



Boosting Tanzanian VET-Industry Collaboration to Foster Employability and Entrepreneurship through Teacher's Competence Development and Use of Immersive Technologies 1.12.2023-30.11.2026
ERASMUS-EDU-2023-CB-VET

Work package 3:

Analysis of needs and the real situation of the business market and entrepreneurship in Tanzania.

3DBear and Centro San Viator

Challenge-Based Learning for Entrepreneurship: Analysis of Needs and the Real Situation of the Business Market and Entrepreneurship in Tanzania



This project has received funding from the European Union's Erasmus+ Capacity Building - Vocational Education and Training (VET) programme under grant agreement No. 101128662. The content of this publication represents the views of the author only and is his/her sole responsibility. The European Commission and the Agency do not accept any responsibility for the use that may be made of the information it contains.

1. Introduction

Tanzania's economy is increasingly reliant on Micro, Small, and Medium Enterprises (MSMEs) as a key driver of employment and economic growth. Entrepreneurship, particularly in the informal sector, plays a crucial role in supporting job creation and innovation. This report examines the current state of the business market and entrepreneurship in Tanzania, focusing on key challenges and opportunities. The study relies on sources such as the MSME National Baseline Survey Report (2012), the TVET Tracer Study Report (2019), and research on Vocational Education Training (VET) Skills.

Additionally, this report highlights findings from field interviews conducted by 3DBear and San Viator, which provide insight into the real experiences of local entrepreneurs. These interviews revealed that while many Tanzanians view vocational training positively, only a small percentage of entrepreneurs have actually completed formal training. Limited financing, underdeveloped marketing and sales strategies, and insufficient entrepreneurial education were identified as key barriers to business success.

Despite these challenges, Tanzania presents numerous opportunities for entrepreneurial growth, particularly through digital transformation, regional trade integration, and structured vocational education programs. However, addressing existing barriers requires targeted policy reforms, enhanced financial accessibility, and improved education programs tailored to business realities. This report provides an in-depth examination of these issues, culminating in a set of recommendations and a proposed entrepreneurship training program designed specifically for TVET teachers and students.

2. Overview of Entrepreneurship and MSMEs in Tanzania

2.1 The Importance of MSMEs in Tanzania's Economy

The MSME National Baseline Survey Report (2012) estimates that over 3 million MSMEs operate in Tanzania, contributing approximately 27% to the country's GDP and employing 23.4% of the workforce. MSMEs represent a crucial component of Tanzania's economy, particularly in sectors such as agriculture, retail, and manufacturing.

While MSMEs provide critical employment opportunities, particularly for youth and women, many remain informal and unregistered, limiting their access to financial services and government support programs. Informal businesses also struggle with issues such as unstable market demand, limited business knowledge, and insufficient capital investment. Addressing these challenges is essential for creating a more inclusive and sustainable business environment.

2.2 Market Structure and Entrepreneurship Trends

Tanzania's entrepreneurial landscape is characterized by a high number of necessity-driven entrepreneurs, meaning individuals start businesses due to a lack of alternative employment rather than by opportunity or innovation. This leads to a proliferation of small, low-growth businesses with limited potential for expansion. A study on Vocational Education Training (VET) Skills found that many entrepreneurs in the informal sector lack practical business skills, particularly in financial literacy, customer management, and digital marketing.

Moreover, the TVET Tracer Study Report (2019) highlights a misalignment between vocational training programs and actual market demands. Many vocational graduates struggle to apply their skills effectively in business settings, indicating the need for better industry integration and more hands-on entrepreneurial training.

3. Challenges Faced by Tanzanian Entrepreneurs and MSMEs

3.1 Limited Access to Finance

One of the most significant barriers to entrepreneurship in Tanzania is limited access to financing. The Challenges and Opportunities of Tanzanian SMEs (2011) report found that many MSMEs struggle to obtain funding due to a lack of collateral, stringent lending requirements, and high interest rates. While microfinance institutions and government-backed lending programs exist, they often fail to meet the needs of small businesses due to bureaucratic inefficiencies and limited outreach.

The interviews conducted by 3DBear and San Viator further confirmed that access to capital remains a major constraint. Many entrepreneurs reported difficulty in securing loans for costs, equipment purchases, and working capital. Without proper financial backing, businesses struggle to grow, invest in innovation, or compete in larger markets.

