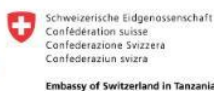


TANZANIA STARTUP ECOSYSTEM STATUS REPORT 2023





CONTRIBUTORS





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ACRONYMS

ANDE	Aspen Network of Development Entrepreneurs
ATC	Arusha Technical College
BDS	Business Development Services
BRELA	The Business Registrations and Licensing Agency
CMSA	Capital Market Securities Authority
COSOTA	Copyright Office of Tanzania
COSTECH	Tanzania Commission of Science and Technology
DDI	Domestic Direct Investment
DSE	Dar es Salaam Stock Exchange
DTBI	Dar es Salaam Teknohama Business Incubator
EISOs	Entrepreneurship and Innovation Support Organisations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IAA	Institute of Accountancy Arusha
ICT	Information Communication Technology
ICTC	Information and Communication Technologies Commission
ITU	International Telecommunications Union
MAKISATU	Mashindano ya Kitaifa ya Sayansi, Teknolojia na Ubunifu
TANePS	Tanzanian National e-Procurement System
MDAs	Ministry, Department and Agencies
MEST	Ministry of Education, Science and Technology
MICIT	Ministry of Information, Communication and Information Technology
MoF	Ministry of Finance
MIT	Ministry of Industry and Trade
MUHAS	Muhimbili University of Health and Allied Sciences
NEEC	National Economic Empowerment Council
NeST	National e-Procurement System of Tanzania
NICTBB	National ICT Broadband Backbone
POPI	President's Office of Planning and Investment
PROLAG	President's Office – Regional Administration and Local Government
PEs	Procuring Entities
PPA	Public Procurement Act
PPRA	Public Procurement Regulatory Authority
SaaS	Software as a Service
TANTRADE	Tanzania Trade Development Authority
TANePS	Tanzanian National e-Procurement System
TCRA	Tanzania Communications Regulatory Authority
TIC	Tanzania Investment Center
TNBC	Tanzania National Business Council
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
TSA	Tanzania Startup Association
TTC	Tanzania Telecommunications Corporation
UDSM	University of Dar es Salaam
VAT	Value Added Tax



FOREWORD FROM THE MINISTER OF INFORMATION, COMMUNICATION AND INFORMATION TECHNOLOGY



In an ever-evolving global landscape, information and communication technology stands as the cornerstone for fostering national economic development. The Government of Tanzania recognizes the crucial role technology plays in accelerating the country's digital transformation agenda. This is supported by the increased internet penetration and the growing demand for digital services.

In recent years, the startup sector has become a catalyst for transformation, offering opportunities for economic development and innovation. I am impressed that nowadays startups are introducing disruptive solutions driven by the utilisation of emerging technologies, revolutionising the financial sector by introducing digital payment solutions; leveraging technology for improved diagnostics, personalised medicine, and innovative treatment methods; developing solutions for clean power generation and energy storage; transforming the education sector; introducing alternative modes of mobility, and innovative farming practices. This proves that startups are catalysts for change in sectors, challenging conventional norms, and driving continuous evolution and improvement. Their impact extends beyond economic contributions, influencing societal norms, and fostering a culture of innovation and adaptability.

It therefore gives me great pleasure to launch the Tanzania Startup Ecosystem Status Report 2023, which provides in-depth analysis, tracking, evaluating, and quantifying the progress of Tanzania's startup ecosystem in 2023. This report provides insights for the government to make informed decisions about the growth and development of the startup ecosystem.

I applaud all actors in the ecosystem who are playing a crucial role in supporting and nurturing the entrepreneurship and innovation ecosystem. The findings within this report serve as compelling evidence of the profound impact that such collaborative endeavours can have on driving innovation and fostering sustainable development. We pledge to consider the recommendations within this report, shaping our policy direction and strengthening collaboration between the government, and other key players in the Tanzanian startup ecosystem. Together, we will realise the full potential of Tanzania's innovation ecosystem.

In our commitment to fostering an environment conducive to innovation and progress, the government affirms its dedication to continue collaborating with all relevant stakeholders. Our collective focus is steadfastly set on cultivating a resilient and dynamic startup ecosystem. The findings, insights, and recommendations outlined in this report are crucial, and I am looking forward to their actual implementation. Together, with the synergy of public and private entities, we aspire to collectively embark on the journey of shaping the future of the startup ecosystem in Tanzania.

**Hon. Nape M Nnauye,
Minister,
Ministry of Information, Communication and Information Technology
Dodoma, Tanzania**



MESSAGE FROM TANZANIA COMMISSION FOR SCIENCE AND TECHNOLOGY (COSTECH)

I am honoured to extend my heartfelt greetings and share insights through this Startup Ecosystem Startup Report for the year 2023, which encapsulates the impactful journey of startups within Tanzania. The Tanzania Commission for Science and Technology (COSTECH), being an apex body, is mandated to serve as the principal advisory organ of the government on all matters about scientific research and technological development.



COSTECH works with the private sector to promote innovation and growth of early-stage start-ups, including for entrepreneurs to start or strengthen their businesses through various programs. Some initiatives in the year 2023 include the establishment of innovation hubs and support for other stakeholders to establish business incubators and clusters that aim at facilitating the provision of a better business environment.

In line with our commitment to fostering innovation, the report draws attention to areas where increased support, particularly from government empowerment funds, can further amplify the impact of startups in the country. I encourage strategic initiatives and partnerships to address the identified gaps and provide a conducive environment for sustained growth. Together, let us continue to champion innovation and contribute meaningfully to Tanzania's progress on the global stage.

**Dr Amos Nungu,
Director General,
Tanzania Commission for Science and Technology (COSTECH)
Dar es Salaam, Tanzania**



FOREWORD FROM THE CHAIRMAN OF TANZANIA STARTUP ASSOCIATION

Greetings esteemed stakeholders,

It is both an honour and a pleasure to present the Annual Report on the "Tanzanian Startup Ecosystem" for the transformative year of 2023. This report was prepared in collaboration with key actors, and supported by the players in our innovation ecosystem. This signifies a continued commitment to support the growth and development of Tanzania's entrepreneurial journey.

In this unfolding narrative, the report explores the Tanzanian startup ecosystem, providing its remarkable growth, the prevailing trends that shape its contours, and the promising prospects for the future. As we navigate through this report, the ecosystem is considered to be highly involved, and startups play a significant role in the innovation space, architects of novel business models, catalysts for addressing socio-economic challenges, contributing to economic growth, and generators of jobs and employment opportunities.



This report shows a positive trend from where our ecosystem comes from. It gives me great pleasure to observe the extraordinary growth trajectory of our ecosystem today. The Tanzania Startup Ecosystem Status Report for 2023 presents compelling evidence of this positive trend. In 2023, the number of known startups increased by 25.26%, reaching 842, which suggests a dynamic and growing startup ecosystem, with youth increasingly adopting a self-employment culture. Moreover, Jobs created by startups increased by 112,119 jobs, marking a substantial 20.17% increase, underscoring the vital role played in addressing employment challenges.

Offering indispensable insights and tangible data is essential for guiding policymaking aimed at fostering the growth of startups in Tanzania. This report serves as a repository of knowledge and a powerful advocacy instrument, equipping policymakers and stakeholders with the necessary information to make well-informed decisions that will steer the course of our startup ecosystem.

I extend my sincere commendation to all who contributed their dedicated efforts in bringing this report to fruition. I urge all stakeholders to harness the wealth of information embedded in this report, transforming it into a catalyst for innovation, new opportunities, and sustained contributions to the thriving Tanzanian economy.

To everyone who played a part in the success of this report, I express my deepest gratitude. Let us collectively forge ahead, and continue in our commitment to cultivating a vibrant and prosperous startup ecosystem in Tanzania.

Sincerely,

**Mr. Paul Makanza,
Chairman of the Board of Directors,
Tanzania Startup Association (TSA),
Dar es Salaam, Tanzania**



ACKNOWLEDGEMENT

This report is a collaborative effort between the TSA and key stakeholders, including the Ministry of Information, Communication, and Information Technology (MICIT), the President's Office of Planning and Investment (POPI), the Ministry of Industry and Trade and the Tanzania Commission for Science and Technology (COSTECH). Completing this study would not have been possible without the support and contributions of many individuals and organisations, including startups, incubators, accelerators, hubs, labs, maker spaces, living labs, academia/learning institutions, ministries, policymakers, regulators, think tanks, development partners, financial institutions, and private sector organisations in terms of data and information.



The report was prepared by Mr Elia N. Mwoleka, the Policy and Research Officer from the TSA; Mr Praygod Japhet, Senior Manager for Programmes and Operations from TSA; Ms Faith Matoli, Principal ICT Officer, Ministry of Information, Communication and Information Technology; Mr Fadhili Chilumba, Assistant Director, Public Sector Investment, President's Office - Planning and Investment; Mr Wilfred Kahwa Principal Trade Officer, Ministry of Industry and Trade; Eng. Sadath Kalolo, Director, Professional Services, ICT Commission; Dr Athuman Mgumia, Director of Center for Development and Transfer of Technology (DCDTT) and Mr Festo Maro, Senior Research Officer, both from Commission for Science and Technology (COSTECH) and Mr. David Muhunzi, Project Officer from TSA, who offered incredible assistance during the report writing. We are grateful for the team involved in developing this report, who shared their experiences, knowledge, and insights.

Much appreciation to Westerwelle startup Haus, Ennovate Hub, Taifa Technovation Hub, Impact Hub Dar es Salaam, Mbeya University Of Science & Technology Hub, TAOTIC, Sido Tled, Zanzibar Technology, and Business Incubator (ZTBI), UDSM Directorate of Innovation & Entrepreneurship, AIA Incubation Centre, National Institute of Transport, Dar es Salaam Institute of Technology, Muhimbili University of Health and Allied Sciences (MUHAS), Arusha Technical College (ATC), Dar es salaam Tumaini University and MS Training Centre for Development Cooperation (MS TCDC). Further appreciation to TCRA, the BOT, NEEC, DSE, TIC, TNBC, FCC, TTCL, the CMSA, PPRA, TIRDO, ESRF, SSC Capital, Saratani AI, CRDB Bank PLC, ShambaFasta, Sokoni link supply, Shuleyetu Innovations, GrowTri Tanzania, Qsoft Technology Co. Limited, Afya Lead Limited Company, Expertise Connect, Pesalink Tanzania Ltd, JV Biotech Enterprises Co Ltd, Agiza Africa, Elifaster Information Security, WAGA and all the individuals and institutions that took the time to participate in various capacities, providing invaluable insights and perspectives that helped us comprehensively understand the ecosystem's current state and recommend the reforms needed to improve the startup environment.

Finally, I would like to acknowledge and appreciate the support of our long-term partners, Fondation Botnar, the Segal Family Foundation and the Embassy of Switzerland in Tanzania, for their support of the Tanzania Startup Association (TSA). We hope that the findings of this report will be helpful to all those working to support and promote the growth of the startup ecosystem in Tanzania. We look forward to continuing our efforts to advance this critical development area.

For more information on this report, please contact the project lead, Mr. Praygod Japhet, at programs@tsa.co.tz or Mr. Elia N. Mwoleka at policy@tsa.co.tz.

Zahoro Muhaji,
Chief Executive Officer,
Tanzania Startup Association (TSA),
March 2024.



DISCLAIMER

This report provides a status update on the startup ecosystem in Tanzania and the entrepreneurship and innovation landscape in general. The study is a collaborative effort between TSA and the partners mentioned above and was prepared over three months from January to mid-March 2023.

This report aims to provide a comprehensive overview of potential areas of intervention for startups in Tanzania based on developments in 2023. However, it may only cover some concerns, and additional issues may arise as the Tanzanian startup ecosystem evolves. The information in this report should be used for informational purposes only and not as a basis for legal defence or any other matters of that nature.

The report is presented in good faith and cognisance of the 2018 Amendment to the Statistics Act (2015). Where a datum point used in this report unknowingly contradicts an official statistic, it should be deemed an error, and the official statistic should be taken to be the correct version.





STARTUP ECOSYSTEM NOTABLE EVENTS IN 2023



TSA Board and Management Extend Courtesy Visit to Her Excellency Dr. Samia Suluhu Hassan, President of the United Republic of Tanzania at the State House, Dar es Salaam, discussing matters crucial for startup growth and Development.



Distinguished Visit by the US Under Secretary of Commerce, Marisa Lago connecting with startups under the auspices of TSA.



A momentous occasion as the U.S. Vice President Kamala Harris makes history with a visit to Tanzania, meeting with innovative startups under the stewardship of TSA.



From right, Hon Nape Nnauye, Minister for information, Communication and Information Technology and his Deputy Minister Eng. Kundo A. Mathew at TEHAMA Day during the 47th International Trade Fair at Mwalimu Nyerere grounds in Dar es Salaam.



Wizara ya Habari, Mawasiliano na Teknolojia ya Habari @wizarahmth

Viongozi wa Wizara, Wakuu wa Taasisi mbalimbali pamoja na wadua wa TEHAMA wakaiwa katika Kikao Maalum cha Kwanza cha Kikundi Kazi cha Mapinduzi ya Kidijitali (Digital Transformation Working Group) cha TNBC, ukumbi wa TCRA, jijini Dar es Salaam, Tarehe 06 Novemba, 2023.





High-level Ministerial Breakfast Meeting shaping Tanzania's Startup Policy Agenda.



TSA 2nd Annual General Meeting catalysing synergies and amplifying impact across the Startup Ecosystem.



Participation of Tanzania Startups to the High-level Tanzania-India Business and Investment Forum & Ecosystem tour in New Delhi.



EXECUTIVE SUMMARY

This report presents an in-depth analysis, tracking, evaluating, and quantifying the progress of Tanzania's startup ecosystem in 2023. The study employs mixed methods, combining co-creation, qualitative and quantitative approaches to provide a comprehensive understanding of the ecosystem's current state and future prospects. Such information will empower policymakers, investors, and entrepreneurs alike to make informed decisions and foster growth. Notably, the study was co-created by key stakeholders within the ecosystem, ensuring the inclusion of diverse perspectives and fostering a sense of ownership and inclusivity concerning the issues and recommendations presented in the report.

The report is organised into Preliminary pages and five chapters: Chapter 1 introduces the study by providing background information, objectives, and methodology; Chapter 2 presents the current status of the startup environment in Tanzania; Chapter 3 discusses findings, including challenges, opportunities, and reforms; Chapter 4 provide an overview of the Tanzania startup ecosystem risk matrix, and Chapter 5 offers recommendations for fostering innovation and entrepreneurship in Tanzania.

The key findings from this study show, the number of known startups has increased by 25.26%, reaching 842, suggests a dynamic and growing startup ecosystem, with youth increasingly adopting a self-employment culture; Dar es Salaam maintains its position as the predominant business hub, with 56.47% of known startups followed by other major cities; Top five leading sub-sectors including Software as a Service (SaaS) at 19.92%, AgriTech at 19.17%, E-commerce and Retail Tech at 10.15%, HealthTech at 9.21% and Fintech at 8.83%. As a result of global economic uncertainties, in 2023 Tanzanian startups secured comparatively lower funding of only \$25 million as compared to \$80 million secured in 2022, indicating a fluctuating trend in the funding landscape, Moreover, jobs created by startups increased by 112,119 jobs, marking a substantial 20.17% increase from 2022, underscoring the vital role of startups in job creation.

The startup sector faces several challenges spanning from limited access to capital and finance, the absence of a specific Startup Policy and Act, higher compliance costs, limited capacity of startups to raise funds in competitive markets etc. In light of these challenges, the key recommendations from this study include the following:-

- ⇒ Expedite formulation and implementation of the Tanzania Startup Policy, Act and Regulation in efforts to foster a more favourable business environment for startups to grow and scale in Tanzania.
- ⇒ Accelerate the creation of alternative financing mechanisms such as venture capital trust funds and encourage the formation of local investors in addressing the funding needs for startups.
- ⇒ Facilitate streamlined and affordable acquisition of licences and permits from sector regulators tailored to the unique innovations brought forth by startups.
- ⇒ Introduce tax incentives including 3 three-year tax breaks to ease regulatory compliance and foster a culture of innovation.
- ⇒ Escalating the establishment and monitoring efficiency of innovation centres, hubs and clusters at the learning institutions in support of entrepreneurship and research commercialisation.

In light of this context, implementation recommendations offered in this report presents an opportunity to further propel the startup and entrepreneurial landscape, driving economic growth, and job creation, and fostering a culture of innovation for years to come.

1. INTRODUCTION

1.1. BACKGROUND

In today's rapidly evolving global economy and technology, the development of entrepreneurship and innovation has emerged as a cornerstone for sustained growth. Startups, being a key component of the private sector, play a crucial role in driving economic growth and development, by coming up with innovative solutions, shaping new business models, and generating employment opportunities.

President Dr Samia Suluhu Hassan's end-of-year address emphasises startups as one of the government's priority areas for the year 2024/25. This underscores the commendable efforts towards nurturing the startup ecosystem in Tanzania. It is imperative to highlight that the 2022 Tanzania Startup Ecosystem Status Report acted as a catalyst for the ongoing policy dialogue on the establishment of the Tanzania Startup Policy, Act and its regulations. The Ministry of Information, Communication, and Information Technology is taking the lead on this as a convener to other Ministries, Departments, and Agencies (MDAs).

Tanzania is currently undergoing a digital transformation, evident in the increasing number of individuals connected to communication and internet services. The Government is determined and committed to opening up the country to the global economy through improved investment climate, and mega infrastructure development to accelerate the smooth flow of investment. According to TIC, in Q1 of 2023, the Centre registered 137 projects worth US\$ 2069.49 million, which are expected to generate 86,986 new jobs. In comparison to the same period last year, where TIC registered 82 projects worth US\$ 2,417 million that were expected to generate 12,008 new jobs, this represents a 67% increase in the number of approved registered projects.

As the largest segment of the workforce in Tanzania, the youth are equipped with innovative ideas and unique business models and are addressing social, economic, and environmental concerns, playing a crucial role in alleviating unemployment challenges. Startups are increasingly recognized as key players in this endeavour, as they contribute to the country's attractiveness to international investors through their innovative solutions, scalability, and potential for high returns. This strengthens the country's position as an attractive destination for investment and collaboration, further bolstering the growth and sustainability of its startup ecosystem.

