National Parks Authority (TANAPA)	Workers' Compensation Fund	Occupational Safety and Health Authority (OSHA)
National Social Security Fund (NSSF)/Parastatal	National Social Security Fund (NSSF)/Parastatal Pension Fund (PPF)	Ministry of Natural Resources and Tourism
Workers' Compensation Funds	Ministry of Home Affairs	Ministry of Trade, Industry and Investments
Occupational Safety and Health Authority (OSHA)	Occupational Safety and Health Authority (OSHA)	Ministry of Home Affairs (Police Department & Immigration Department)
Ministry of Home Affairs (Police Department & Immigration Department)	Ministry of Natural Resources and Tourism	Ngorongoro Conservation Area (NCA)
Ngorongoro Conservation Area (NCA)	Ministry of Trade, Industry and Investments	Tanzania Tourist Licensing Board (TTLB)
Tanzania Tourist Licensing Board (TTLB)	Ministry of Home Affairs (Police Department & Immigration Department)	Tanzania Tourist Board (TTB)
Tanzania Tourist Board (TTB)	Department & Immigration Department)	Tanzania Communications Regulatory Authority (TCRA)
Tanzania Communications Regulatory Authority (TCRA)	Marine Park Authority	
	National Arts Council	
	Ngorongoro Conservation Area Authority (NCAA)	
	Tanzania Tourist Board (TTB)	

Source: Author's compilation from interviews and various Acts

Taxes, fees, levies and charges imposed on tourism services

The fees taxes, levies and fees charged on tourism enterprises were compiled using data from MNRT, business associations (TCT, TATO and HAT), interviews and FGDs with tourism enterprises. The findings indicate that tour operators, hotels, aircraft operators and travel agents pay a large number of fees, most of which are not only difficult to comply with, but are also hard to administer. The taxes, fees, levies and regulations can be classified as: a) general taxes, fees and levies that all businesses in all industries in Tanzania are charged; b) general tourism taxes, fees and levies that all companies operating in the tourism industry must pay; iii) arts and crafts taxes, levies and fees that arts and crafts businesses must pay; iv) aviation sector taxes, fees and; v) taxes, fees, levies and charges imposed on hotels, lodges and camps; and vi)

taxes, levies, fees and charges imposed on tour operators. These charges exclude user fees (i.e. charges for using a particular service, as these charges are optional for a business).

Table 3: Taxes, fees and charged to tour operators in Tanzania

Taxes, levies, fees and charges	Institution	Rate/Amount	Frequency	Act
Taxes				
Corporate Tax	TRA	30% of net income	Annually	Income Tax Act, 2004, Sect. 4
Skills and Development Levy	TRA)	5% of gross salary pay	Monthly	Vocational Education and Training Act, Sect. 14
Value Added Tax	TRA	18% of the value of transaction	Per transaction	VAT Act,
Staff Pensions	NSSF/PPF	10% deducted from employee and 10% from employer based on gross salary	Monthly	National Social Security Fund Act, 1997, Sect 6(2)
Worker compensation	WCF	1% of the gross salary deducted from the employer	Monthly	Workers' Compensation Act, 2016
Land Rent	Ministry of Lands, Housing and Human Settlements	Based on the size and location of land	Annually	Land (Rent and Service Charge) Act, Sect 8
Property Tax	Municipal Council	0.15% of property value	Annually	Local Government Finance Act, sect. 13
City Service Levy	Municipal Council	0.3% of turnover	Quarterly	Local Government Finance Act
Tourism Agency license (TALA)	MNRT	Range from USD 200-5,000	Annually	Tourism Act, 2008
Business licence – category A	Ministry of Industry and Trade (MIT)	Depending on type and size of business	Fixed	Business License Act
Business licence-Category B	District Council	Depending on type and size of business and local authority	Annually	
Work permits	Ministry of Home Affairs	Fixed fee Class A \$3,050 (Investor), Class B \$2,050 (employee)	Every 24 months	The Immigration Act, 199, Sect 33(1) (a) (j)
Fire certificate	FRF	Ranging from \$100-5,000) based on the size of the building	Annually	Fire and Rescue Force Act 2007
Motor vehicle licence	TRA	Based on capacity of vehicle (\$50-150)	Annually	Road Transport Act 2003
Vehicle Fire Safety sticker	TRA	\$20 per vehicle	Annually	Fire and Rescue Force Act 2007
Vehicle Inspection	Police Department	\$20 per vehicle	Annually	Traffic Act
Vehicle safety week sticker	Police Department	\$2 per vehicle	Annually	Traffic Act
Firearms licence	Police Department	Rate dependent on type/calibre of arms (\$40-80)	Annually	Arms & Ammunition Act Cap 223 of 1991
Occupational Health and Safety	OSHA	Based on the number of employees	Annually	Occupational Health and Safety Act 2003, Sect. 17(3)
Performance/ Entertainment Licence	National Arts Council			National Arts Council Act 23 of 1984
Frequency Radio Licence	TTCRA	\$75 per radio (\$500 per radio for aircraft operators & minimum of 2 radios required)	Annually	Tanzania Communication Regulatory Authority Act, 2003
Base station licence	TTCRA	VHF Base station \$80 per station; HF base station \$120	Annually	TCRA Act, 2003

