Transforming informal sector key to spurring of Tanzania’s socio-economic development

By Correspondent Daniel Sembweya

It is high time for Tanzania to come up with a new approach that will help to transform the country’s informal sector into formal ones, experts on entrepreneurship have suggested. They were speaking during the Policy Forum’s monthly breakfast debate held over the weekend in Dar es Salaam. The debate was themed “Transforming trade and industry in Tanzania: Facilitating the formalization of micro enterprises.”

Chief Executive Officer with the Institute of Management and Entrepreneurship Development, Dr Donath Olomi said that informal sector is a huge and important part of the economy. He said: “It needed an alternative way to manage it rather than rushing at transforming it into formal, because it employs larger part of the Tanzanian population.”

Dr Olomi said the informal sector contributes to about 40 per cent of the national growth domestic product (GDP). It employs between 66 per cent and 80 per cent of the urban population, of which 40-50 per cent are youth and 48-54 per cent are women.

Dr Olomi cautioned “If this part of the economy is not well managed it will create great problem in future.”

The informal sector is a second (economy) a unique segment, with low poor skills, technology, productivity, ability to comply with the standards of the “modern” economy.

However, it’s the only option, and a safety net for the poor to secure their livelihoods.

He suggested that since managing street vending remains a major challenge, the guiding principle is that cities should be designed for all groups and that authorized vendors create jobs and enhance the economy.

He revealed that Tanzania has piloted a number of approaches (pilots) to formalization of the micro enterprises, but failed. He urged that it was high time to take stock and lessons and use them to design a policy regulatory framework for managing/formalizing the informal economy.

Dr Olomi concurs with President John Magufuli’s vision – doing business is everyone’s right – and not just for some. He however, called for an institutional mechanism that matches the vision. According to Dr Olomi some countries have policy regulatory and institutional framework for managing street vendors.

Citing examples, Dr Olomi said India is one of very few countries to have developed a National Policy on Urban Street Vendors. Adopted in 2004, its objective is to promote a supportive environment for street vendors to earn their livelihoods, while reducing congestion and maintaining sanitary conditions in public spaces.

For his part, a discussant at the breakfast debate, Faraji Mbululina from the President’s Office Regional Administration and Local Government (PORALG), said that their ministry has been working tirelessly to allocate special land plots for small scale businesses.

He said that they have also directed all their 184 district councils across the country to allocate lands for that purpose. Meanwhile, he revealed that they have set aside around 102 hectares for that purpose.

Mbululina said that the purpose of doing so was to improve those special areas for small businesses so as to enable them trade profitably and productively.

He has revealed that informal sector guidelines draft was at the top management level of the ministry for decision. When it matures, among others would ensure small business traders are recognized, supported and hence graduate and become big business people. Thus, be able to contribute to the national GDP.

Recognition according to him, includes identification, classifying and registering of the small businesses. The coming into force of the guidelines will help to get the correct statistics of the number of these small businesses, and hence have good planning for their development.

He, however, said: “Before coming into force, the private sector and other key stakeholders will be involved to give their views and come up with a guideline agreed by all sides.”

The Danish Ambassador to Tanzania, Einar Jensen who was also one of the participants to the breakfast debate, commended the government of Tanzania for allowing petty traders to make businesses without disturbance.

He said that in order for any country to grow it needs to create good business environment, jobs and income.

Jensen further advised that for the informal sector to graduate and become big taxpayers, country builders and grow to one name should be put together in groups for training that can be the start-up of businesses.

Chairperson of community of small-scale traders (Vibindo Society), Gaston Kikikwi said that when the informal sector is formalized would increase more revenues and employments.

“Formalization is crucial for the growth of the national economy and em-