3.2 Skills Gap in Business and Entrepreneurship

A significant challenge facing Tanzanian entrepreneurs is the lack of formal business education and training. The TVET Tracer Study Report (2019) found that many vocational graduates lack the necessary financial and management skills to start and sustain a business. Similarly, The Graduates' Employability Challenges in Tanzania report emphasized that vocational training programs do not adequately prepare students for self-employment.

Key gaps identified in existing training programs include:

- **Financial literacy:** Many entrepreneurs struggle with budgeting, financial planning, and accounting practices.

- Marketing and sales strategies: Limited knowledge of branding, customer acquisition, and digital sales channels.
- Legal and regulatory frameworks: Lack of understanding of taxation, business registration, and compliance requirements.

3.3 Market Access and Business Growth Challenges

The Challenges and Opportunities of Tanzanian SMEs (2011) report also highlighted limited market access as a major constraint on business growth. Many MSMEs face difficulties in reaching broader customer bases, particularly due to poor infrastructure, lack of digital integration, and competition from larger enterprises.

Furthermore, the Vocational Education Training (VET) Skills study noted that entrepreneurs who receive mentorship and digital training are significantly more likely to scale their businesses than those who rely on traditional business models. Expanding market access through digital commerce, regional trade agreements, and business incubation programs could provide a crucial lifeline for Tanzanian MSMEs.

4. Challenge-Based Learning in Entrepreneurship Training

4.1 The Role of Challenge-Based Learning (CBL) in Entrepreneurship Education

Challenge-Based Learning (CBL) is a learner-centered approach that encourages students to tackle real-world entrepreneurial challenges, promoting engagement, problem-solving, and skill development. Multiple studies have confirmed its effectiveness in fostering entrepreneurial mindsets and enhancing practical business skills.

According to Chanin et al. (2018), the application of CBL in a software startup educational program significantly enhanced collaboration, engagement, and technical proficiency among students. The study found that students who engaged in real-world challenges showed higher motivation and learning retention. Moreover, 210 applications were published by 191 students as a result of this approach, highlighting the potential of CBL in stimulating entrepreneurial activity.

A similar study by Colombelli et al. (2022) examined CBL's impact on entrepreneurial mindsets and skills among university students in Italy. The findings demonstrated that students who participated in CBL-based entrepreneurship education programs showed significant improvements in creativity, financial literacy, and planning skills. Pre- and post-program surveys confirmed that CBL fosters a positive shift in entrepreneurial attitudes, encouraging students to pursue new business ventures.

Additionally, Hercz et al. (2020) explored the role of CBL in lifelong learning and entrepreneurship training, emphasizing its potential to support sustainable learning practices. The study highlighted that CBL enables students to develop both hard and soft skills, such as strategic planning, leadership, and adaptability. Stakeholder engagement played a crucial role in

reinforcing the effectiveness of CBL, as active collaboration between educators, industry experts, and students led to enriched learning experiences.

4.2 Key Insights from CBL Studies for Entrepreneurship Training

A review of CBL in Morcellin's study identified several critical factors that influence the effectiveness of entrepreneurial education:

- **Types of Challenges:** The nature of the challenges assigned to students significantly impacts their learning outcomes. Challenges that are aligned with students' experiences and real-world contexts tend to be more effective .
- **Open vs. Closed Challenges:** Open-ended challenges that allow students to develop creative and innovative solutions produce deeper learning outcomes compared to predefined tasks .
- **Stakeholder Engagement:** Collaboration with industry professionals, business mentors, and educators improves the applicability of knowledge and encourages students to explore real-world business solutions.

The integration of Challenge-Based Learning (CBL) into TVET entrepreneurship education provides an effective framework for enhancing skills, fostering innovation, and preparing students for real-world business challenges. The reviewed studies confirm that CBL significantly improves entrepreneurial mindset, financial literacy, and business planning skills, making it a valuable addition to vocational training

By implementing practical challenges, digital simulations, and collaborative projects, this program aims to bridge the gap between education and business realities, equipping future entrepreneurs with the competencies needed for successful venture creation in Tanzania .

5. Training Structure

To address the challenges outlined above, an entrepreneurship training program tailored for TVET teachers and students will be designed and conducted. The program incorporates challenge-based learning and digital education materials to provide practical, hands-on business experience.

The **entrepreneurship training program** follows a **challenge-based learning** approach, guiding students and teachers through a step-by-step process of business development.

Challenge 0: Team Formation and Introduction to Challenge-Based Learning

- Understanding the importance of teamwork in both academic and professional environments.
- Introduction to the challenge-based learning methodology and structure of the training.