EWURA tax	Tanzania electric Company (TANESCO)	2% of billed amount	Monthly	EWURA Act, sect 43
Rural Energy Agency (REA) Tax	TANESCO	3-5% of billed amount	Monthly	Rural Energy Act, 2005, Sect. 19
Other levies, fees, and charges				
Certificate of Incorporation	BRELA	Depends on nominal share capital maximum \$150	Annually	BRELA Act , Sect 18
Business Registration name	BRELA	\$3,000	Fixed	BRELA Act,
Stamp duty on rent	TRA	1% of value of lease	One-off	Stamp Duty Act
Withholding tax on rent	TRA	5% of value of lease	Annually	
Airport tax	TRA	Local flights - \$10, international flights \$40	Per passenger per flight	

Source: Author's compilation from the tourism enterprises

It is evident that the tour operator pays a minimum of 29 taxes, levies and fees mostly to the central government (Table 3). These payments are borne by enterprises as they exclude ones borne by tourists, such as visa cost and park entry fee. It was observed that in addition to fees and levies provided for by the general Acts, there were additional charges imposed by local government depending on the location of the enterprise. For instance, tour operators are required to pay: *vehicle parking fees (\$0.2 per vehicle per hour)*; *waste collection fee (\$5-15 per month)*; *signboard fees (ranging from \$200-1000 per annum based on the size of the signboard)*; *loading and unloading fees (\$0.25 per bag)*; *wildlife management area (WMA) fees*; and *concession fees, etc.* There are also more taxes attached to utilities, such as water, fuel and electricity, and indirect taxes on the procurement of goods and services.

During the interviews, the majority of tour operators complained about the complexity of the compliance process. For instance, while tour operators have to obtain Tourist Agent Licensing Authority (TALA) and BRELA licences, they are also required to register with the Tanzania Investment Centre (TIC) and Tourism Board. Regardless of size, each tour operator has to pay (\$2,000 (local) and \$5,000 (foreign) a year as the TALA licence fee, after paying BRELA fees which vary with the size of the company. Surprisingly, professional hunters are required to pay for a licence even if they are employed by the hunting company, which has already paid for the TALA licence. For TIC to issue a licence to foreign companies, they must have TALA and BRELA licences and proof of a fleet of 10 vehicles for the tour operator. A local tour operator is required to have 5 vehicles not more than 5 years old, as well as an office and associated requirements before getting a licence. Also, each branch of the tour operator has to pay for the TALA licence as an individual entity. This very high entry requirement is probably one of the major barriers to the growth of tourism enterprises in Tanzania. The threshold is so high that a large and increasing number of starters with limited capital operate outside the legal system, thereby offering products of a lower value. A respondent said that the situation in Kenya is better, as for a Kenyan to be in the tour business all he has to do is pay for a tourism business licence costing \$50 and then rent one car and start business.

In addition, specific tourism sub-sectors attract specific levies and fees. For instance, civil aviation is regulated by TCAA, a corporate body established under the Civil Aviation Act, 2006 to oversee aviation safety and security, and economic regulation. It

regulates air transport services, aeronautical airport services and air navigation services. TCAA alone charges air operators 19 licence fees as stipulated in TCCA Act, 2006, section 4 (Table 4). The TCRA Act, 2003 also requires tour companies to pay fees as follows: \$75 per frequency of aviation and \$500 per frequency of aircraft operators, and they must have a minimum of 2 radios. These fees were considered too high. In addition, aircraft operators are required to pay for commercial activities and aeronautical charges. Actually, passenger service charges are the most important revenue generator among the aeronautical charges, accounting for almost 74% of the total¹. TAA charges a passenger service fee of \$40 for each departing international passenger and \$6 for each domestic passenger (UTR, 2006). Since this cost is recovered through the tickets sold to tourists, it is likely to make the Tanzanian destination expensive, as several licence fees have already been paid by aircraft operators. According to the air operators interviewed, air travel is price-sensitive and the cost of an airline ticket is the first trigger in the decision process that leads to travel, and an attempt to shift the licence fee cost to tourists would reduce their business. They claimed that the price sensitivity of air transport has increased in recent years due to online competition, low-cost carriers and corporate travel agreements.

