

**EFFICACY OF REGULATORY FRAMEWORK PERTAINING TO PRIVATE
SECURITY INDUSTRY IN TANZANIA**

ERIC KIBET SAMBU

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania, a research dissertation titled, **“Efficacy of Regulatory Framework Pertaining to Private Security Industry in Tanzania”**, in partial fulfillment for the award of the Degree of Master of Arts in Governance and Leadership (MAGL) of The Open University of Tanzania.

.....
Dr. Miraji Kitigwa
(Supervisor)

.....
Date

DECLARATION

I, **Eric Kibet Sambu**, do hereby declare that the work presented in this dissertation is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfillment of the requirement for the Degree of Master of Arts in Governance and Leadership.

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DEDICATION

I dedicate this work to all Private Security Companies (PSCs) in Tanzania.

ABSTRACT

Tanzania has a vibrant private security sector, but other than a mention in the wage order and supervised by police, the law has not fully recognised it. This study sought to assess the efficacy of its regulatory framework, which covered state-led regulation, self-regulation through trade associations, voluntary regulations through international standards certifications and the role of consumers in enforcing compliance. The study applied the Institutional Theory in analysing the regulation of private security companies (PSCs). It also applied Hirschman's 1970 treatise of choice, loyalty and exit, to examine consumer behaviour when handling the PSCs. The study adopted qualitative approach, with primary and secondary data collected through documentary research and interviews. PSCs directors, police officers manning the PSC desk, and directors managing database were selected using convenient and purposive sampling techniques. The findings of the study revealed that even though the state-led regulations are scattered, they have been working well to regulate the sector. There are various taxes, and levies which the PSCs indicated as impeding the operations. The trade associations were seen to be 'clubs' due to lack of democracy and transparency in their operations and lack of systems to oversee the sector. The international standards were seen as expensive to get certified on, and yet rarely do customers ask for them. Overall, customers play a critical role in enforcing the standards. However, there are competing priorities that impede the effectiveness of this. The study concluded that implementing regulations is a challenge. According to respondents, TPF appears to be under-resourced, trade associations are weak, international certifications are expensive to implement and maintain certification, and customers' level of awareness of the regulatory mechanisms is low. The study recommends setting up of a regulatory authority, more training of PSC directors of various regulations and standards, lowering various fees to enable them to get international certification, compliance, and better oversight by TPF. It also recommends strengthening the capacity of trade associations to help in the regulation of their respective members.

Keywords : *Regulation; Private Security Companies, consumer power*

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ABBREVIATIONS AND ACRONYMS

ATE	Association of Tanzania Employers
BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Authority
EAC	East Africa Community
EACOP	East Africa Crude Oil Pipeline
CMA	Commission for Mediation and Arbitration
HESLB	Higher Education Students Loans Board
ICoC	International Code of Conduct for Private Security Providers
ICoCA	International Code of Conduct Association
IGP	Inspector General of Police
ISD	Internal Security Divisions
ISO	International Standards for Organisation
JKT	Jeshi la Kujenga Taifa
LGA	Local Government Authorities
MAGL	Master of Arts in Governance and Leadership
NSPs	Non-lethal Service Providers
NSSF	National Social Security Fund
PSCs	Private Security Companies
PRR	Protect, Respect and Remedy
OSHA	Occupational Health and Safety Authority
PMCs	Private Military Companies

PMSCs	Private Military and Security Companies
PPE	Personal Protective Equipment
PSCs	Private Security Companies
PSG-P	Private Security Guard Portal
PSRA	Private Security Regulatory Authority
SOMS	Security Operations Management System
TAMASCA	Tanzania Manned-guard Security Companies Association
TAPSCO	Tanzania Association of Private Security Companies
TPF	Tanzania Police Force
TRA	Tanzania Revenue Authority
TSIA	Tanzania Security Industry Association
TCRA	Tanzania Communication Regulatory Authority
TIN	Taxpayer Identification Number
UKUTA	Umoja wa Kampuni Binafsi ya Ulinzi Tanzania
UN	United Nations
UNODC	United Nations Office on Drugs and Crimes
VAT	Value Added Tax
VETA	Vocational Education and Training Authority
WCF	Worker's Compensation Fund

CHAPTER ONE

INTRODUCTION

This chapter introduces the subject matter on private security industry and highlights its regulatory trends. It provides the background to the study, the statement of the problem, the objectives of the study, the research questions and significance of the study.