Considering the dynamic nature of Tanzania's startup ecosystem, coupled with ongoing policy reforms, challenges, and emerging opportunities, it is crucial for the continuous provision of valuable insights and data on the ecosystem's state each year. Such information empowers policymakers, investors, and entrepreneurs alike to make informed decisions and foster growth. This report builds upon three previous publications, namely "[Mapping and Digitalising the Startup Ecosystem in Tanzania](#)", "[Comparative Baseline Study on Establishing the Startup Policy in Tanzania](#)," as well as [Tanzania Startup Ecosystem Status Report 2022](#) which serve as baselines for the ecosystem's status. By analysing the latest developments in the ecosystem, this report aims to provide valuable insights to stakeholders and inform policies that support the growth and sustainability of the startup ecosystem in Tanzania.

1.2. OBJECTIVES OF THE STUDY

The study's overall objective is to track, assess, and quantify the growth and developments of Tanzania's entrepreneurship and innovation ecosystem to inform the overall annual status and performance for 2023. Furthermore, the study uses data to draw insights that inform the interventions proposed to address challenges and capitalise on the opportunities

1.4. METHODOLOGICAL APPROACH

This study employed co-creation, an ecosystem-based approach fostering collaboration with diverse stakeholders in the preparation of this report. This aims to ensure inclusivity and ownership over the findings.

A mixed-methods approach that combined quantitative and qualitative data collection and



identified. In particular, the study aims at the following;

- i. To identify critical developments, including existing challenges, opportunities, and reforms implemented to address the challenges and capitalise on the opportunities;
- ii. To identify and profile key ecosystem actors to keep track of ecosystem growth in 2022 and how they complement the identified gaps; and
- iii. To propose policy and non-policy recommendations for further interventions to address the challenges and capitalise on the opportunities.

1.3. CONCEPTUAL FRAMEWORK

The conceptual framework used in this study identifies key actors in Tanzania's entrepreneurial and innovation ecosystem and outlines their contributions to its improvement. It also summarises the relationships among these actors and how they influence each other. The framework was adapted from the 'Entrepreneurial Ecosystem Diagnostic Toolkit' developed by the Aspen Network of Development Entrepreneurs (ANDE), with modifications tailored to the distinct context of Tanzania. It specifically assesses the building blocks of the startup's ecosystem including Business Governance, Finance, Business Support, Market, Human Capital, Policy, Infrastructure, Entrepreneurship culture, Research and Development as well as ecosystem coordination. Employing this conceptual framework allows for a comprehensive analysis, offering invaluable insights into the startup landscape.

analysis techniques. The quantitative data was collected through online surveys, while the qualitative data was gathered through stakeholder consultations, including in-depth interviews and focused group discussions. Further, this study is conceptualised based on specific objectives. The correspondence between the objectives and approaches guides the collection of insights.

1.5. DATA COLLECTION METHODS

This study used a combination of primary and secondary research methods, including surveys, interviews, and focus groups with entrepreneurs, investors, accelerators, and other key players in the startup ecosystem in Tanzania. Additionally, the study reviewed existing literature and other relevant sources to gather additional insights and data.

1.5.1. Literature Review

The study conducted a literature review to better understand the current state of the startup ecosystem in Tanzania and identify relevant trends and best practices that could be applied to the local context. The literature review thoroughly examined existing academic and industry research, reports, policies, laws and regulations that govern business, and publications related to startup ecosystems in Africa and other developing countries.

Key themes that emerged from the literature review were then analysed and compared to the interviews' findings to identify similarities and differences between the local ecosystem and broader global trends. The insights gathered from the literature review were used to provide additional context and depth to the findings from the interviews and to inform recommendations for improving the startup ecosystem in Tanzania.

1.5.2. Focus Group Discussions

Four focus group discussions constituted groups of participants representing startups, development partners, ministries, agencies (MDAs), academia, capital providers, and innovation hubs. These discussions were conducted virtually, with audio recordings ensuring the accurate capture of all conversations, and a total of 23 individuals

1.5.4. Surveys

The study used online surveys to gather information from a broader range of stakeholders. Surveys were distributed to startups, EISOs, capital providers, development partners, academia, and other key players in the ecosystem to obtain quantitative data that could be analysed and compared across different groups. The survey



participated in the discussions. A semi-structured guide was employed to guide the discussions, covering topics such as the current state of the startup ecosystem in Tanzania, challenges faced by startups, growth opportunities, and recommendations for enhancing the ecosystem. Follow-up questions were posed to prompt participants to elaborate on their responses and perspectives. After each focus group, the audio recordings were transcribed and analysed using a thematic analysis approach to identify common themes and patterns across responses. Overall, using focus group discussions as a data collection method allowed the study to gather diverse and insightful data from key stakeholders in the startup ecosystem in Tanzania.

1.5.3. Interviews

A total of three interviews were held online and in person with key stakeholders in the ecosystem, including startup founders, government officials, and members of the entrepreneurship community. The interviews were structured around a set of predetermined questions but also allowed for open-ended discussions and follow-up questions to gain a deeper understanding of the current state of the startup ecosystem in Tanzania and identify areas of strength and potential for growth.

The responses were recorded and analysed to identify common themes and patterns, which were then used to inform the study's findings and recommendations. The use of interviews as a data collection method provided valuable insights into the perspectives and experiences of those involved in the startup ecosystem and helped to paint a comprehensive picture of the current landscape.

was two-way structured, including access to the status of entrepreneurship and actor mapping and profiling.

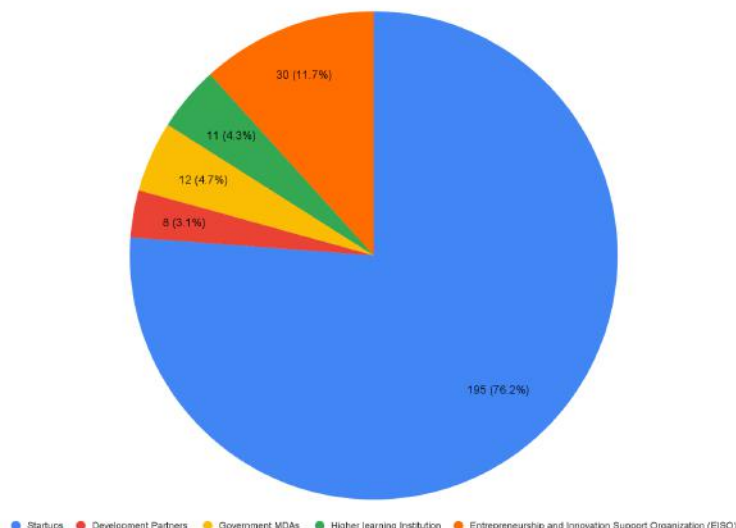
The surveys gathered information on various topics related to the startup ecosystem, including access to funding, availability of resources and support, and perceptions of the business environment in Tanzania. The data collected from the surveys was analysed and synthesised to provide a more comprehensive understanding of the ecosystem's state and identify areas for improvement.

Using surveys as a data collection method helped to ensure that a diverse range of perspectives were represented in the study and provided valuable quantitative data to complement the qualitative insights gathered from the interviews and literature review. Also, before commissioning the surveys for the respondents, the questions were successfully pre-tested to ensure the questionnaires captured the relevant data points.

1.5.5. Data Analysis Approach

Following the completion of data collection processes, two primary methodologies were employed to derive meaningful insights for reporting purposes. Quantitative data underwent statistical analysis, while qualitative data was subjected to thematic analysis. Advanced Excel was utilised to contribute to the success. The lead team in this analysis maintains high quality to ensure its accuracy, validity, completeness, and consistency from data collection, processing and analysis. This was done by the lead team's technical experts.

Figure 1: Ecosystem Stakeholders Engaged at Different Stages of Data Collection





2. OVERVIEW OF THE ECOSYSTEM

2.1. OVERVIEW

In recent years, Tanzania has emerged as a vibrant of innovation and entrepreneurship, fueled by a diverse startup ecosystem. This ecosystem comprises various stakeholders, each contributing significantly to nurturing the expansion and prosperity of startups in Tanzania as provided below.



In addition to the key actors mentioned, it is crucial to acknowledge the significant contributions of influential figures, coaches, advisors, legal experts, retired officials, and independent individuals within the Tanzanian ecosystem. These individuals form integral components of the innovation ecosystem, providing valuable guidance, expertise, and support that contribute to its vitality and success.

2.2. BENCHMARKING TANZANIA AGAINST THE GLOBAL BEST

Tanzania currently lacks an official definition for startups; however, considering the best practices from other countries, the Tanzania Startup Association (TSA) defines “*Startup as an early-stage business that embodies innovation, inherent disruptiveness, and the potential for significant scalability*”. In Tanzania, where the entrepreneurial landscape is rapidly evolving, establishing a clear understanding of what constitutes a startup is key to fostering an environment conducive to sector success.

Currently, there is an ongoing policy dialogue towards establishing a specific policy and legal framework for supporting startups as well as providing specific sector incentives to support sector growth. The Report on the Comparative Baseline Study on Establishing the Startup Policy in Tanzania 2022 recommends Tanzania to consider adopting best practices from African countries like Tunisia, Nigeria, the DRC, etc, which have in place policies and legal frameworks to support startups.

Table 1 below provides a condensed overview of a thorough benchmarking analysis, comparing Tanzania's startup ecosystem against the global best startup ecosystems. This is essential to evaluate key parameters that contribute to the success of startups worldwide. The table highlights countries like the USA, India, Italy, Egypt, Nigeria, South Africa, and Kenya, which have successfully raised significant capital for startups.

Table 1: A Comprehensive Benchmark of Tanzania and Global Startups as of 2023 Data

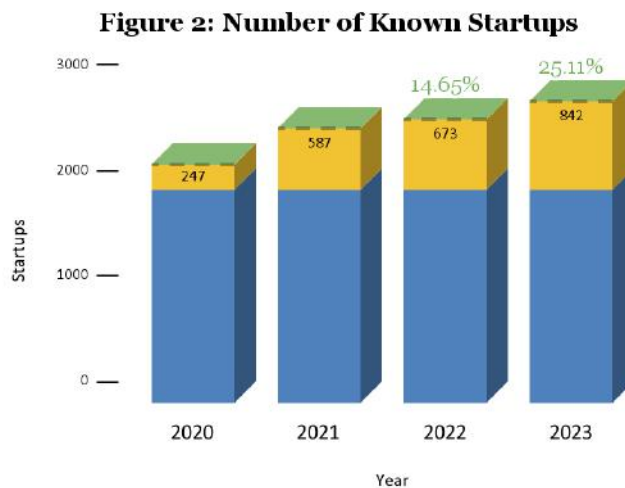
COUNTRY	KEY PARAMETERS				
	Startups Number	Total funding raised by startups in 2023	Average funding per startup in 2023	The existence of supportive policies for startups	Global ranking in 2023
USA	75,056	\$138 billion	\$1,840,000	Startup America	1
India	123,428	\$11 Billion	\$89,000	Startup India	3
Italy	14,708	\$1.676 billion	\$114,000	Startup Policy	30
Egypt	200	\$640 million	\$3,200,000	Startup Act	67
Nigeria	3,360+	\$410 million	\$120,000	Startup Act	64
South Africa	660	\$600 million	\$900,000	Startup Act Bill	53
Kenya	1,000+	\$800 million	\$800,000	Startup Act Bill	62
Tanzania	842	\$25 million	\$29,700	None	118

Tanzania can embrace best practices, particularly in establishing supportive policies, legal, regulatory and institutional frameworks, as well as sector-specific initiatives to foster the growth of startups and attract more funding.

2.3. STARTUPS

• Status in Numbers

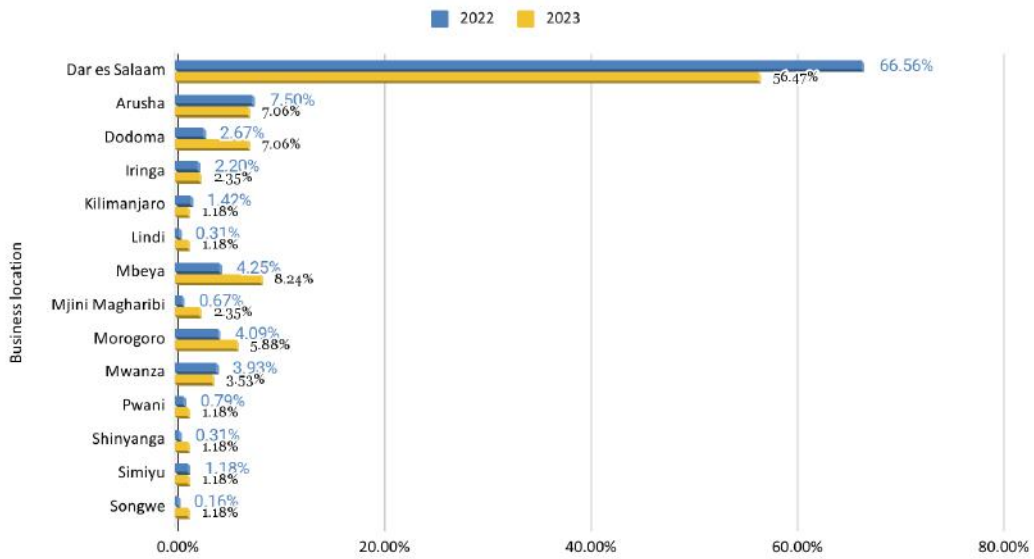
The number of known startups has been increasing every year, and 2023 has witnessed a 25.26% increase in the number of known startups, reaching 842, compared to the previous year. This upward trend suggests a dynamic and growing startup ecosystem, with youth increasing entrepreneurial drive, particularly evident in embracing self-employment as a preferred career path.



• Geographical coverage

The findings underscore a notable decrease in the percentage of known startups located in Dar es Salaam, declining from 66.56% in 2022 to 56.47% in 2023. Despite the slight downturn, Dar es Salaam maintains its position with a higher concentration of the startup ecosystem. Figure 4 below represents the top-performing regions signifying a transition towards a more dispersed ecosystem across the country, driven by a cultural shift among the youth establishing innovative businesses. Overall, the distribution of startups remains uneven, with a larger number in prominent cities.

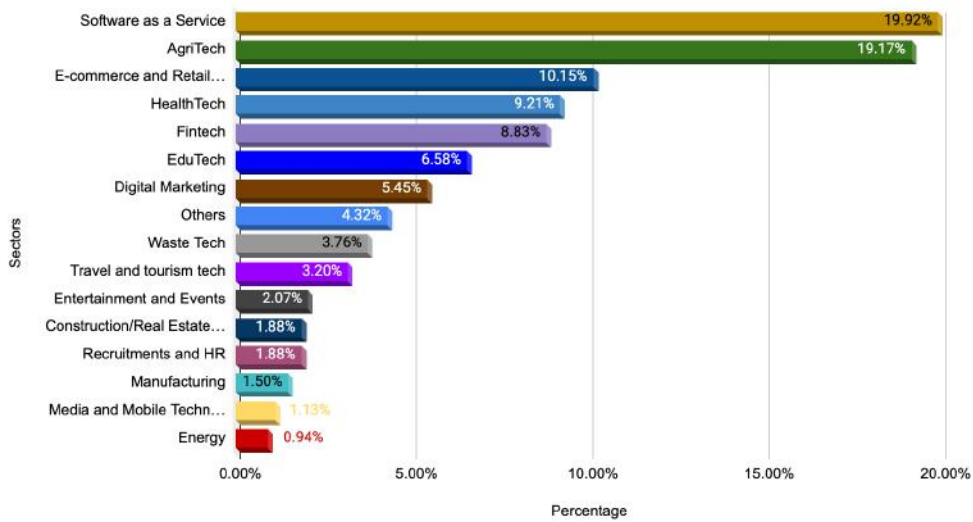
Figure 3: Geographical Distribution of Known Startups in Tanzania 2022 vs 2023



• **Sectoral Distribution**

Startups operate in almost all sectors, dependent on the aspect of innovation and business model. The sectoral distribution, depicted in Figure 4 below, presents a diverse landscape with a slight notable shift compared to previous years. This shift is driven by changing market dynamics,

Figure 4: Sectoral Distribution of Known Startups



increased investor interest, and changing demands in the entrepreneurial landscape. The other emerging sub-sectors are Relocation services tech, Big Data analytics, AI & ML, Social innovation, insurtech, Legal Services Pharmaceutical, proptech, Insurance, Transport and logistics etc. It reflects a growing emphasis on leveraging technology to address various socio-economic challenges and drive innovation across diverse industries, contributing to economic growth and sustainable development.

• **Startups Growth Stages**

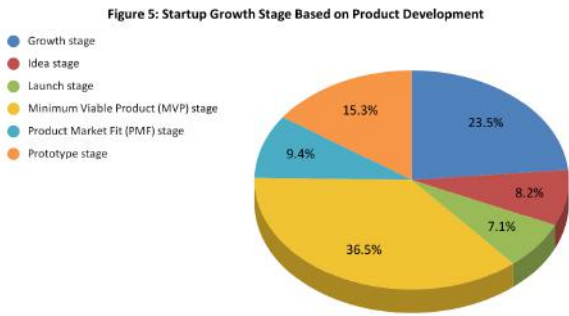


Figure 5 shows a significant portion of startups (36.5%) are in the Minimum Viable Product (MVP) stage, indicating that they have progressed beyond the initial idea phase and are working towards developing a product that meets basic market requirements.

Moreover, as provided in Figure 6, a significant number of startups have reached the seed stage (29.41%). This suggests that startups have secured initial funding to develop and scale their products or services. Additionally, 2.35% of startups are at the scaling stage indicating that many startups continue to face challenges when it comes to scaling up their businesses thus the number remains lower. This underscores the need for supportive initiatives to assist startups in overcoming barriers to growth.