Table 4: Specific aviation fees and levies charged by TCCA

Specific Tax, Levies, Fees and Charges	Rate/Amount	Frequency of Payments According to TCCA Act, 2006, Sect. 4
Aerodrome Inspection	Depends on category of aerodrome stipulated in the Civil Aviation (Aerodrome) Regulations	Every 24 months
Certificate of Air Worthiness	Various rates (\$200 - 500) depending on weight of aircraft	Annually
Certificate of Registration of Aircraft	Various rates (\$450 - 750) depending on weight of aircraft	Annually
Air Service Licence application fee	\$1,000	One-off
Air Service Licence	\$1,200	Annually
Ground Handling Licence	\$1,000	One-off
Ground Handling Licence	\$3,000	Annually
Provisional Air service Licence	\$500	One-off
Short-Term Licence fee for foreign registered aircraft	Depending on weight on take-off and whether aircraft operates beyond one designated entry point	One-off
Air Operators certificate	\$900	Annually
Aviation safety fee	Local flights \$2, international flights \$9	Monthly
Air Navigation charges	Various rates between \$60 - \$104 depending on aircraft weight and time of take-off	Monthly
Approved maintenance organization certificate	\$4,500	Annually
Test Flight Fee	\$70	One-off
Permit to Fly fee - Emergency	\$27	One-off

Source: compiled by the author

¹ According to data published by TCAA in 2014

Evidence from hoteliers and HAT indicates that hotel operators pay almost all the taxes, fees and levies that tour operators are charged plus other specific levies. In total, they are subjected to 55 payments relating to taxes, licences, fees and levies, including i) general hotel licence; ii) licence to operate a restaurant and bar; iii) Local Government Authority (LGA) licence which has to be inspected by a health officer; iv) certification from NEMC; v) hotel levy; vi) taxes paid to TRA; vii) social security contributions; and viii) several LGA levies and charges. They also have to pay the bed night levy (\$2 per bed), as well as paying TFDA for health, inspection and registration certificates (\$80 per annum) and COSOTA (\$100-200 per annum) depending on the size of the building and number of entertainment facilities). It was also reported that while most fees were introduced without effective consultation with the private sector, uncoordinated visits and inspections were conducted by regulators. A hotel owner based in Kilimanjaro claimed that: *the government introduced the tourism development levy in 2013, which requires every registered tourism accommodation facility to collect a 'bed night' levy of 2% from every tourist. This matter was never brought to the attention of the private sector and there was no prior consultation. In addition, hotels are subjected to pay 10% of turnover as hotel levy and this is enforced by LGAs. HAT has been advocating for the abolition of this levy, but the results are yet to be seen.* Basically, TCT estimates that hotels spend at least 130 man-days per annum on compliance issues, including dealing with inspections (TCT, 2010). Even as several proposals had been made to improve compliance through the tourist industry, for instance, through delegation, information sharing, joint regulation and co-regulation amongst regulatory agencies, TCT reported that the proposed changes had not been implemented due to complexity of regulatory system which creates disjointed institutions.

The staff of HAT reported that most members pay fees varying between \$2,000 and \$5,000, regardless of whether they are local or foreign investors. One respondent from HAT stated that *I have two members who are both locally incorporated companies in Tanzania but one pays TALA \$2,000 and the other pays \$5,000.* A review of the TALA regulations indicated that section 21 (1) requires all persons owning tourism facilities in Tanzania to obtain a TALA licence issued by the Tourism Board. In this case, it is the owner who is licensed and not the facility, and an owner could simply be a person or a corporate entity. Nonetheless, it was observed that each accommodation facility owned by the same person and/or entity should pay the TALA licence per facility. Actually, certain HAT members have paid up to \$45,000 annually for the TALA licence. Although hotels apply for the TALA licence when notice is given in December each year, the licence is not issued until the middle of the following year. Several respondents reported that they had to wait six months before receiving the TALA licence. In some cases, they had to apply for the TALA licence for the following year before they had received the current year's licence. Therefore, hotels had to consistently engage with the authorities when spot checks were done and demands made to show the TALA licence, but due to the delay in the actual certificate being issued, they were held responsible. Most respondents felt that the amount charged by TALA was too high and unjustifiable, and some wondered why the licence had to be paid for in a foreign currency.