Challenge 1: Business Ideation and Entrepreneurship Foundations

- Exploring innovation and entrepreneurial skills.
- Brainstorming and developing small and medium enterprise (SME) business ideas.
- Conducting a business idea competition.

Challenge 2: Business Planning and Financial Literacy

- Creating an organogram and understanding company structures.
- Developing a financial strategy, including cost structures and profit-loss statements.
- Learning about SWOT analysis, business canvas models, and funding sources in Tanzania.

Challenge 3: Mini Business Plan and Financial Management

- Setting business vision and goals.
- Drafting a detailed business plan.
- Managing financial records and tracking expenses.
- Researching digital financial management tools.
- Conducting human resources exercises including recruitment role-play.

Challenge 4: Marketing, Sales, and Distribution Strategies

- Designing a company logo and brand identity
- Learning pricing strategies and customer acquisition techniques.
- Practicing sales skills through role-play activities.
- Developing distribution strategies to scale the business.

Challenge 5: Business Pitch and Final Competition

- Setting up a business exhibition stand.
- Presenting the final business idea to a jury panel.
- Competing for awards in the best business pitch.
- Receiving constructive feedback for further business improvement.

The materials for the training program are in digital form. In addition to the challenge materials, there are digital 10 simulations providing valuable and concrete learning experiences filmed onsite in Tanzania.

6. Conclusions

The integration of **Challenge-Based Learning (CBL)** into **TVET entrepreneurship education** provides an effective framework for **enhancing skills, fostering innovation, and preparing students for real-world business challenges**. The reviewed studies confirm that CBL significantly improves **entrepreneurial mindset, financial literacy, and business planning skills**, making it a valuable addition to vocational training

Beyond the educational benefits, addressing **business market needs and SME development** in Tanzania is essential for **economic growth, job creation, and poverty reduction**. The **MSME National Baseline Survey Report (2012)** highlights that many small businesses remain **informal and lack access to finance, digital tools, and structured business support**. The **Tanzania Startup Ecosystem Status Report (2022)** further emphasizes that **SMEs struggle with financial inclusion, branding, and scaling their businesses effectively**.

The **entrepreneurship training program** proposed in this report is designed to tackle these challenges through **practical business education, digital skill-building, and real-world simulations**. Each component of the program directly addresses a key barrier faced by Tanzanian entrepreneurs:

- **Financial Management & Business Planning:** Training in financial literacy, cost structuring, and profit-loss analysis will **equip entrepreneurs with essential financial management skills**, addressing the **lack of financial planning among SMEs** as highlighted in the **TVET Tracer Study Report (2019)**
- **Digital Marketing & Branding:** By incorporating **branding strategies and digital sales training**, the program will help businesses improve their **market visibility and customer outreach**, directly responding to the **market access and branding deficiencies** identified in the **Tanzania Startup Ecosystem Status Report (2022)**
- **Access to Finance & Business Formalization:** Participants will learn about **funding sources, loan application processes, and financial sustainability**, supporting the **transition of informal businesses into the formal sector**, which is a key recommendation from the **Analysis Report: Status and Trends of Entrepreneurship in Tanzania**
- **Challenge-Based Learning & Real-World Application:** The **hands-on, challenge-based approach** ensures that students develop **practical business solutions**, bridging the **gap between vocational education and real-world business operations** as identified in the **Vocational Education Training (VET) Skills study**.
- **Networking & Collaboration Opportunities:** The **training model encourages peer-to-peer learning, mentorship programs, and industry partnerships**, directly addressing the **lack of networking opportunities for SMEs** noted in the **Tanzania Startup Association Policy Brief (2022)**

Furthermore, **Morcellin's study** on challenge-based learning reinforces that **well-structured, real-world business challenges lead to deeper learning outcomes and entrepreneurial competency development**. This aligns with the findings of **Chanin et al. (2018)**, which demonstrated that **CBL improves collaboration, problem-solving, and innovation among students** and **Colombelli et al. (2022)**, which confirmed that **CBL fosters an entrepreneurial mindset and increases business viability**.

Ultimately, the findings of this report emphasize that **entrepreneurship education must be aligned with real market needs**. The integration of **CBL, digital tools, and industry collaboration** into entrepreneurship training programs will provide **TVET students and educators with the knowledge and skills necessary to thrive in Tanzania's evolving**

business landscape. By implementing **practical challenges, digital simulations, and collaborative projects**, this program aims to bridge the gap between **education and business realities**, equipping future entrepreneurs with the competencies needed for **successful venture creation** in Tanzania.

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