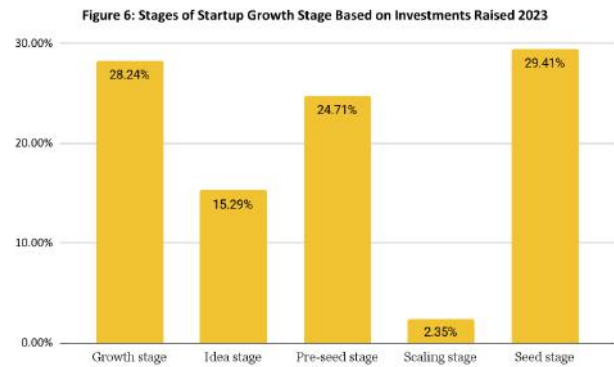


Figure 7: Startup Growth Stage based the revenue generated

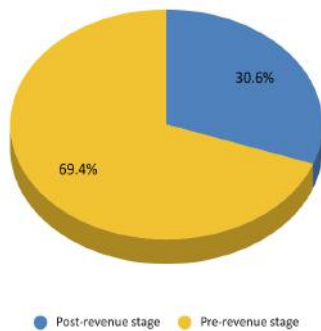
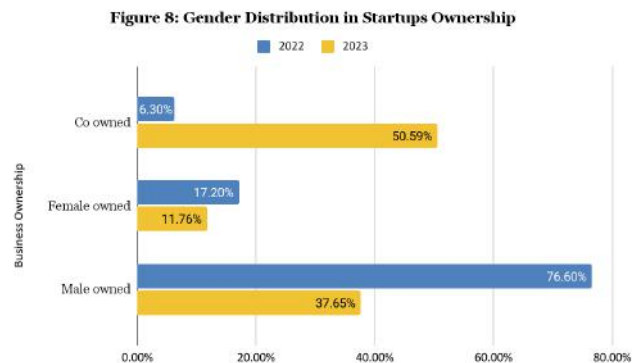


Figure 7 shows that 69.41% of startups are in the pre-revenue stage, yet to generate income from their products or services. This is attributed by several factors, including the transition phase from ideation to the growth stage, barriers in market penetration, and the evolving nature of business dynamics. However, it's noteworthy that 30.59% of startups are in the post-revenue stage, demonstrating their ability to generate income and navigate beyond the initial challenges of market entry.

• **Startups Gender Diversity**

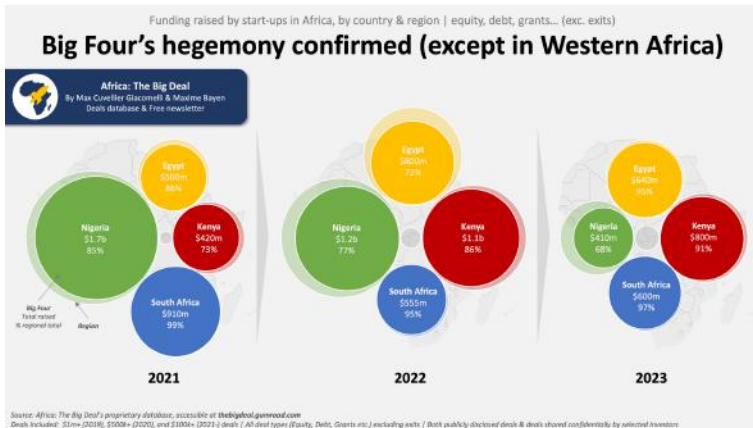
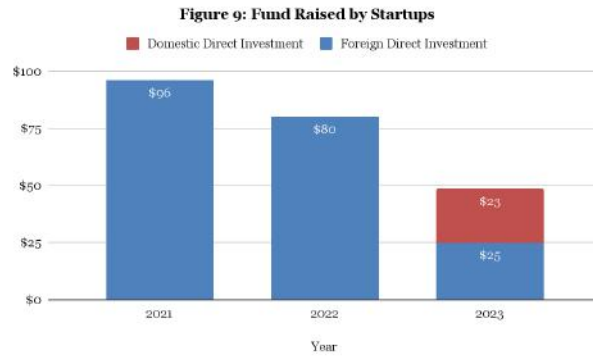
Figure 8 shows that startups that are co-owned have a substantial increase from 6.30% in 2022 to 50.59% in 2023. These findings signify a substantial shift towards collaborative business ownership, suggesting a more inclusive and diversified representation within the startup ecosystem. Additionally, it indicates a growing trend of startups integrating female founders into their teams as part of efforts to enhance resource mobilisation and increase their chances of success.





Startups Fundraising in 2023

According to Africa: The Big Deal Report 2023 as provided in Figure 9, Tanzanian startups have secured a relatively low investment of \$25 million in 2023 compared to the previous years. This represents just 2.4% of the known startups that succeeded in fundraising from external sources. Compared to last year, \$25 million represents a 69% decline. It's important to note that the global startup investment landscape experienced a substantial downturn.



According to the Big Deal report, total funding raised in Africa in 2023 was \$2.9 billion, a 39% drop from the previous period (\$4.6 billion in 2022). The main factors for the decline which also affected the Tanzania market include the collapse of Silicon Valley Bank, economic uncertainties stemming from global market conditions, changes in investor interests, limited investable startups, and regulatory constraints.

In Tanzania, despite a recent decline in Foreign Direct Investment (FDI) for startups, there is still considerable potential for an increase in Domestic Direct Investment (DDI). This is coupled with the rise in local financing sources from Development partners, Banks, Government and other investors thus suggesting a promising trend. According to this study, there is substantial Domestic Direct Investment, totalling USD 23.4 Million startups attracted. Notably, while this figure encompasses both startups and traditional SMEs, there has been a notable increase in successful fundraising efforts. Overall, in 2023, Tanzanian startups managed to raise a total of USD 48.4 million, highlighting a positive trend in investment activity in the sector.

Figure 10 shows a large funding type was obtained through non-repayable grants, indicating potential support from governmental or non-profit entities. The prominence of seed funding highlights investors' willingness to provide initial capital to startups, signifying confidence in their potential for growth and success.

Figure 10: Breakdown of the \$25 Million Based on Funding Type

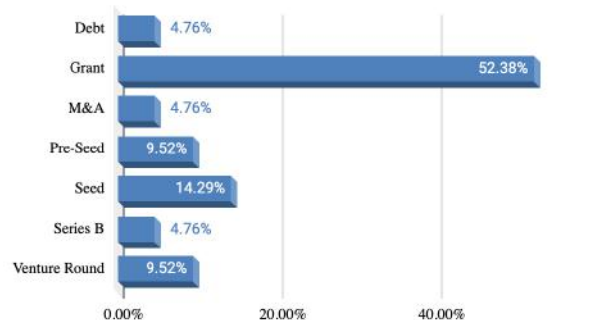
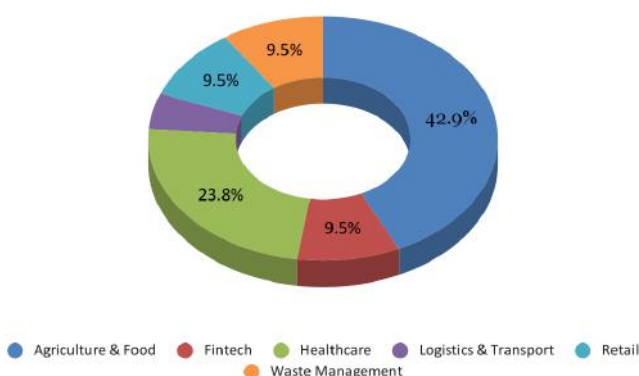
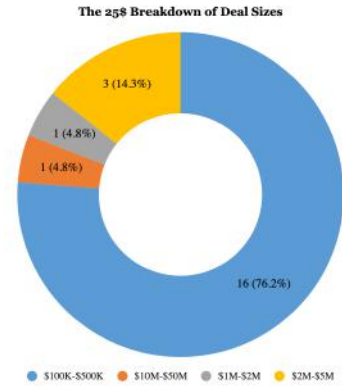


Figure 11: Funded Sector in Startup Ecosystem

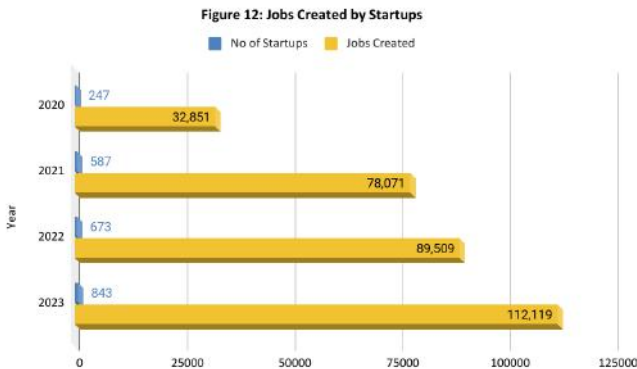


Evidence indicates that the Agriculture & Food sector has emerged as the primary recipient of funding allocations, capturing a substantial share of 42.86%. As depicted in Figure 11, this suggests significant investor interest in supporting innovations and solutions within the agriculture and food industry.

Most deals, around 76.19% of them, hover in the \$100K to \$500K range, reflecting a trend toward smaller investments. While larger deals exist, they make up a smaller share. This distribution underscores the startup landscape's preference for smaller-scale investments over larger ones, providing valuable insights into investment patterns.



● **Contribution to Jobs**



As shown in Figure 12, in 2023, startups contributed significantly to job creation, with a notable increase of 20.17% from 89,509 to 112,119 jobs. This highlights the key role startups play in addressing job challenges, especially as more youth enter the job market annually.

● **Business Registration Status**

The findings indicate a growing appetite among young entrepreneurs for establishing innovative businesses. Figure 13 reveals that more than 32.9% of startups have initiated their business ventures within the last two years.

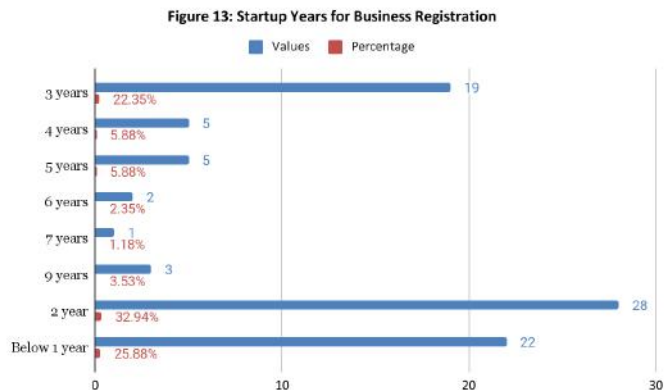
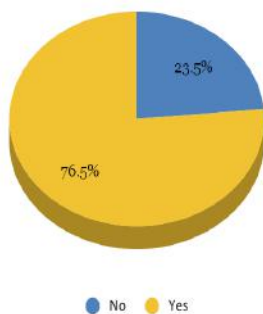


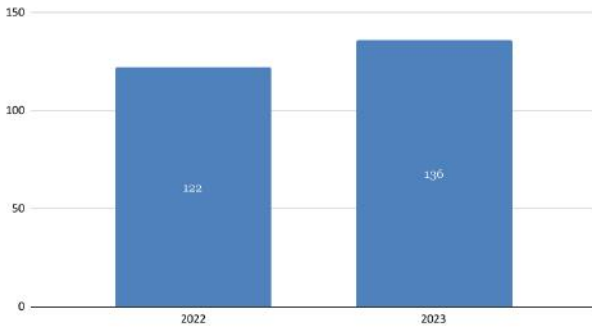
Figure 14: Startup registration Status



The majority of startups (76.5%) are registered indicating a level of compliance. However, as provided in Figure 14, about 23.53% of startups are yet to be registered. This is attributed to factors like regulatory hurdles, financial constraints, and a lack of awareness about the importance of registration.

2.4. ENTREPRENEURSHIP AND INNOVATION SUPPORT ORGANISATIONS

Figure 15: Number of known EISOs



- **Number of EISOs**

As shown in Figure 15, the number of known Entrepreneurship and Innovation Support Organizations (EISOs) has increased by 11.48% to 136. This underscores increasing support for fostering entrepreneurship and innovation. Notably, alongside specific entities, this expansion also encompasses specific programs offered by key players to provide early-stage support to startups.

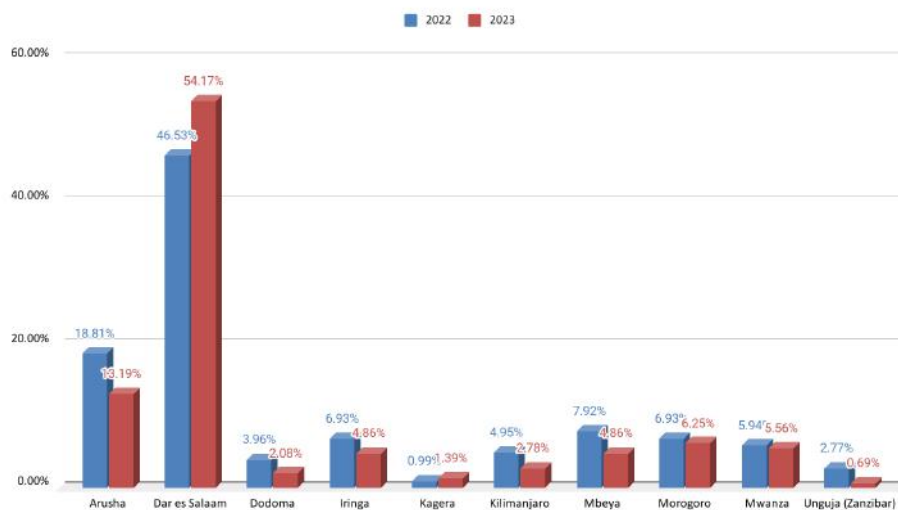
- **Categories of EISOs Base on Services Offered**

According to the Tanzania Startup Ecosystem Status Report 2022, Entrepreneurship and Innovation Support Organizations (EISOs) exhibited a distribution covers of services as follows: 60%, 50%, 49%, 19%, and 14% for Incubation, Acceleration, Community, Maker Spaces, Fab Labs, Living Labs respectively. It's important to note that a substantial number of organisations provide a combined offering of incubation and acceleration services. Other areas of EISO support include Business Development programs, Office spaces, Industry Linkages, funding, Consultations, Events networking etc. Some key emerging players supporting the startup sector in the Tanzania market include the Tanzania Fintech Association (TAFINA) and Founders Tanzania supporting startups.

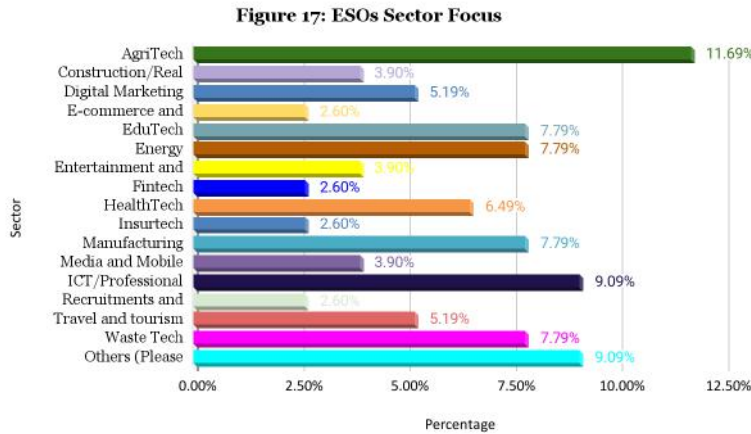
- **Geographical Distribution of EISOs.**

Compared to the previous year, as provided in Figure 16, Dar es Salaam maintains its position as the region with the highest concentration of EISO at 54.17%, followed by other big cities such as Arusha, Mbeya, and Mwanza. This indicates that startups across these regions continue to benefit from the ongoing support services aimed at fostering their growth.

Figure 16: Geographical Distribution of Known EISOs



• **EISOs Sector Focus**



The data reveals the EISOs’ sector focus showcasing the diverse landscape with AgriTech stands out with a notable 11.69%, indicating a significant emphasis on technological advancements within the agricultural sector. The ICT/professional services and consulting sector, at 9.09%, takes a prominent position, indicating a high level of investment in information and communication technologies, professional services, and consulting.

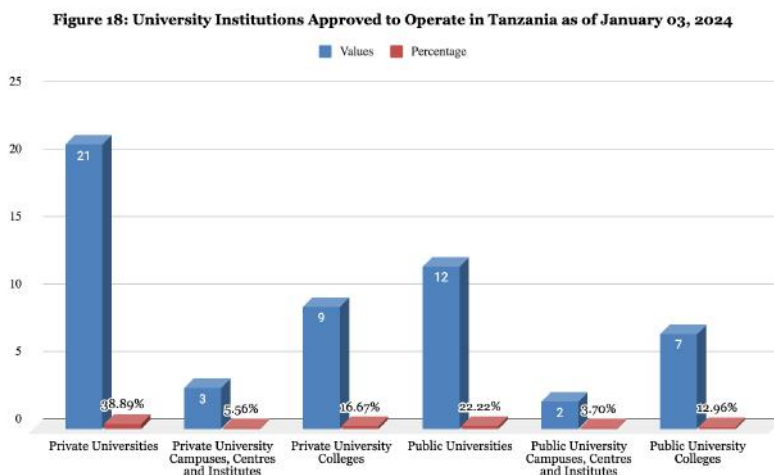
EduTech holds a substantial 7.79%, underscoring the commitment to advancing education through technology. Energy and Manufacturing sectors share the same percentage, standing at 7.79%, demonstrating a parallel focus on innovation in both energy solutions and manufacturing processes.

• **EISOs' Interest in Startup Stages**

As per the Tanzania Startup Ecosystem Status Report 2022, EISOs support startups in various stages of growth in 2022. The analysis reveals that 81% of EISOs support startups in the idea stage, while 94% support those in the early stage. Growth-stage, scaling-stage, and exit-stage startups follow with 61%, 11%, and 5%, respectively. This information highlights the startup landscape and identifies areas for more support. The high concentration of startups in the idea and early stages suggests a need for more support to help these businesses grow and succeed. The lower percentages of startups in the scaling and exit stages suggest that there may be barriers to growth and sustainability, such as a lack of access to funding or mentorship.

2.5. HIGHER LEARNING INSTITUTIONS

• **Universities Operating in Tanzania**



According to TCU, as of January 2024, 49 approved universities operate in Tanzania, whereas 19 are public-owned and 30 are private-owned universities.