Almost all the respondents reported that applying for the TALA licence required too many duplicate procedures. Tour companies were required to submit copies of the

certificate of incorporation, memorandum and articles of association and evidence of holding a licence from BRELA, while such evidence was already provided in the certificate of incorporation. When renewing the licence, some processes were repetitive as most of the required information was standard and already existed in files held by other regulatory agencies. The respondents suggested that the TALA licence should be charged in the local currency and integrated with the BRELA licence to avoid unnecessary duplication of processes and fees. They also felt that the introduction of an automated online application process and the use of the mobile payments system would reduce time and the cost of compliance.

Private sector's perception of the regulatory challenges

As indicated in Figure 1, out of 50 respondents, 44 (88%) ranked multiple taxes, fees and levies as the most critical cause of unrest in the tourism business. Nearly 84% of respondents cited poor treatment by regulatory agencies as the issue which seriously affected their businesses. Of all the respondents, 27 (54%) indicated that the unclear basis for estimating taxes, fees and levies contributed to the inadequate business environment for tourism enterprises in Tanzania. Besides central government taxes, the basis for the increase in water bills, waste management charges, property tax and parking fees was unclear. Confiscation of signboards, the closure of businesses, the short notice given and poor services provided by LGAs were cited as examples. For instance, an owner running a hotel in Arusha complained about the unclear basis for the increase in property tax. He claimed that *in 2016/17, the property tax was raised from \$200 to 1500 per year, an increase of 650%, without any prior communication to the enterprise. Such an increase was unjustifiable because the building had not been renovated that might have increased the value of the property. Even when follow-up was made at the City Council for clarification of the increase, no proper explanation was given by the officers, apart from showing him a picture of his building and he was told that the indicated amount was the amount he had to pay, otherwise they would close the business.* This demonstrates how property tax was increased without consulting the business owner beforehand. The owner of the hotel had no idea how such a valuation had been arrived at, but the authorities refused to clarify the issue and ordered him to pay immediately after receiving the bill.

Furthermore, inadequate communication between the authorities and business stakeholders, including the business community and private sector organizations (PSOs) was identified by almost half the respondents as a one of the key challenges facing the private sector. The respondents argued that the government did not listen to them when they complained about unfavourable business conditions. At least 40% of the respondents claimed further that the inadequate education of taxpayers by the government was a challenge for most tourism enterprises. They indicated that most business owners and business operators lacked education on the kind of taxes and fees they had to comply with and this paved the way for dishonest government officers to ask for a bribe. Enterprises were unable to obtain clear information about which licences they needed to obtain as well as what requirements they needed to comply with to obtain a licence. Of the 50 respondents, 17 agreed that this issue was a cause of unrest in most enterprises. Also, poor timing of policies like VAT on tourism was identified by 17 out of 50 respondents as the main issue affecting the tourism business environment.

Figure 1: Regulatory challenges facing tourism enterprises in Tanzania



Over 80% of the respondents reported that besides the issue of multiplicity of regulatory agencies, most procedures were burdensome and lacked transparency. For instance, a tour operator based in Arusha claimed that *tour operators incur 11 duties, licences and fees for each vehicle they employ, including import and excise duties; VAT; vehicle registration and inspection; road licence; insurance; fire safety sticker; safety sticker; SUMATRA sticker; corporate tax sticker; and radio frequency licence. Stickers like the corporate tax sticker had no direct relationship with licensing the business. In addition, I have to pay 12 taxes and licences, including those for the certificate of registration; business licence; TALA licence (for tour operations, camping and mountain climbing); VAT; corporate and withholding tax; SDL; municipal services; NSSF; and work permits. We also pay a lot of municipal and local government nuisance charges to operate our businesses.* TATO being the association of tour operators has been dialoguing with the state to reduce the number of stickers to four (insurance, SUMATRA, TALA and road licence), but the government has not acted on this issue.

All the respondents expressed concern about the uncertain future of their businesses given the ad-hoc and abrupt policy changes by both local and central government. One respondent reported *“I cannot plan how to grow my business given the current practice whereby the government makes abrupt decisions without consultation”*. Another respondent added *“I cannot run my hotel due to the decision of the government to discourage the use of our hotel services. This is against the spirit of the state, which is to collaborate with the private sector to stimulate growth of the economy and employment”*. Other respondents cited examples of harassment by health officers, parking service providers, tax collectors and the staff of regulatory agencies. The impression was that government officers had become more aggressive in collecting revenue and enforcing compliance. The biggest concern was the introduction of new taxes, fees, levies and charges with a high level of enforcement.

During the interviews it was found that the Chamber of Commerce had received a serious complaint from one of its members running a hotel chain in Arusha about the increase in property tax without prior communication:

Case sent to Chamber of Commerce: On 16th May 2016, one of the TCCIA members in Arusha received a bill from the office of the City Council amounting to \$300,000 for property tax. The amount was not the same as they paid in previous years, which was \$80,000. This was an increase in property tax of 272%. The respondent was in shock because the company was unaware of any revised valuation of their property that justified the new property tax being imposed. While the company was in the process of writing a letter to the Director to seek clarification on how the new bill of \$300,000 was obtained, on 17th May 2016, an officer from the City Council came to the hotel demanding payment of this bill. When the officer didn't get paid, they closed the front door of his office using their own padlock, threatening to come back the next day to lock the main gate to prevent any activities taking place. This was not only harassment of the company, but it was also against the directives given in the Council's letter which said, "This demand should be settled in full within 90 days of receipt".

Another case was about the introduction of VAT on tourist services, which had been under discussion for quite some time. In 2016, the government introduced VAT of 18%, which was higher than in Kenya (17%), and enforced it immediately, while it was retracted completely in Uganda. Tourism-related companies asked the government to give them a grace period of at least six months for them to inform their clients and allow those who had already paid to be served without adding to their costs. This request was rejected and the tour operators, hotels and related firms complained about the impact. There were already indications that this change would cause the number of tourists to fall that would affect other businesses in the tourism value chain. For instance, the respondents from most hotels claimed that reservations were then between 30 and 40% compared with 90% in the past. The occupancy rate also declined in some hotels.

Only 20% of rooms at two major hotels visited in Arusha were occupied by visitors each day compared with an average of 70% beforehand. Another Motel visited by the researcher had declined in terms of daily occupancy rate from 60% to 10%. A tour company, which was among the top 5 taxpayers in Arusha, with more than 1000 employees, was drafting a contract to end the employment of 300 people due to increased compliance costs and a decline in their business. This would not only lead to the loss of employment of these workers, but also a loss of taxes for the government and pension contributions. Another tour company had closed a poultry farm which used to employ 18 people as a result of increased costs.

It should be noted that VAT on tourist services is charged in addition to standard taxes (corporate income tax, goods and services tax, property tax, fuel tax, and the tax on insurance contracts). As already noted, a tour company, for instance, faces a complex web of more than 29 different instruments. Interestingly, 4 respondents from the City and Municipal Councils reported that they had been receiving instructions to implement some ad-hoc decisions which were likely to cause business unrest. The introduction of VAT on tourist services and the Workers' Compensation Fund (WCF), which requires enterprises to make a contribution of 1% of staff salaries, was another example of a decision made without consulting employers. The abrupt change in property taxes, garbage collection and parking fees was cited as other examples. Consequently, the compliance burden was seen as one of the critical factors restricting

the growth of the tourism business. While the fees impose a significant financial burden, the administrative cost of compliance is also steep. Most of the tax bases, rates and fee schedules are different, as are the payment procedures, the collecting agencies involved, the inspection process and the frequency of payment. Notably, tourism-specific levies could be justified and advisable when they are easy to administer by the government, easy to comply with by taxpayers and effectively generate revenue. However, there were confusing and overlapping processes and procedures involved in obtaining licences and permits and the payment of too many taxes to different authorities. Most taxes, fees and charges were introduced without prior consultation with the business community.