Academia plays a crucial role in equipping youth with the essential skills and knowledge needed to navigate entrepreneurship, thus serving as a vital component of the startup ecosystem in Tanzania.

• Available Innovation Centres/Hubs/Clusters in Nurturing Startups

As depicted in Figure 19, a significant 75% of the surveyed academic institutions have established innovation clusters, hubs, or centres with a primary focus on supporting and nurturing innovation at the grassroots level. These dedicated spaces serve as crucial catalysts for entrepreneurial endeavours, providing indispensable resources, mentorship, and collaborative opportunities.

Figure 19: Academia with Innovation cluster/Hub/Center

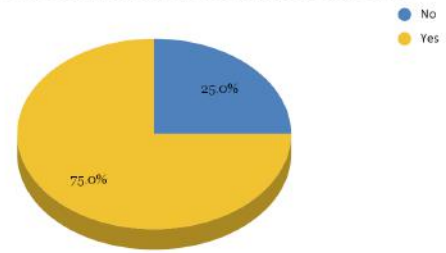


Figure 20: Academia Providing Designed Program for Startups



• Participation in Business Development Services (BDS) Programs

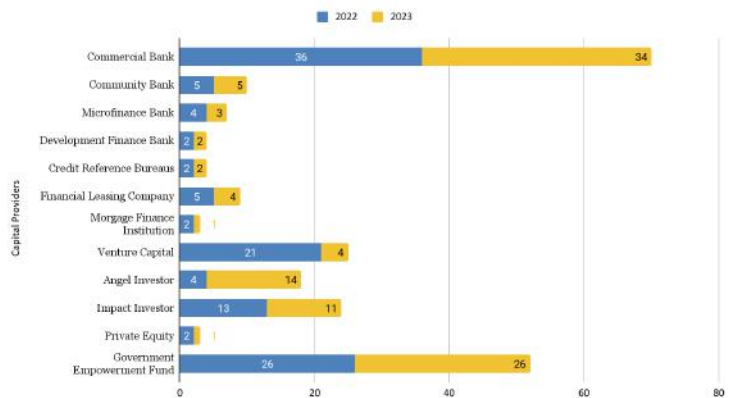
Figure 20 highlights the presence of centres/hubs/clusters at the university level that offer Business Development Services tailored specifically to Entrepreneurship and Financial Management, as well as Business Development and Investor Readiness. These specialised facilities are crucial in providing aspiring entrepreneurs with essential support and guidance in key areas critical to their success.

2.6. CAPITAL PROVIDERS

• Capital Providers in Numbers and Categories

Tanzania's financial market boasts a diverse landscape with 107 active capital providers across 12 categories. This variety offers startups multiple potential avenues for securing funding, a critical factor in their success. To specifically promote early-stage innovations and boost the use of science, technology, and innovation products/services for socio-economic development, the Ministry of Education, Science and Technology, in partnership with COSTECH, allocated a significant TZS 401,813,188 to enterprises identified through the MAKISATU innovation competition in the 2022/23 financial year.

Figure 21: Active Capital Providers in Tanzania's Market 2022 vs 2023



Additionally, according to the Bank of Tanzania, financial institutions demonstrated support for MSMEs. As of September 2023, they had issued TZS 3.3 trillion in funding, escalating to TZS 3.6 trillion by December 2023. Further, the Prime Minister's Office for Labour, Youth, Employment, and Persons with Disabilities outlined in their 2022/23 budget speech the empowerment of these groups through Local Government Loans. LGAs approved TZS 76.02 sourced from 10% of local income specifically for loans to businesses led by women, youth, and people with disabilities. By February 2023, an impressive 53.01 billion shillings had been collected, with 37.59 billion shillings successfully disbursed as loans. Furthermore, in the 2022/23 financial year, the Prime Minister's Office, through the Youth Development Fund, issued 1.88 billion shillings in loans to support 85

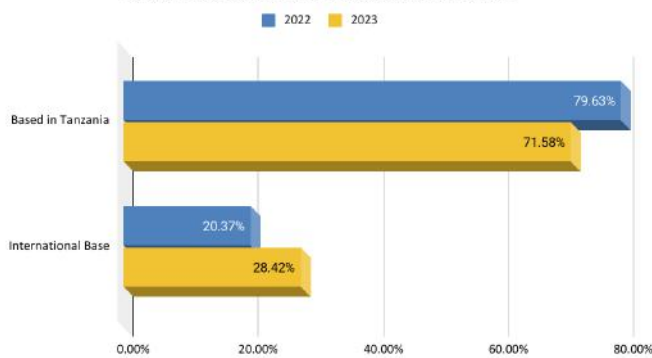


youth projects across agriculture, industry, and business sectors in 28 councils. Alongside financial support, 2,497 young people received valuable training in entrepreneurship, management, formalisation, and business development. The government has further streamlined access to these funds by revising Youth Development Fund guidelines, now allowing loans to be granted to youth groups, individuals, and companies.

However, it's important to note that most of these funding providers cater to the broader SME sector or other target groups. This may limit access to capital for startups specifically. Addressing this gap will be crucial for fostering a truly comprehensive and supportive ecosystem for early-stage innovation in Tanzania.

• **Capital Providers' by Geographical Distribution**

Figure 22: Capital providers Geographical Base 2022 vs 2023



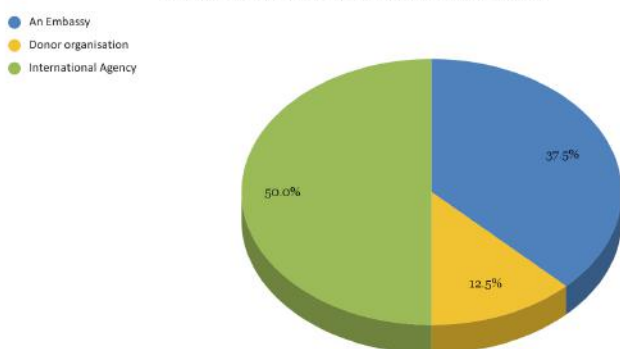
As provided in Figure 22, the majority of capital providers remain higher at 79.63% and 71.58% in 2022 and 2023 respectively headquartered in Tanzania. While international bases remain at relatively lower rates. Some of the leading investors include DEG (Germany), GIIG Africa Fund, RaliCap, Seedstars, Hustle Fund, Microtraction, Ventures Platform, Launch Africa, MAGIC Fund, ACASIA Ventures, Asia Africa Investment and Consulting, Adaverse, EMERGO, and Angel Investors. Also Milken Institute Center for Strategic Philanthropy, Motsepe Foundation, 100x Impact

Accelerator, Africa50, AfricInvest, Ohara Pharmaceuticals, Sanofi Global Health Unit Impact Fund, Pontem Ventures, Warioba Ventures, Villgro Africa, Axian Group, Angel Investors, Auto24, Catalyst Fund, EDFI AgriFI, GSMA Innovation Fund.

2.7. DEVELOPMENT PARTNERS

• **Development Partners in Supporting the Startups**

Figure 24: Development partners support startups



Development partners contribute significantly to the growth of startups by providing crucial financial support. Through grants, loans, and investments, these partners empower entrepreneurs to bring their ideas to life. Figure 24 shows that 50% of Development Partners (DPs) are International Agencies, signifying the substantial role played in supporting entrepreneurship and innovation programs in Tanzania. These agencies, often with a global reach, contribute expertise, funding, and collaborative opportunities to grow the entrepreneurial ecosystem.

• **Budget Allocation in Supporting Entrepreneurship and Innovation**

Effective funding and budget allocation are instrumental in creating an environment conducive to entrepreneurial growth. Findings from the survey data show that in 2023, Development Partners supported various programs of entrepreneurship and innovation support with a maximum average cost of the program being USD 11,153,250 Million and a minimum being 21,865 USD.



- **Business Development Services Programs**

The most offered programs supporting entrepreneurship and innovation include the fact that the Embassy of Switzerland in Tanzania has a vast Innovation portfolio including (i) Innovation for Social Change promotes the growth of impact-first enterprises in Tanzania through the provision of tailored technical assistance and innovative impact-linked financing (ILF) instruments. (ii) Impact Linked Finance for Climate Change (ILF CC) is a funding window that attracts further commitments from public and private funders looking to provide impact-linked financing to HIOs in Eastern & Southern Africa and tackle Climate Challenges in Tanzania. (iii) The Embassy also supports the AfroGreen ClimAccelerator Cohort 2 which is run by Westerwelle Haus Arusha. The program intends to boost innovative and sustainable solutions that contribute to the ecosystem efforts to fight climate change effects and risks.

The EU Delegation implements D4T-TIDE/PesaTech/Tanzania Business Angels Academy; JICA Tanzania implement KAIZEN /BDS and Next Innovation with Japan (NINJA); FUNGUO under the European Union Delegation to Tanzania while GIZ have programs on Waste Management and Circular Economy, Women Economic Empowerment, Young Founders in Digital Ventures

Global Affairs Canada (GAC) implements the MEDA FEGGE project focusing on improving the business-enabling environment and facilitation opportunities for women-owned businesses in the dryland and semi-arid regions of Tanzania among other programs just to mention a few.

These programs collectively contribute to creating a vibrant entrepreneurial landscape in Tanzania, fostering innovation, and addressing diverse challenges. Therefore, aligning resources and expertise, these initiatives play a crucial role in shaping a sustainable and impactful future for entrepreneurship and innovation in the region.



Box 1: THE GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES INITIATIVES IN SUPPORTING AND NURTURING ENTREPRENEURSHIP AND INNOVATION ECOSYSTEM IN TANZANIA IN 2023.

COSTECH Initiatives

In accordance with the National Five Years Development Plan III (2021-2026), the Government of Tanzania continues to support different stages of startups as part of building up the National Innovation System in Tanzania. This is mainly done by providing an enabling environment and specific funding programs to startups with early-stage innovations from individuals. The government promotes support to early-stage startups through programs such as support towards the establishment of innovation hubs and incubators in the public and private sectors. For instance, in the year 2022/23, the Tanzania Commission for Science and Technology (COSTECH) continued to support fifty-four (54) innovation spaces with capacity-building programs for Hubs managers and leveraging opportunities for funding from the public and private sectors.

In promoting the early stages of innovations and increasing the utilisation of science, technology and innovation products/services for socio-economic development, the Ministry of Education, Science and Technology in collaboration with the Tanzania Commission for Science and Technology allocated a total of TZS 401,813,188 to support enterprises with early-stage Innovation that were obtained from innovation competition popularly known as Mashindano ya Kitaifa ya Sayansi, Teknolojia na Ubunifu (MAKISATU) in the Financial year 2022/23. The support aimed to develop Tanzanian innovation in the fields of Science and Technology and contribute to social and economic development in the country.

Other partners such as FUNGUO (UNDP) and AFRICONEU allocated TZS 155.8 and 329.5 million respectively to support early-stage startups via training, boot camp and mentorship prototypes in the same period.

The ICT Commission (ICTC) Initiatives

In line with the National Five Years Development Plan III (2021 -2026), the ICT Commission is actively involved in promoting and supporting ICT startups and fostering innovation in the country. The ICT Commission has launched a program for the establishment of soft centres aimed to serve as ICT startup acceleration centres. The centres, among others, will create a conducive environment for ICT startups enabling them to obtain mentorship programs, training and financial resources to early stage ICT startups. Such arrangements help startups to refine their business models, develop their products and prepare for market entry.

In 2023/2024, the ICT Commission proceeded with the establishment of eight soft centres in Dar es Salaam, Arusha, Mwanza, Tanga, Dodoma, Mbeya, Lindi and Zanzibar. The identification of locations and buildings for the soft centres has been completed and the designs as well as other related logistics are ongoing. It is expected that these centres will be substantial in enabling startups to access funding as well as recognition through registrations. The ICT Commission is also establishing soft centres for each district which will serve as ICT startup incubation centres at the district level. As part of creating a conducive environment for ICT startups, The ICT Commission is also establishing fabrication laboratories to be used for the assembly of ICT devices and repair of used ICT devices to extend their useful life while making available affordable ICT devices in the country.

The ICT Commission has been hosting the annual ICT conference each year, providing platforms for ICT startups to showcase their innovations, receive feedback from industry experts and win prizes to support their growth. The Commission has also supported startups to participate in international conferences and forums as part of building their confidence and commercialization.

The ICT Commission has facilitated access to funding and investment opportunities for ICT startups through partnerships with financial institutions (CRDB Bank through Imbeju Programme), venture capital firms and angel investors. Thus, helping startups secure capital, scale their business and bring their innovation to market.

The ICT Commission has conducted capacity-building workshops and training programmes for ICT startups on various topics including business development, technology trends and cyber security to help startups enhance their skills, knowledge and capabilities to succeed in the competitive ICT landscape.



3. ANALYSIS AND KEY FINDINGS

3.1. ON ENTREPRENEURSHIP SKILLS

Finding 01: The number of founders accessing entrepreneurship training programs has declined slightly underscoring the necessity for adequate business support programs

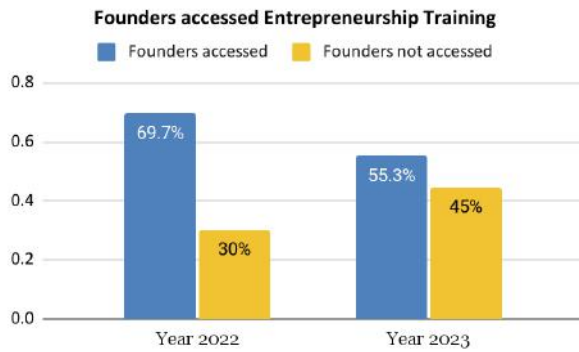


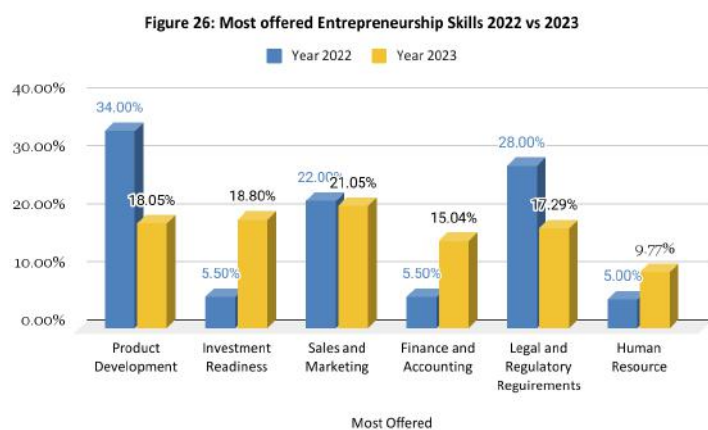
Figure 25 data reveals a shift in access to entrepreneurship training from 2022 to 2023. In 2022, 69.7% of founders accessed training. However, in 2023, there was a decrease in the percentage of founders accessing training, as only 55.29% of them accessed business development programs. This decline is attributed to factors like the cost of the training, the relevancy of the training, accessibility of the training, and limited information about the training opportunities. This suggests a need for more supportive initiatives and programs to bridge this gap and

ensure that startup founders have access to the necessary training and resources to succeed. These initiatives include tailored training programs, mentorship opportunities, and partnerships between academic institutions, government agencies, and private sector organisations. By implementing such initiatives, stakeholders can contribute to fostering a more vibrant and resilient entrepreneurial ecosystem, ultimately driving economic growth and innovation.

It's important to highlight that the Dar es Salaam Stock Exchange (DSE) has programs that build capacity for SMEs and enable them to raise capital. The DSE Enterprises Acceleration Program (DEAP) is a capacity-building program aimed at enhancing the technical capacities of SME executives so that they can sustainably run their business and hence become attractive to different sources of business financiers i.e. commercial banks, private equity funds, venture capital funds, crowdfunding platforms, capital markets framework. This program has benefited 82 SMEs in 2023. The Enterprises Growth Market (EGM) is a segment for small and medium-sized companies. EGMs enable these firms to raise substantial capital and accelerate their growth within a regulatory environment designed specifically to meet their needs. The segment offers companies flexible listing requirements in recognition of the company's growth phase. This has benefited 7 SMEs. To enable these SMEs to access funds to scale and expand their businesses, the DSE uses these criteria to assess the enterprises.

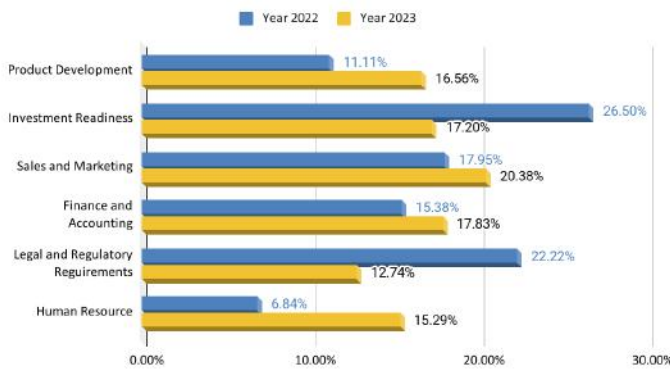
Finding 02: Product development continues to be the most frequently provided program in entrepreneurship training

Figure 26 highlights a significant emphasis on entrepreneurship as the most offered skill set in both 2022 and 2023. However, despite its crucial role in refining products to meet market needs, the focus on product development skills decreased from 34% in 2022 to 18% in 2023. Legal and regulatory compliance remains one of the less frequently offered BDS skills in 2023, calling for affirmative efforts to support startups to navigate different legal and regulatory measures for their success and sustainability.



Finding 03: Empowering founders with diverse skills is key to their success, with a shifting emphasis on areas such as investment readiness

Figure 27: Most Needed Skills Among Founders in 2023



Findings show that investment readiness remains the highest needed skill at 26.5% and 17.2% in 2022 and 2023 respectively. Followed by legal and regulatory requirements among other business Development Programs. Overall all this underscores the necessity for the implementation of supportive programs to nurture startups with relevant skill sets.

Further, based on the data collected from various MDAs, in efforts to support human development skills, TCRA on 2nd November 2023, launched a Digital Clubs

Handbook to facilitate the establishment and coordination of digital clubs in schools, colleges, and universities in the country. The handbook includes content in both English and Swahili languages, as well as braille for people with visual impairments. Additionally, digital clubs will be established to enhance knowledge of ICTs and the digital economy. These clubs will provide opportunities to acquire ICT skills, understand the importance of responsible digital citizenship, and actively contribute to the growth of digital Tanzania. By empowering these communities from a young age with essential digital skills, TCRA is actively contributing to the broader goal of fostering a digitally inclusive society, emphasising the transformative potential of digital education and engagement.