Efforts to advocate for reforming regulations governing tourism

Some efforts have been made to advocate for tourism regulatory reform in Tanzania through a range of structured and informal mechanisms, from the national level (apex organizations) via the regional level to local PSOs active at local government (city, municipal and district) level. However, the private sector actors in tourism are largely organized through business associations when engaging with the state. TCT being the umbrella organization represents twelve (12) sub-sector associations involved in travel and tourism in Tanzania. Members of TCT include: HAT; Intra-African Travel and Tourism Association (ITTA); TAOA; Tanzania Association of Cultural Tourism (TACTO); TATO, Tanzania Hunting Operators Association (THOA); Tanzania Professional Hunters Association (TPHA); TASOTA; Tanzania Tour Guides Association (TTGA); Tourism Professional Hospitality Association of Tanzania (TPHAT); Zanzibar Association of Tourism Investors (ZATI) and Zanzibar Association of Tour Operators (ZATO).

Several platforms for dialogue exist focusing on various issues affecting the tourism business environment. The following platforms were observed: i) the tourism task force under the Tanzania National Business Council; ii) tourism technical advisory committee; iii) tourism facilitation committee; iv) Public-Private Partnership under MNRT; v) quarterly PPD in the aviation industry; and iv) several ad hoc stakeholder workshops organized by business associations. These initiatives bring together respective Ministries, Departments and Agencies (MDAs) and the private sector to dialogue on the challenges facing the tourist industry. According to respondents from the business associations, over the years several challenges have been brought to the dialogue table focusing on wildlife poaching, land encroachment, inadequate regulatory environment, insufficient qualified personnel in the tourist and hospitality industry, limited access to capital, the limited number of direct international flights from source markets and the unreliable national carrier, the slow growth of domestic tourism, threats from climate change, terrorism and cyber-crime, and utilities and infrastructure challenges, etc.

The findings from TCT indicate that there have been some success stories relating to an improvement in the regulatory environment for tourism. For instance, in 2007, TCT engaged Members of Parliament and decision makers in the MNRT in a dialogue on reducing the proposed 500 percent increase in fees for hunting and photographic safaris in the middle of the tourist season. The hunting project was successful in persuading the government to increase the fees by ‘only’ 200 percent as well as delaying introduction until the next season. In June 2010, TCT signed a five-year memorandum of understanding with MTNR to partner in dialoguing the industry’s

issues. In 2011, the private sector was informed of the increase in the vehicle park entrance fee from \$200 to \$300, but after several PPDs, the fee remained unchanged. Since 2013, TCT and its member associations have had several dialogue sessions with the tourism facilitation committee and a remarkable number of proposals were made to improve the regulatory environment.

A review of the dialogue meetings' reports and interviews with business associations indicated that the private sector had persuaded the government to: i) lower park entrance fees by 50% during the off season; ii) lower the fee for entry into a formal tour operator business from \$2000 for a TALA licence to \$500, and remove the requirement for at least 3 vehicles before a business can start; iii) review the tourism regulations to make them more facilitative; iv) reduce the time and cost of an environmental impact assessment; v) reduce the visa-processing time on arrival from 1.30 hours to 15 minutes; vi) reduce the Skills Development Levy (SDL) to 2% and allow the private sector to claim up to 50% of it (then 1%) against actual expenditure incurred in training staff; vii) continue to be VAT exempted; viii) allow a minimum period of 12 months and consultations before introducing changes in tourism fees, levies and other charges; ix) introduce a mandatory Regulatory Impact Assessment for all new regulations, taxes and fees impacting the tourism sector; and x) harmonize several local taxes, fees and levies charged by local and central government agencies. Despite the continued engagement of business associations with the government, these proposals have not been implemented. Instead more taxes, fees and levies have been introduced, such as the hotel levy, VAT, workers' compensation fees and several local government charges.

Based on interviews held with the enterprises and business associations, it was evident that despite continued dialogue with the state and the claimed intention of the government to promote the sector, most actions agreed on have not been implemented. To a large extent, enterprises complained about not being involved in state decisions, ineffective communication between government authorities and entrepreneurs, abrupt decisions made by the state, poor treatment by the state and inadequate education given to taxpayers. The respondents from the public sector claimed that the private sector was not proactive enough in participating in tourism policy decision-making forums and presenting evidence-based and pragmatic policy recommendations.

Discussion

From the outset of the paper, it has been apparent that, despite the importance of tourism, it is highly regulated and governed by national, sub-national and sectoral regulations, each formed by a different Act. As a result, tourism enterprises are charged multiple taxes, fees and levies with an unclear basis for estimating and collecting them. It has been observed that most tourism enterprises in Tanzania are subjected to several regulatory challenges, such as: i) too many duplicate licences required by TALA, BRELA, TIC and the Tourism Board and several by central and local government; ii) the TALA licence is required by both enterprises and employees; iii) unjustifiable amount charged for most licences; iv) various LGA fees and levies; v) high fees for aviation and frequency radio licences; v) high hotel levies; vi) too many stickers required for vehicles; and vii) uncoordinated inspections by regulatory authorities. These results are contrary to the argument that developing countries tend to under-tax their tourism sector (Bird, 1992 & Gooroochurn & Sinclair, 2005). The findings are in line with the view that onerous regulations and multiple taxes imposed

on tourism firms are among the critical barriers to tourism sector development (Ellis et al, 2017).

It is evident that the complexity of the tourism regulatory framework is not only caused by the rate and number of taxes, fees and levies imposed on the sector, but also by the lack of coordination of the institutions governing the sector, duplication of their roles, delays and the time wasted complying. The controls imposed by the national regulatory agencies, specific tourism institutions and local government authorities, none of which is connected, make the situation worse. Unfortunately, most taxes, fees and levies are paid monthly or annually once the enterprise has started, and cannot easily be shifted to tourists, as argued by Gooroochurn & Milner, (2005). Any attempt to shift taxes from the tourism enterprises to tourists is likely to reduce the demand for their services as demonstrated by two hotels in this study. It is therefore clear that regulatory reform is warranted in order to mitigate the negative regulatory impact on the tourist industry and enhance its competitiveness.

As propounded by the collective action theory (Olson 1965), the literature on advocacy and lobbying (Mazey and Richardson, 1993), and previous studies on PPDs in tourism (Anderson et al., 2017), our study shows that tourism has attracted continued interactions between business associations and the government in an attempt to advocate for an improved regulatory environment. Notwithstanding the development of some structures to facilitate PPD (e.g. TNBC and the tourism facilitation committee and task force), most regulatory challenges have not been addressed. Even where there were success stories, such as the abolition of VAT and the reduction in hunting and parking fees, new regulations and levies were continually being introduced by both central and local government, e.g. reintroduction of VAT, workers compensation fee and hotel levies. It appears that there was inadequate involvement of the private sector in both policy design and implementation. Consequently, it was unclear whether the resolutions made at various dialogue platforms were taken on board and integrated into the formal government machinery responsible for reviewing and improving the regulations governing the tourist industry.

Our results suggest that the lack of effective coordination of the institutions governing the tourism sector is a serious regulatory challenge. The existence of sub-national government at regional, district and city level alongside the national government makes the challenge even greater. Unfortunately, the institutional architecture determining how actors relate to one another, the governing system and the tourism business environment has not been developed. This suggests that the complexity of the governing structure of the tourist industry must be considered in terms of actors and the interdependency and relationships among and between them. Therefore, one would expect a high level of collaboration and partnership between the various stakeholders to improve the coordination of policies and their implementation. This argument is in line with Kooiman's (2000) notion of socio-political governance, which conceptualizes tourism governance as a diverse, complex and dynamic phenomenon which requires close examination of the kind of governing interactions that exist between the different actors. Our results therefore imply that there is a need to streamline the coordination of the institutions and regulations targeting tourism enterprises at national and sub-national government level and sectoral institutions. This would lead to more rational and effective institutional arrangements, with clearly defined functions and responsibilities of government at various levels. A further step is

to clearly define the responsibilities of national- and local-level authorities. The mission of each level of government has to be agreed upon and regulated via legal instruments. Since tourism is more locally specific, it is advisable to give local destinations more say in decision making so that their situations and interests are taken into account.

Despite the efforts to promote PPDs in tourism, the SBRs in the tourist industry are largely dominated by the state, so that regulatory agencies are inclined to generate revenue from tourism enterprises. Participation of the private sector in designing laws seems to be limited to giving the state an opportunity to take advantage of the private sector. As indicated in our findings, communication between the state and tourism enterprises has always been ineffective. To a large extent, the actions proposed by the private sector have not been implemented and more taxes, fees and levies have been introduced by disconnected state agencies. Unfortunately, there is no evidence of state agencies governing tourism engaging in dialogue on how to rationalize and streamline their operations so as to reduce enterprises' costs. Yet, for collaborative SBRs to emerge, there must be collaboration at two levels. The first level is the collaboration of state-agency relations (regulator-regulator-relationship-RRRs) while the second level is the collaboration achieved through an effective regulator-regulatee relationship which is manifested in the SBRs. Hence, there is a need for coordination among and between the many different state agencies governing the tourist industry to arrive at a consensus. The governance and regulation of the tourism sector can be seen therefore as an area that requires collaborative governance (the coming together of different actors to reach acceptable decisions). Thus, collaborative governance in the tourism sector is not only about public-private-civil society coordination but more often involves the coordination of the various public agencies that have jurisdiction that affects the tourism sector.