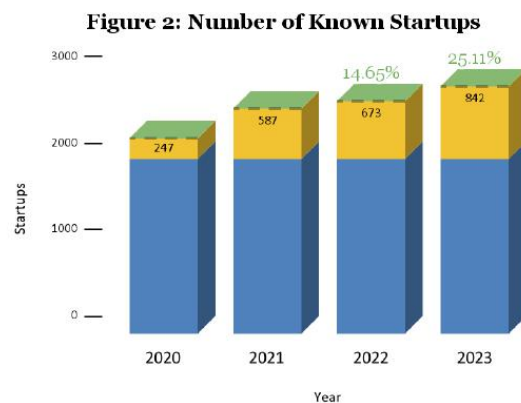
Moreover, TCRA provides ICT equipment facilities to government schools (primary/secondary) as one of its initiatives to promote the use of ICT and digital innovations. Additionally, TCRA supports digital innovations by promoting participation in activities provided by national, International and regional bodies such as; (a) Endorsing young innovators to participation in conferences such as Generation Connect Global Youth Summit through ITU; (b) Guide Innovators on the participation of different forums such as the WSIS Forum 2023. (c) Encourage participation in available Digital competitions provided by international and regional bodies such as ATU digital innovation challenges for 2023.

PPRA -The Authority conducted training sessions on the Public Procurement Act (PPA) and Public Procurement Appeals Authority (PPR) for 357 students. This included 278 members of the Federation of Procurement and Supplies Students Association Club in Dodoma and 79 members of the TIA Procurement Professional Club.

3.2. ON ENTREPRENEURSHIP CULTURE

Finding 04: Startups are experiencing remarkable growth and a 25.11% increase between 2022 and 2023, driven by the cultural shift towards entrepreneurship

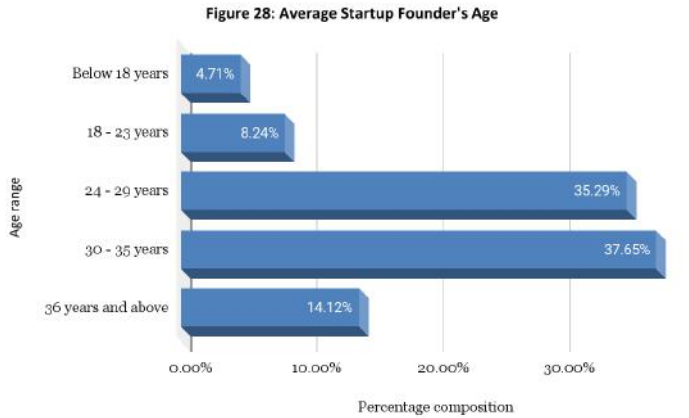
The number of known startups has been increasing exponentially since 2020, reflecting a substantial surge in startup activities. As provided in Figure 2, 2023 witnessed a 25.11% increase in the number of startups, reaching 842, startups from 673 in 2022.



The upward trend suggests a dynamic and growing startup ecosystem, with a substantial expansion in the entrepreneurial landscape.

The substantial increase in startups reflects a dynamic entrepreneurial landscape, and a cultural shift in self-employment contributes to addressing unemployment challenges.

Finding 05: The predominant age range of startup founders is 24-35 years underscoring the need for cross-industry mentorship to enhance perspectives, foster innovation, and contribute to well-rounded entrepreneurial growth

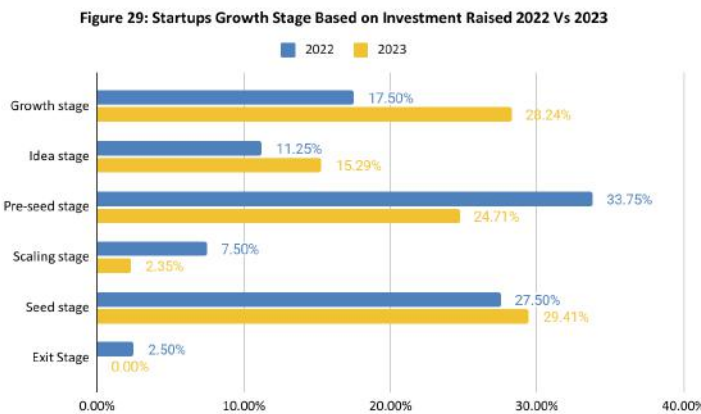


The data reveals a clear dominance in the age group of 30 - 35 years (37.65%) and 24 - 29 years (35.29%) as provided in Figure 28. This indicates a strong representation of youth who recently graduated and have less corporate experience in navigating business operations. This potentially brings innovative thinking at the early stages of their professional and entrepreneurial journey. The dominance of youth in their late 20s and early 30s points to a thriving presence of emerging entrepreneurs.

This calls for the necessity of fostering cross-industry mentorship to enrich perspectives, foster innovation, and enable founders to draw inspiration from diverse experiences, thereby promoting well-rounded entrepreneurial growth.

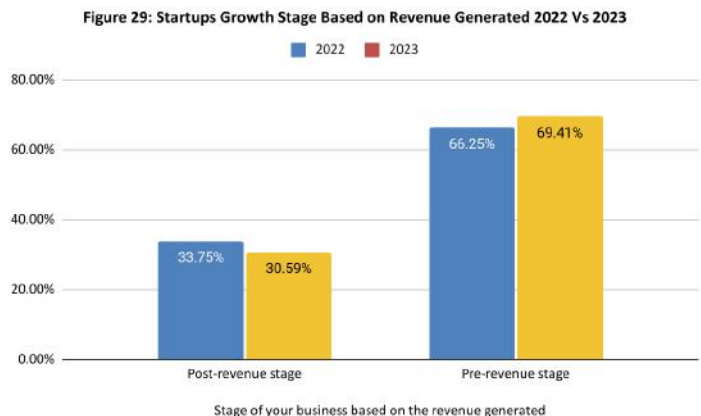
3.3. ON INVESTMENTS

Finding 06: The majority of startups are early stages which underscores the necessity for tailored support to cater to their unique needs and challenges



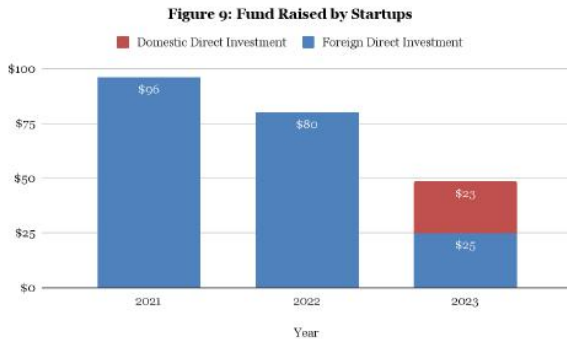
As depicted in Figure 29, the number of startups operating in pre-seed and seed stages remains higher. This highlights the need for supportive programs that are tailored to cater for the needs and challenges of these particular startups. This involves adequate incubation and acceleration programs, investor linkages

Furthermore, the significant proportion of startups (Figure 29) in the pre-revenue stage also highlights the pressing need for specialised attention and resources. This stage of development is particularly critical as startups strive to validate their business models, attract initial customers, and generate revenue. Therefore, it is imperative to implement targeted support initiatives that cater to the specific requirements of startups navigating the complexities of the pre-revenue phase. For



example, mentorship, access to funding, Facilitating connections with potential customers, partners, and industry experts to expand networks, validate business assumptions, and explore collaboration opportunities.

Finding 07: Tanzanian startups exhibit a fluctuating funding landscape, as evidenced by a notable decrease in funding in 2023, with only \$25 million secured



As provided in Figure 9, despite the fluctuation and lower rates in Tanzania, it's important to note that the global startup investment landscape experienced a substantial downturn, with a 38% decline in 2023 compared to the previous year. The total investment into the African tech startup ecosystem also fell by 27.8 per cent to US\$2.4 billion in 2023.

In 2023, the Big 4 African tech ecosystems of Kenya, Egypt, Nigeria, and South Africa experienced a decline in funding compared to the previous year. Kenya secured \$806 million, followed by Egypt with \$675 million, Nigeria with \$575 million, and South Africa with \$565 million.

This fluctuation suggests a dynamic interplay of factors which also affected the Tanzania market. The macro factors include the collapse of Silicon Valley Bank, economic uncertainties stemming from global market conditions, changes in investor interests, limited investable startups, and regulatory constraints. Also, compared to more established startup hubs, Tanzania might not be as prominently featured on the radar of international investors. This lack of awareness can result in a smaller pool of potential investors, reducing overall funding opportunities for Tanzanian startups.

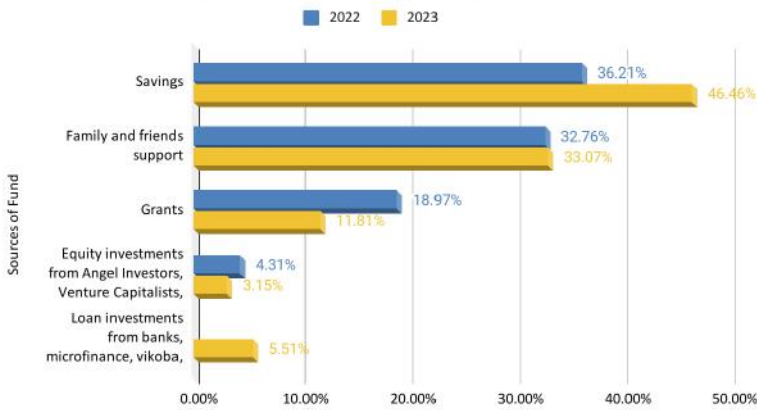
Moreover, the underdevelopment of a robust venture capital ecosystem including networks, and limited maturity of the Tanzanian market compared to other countries, limits the attractiveness to investors seeking substantial returns. Other startups fail to meet the criteria to get funds (investor readiness, the most needed skill in 2023) and the limited production of "investable startups" is still low from our innovation hubs. Addressing these challenges requires a concerted effort from the government, industry stakeholders, and the startup community to enhance the overall ecosystem, reduce perceived risks, and attract more investors to contribute to the growth of Tanzanian startups.

Tanzania Investment Center has been playing an important role in coordinating, promoting and facilitating investments in Tanzania and advising the Government on policy matters to create a competitive, attractive and sustainable investment climate. Besides the revised Tanzania Investment Act, 2022 with a reduced investment threshold of USD 50,000 for locally-owned businesses, TIC assists in promoting the startup ecosystem through the ongoing initiatives for the establishment of the startup desk, TIC extends support to startups by featuring startups in its quarterly bulletin including the beneficiaries of Pesa Tech Startup under UNCDF. Moreover, the TIC Investment Bulletin has a section promoting private projects that include startup projects.

Moreover, according to the FCC, there were a total of 40 merger applications received between January and December 2023. Notably, the majority of these applications focused on corporate businesses rather than startups. The sectors with the highest concentration in merger applications span diverse industries such as manufacturing, telecommunications, mining, financial services, healthcare, energy, oil and gas, aviation, agriculture, banking, real estate, information and communication technology (ICT), tourism, and construction. This trend in merger applications indicates that there is a significant emphasis on consolidating established corporate entities and no startups involved thus lower visibility or participation in merger activities, potentially affecting their growth and integration into the broader business landscape. This underscores the need for strategic support and initiatives to promote the recognition and inclusion of startups in merger and acquisition discussions, fostering a more inclusive and dynamic entrepreneurial environment.

Finding 08: Tanzanian startups thrive on personal savings and family support, highlighting the need to develop robust financing to support business operations

Figure 30: Sources of Funding to Startup Business



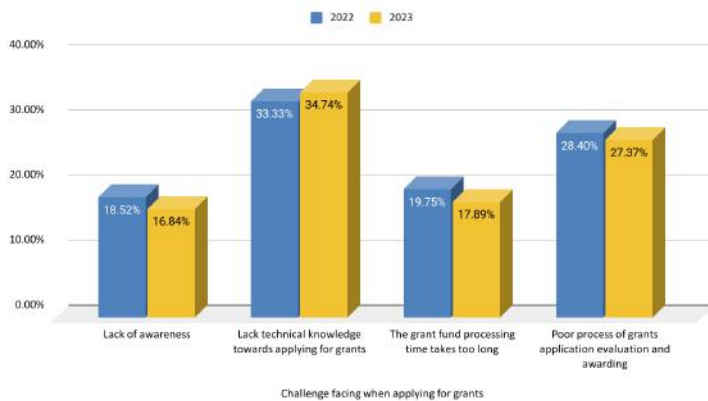
The findings show the substantial increase in startups relying on personal savings from 2022 36.21% to 2023 46.46% indicates a growing trend of founders investing their own financial resources into their ventures. Followed with family and friends support from 2022 at 32.76% to 2023 at 33.07%.

This highlights the need for ongoing efforts to expand access to alternative funding sources and support mechanisms for startups, including government grants, angel investors,

and startup accelerators. The diversification of the funding landscape to startups will provide alternative options that are tailored to the needs of early-stage ventures, and empower their potential for innovation and growth.

Figure 31 shows the challenges related to when applying for Grants, lack of technical knowledge remains the highest challenge followed by poor processing of grant application evaluations and awarding. The percentage of startups facing challenges due to a lack of technical knowledge when applying for grants increased slightly from 33.33% in 2022 to 34.74% in 2023.

Figure 31: Challenges When Applying for Grants 2022 vs 2023

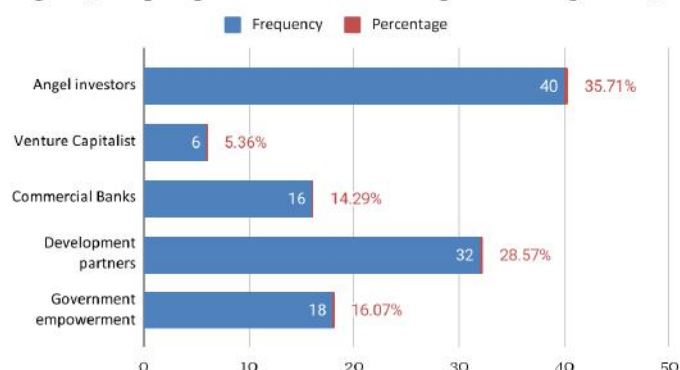


This suggests that startups require additional support or educational resources to enhance their technical proficiency in navigating the grant application process. Bridging this knowledge gap is crucial to empower startups in effectively accessing and leveraging available grant funds opportunities. Furthermore, expediting the grant approval process is imperative for fostering transparency and ensuring timely disbursement of funds, thereby catering to the anticipated support needs of startups.

Finding 09: Limited local sources of funding suggest a call for the establishment of a venture fund, precisely designed to meet the unique needs of startup ventures

The findings, as illustrated in Figure 32, reveal that in 2023, the majority of funds raised by startups were sourced from Angel Investors. These are typically high-net-worth individuals who invest their funds into promising startups or businesses. Their support suggests a strong belief in the potential success and growth of our venture.

Figure 32: Capital providers Backed Startup Fundraising in 2023

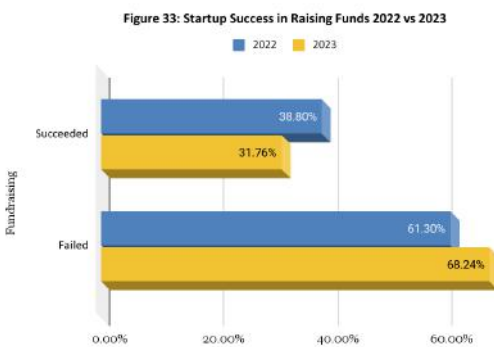


Despite contributing a small portion (5.36%) of the total funds raised by startups from Venture Capitalists, their contribution to the ecosystem is very significant. Followed by Venture Capitalists (5.36%), although a smaller percentage, the involvement of venture capitalists is significant to the ecosystem.

In promoting stages innovations and increasing utilisation of science, technology and innovation products/services for socio-economic development, the Ministry of Education, Science and Technology (MEST) in collaboration with the Tanzania Commission for Science and Technology (COSTECH) allocated a total of TZS 401,813,188 to support enterprises with early-stage Innovation that were obtained from innovation competition popularly known as Mashindano ya Kitaifa ya Sayansi, Teknolojia na Ubunifu (MAKISATU) in the Financial year 2022/23. The support aimed to develop Tanzanian innovation in the fields of Science and Technology and contribute to social and economic development in the country.

According to the National Economic Empowerment Council (NEEC), during the year 2022/23, empowerment funds and programs managed to provide loans worth 743.7 billion shillings to about 6,064,957. Notably, these funds are exclusively fit for traditional businesses rather than supporting startups. Further, the existing empowerment funding schemes present an opportunity to extend support to startups during their early stages of development.

Finding 10: A growing number of startups encounter challenges in fundraising, evident in the rise of failure rates underscores the need for strategic initiatives to effectively address these concerns

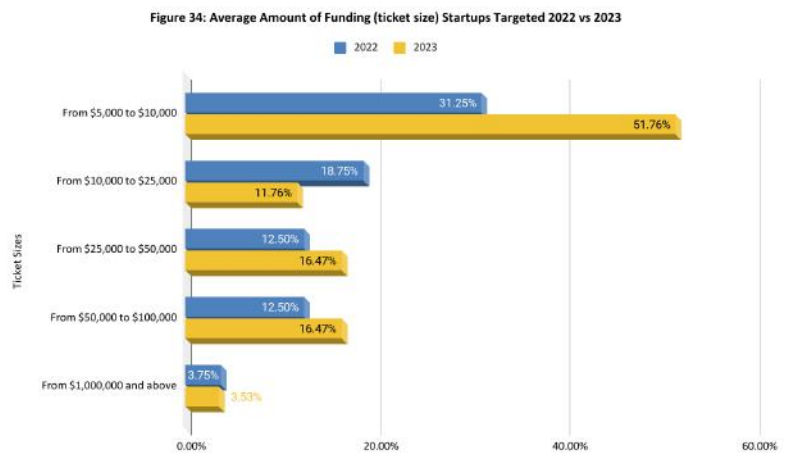


Findings show the increasing rate of startups failing to raise funds in Tanzania. As provided in Figure 33, in 2022, 38.80% of known startups were successful in raising funds while in 2023, the success rate decreased to 31.76%. Likewise, in 2022, 61.30% of startups failed to raise funds, and in 2023, the failure rate increased to 68.24%.

The drop suggests a more challenging fundraising environment for startups. This is attributed to many factors including increased competition for funding, investor interests as well as limited

investable startups. The rise in the failure rate indicates that a larger proportion of startups struggled to secure funding in 2023 compared to the previous year. A higher failure rate leads to a slowdown in innovation, as startups might face challenges in scaling their operations without adequate funding.

Further, as provided in Figure 34, the analysis revealed many startups predominantly sought ticket sizes between \$5,000 and \$10,000 at 31.25% in 2022 and 51.76% in 2023. This suggests that a significant majority of startups are still in their initial or early stages of growth, indicating a concentrated focus on seeking smaller investments to kickstart their ventures. It's important to note that the increase in funding for ticket sizes from \$50,000 to \$100,000 and \$1,000,000 and above suggests a growing appetite among investors for larger stakes in promising startups.



3.4. ON INFRASTRUCTURE

Finding 11: Startups highlight the importance of securing specific technologies and resources as essential infrastructure to bolster their operational capabilities

Comparing the findings for 2022 and 2023 regarding the infrastructural requirements startups need the most, the trends are very dynamic. The need for a private office increased slightly from 16.82% in 2022 to 18.37% in 2023. This indicates a growing necessity for startups to have dedicated and private working spaces. Also, the demand for co-working spaces remained relatively stable, with a slight increase from 12.62% in 2022 to 13.06% in 2023.

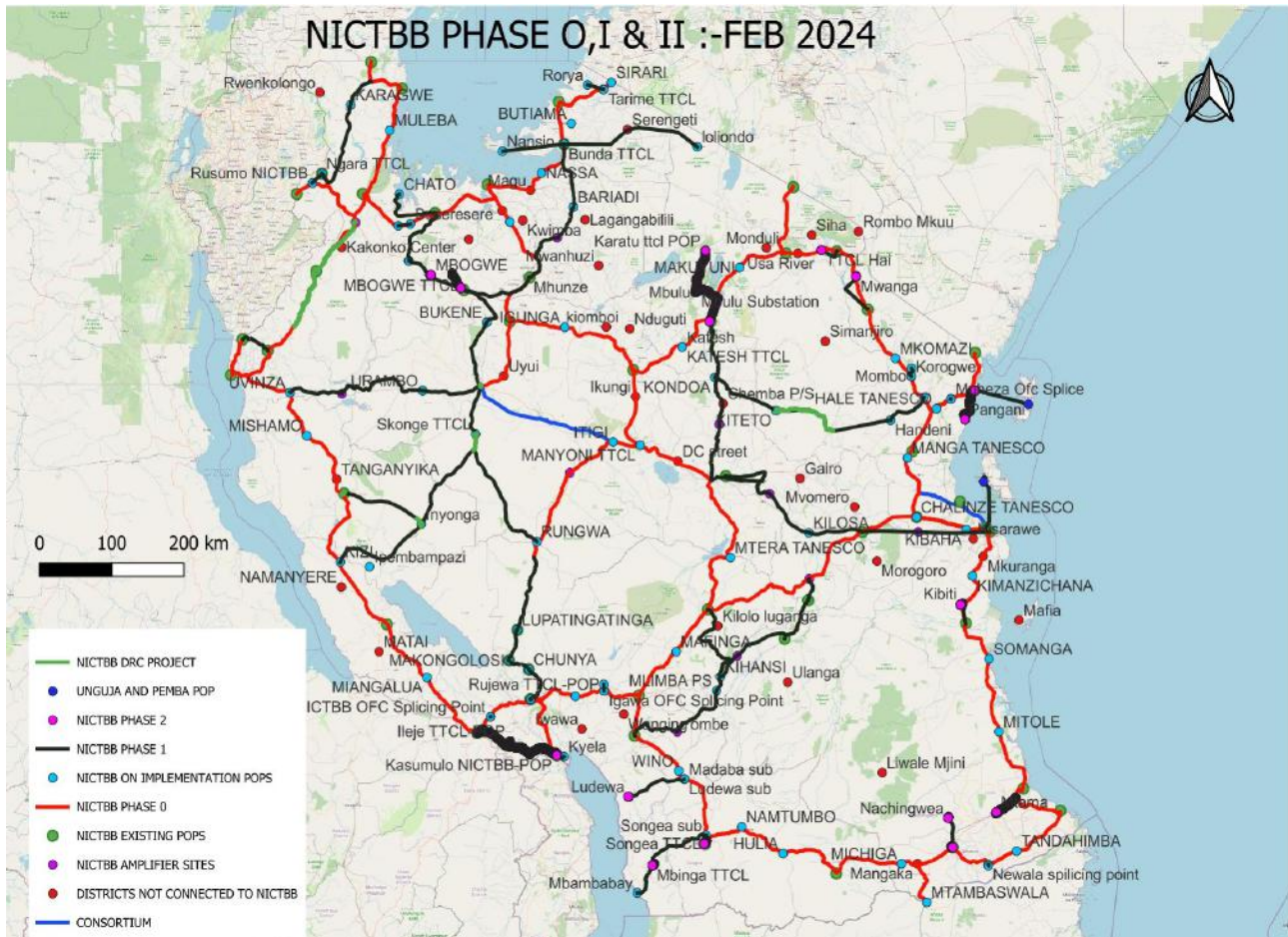
The decline in the allocation of resources towards internet infrastructure from 18.69% in 2022 to 16.73% in 2023 signals a shift in startups' perceptions. It suggests that startups now view internet connectivity as a mature and readily available service, leading to lower emphasis on it compared to other infrastructures. This shift implies growing confidence in the stability and accessibility of Internet services, enabling startups to divert their focus and resources towards other crucial aspects of their operations.

Furthermore, the slight decrease in the emphasis on R&D infrastructure from 18.69% to 17.55% indicates an adjustment in priorities. While still significant, this shift suggests that startups may be refining their approach to research and development, perhaps by optimising existing resources or adopting more efficient methodologies.

It is important to note that, through [TSA](#) advocacy, TCRA provided free communication resources including dot tz domain names, spectrum, postcodes and numbering resources in the category of VAS SMS and USSD short codes. Further, to ensure the efficient use of numbers as a nationally scarce resource TCRA has allocated special blocks of Numbers in two service categories to be used for Innovators which include: VAS SMS Short Code (146YY) and USSD Short Codes (*146*YY#). TCRA also has allocated a special domain name for the innovator which devops.tz .By December 2023 TCRA has offered a total of 11 communication resources to Innovators. Whereas nine (9) were numbering resources and two (2) were radio frequencies. TCRA has also requested Mobile Network Operators to facilitate connecting these resources for free during the testing period and three operators have agreed to provide connection for free.

The National ICT Broadband Backbone (NICTBB) helps to fulfil the increasing demands of information services, strengthen the competitive abilities of domestic data and voice operators as well as bridge the digital divide. National ICT Policy, 2016 outlined a national roadmap for its priority areas which includes providing broadband connectivity to 80% of the population by 2025. In Tanzania, broadband connectivity covers mobile, fixed and satellite technologies. By mid-year 2023, on average, the coverage of 3G networks was 72% of the population while 4G coverage reached 55% of the population. Smartphone ownership was about 27%. As of June 2023, there were 34,047,407 internet subscriptions in the country and the number of mobile phone subscriptions stood at 64,088,651.

Figure 35: National ICT Broadband Backbone (NICTBB) coverage



Finding 12: High cost of private offices, with a substantial percentage of 71.76%. This underscores the significant financial burden faced by a majority of startups when seeking dedicated office spaces.

The data indicates that the majority of startups, accounting for 71.76%, identified high prices of private offices as a significant challenge in 2023. This underscores the financial burden faced by startups when attempting to secure dedicated office spaces. For startups, high prices for private offices can have a direct impact on their budgets and available resources. The need to allocate a substantial portion of funds to office space might limit investments in other critical areas such as technology, talent acquisition, or marketing.

The finding suggests that the cost of office space poses a potential threat to the sustainability of startups. It emphasises the importance of creating an ecosystem or support mechanisms that can help startups overcome financial barriers associated with securing private offices.

Given the prevalence of this issue, there may be a need for financial assistance programs or initiatives by government bodies, incubators, or investors to help startups offset the high costs of private office spaces. This could include subsidies, grants, or favourable financing options.



3.5. ON MARKET CONDITIONS

Finding 13: The majority of startups face moderate competition, with their main competitors primarily being locally based companies.

As startups continue to play a vital role in driving economic growth and innovation, navigating competition effectively becomes increasingly crucial for their long-term success and sustainability. As provided in Figure 36, almost 50.59% of startups encounter a moderate level of competition. This suggests a balanced environment where startups are competing, but the market conditions allow for reasonable opportunities and challenges.

For startups, competition is not merely a challenge but also an opportunity to innovate, differentiate, and carve out a niche in their respective industries. It also presents startups with valuable insights into market dynamics, customer preferences, and industry trends. Startups need to be flexible and respond quickly to changing market conditions, customer feedback, and emerging trends. It's important in leveraging technology, creativity, and entrepreneurial spirit, that startups can differentiate themselves from their competitors and offer unique value propositions to customers.

Moreover, findings in Figure 37 show that in 2022, 55% of competitors were Tanzania-based companies, which increased to 63.53% in 2023. The significant rise indicates a growing presence and competitiveness of locally established companies. This signifies a strengthening of the indigenous business landscape, potentially driven by increased innovation, market maturity, or government support.

In the country, the FCC is playing an important role in promoting and protecting effective competition in trade and commerce and protecting consumers from unfair and misleading market conduct. Currently, the Fair Competition Act 2003 is still under review, which is essential to ensure that the Act remains aligned with and addresses the evolving needs of the market and business landscape.

Figure 36: Bases of Startups Major Competitor in 2023

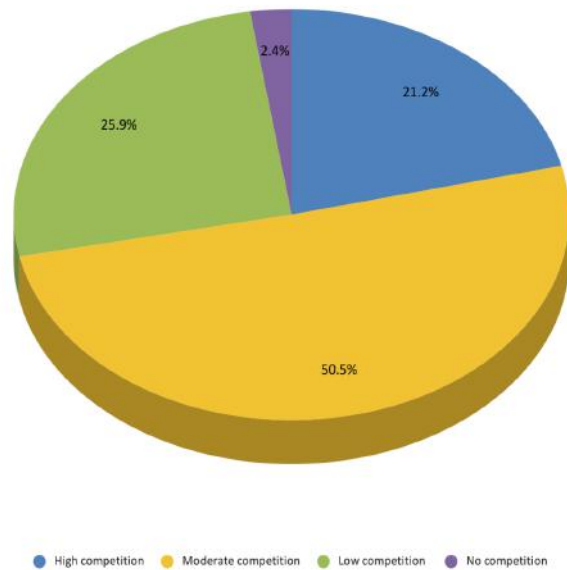
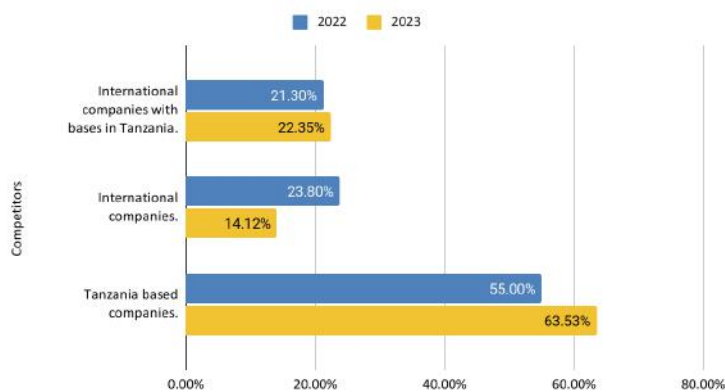


Figure 37: Bases of Startups Major Competitor in 2022 vs 2023



On the other hand, in July 2023, PPRA unveiled the new public e-procurement system NeST (National e-Procurement System of Tanzania) replacing TAnEPS. The old system was previously claimed to have challenges, including the existence of loopholes that could allow corrupt practices to seep into procurement processes, excessive bureaucracy and a lack of transparency. NeST, is an electronic system that facilitates e-registration, e-tendering, e-contract management, e-payment, e-catalogue and e-auction. Given this and pursuant to Section 64 (2) (c) of



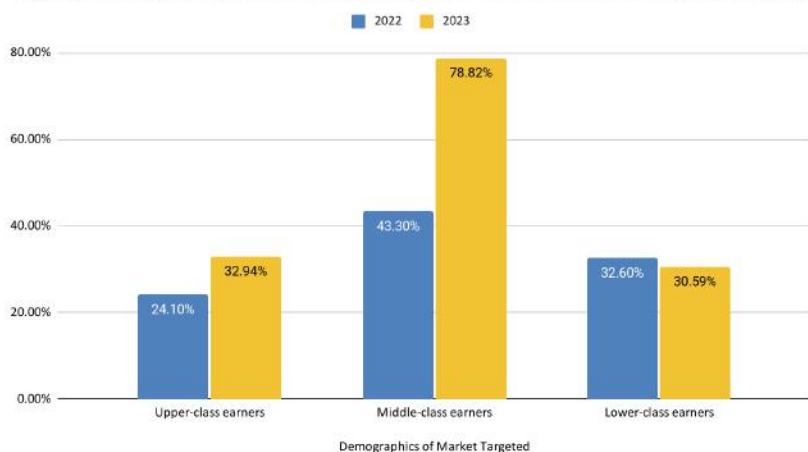
PPA, Cap 410 as read together with Regulation 30 C (1) of Public Procurement Regulation (PPR), GN. No. 443 of 2013 as amended by GN. No. 333 of 2016, provides that all Procuring Entities (PEs) shall grant an exclusive preference of 30% in its annual procurement to goods, works and services for special groups.

The PPRA Annual Report 2023, in the Financial year 2022/23, there were 46,996 tenders processed in TANePS for the procurement of Goods (36,602), Works(4500), Consultancy Services(869), Non-Consultancy Services (5018) and Disposal of Public Assets (7). Further, during FY 2022/23, the Authority reviewed 5,890 contract awards published by 322 PEs through TANePS. This information on awarded contracts represents 12.5 percent of all tenders processed through TANePs. The number of awarded contracts published in TANePS has decreased by 1,974 compared to 7,864 in FY 2021/22. Likewise, the number of PEs has decreased from 434 to 322. This decrease is attributed to the fact that most PEs finalised their tender awards outside TANePS. Based on the contract awards information published by 322 PEs through TANePS, a substantial amount of funds was spent on contracts for goods and works, in contrast to the amount of funds spent on consultancy and non-consultancy services contracts. The breakdown of awarded contracts by procurement category includes 4,041 contracts for Goods with a total value of TZS 455,125,593,939/=; 991 contracts for Works with a total value of TZS 889,707,012,060/=; 111 contracts for Consultancy with a total value of TZS 162,618,120,305/=; and 747 contracts for Non-Consultancy with a total value of TZS 102,913,450,394/=. Despite this comprehensive overview, specific data on how special groups have benefited from the 30% preferences in their annual procurement of goods, works, and services remains unavailable.

Finding 14: The middle class remains the core target market for the majority of startups, with a lower focus concentration on upper and lower-class

Findings show that in 2022, middle-class earners represented 43.30% of the targeted market with a substantial increase, reaching 78.82% in 2023. This suggests that startups increasingly recognise the potential and purchasing power of the middle-class demographic within the Tanzanian market. The sharp rise indicates a strategic shift in targeting and tailoring products or services to meet the needs and preferences of this population segment. As Tanzania's middle class continues to expand, has implications on the increased purchasing power, and a desire for improved quality of life, hence the middle-class segment presents a lucrative market for startups across various industries.

Figure 38: Demographics of Market Targeted by Services and Products Offered by Startups 2023



Moreover, the focus on the upper class and lower classes remains comparatively low. This is attributed to several factors including the fact that the upper class may represent a smaller market size, making it less appealing for startups seeking scalability and widespread impact; catering to the specific needs and preferences of the upper class, which often require high-end, luxury offerings that demand significant investment and resources; While startups aim for profitability, many also prioritise social impact. The lower class is often characterised by limited purchasing power, and this presents challenges in achieving both financial sustainability and meaningful social contribution.



Overall, startups should explore strategies that cater to the diverse needs of all market segments. By doing so, they can drive sustainable growth and make significant contributions to Tanzania's socio-economic development.

Finding 15: Growing recognition of the role of regulatory sandboxes in stimulating innovation and facilitating the entry of startups into the market.

The findings suggest that startups and stakeholders increasingly recognize the significance of regulatory sandboxes in facilitating market entry. In 2022, 71.3% of respondents considered regulatory sandboxes highly essential for easing market entry. This percentage increased to 74.12% in 2023. Although the change is relatively modest, it indicates a continued high level of perceived importance. Regulatory sandboxes serve as controlled environments where businesses, particularly startups, can test innovative products, services, and business models under the supervision of regulators. These sandboxes provide a safe space for experimentation, allowing participants to navigate regulatory hurdles without the fear of facing severe consequences for non-compliance.

BOT promotes financial technologies (FinTechs) and innovations for the inclusive and efficient provision of financial services and products by creating an enabling regulatory environment. Through these arrangements, BOT creates a controlled environment through a test and learn approach for deploying financial products and services that are not yet fully covered by existing regulatory requirements under the BOT mandate. TSA through its advocacy works, continues to call for the establishing framework for a regulatory sandbox that will guide sector-specific regulators to have sandbox arrangements considering the best practices like Kenya, Nigeria, Tunisia, South Africa and Uganda already regulatory sandbox arrangements.

Moreover, findings from this study reveal the demand for regulatory sandbox arrangements among different Regulatory Authorities in Tanzania including Information and Communication Technologies Commission (ICTC) Business Registrations and Licensing Agencies (BRELA), Tanzania Commission for Science and Technology (COSTECH), Fair Competition Commission (FCC), Public Procurement Regulatory Authority (PPRA), Tanzania Copyright Office (COSOTA), as well as Capital Markets and Securities Authority (CMSA).