Implications and areas for further research

In general, our paper shows that despite the state's frequent engagement with the private sector as regards tourism, the institutional and regulatory environment is challenging for tourism due to the multiplicity of taxes, levies and fees, which often overlap as they are collected by many different government entities at the local and national level. It is clear that different departments and agencies operate as silos and are protective of their mandates to the extent that laws and regulations are often conflicting, particularly with respect to private sector operations. These findings support Leftwich's (2009) results, indicating that collusive SBRs emerge because of institutional inertia, which hampers reform in state agencies that are poorly organized and have complex institutional arrangements. It is therefore essential that the policies and legal and regulatory framework are reviewed in order to streamline the operating procedures of the regulatory agencies.

Alignment and streamlining the tax and fee-collection process is greatly needed by the tourist industry to reduce overlapping and duplicate functions and administrative costs, and to facilitate payment through a simplified system. As already observed, there is a need to: integrate some regulatory processes (e.g. TALA and BRELA licences); improve the documentation capacity of the regulatory authorities; develop an automated online application process; charge fees in the local currency; reduce the number of stickers needed; streamline the payment process; and integrate national, sub-national and sectoral regulatory processes. This means developing and

implementing a legal framework that increases inter-government coordination and cooperation focusing on specific targets for investment, job creation and fiscal revenue. The coordination of regulatory functions will allow regulators to simplify their engagements with business entities through delegation, information sharing, joint regulation and co-regulation. This will require the development of a clear coordination structure, such as a “one-stop centre” to remove uncertainty about the legality of any arrangements. The effectiveness of such arrangements will depend on the capacity of regulators to identify opportunities and forge effective working relationships.

Achieving effective SBRs in tourism is a result of cooperative efforts by the regulator and other regulators, the regulated, and often the business community. Unfortunately, due to the pressure on tourism agencies caused by regulations, most dialogue initiatives in relation to tourism focus on influencing the government to cut down the red tape without paying sufficient attention to how to structure coordination of the regulators. Because a clear strategy for streamlining divergent regulators targeting the tourist industry is lacking, the government takes no action on proposals made by the private sector, which contributes to ineffective SBRs. An analysis of the proposals made by the private sector indicates that less emphasis has been put on the cooperation of regulators at all levels. It is not clearly articulated how the central government agencies governing the private sector in general (e.g. TFDA, NEMC, FRF and OSHA, etc.) could collaborate with the ones specifically focusing on tourism (e.g. TCAA and COSOTA) and local government authorities. This is in line with previous findings that the success of business associations in contributing to effective SBRs in low-income countries is limited (Maxfield and Schneider, 1997). This implies that the capacity of tourism enterprises and business associations should be built to enable them to articulate the right strategy for improving their relationship with the state.

Although our study demonstrates the institutional and regulatory challenges of the tourist industry, and how these challenges impact SBRs, there are several issues that require further investigation. First, while regulators often regulate the same businesses to achieve different policy objectives, the businesses regulated sometimes see the activities of different regulators as duplication. A more detailed analysis of the objectives of each regulation and associated fees would help to guide the development of a regulatory coordination framework for tourism. Second, although some forms of regulation require the imposition of fees and charges for regulatory activities such as issuing licences or approving applications, the issue of whether regulators should be able to retain the proceeds of any fines or forfeiture is complex and requires further investigation. The view of the public officials interviewed was that the fees imposed on the regulated providers provide a mechanism whereby the costs of the regulation are incorporated in the cost of delivering the service. However, more analysis is needed to establish the optimal level of fees charged by regulatory agencies and the most effective mechanism for collecting them from the tourism enterprises. Third, the debate on the effectiveness of SBRs could be enhanced by exploring further the models of cooperation between the regulators and finding a better strategy for ensuring that the actions agreed on through dialogue are implemented. This would inform business associations about how to improve their dialogue agenda and their capacity to articulate policy issues when they engage with the state.

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