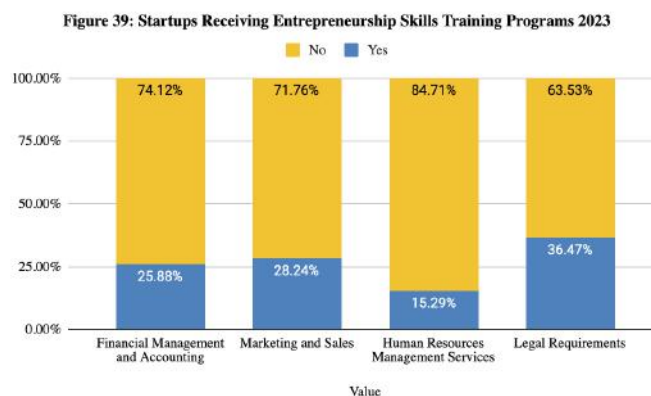
3.6. ON ENTREPRENEURSHIP SKILLS TRAINING PROGRAMS

Finding 15: A significant number of startups lack access to adequate Entrepreneurship Skills Training Programs. This highlights the urgent need for supportive initiatives aimed at narrowing this gap

Despite the importance of understanding financial principles, managing accounts, and managing finances effectively, only 25.88% of startups participating in Entrepreneurship Skills Training Programs focused on financial management and accounting aspects.

Also, as provided in Figure 39, only 28.24% of startups are dedicating their efforts to marketing and sales strategies with a focus on understanding the target market, developing marketing strategies, and improving sales processes to attract customers and generate revenue.

In addition, only 36.47% of startups focused on legal requirements, which suggests few known startups are aware of the legal aspects of running a business in Tanzania, such as compliance with regulations, contracts, intellectual property rights, etc.



Further, only 15.29% of startups are concentrating on human resources management services, indicating a smaller portion of startups are prioritising activities related to hiring, training, and managing their workforce effectively, recognizing the importance of building a strong team.

It's important to know that, empowering youth with the necessary skills to start and sustain a business, emphasises personal development and an entrepreneurial mindset is key. This is different from BDS which normally aims to enhance the capacity and competitiveness of businesses, helping to innovate, expand market reach, improve efficiency, and increase profitability.

3.7. ON GOVERNANCE

The primary focus when it comes to governance in startup ecosystems, we look at different indicators for establishing, operating and existing businesses concerning policy, laws and regulations. The year 2023 featured a lot of reforms, with the 6th phase of government towards an improved business environment. Compared to the 2023 report, this analysis also highlights the current state of the Tanzanian startup ecosystem regarding the cost of starting a business, major compliance issues, regulatory structure, reforms in tax rates, tax incentives, etc. It further provides an update on recent policy and regulatory reforms in 2023.

Finding 16: Tanzania is currently undergoing substantive business environment reforms, positively impacting startups, yet more reforms are necessary to reduce the high cost of doing business, as evidenced by complex regulatory compliance costs

The approval of the national budget of Sh44.39 trillion for the fiscal year 2023-24, came into effect on July 1, 2023, accompanied by a series of reforms that encompassed the introduction and revision of taxes, duties, levies, and fees. This includes, an amendment of the Value Added Tax Act, (CAP. 148) registration threshold increased from TZS 100 to TZS 200 Million. The government committed to continue increasing the relevant amount until it reaches 500 million. This measure aims to increase efficiency in the administration of Value Added Tax and stimulate voluntary tax payment. Raising the threshold would offer startups more financial flexibility, allowing them to focus on product development, market validation, and customer acquisition, all while avoiding the added burdens and complexities linked to VAT registration and compliance. Section 55A has been amended extending the VAT zero-rating period for locally manufactured fertilisers until June 30, 2024. This change is intended to offer support and relief to farmers and consumers. This provides a favourable environment for startups and the innovation ecosystem in the agritech subsector by reducing costs, fostering innovation, stimulating local manufacturing, and promoting sustainable agricultural practices.

Amendment of The Vocational Education And Training Act, CAP. 82) reducing the Skills Development Levy rate from 4% to 3.5%. This aims to lower employers' costs of employment. This provides financial relief and allows businesses to allocate more resources towards innovation, research and development, and expansion. Section 16 has been amended to remove the obligation to file returns from employers who are not required to pay the Skills Development levy. Previously, Section 16-(1) mandated that every employer shall on or before the seventh day of every month pay to the Commissioner the levy due from such employer in respect of the preceding month. Reducing compliance burdens on startups allows more time and resources for core activities like innovation and growth, boosting efficiency and success in their early stages.

Moreover, when it comes to Intellectual Property (IP) matters, the challenges include laws that are outdated and need to be updated to reflect the current development around innovation and commercialization aspects. In 2023, the Ministry of Industry and Trade developed the National Intellectual Property Policy, which is expected to provide a comprehensive framework for promoting innovation and fostering economic development in the country.

Interestingly, in 2023 the Digital Transformation Working Group (DTWG) formed with the startup ecosystem being represented by the Tanzania Startup Association (TSA) and Sahara Venture. This



is a commendable move to ensure that the specific needs, challenges, and aspirations of startups are acknowledged and actively represented at the policymaking table.

2023 also witnessed the launch of the third National Financial Inclusion Framework 2023-2028, the Issuance of revised Bureaux de Change Regulations, and the Issuance of regulations and guidelines for the implementation of Basel II and III. Also, the amendment of the Public Private Partnership (Amendment) Act 2023. Operationalization of the BoT Fintech Regulatory Sandbox, CMSA Crowdfunding Guidelines, 2023 as well as revised Public Procurement Act 2023. Given this, reforms collectively create an ecosystem that supports the growth, innovation, and sustainability of startups in Tanzania. They address key aspects and create an environment where startups can flourish and contribute meaningfully to Tanzania's economic landscape.

Finding 17: Legal and regulatory compliance challenges impede startup growth. Reforms, particularly in tax breaks, removing punitive action, particularly penalties are needed to simplify processes and incentivize startup businesses

Normally, the tax burden makes it difficult for the majority of early-stage businesses to maintain compliance with their financial obligations. Despite financial challenges and ongoing initiatives, however, the substantial expenses associated with achieving compliance are considered to be a significant hurdle. The costs linked to permits, licences, and taxes often encroach upon a startup's budget, impeding its capacity for growth and expansion.

Securing regulatory approval proves to be a significantly expensive and time-consuming undertaking for startup businesses across various sectors. The approval process takes a long time and is very costly. For instance, startups operating in health tech and pharmaceuticals, contingent on the specific nature of their business, necessitate approvals from multiple entities, including the Ministry of Health, Tanzania Medicines & Medical Devices Authority, TCRA, and the Pharmacy Council.

On the other hand, compliance costs originating from TRA and BRELA in the initial stages of business operations can be a hustle and bustle for startups to succeed based on the business dynamics, hence resulting in accumulated fines and penalties. This punitive approach normally leads to a diminished appetite for business, hindering the very success that startups aspire to achieve. In light of these challenges, there is a pressing need to develop more supportive and tailored mechanisms that facilitate compliance for startups, fostering an environment conducive to sustainable growth and entrepreneurial success. It's important to note that, taxing startups at the early stages of business operations hardly kills business as it simply entails charging the loans borrowed from the bank or grants obtained. Consequently, this tax burden makes it difficult for the majority of startups to maintain compliance with their financial obligations.

3.8. ON ECOSYSTEM COORDINATION

Finding 18: Strengthening ecosystem coordination and partnership for the success of Tanzania's startup ecosystem

Findings show that comparing the data from 2022 to 2023, there is a noticeable improvement in the acquisition of targeted partnerships and collaborations among startups. In 2022, 51.3% of startups reported being unsuccessful in securing partnerships, indicating a significant challenge in networking and communication opportunities. However, in 2023, there was an increase in the percentage of startups able to acquire partnerships, with 31.33% reporting success. This positive shift suggests progress in ecosystem coordination, as a higher percentage of startups were able to establish targeted partnerships in the subsequent year. The improvement may be attributed to enhanced networking initiatives, increased communication channels, and potentially the implementation of strategies to overcome the challenges identified in the previous year. Despite the positive trend, there remains room for further improvement to ensure a more robust and collaborative ecosystem that fosters successful partnerships among startups.



Finding 19: Startups' growing appetite for collaboration in 2023 for targeted partnerships and collaborations with diverse groups

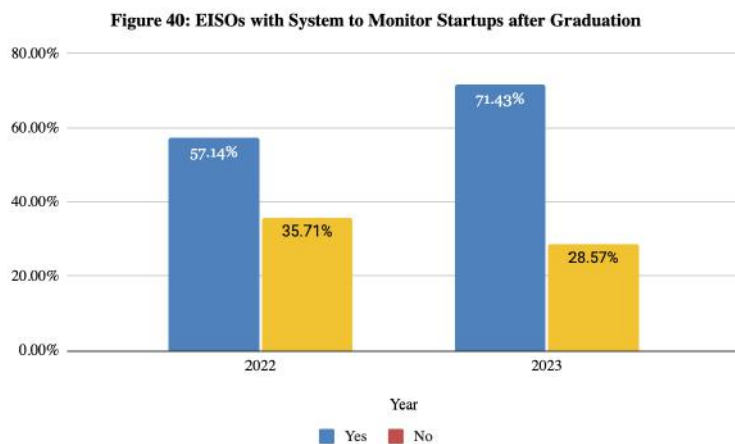
In 2023, startups demonstrated diverse partnership aspirations, targeting collaborations with various players. The majority of startups indicated a substantial interest in partnering with Development Partners (63.29%), Government (57.65%), and Corporations (54.12%), highlighting a strategic emphasis on engaging with external entities. Additionally, startups demonstrated considerable interest in collaborating with other startups (49.41%) and learning institutions. This data underscores the good preferences of startups, revealing a keen interest in fostering connections with governmental, corporate, developmental, and educational entities to drive collaborative endeavours in 2023.

Considering the above, to boost private sector involvement in Public-Private Partnership (PPP) projects, the government has enacted the Public-Private Partnership (Amendment) Act, No. 4 of 2023. These substantial amendments aim to streamline processes and foster strategic projects under the PPP framework. The revisions strike a crucial balance by promoting increased participation from the private sector while concurrently safeguarding public interests.

The data indicates that a significant majority of respondents, accounting for 83.53%, expressed a high need for collaboration with other industry players to enhance the performance of their products and services. This sustained trend underscores the critical importance of collaborations within the startup ecosystem. Collaborations are essential for startups, signifying the ecosystem's reliance on interconnected relationships to enhance the overall competitiveness, innovation, and success of startups within the market. The data, therefore, emphasises the intrinsic value of collaboration as a cornerstone for the vitality and growth of the startup ecosystem.

Finding 20: A growing adoption of startup monitoring systems, yet a smaller proportion emphasises the necessity of National Frameworks for the effective operationalization of Innovation Hubs

Innovation hubs have emerged as dynamic ecosystems fostering creativity, collaboration, and entrepreneurship across various sectors. As provided in Figure 40, in 2022, only 57.14% of EISOs had a system in place to monitor startups for at least three years after they completed the program, while 35.71% did not. In 2023, the percentage increased to 71.43% however a smaller portion at 28.57% did not.



This study underscores the necessity for the development of comprehensive guidelines or frameworks to accurately define and operationalize innovation hubs. Providing a framework for categorising hubs, tracking beneficiaries, managing intellectual property, and establishing criteria for classification. Additionally, outlines procedures for establishment, governance frameworks, and admission criteria for participants, addressing issues related to sustainability, inclusivity, and diversity.



4. TANZANIA STARTUP ECOSYSTEM RISK ASSESSMENT

4.1. STARTUP RISK MATRIX

Risk Factors	Impact on the ecosystem	Likelihood	Severity	Risk Level
1: Absence of Tanzania Startup Policy, Act, and Regulation	Severe hindrance to ecosystem growth and stability as startups lack clear legal frameworks for operation and stimulate growth.	High	High	High
2: Lack of innovative and alternative financing	Limits startups' access to capital, stunting growth and innovation. Potential for startups to struggle or fail due to lack of financial support.	Medium	High	Medium-High
3: Absence of sector-specific tax incentives measures	Increases financial burden on startups, reducing their competitiveness and hindering growth potential.	Medium	Medium	Medium
4: Higher Compliance Cost	Impedes startups' ability to allocate resources efficiently, diverting focus from innovation to bureaucratic requirements.	High	High	High
5: Accessibility and affordability of licences and permits in the innovation space	Difficulty in obtaining licences and permits discourages startups from establishing and operating legally.	High	High	High
6: Regulatory sandbox frameworks	The lack of regulatory frameworks inhibits experimentation and innovation, limiting startup growth and diversity.	Medium	Medium	Medium-High
7. Fragmentation of the Tanzania Startup Ecosystem	Fragmentation leads to inefficiencies, working in silos, missed opportunities for collaboration, and duplicated efforts, hindering ecosystem growth.	Medium	Medium	Medium-High
8. Startup Skills, Capacity and Market Competition	Limited skills capacity impedes the ability of startups to effectively compete in the market, resulting in diminished innovation and growth. Additionally, intense market competition poses significant challenges for startups to gain traction and establish themselves amidst established players.	Low - Medium	Low - Medium	Low - Medium

4.2. RISK ASSESSMENT

High Risk (Red): Absence of Tanzania Startup Policy, Act, and Regulation, High Compliance Cost, Accessibility and Affordability of Licences and Permits for Startup Innovations. These risks pose severe threats to the ecosystem's stability and growth potential.

Medium-High Risk (Orange): Lack of innovative and alternative financing, Regulatory sandbox frameworks. While these risks may not be as severe as the high-risk factors, they still significantly impact the ecosystem's ability to thrive.

Medium Risk (Yellow): Absence of tax incentives measures. While this risk is not as immediate as others, it still poses a notable threat to the ecosystem's financial health and sustainability.



Low-Medium Risk **Green**: Limited skills capacity hinders innovation, product development, and overall operational efficiency. This leads to missed opportunities, delayed projects, or inferior product/service quality. Additionally, with no product-market fit, intense competition results in difficulty gaining market traction, acquiring customers, and maintaining profitability.

4.3. RISK MITIGATION STRATEGIES

- ➡ Expedite formulation and implementation of startup-friendly policies, acts, and regulations to provide a legal framework and protection for startups.
- ➡ Encouraging the creation of alternative financing mechanisms such as venture capital trust funds to provide startups with more options for funding. Encourage the formation of local investors
- ➡ Accelerate operationalization of regulatory sandbox frameworks that foster innovation while ensuring compliance with industry standards.
- ➡ Streamlining innovation licensing processes, making them accessible and affordable for startups, potentially through streamlined application processes or fee reductions.
- ➡ Implementing tax incentives measures for startups to alleviate financial burdens and encourage growth and investment in the ecosystem.
- ➡ Supporting startups in navigating compliance requirements efficiently to minimise the impact of high compliance costs of operations.
- ➡ Facilitating collaboration among stakeholders within the ecosystem to address fragmentation issues, foster knowledge sharing, and promote synergies.
- ➡ Provide tailored training programs that enhance soft and technical skills for founders to better navigate and compete effectively in the market.

In summary, the startup ecosystem risk matrix identifies key issues and assesses their impact on the Tanzania Startup Ecosystem. It further emphasises the need for targeted interventions to address these challenges and foster sector growth. Areas highlighted signify urgent attention is required. Addressing these risks and implementing appropriate mitigation strategies is crucial for fostering a vibrant and sustainable startup ecosystem in Tanzania. Collaboration between stakeholders, including government entities, regulatory bodies, investors, development partners, innovation hubs and startups is essential in overcoming these challenges and unlocking the full potential of the Tanzanian startup ecosystem.

5. RECOMMENDATIONS

5.1. ON ENTREPRENEURSHIP SKILLS

Need	Actions	Actors	Best Practice
1: The number of founders accessing entrepreneurship training programs has declined slightly underscoring the necessity for adequate business support programs.	<p>Provide sufficient, accessible and affordable entrepreneurship training programs by:-</p> <p>(i) Develop and promote provision of the comprehensive entrepreneurial education programs that cover all aspects of starting and running a business. This should include technical and soft skills.</p> <p>(ii) Investment in Technology and Innovation, allocate resources for the integration of cutting-edge technologies and innovative teaching methods in entrepreneurship training in supporting youth at the grassroots level.</p> <p>(iii) Foster collaborations between entrepreneurship programs and industry partners. This provides students and aspiring entrepreneurs with exposure to real-world challenges, industry trends, and potential partnerships, creating a more practical and relevant learning experience.</p> <p>(iv) Escalating the establishment and monitoring efficiency of innovation centres, hubs and clusters at the Universities institutions in support of entrepreneurship and research commercialisation.</p>	<p>MoEST EISOs COSTECH</p> <p>MICIT MoEST</p> <p>ESOs MoEST MoEST</p> <p>MoEST EISOs COSTECH ICTC</p>	<p>Ghana National Entrepreneurship and Innovation Programme (GNEIP)</p> <p>Korea Institute of Startup & Entrepreneurship Development</p> <p>Google Startup School</p>
2. Empowering founders with diverse skills is key to their success, with a shifting emphasis on areas such as investment readiness.	<p>Implement a holistic approach to empowering founders with diverse skills by:</p> <p>(i) Map, establish and enhance support programs that specifically target the development of diverse skills among founders including investment readiness,</p> <p>(ii) Establish investor-founder training programs through seminars, webinars, or partnerships with educational institutions to provide insights into the symbiotic relationship between varied skill sets and successful fundraising.</p>	<p>EISOs COSTECH Academia</p> <p>EISOs TSA</p>	<p>Y Combinator</p> <p>Seed Stars</p> <p>Villgro Business Incubator for African</p>



	<p>(iii) Encourage international collaboration and knowledge exchange to expose founders to diverse perspectives and practices which will help them succeed in the global business environment.</p> <p>(iv) Foster partnerships with industry experts, and provide specialised training, particularly technical skills, in emerging areas relevant to the startup landscape. This collaboration will expose founders to diverse perspectives and ensure they stay ahead of the curve in terms of skills required for success.</p> <p>(v) Establish sector-specific incubators to provide targeted support, mentorship, and resources to startups in areas that align with the country's economic priorities.</p> <p>(vi) Facilitate networking events that bring together founders, industry experts, and potential investors. These events provide opportunities for founders to learn from others, exchange ideas, and build valuable connections.</p>	<p>Development Partners</p> <p>MoICT TSA, TIC MICIT</p> <p>Universities EISOs</p> <p>EISOs MICIT</p> <p>TSA, EISOs ICTC</p>	<p>Healthcare Innovators</p> <p>Enrich in Africa</p>
<p>3. Limited culture of finance management, and finance illiteracy.</p>	<p>(i) Integration of financial literacy education into the national curriculum at all levels of education. This ensures that youth are equipped with essential financial management skills from an early age.</p>	<p>Academia</p>	<p>Boosting Financial Literacy among CIS</p>
<p>4. There is a growing adoption of startup monitoring systems, yet a smaller proportion emphasises the necessity for effective operationalization of Innovation Hubs.</p>	<p>Implementing an inclusive and effective Entrepreneurship Skills Training Program by:-</p> <p>(i) Putting in place effective startup monitoring systems to track the progress and success of startup graduates from innovation hubs programs. This helps in the post-program evaluation of startup performance.</p> <p>(ii) Develop comprehensive national frameworks for the effective operationalization of innovation hubs. The framework focuses on operational aspects critical to the success of innovation hubs.</p>	<p>EISOs</p> <p>COSTECH</p>	<p>The Netherlands Business.gov.nl Information for Entrepreneurs</p> <p>Tech Start Incubator & Accelerator Program</p>



5.2. ENTREPRENEURSHIP CULTURE

Need	Actions	Actors	Best Practice
5. Startups are experiencing remarkable growth and a 25.11% increase between 2022 and 2023, driven cultural shift towards entrepreneurship	<p>Fostering a supportive environment conducive to entrepreneurship through-</p> <p>(i) Scale-up support programs like incubation and acceleration across the country in providing necessary resources, mentorship, and networks to transform startups into successful ventures.</p> <p>(ii) Encourage and support the establishment of innovation hubs and centres at higher learning institutions and expand entrepreneurship education at various levels, including schools, universities, and vocational training centres.</p> <p>(iii) Support market expansions beyond local boundaries. This involves internationalisation programs, trade missions, and diplomatic efforts to create favourable conditions for startups to enter new markets.</p>	<p>EISOs ICTC</p> <p>ESO COSTECH ICTC</p> <p>POPI, TIC TSA,TPSF</p>	<p>Korea Institute of Startup & Entrepreneurship Development</p> <p>The Kigali Innovation City</p>
6. The predominant age range of startup founders is 24-35 years underscores the need for cross-industry mentorship to enhance perspectives, foster innovation, and contribute to well-rounded entrepreneurial growth.	<p>Establishing supportive mechanisms for founders by</p> <p>(i) Developing structured mentorship programs that connect startup founders with mentors from diverse industries. This cross-industry mentorship will expose founders to a broad spectrum of experiences, insights, and networks, contributing to a more well-rounded entrepreneurial skill set.</p> <p>(ii) Enhance entrepreneurial training programs by including modules that expose founders to cross-industry perspectives. This can be achieved through case studies, guest lectures, and collaborative projects that encourage founders to apply insights from other industries to their own ventures.</p> <p>(iii) Develop an online platform for example Podcast that facilitates mentorship exchanges specifically knowledge and experience sharing across industries. This platform can match startup founders with mentors based on their specific needs and goals, promoting a dynamic and flexible approach to cross-industry mentorship.</p>	<p>EISOs TSA</p> <p>EISOs Universities</p> <p>ICTC TSA MoICT</p>	<p>Y Combinator YC Startup School</p>

5.3. ON INVESTMENTS

Need	Actions	Actors	Best Practice
<p>7. Findings show 76.47% of startups are registered suggesting that a significant portion of businesses have gone through the formal registration process, indicating a level of legal compliance. However, 23.53% of startups are not registered. This is attributed to factors like regulatory hurdles, financial constraints, and a lack of awareness about the importance of registration.</p>	<p>Establishing a business compliance support program by:-</p> <p>(i) Providing financial support mechanisms, such as grants, low-interest loans, or subsidies to assist startups in covering the costs associated with registration fees and legal compliance.</p> <p>(ii) Offer training programs and workshops to equip startups with the knowledge and skills needed to navigate the registration process effectively. Guiding legal requirements, documentation, and compliance obligations empowers startups to overcome barriers to registration.</p> <p>(iii) Introduce tax incentives including a 3-year tax break to ease regulatory compliance and foster a culture of innovation.</p>	<p>TRA MIT MoF EISOs</p> <p>TRA MIT MoF EISOs</p> <p>MoF TRA</p>	<p>The Startup Growth Boost Project</p> <p>Nigeria Startup Act</p>
<p>8. The majority of startups are in pre-revenue, pre-seed and seed stages which call for the need for tailored support as alternative financing options. Diversification helps</p>	<p>Maintain financial stability and support growth across different stages of business by:-</p> <p>(i) Accelerate the creation of alternative financing options such as venture capital trust funds and encourage the formation of local investors in addressing the funding needs for startups.</p>	<p>MoF</p>	<p>Y Combinator YC Startup School</p> <p>Tech Start Incubator &</p>



<p>maintain financial stability and support growth across different stages of your business.</p>	<p>(ii) Develop tailored support programs that cater to the specific needs of startups at different stages of their lifecycle. This could include mentorship, advisory services, networking opportunities, and access to resources like legal and financial expertise.</p> <p>(iii) Facilitate access to government grants and incentives available for startups. It's important to ensure startups are aware of eligibility criteria and application processes.</p>	<p>EISOs TSA</p> <p>EISOs</p>	<p>Accelerator Program</p>
<p>9. Tanzanian startups exhibit a fluctuating funding landscape, as evidenced by a notable decrease in funding in 2023, with only \$25 million secured.</p>	<p>Establish a Sustainable Ecosystem by:</p> <p>(i) Implement supportive policies and incentives that encourage private investment in startups. This may involve tax incentives for angel investors, capital gains tax exemptions for long-term investments in startups, or other measures that make investing in startups more attractive to private individuals and institutions.</p> <p>(ii) Producing investable startups by implementing initiatives that support capacity-building on investment and market readiness to enhance attractiveness to investors.</p> <p>(iii) Alleviating reliance on foreign investors by establishing an avenue for local investors to actively participate in unlocking the full potential of startups, enabling them to thrive, innovate, and contribute significantly to economic development.</p> <p>(iv) Establishment of sector-specific secondary market funds for ESIOs, an innovative financing model aims to incentivize ESOs to focus on sustainable impact and contribute to the growth of a vibrant startup in the targeted sectors.</p>	<p>MoICT TSA</p> <p>EISOs</p>	<p>Nigeria Startup Act, 2022 provide a labelled startup may be entitled to exemption from the payment of income tax.</p>



<p>10. Tanzanian startups thrive on personal savings and family support, highlighting the need to develop robust financing to support business operations</p>	<p>Cultivating a vibrant financial ecosystem for Tanzanian Startups by:</p> <p>(i) Establishing formal financing platforms tailored to the needs of startups, including venture capital funds, angel investor networks, and other formal financing mechanisms. These foster the growth of a more diverse and sustainable funding landscape.</p> <p>(ii) Facilitate public-private partnerships to enhance startup financing. Collaborate with government agencies, financial institutions, and private organisations to create initiatives that provide financial support, guarantees, or incentives for startups. This includes matching funds, corporate venture capital, loan guarantees, or co-investment programs that stimulate private investment in startups and reduce the reliance on personal savings and family support.</p>	<p>MoF BOT</p> <p>MoF MICIT TPSF</p>	<p>Rwanda Innovation Fund</p> <p>Ghana Venture Capital Trust Fund</p> <p>Sales Force Ventures</p>
<p>11. A growing number of startups encounter challenges in fundraising, evident in the rise of failure rates underscores the need for strategic initiatives to effectively address these concerns.</p>	<p>Create and empower startup businesses through a holistic approach by:-</p> <p>(i) Develop specialised training programs focused on equipping startups with the necessary skills and attributes to become more attractive to investors. Specifically, offers insights into investor expectations, assists with refining business models and strategies, and guides on structuring deals and valuations.</p> <p>(ii) Increase efforts to promote Tanzania's startup ecosystem internationally. This is through participation in global tech events, hosting investor roadshows, and leveraging digital marketing and media channels to showcase success stories and opportunities within the Tanzanian startup landscape.</p> <p>(iii) Building a robust venture capital ecosystem through developing specialised funds focused on supporting Tanzanian startups, establishing venture capital networks, and providing mentorship and support to emerging investors.</p> <p>(iv) Enact policies that promote startup growth and investment. This involves creating tax incentives for investors, streamlining regulatory processes, and implementing initiatives to foster innovation and entrepreneurship.</p>	<p>EISOs</p> <p>PoPI, TIC, TSA, TPSF,</p> <p>Startups EISOs</p> <p>MICIT</p>	<p>Ghana Venture Capital Trust Fund</p>

**5.4. ON INFRASTRUCTURES**

Need	Actions	Actors	Best Practice
<p>12. Startups highlight the importance of securing specific technologies and licences as a crucial infrastructure. This underscores the imperative for startups to prioritise acquiring the requisite licences and permits to bolster their operational capabilities.</p>	<p>Ensure that licences, permits and approvals on startup business are easily accessible and affordable by:</p> <p>(i) Facilitate streamlined and affordable acquisition of licences and permits from sector regulators tailored to the unique innovations brought forth by startups.</p> <p>(ii) Encourage the development of cost-effective licensing models tailored to startups. This involves reducing fees for early-stage companies or implementing tiered pricing structures based on the size and revenue of the startup.</p> <p>(iii) Introducing support programs aimed at subsidising licensing costs for startups. This involves grants, tax incentives, or financial assistance to ease the financial burden on startups seeking essential technological licences.</p>	<p>MICIT Industry Regulators</p> <p>MoF BOT TCRA LATRA</p> <p>MoICT</p>	<p>The Netherlands Business.gov.nl Information for Entrepreneurs</p> <p>Startup India</p>



<p>13. The most prevalent challenge for startups in 2023 was the high prices of private offices, with a substantial percentage of 71.76%. This underscores the significant financial burden faced by a majority of startups when seeking dedicated office spaces.</p>	<p>To enhance the support system for startups in Tanzania by:</p> <ul style="list-style-type: none"> (i) Introducing financial assistance programs designed for startups to alleviate the burden of high office rental costs. (ii) Introduce subsidies or discounts for startups opting for co-working spaces. (iii) Establishment of government-backed co-working spaces across the country. (iv) Implement tax incentives for property owners or developers who offer discounted rates to startups. This approach encourages private sector participation in making office spaces more accessible to startups, while also providing an indirect form of financial support. (iv) Establishing Innovation Hub Tanzania “Station T”, a dynamic entrepreneurial ecosystem designed to be a comprehensive facility for startups. Station T will provide cutting-edge office spaces, mentorship programs, and an array of support services. 	<p>TSA Development Partners</p> <p>ICTC, COSTECH</p> <p>POPI, MoF TRA</p> <p>MICIT TSA MoICT</p>	<p>Nigeria’s Co-Creation Hub (CcHUB) and the Lagos Innovation Hotspots, which provide startups with access to affordable R&D Facilities.</p> <p>The France’s Station F</p>
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5.5. MARKET CONDITIONS

Need	Actions	Actors	Best Practice
<p>14. The majority of startups face moderate competition, with their main competitors primarily being locally based companies.</p>	<ul style="list-style-type: none"> (i) Develop a market expansion strategy that includes targeting international markets to gain a competitive advantage. This involves conducting market research. (ii) Explore exporting products or services to international markets. This involves leveraging e-commerce platforms, establishing distribution partnerships with local retailers or distributors, or participating in international trade fairs and exhibitions. 	<p>Startups</p> <p>Startups</p> <p>Startups</p>	<p>Centre To Offer Export Incentives To Startups</p> <p>In Nigeria, labelled startup involved in the exportation of products and services, which</p>



	<p>(iii) Adapt products, services, or business models to align with global trends and preferences. This involves incorporating features or functionalities that appeal to international customers.</p> <p>(iv) Providing export incentives to facilitate startup internationalisation efforts. This includes financial assistance programs, export promotion initiatives, or diplomatic support to facilitate market entry and expansion in target countries.</p>	POPI MIT, TANTRADE	<p><u>are deemed eligible under the Export (Incentives and Miscellaneous Provisions) Act, is entitled to export incentives and financial assistance from the Export Development Fund, Export Expansion Grant and the Export Adjustment Scheme Fund.</u></p>
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<p>15. The perceived importance of regulatory sandboxes for facilitating market entry has significantly risen, underscoring the growing recognition of regulatory sandboxes as crucial platforms supporting startups in testing innovative products and services.</p>	<p>(i) Expedite operationalization of the regulatory sandbox frameworks at both industry and regulatory levels in Tanzania</p> <p>(ii) Simplify and streamline the application and approval processes for participating in regulatory sandboxes. Simplifying bureaucratic procedures will encourage more startups to leverage these platforms for testing and launching innovative products or services.</p>	<p>MICIT ICTC, TSA</p>	<p>Regulatory sandbox frameworks from Kenya, Nigeria, Tunisia, South Africa and Uganda.</p> <p>AfDB</p>
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5.6. ON GOVERNANCE

Need	Actions	Actors	Best Practice
<p>16. Tanzania is currently undergoing substantive business environment reforms, positively impacting startups, yet more reforms are necessary to reduce the high cost of doing business, as evidenced by complex</p>	<p>Continual improvement of the business environment by:</p> <p>(i) Expedite formulation and implementation of the Tanzania Startup Policy, Act and Regulation in efforts to foster a more favourable business environment for startups to grow and scale in Tanzania.</p> <p>(ii) Introducing tax incentives to early-stage startups for easing regulatory compliance and fostering a culture of innovation. Examples include tax breaks, fee reductions, or grants for startups that demonstrate exemplary compliance with regulatory requirements.</p>	<p>MoFP MoICT TRA</p> <p>BRELA TSA</p> <p>MoICT TSA POPI</p>	<p>Kenyan Startup Bill</p> <p>Nigeria Startup Act</p> <p>Tunisia Startup Act</p>



regulatory compliance costs.	(ii) Simplify Intellectual property compliance including easy registration processes and costs associated with. For instance, the registration of patents in Tanzania is complex and requires technical know-how and expertise.		
17. Legal and regulatory compliance challenges impede startup growth. Reforms, particularly in tax breaks, removing punitive action, particularly penalties are needed to simplify processes and incentivize startup businesses.	<p>Addressing legal and regulatory compliance challenges impede startup growth by:-</p> <p>(i) Eliminate punitive actions associated with non-compliance and consider adopting a more lenient and supportive approach for startups during their initial stages. This involves r</p> <p>(ii) Revising penalty structures, granting grace periods for compliance, and providing education to assist startups in navigating regulatory requirements without facing severe consequences.</p> <p>(iii) Establish a centralised one-stop centre that serves as a hub for startups to fulfil regulatory requirements. This centre should integrate the functions of various regulatory entities, providing startups with a single point of contact for approvals, permits, and compliance matters.</p>	<p>MOF TRA BRELA</p> <p>TCRA BOT LATRA</p> <p>TIC BRELA</p>	The France's Station F



5.7. ON ECOSYSTEM COORDINATION

Need	Actions	Actors	Best Practice
<p>18. Strengthening ecosystem coordination and partnership for the success of Tanzania's startup ecosystem.</p>	<p>Continuing the efforts to strengthen ecosystem coordination by:-</p> <p>(i) Organising regular networking events, workshops, and mentorship programs within the hubs to facilitate knowledge exchange, resource sharing, and partnership opportunities.</p> <p>(ii) Creating a dedicated portal as a one-stop centre for all startup-related matters, encompassing listings of potential stakeholders, funding opportunities, inventors, regulatory procedures, innovation hubs, and more investment opportunities etc</p> <p>(iii) Foster deliberate initiatives promoting partnerships between startups, established businesses, universities, and government agencies. Encourage joint projects, research collaborations, and mutually beneficial engagements to create a dynamic and interconnected ecosystem.</p> <p>(iv) Broaden the scope of networking events to include diverse formats, such as industry-specific forums, pitch competitions, and thematic meet-ups. This will create a variety of opportunities for startups to connect with potential collaborators and investors.</p> <p>(v) Promoting collaboration between startups and established businesses, universities, and MDAs and improving access to funding and support services, the action plan aimed to create a supportive environment that drives economic growth and innovation in Tanzania.</p>	<p>EISOs, TSA Development Partners</p> <p>EISOs, TSA</p> <p>EISOs, TSA</p> <p>EISOs, TSA, Development Partners</p> <p>EISOs, TSA, Development Partners</p>	<p>Startup Tunisia Startup India Simodisa</p>



<p>19. A growing adoption of startup monitoring systems, yet a smaller proportion emphasises the necessity of National Frameworks for the effective operationalization of Innovation Hubs.</p>	<p>(i) Develop the National Frameworks specifically tailored for the operationalization of Innovation Hubs. These frameworks should outline guidelines, standards, and best practices for establishing and managing Innovation Hubs to ensure consistency, coherence, and effectiveness across different regions.</p>	<p>COSTECH</p>	<p>Guidelines for Cooperation and Management of Innovation Hubs in KENYA</p>
<p>20. There is a notable concentration of Entrepreneurship and Innovation Support Organizations (EISOs) in major cities, yet their presence in other regions remains significantly limited.</p>	<p>(i) Establish satellite offices or branches in underserved regions to provide localised support and resources for entrepreneurs. These satellite offices offer mentorship, training programs, networking events, and access to funding opportunities tailored to the needs of local startup communities.</p> <p>(ii) Foster collaborative partnerships between EISOs and local institutions, such as universities, colleges, and community organisations, to leverage existing infrastructure and resources for supporting entrepreneurship. This helps EISOs to extend their reach and impact in underserved regions while tapping into local expertise and networks.</p>	<p>EISOs EISOs</p>	



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