1.1 Background to The Study

1.1.1 Emergence of the Private Security Industry

The private security sector has experienced exponential growth globally was valued at USD.240.18 billion in the year 2020 and is estimated to generate revenues of USD 342.7 billion by 2026 (Azoth Analytics, 2021). It employs between 19.5 to 25.5 million people worldwide (Diphoorn, 2016) and holds up to 3.7 million firearms, with numbers being up to four times the size of police forces (Krahmann, 2017). The emergence of private security companies (PSCs) has been attributed to their capacity and expertise with the level of professionalism that endears them to the consumers of those services (Diphoorn, 2016; Holmqvist, 2005). Rapid urbanization, driven by expanding middle class especially in emerging economies, is one of the key factors driving the demand of security services in the market (Azoth Analytics, 2021).

In his hierarchy of needs, Maslow (1943) defined security as the second most important human need after the physiological needs of food, clothing, sleep and sex. Adam Smith identifies "the liberty and security of individuals" as the most important prerequisites for

the development of public opulence; security is understood, here, as freedom from the prospect of a sudden or violent attack on one's person or property (Emma, 2007).

The history of modern private policing and surveillance can be traced back to the early days of voluntary policing in the Middle Ages through to feudal times (600-1500), when men volunteered to patrol the streets of the city at night, in order to prevent crime, and alarm in case of emergencies (Kempa, 2016). It was only until the early days of the industrial revolution in England, that the urge arose for organized policing initiatives to enhance the security in industrial cities. Private policemen were hired by industry owners, to patrol and punish those that were committing crimes or disturbing the order, to avoid disturbing the production capabilities of the factories. These initiatives ultimately led to official police, paid for by the government (Kempa, 2016).

Security has been the preserve of the state, in what English philosopher, Thomas Hobbes, termed 'Social Contract', hence claiming "it is rational for the people to give up some liberty to be able to gain security" (Bilgehan, 2011; Emeklier and Güvenlik, 2011). In the last half century, a trend has been witnessed where private organisations have taken up these roles, with deployments in warlike security operations as well as combat (Lind, 2012). The entry by private actors is partly contributed, in many nations, where police services have inadequate capabilities (manpower, resources and expertise) to satisfy the requirements of the private sector (Bakrania, 2014). This created an opportunity from private investors to serve the market by filling this gap and providing support to maintain law and order (Dickinson, 2013). The sector has however attracted

many players, which necessitates stricter control, in view of the sensitivity and implication in security and peace stability of the nation.

Abrahamsen and Williams (2010: 19-22) show the growth and the impact the commercial PSCs have had during a 60-year period up to 2010. Not only has the commercial security market grown in number of personnel and yearly profits, it has also spread to every continent of the world, while not only affecting liberal states, but also authoritarian ones. The growth of private security resulted partially by an increasing liberalization of the markets in the 1970's. This impacted the state heavily. Paraphrasing Loader (2000: 323): this process of privatization marked a significant shift in the provision of security, because the process led to a fragmentation and diversification of policing, provision and ushering new agencies and agents, each responsible for providing different types of security services, leaving the state as just another security service provider in a 'network of power'. This network is not stuck within the boundaries of country, but often transnational (Abrahamsen and Williams, 2010: 22).

Privatization led to security as a service through a process of commodification. This is described by Krahmann (2008) as the process in which security is no longer exclusively provided by the state, but as something that can be bought on the market, meaning that security becomes a product that can be sold for profit (Krahmann, 2008: 387). Due to the outsourcing of security services by the state, they have created a lucrative market for private security companies because, in the security service markets, the state is not necessarily the most efficient and reliable one for providing security anymore. This leads

citizens to turn to private security companies, who can make them feel safe or protect them from threats, through tailored services (Beck, 1992). This in turn reinforced the demand for private security, which can be attributed to the growth of private security in general. The commodification of security has been a precondition for its globalization (Abrahamsen and Williams, 2011: 77, 156), because security has been delinked from the state and depoliticized. Therefore, security services can now be globally exported as a set of technical capabilities and skills. The private security sector comprises a wide range of actors. In addition to a number of often unofficial and/or illegal operators such as mercenaries and neighbourhood civil defence forces, the sector includes more legitimate organisations such as PSCs, PMCs, and internal security divisions (ISDs) (Richards and Smith, 2007). Brooks (2002) also categorised them to non-lethal service providers – mine clearance, risk logistics, PSCs and PMCs. They contribute towards a solid base for economic and social development and also form as an important tool to achieve government policies and therefore, the public interest in their performance is thus often acute (Joachim and Schneiker, 2012; Franke and Von Boeckmann, 2011). From the state's perspective, maximizing PSCs' performance is a goal of overriding importance (Joachim and Schneiker, 2012).

Tanzania's private security sector is not clearly defined as there is no readily available information about it (Jaba, 2020). However, Jaba (2011) noted that there were 495 private security companies (PSCs) in operation, employing about 1.7 million persons in 2009. Even though, Tanzania Security Industry Association (TSIA) (2022) reports indicated that its membership is over 600 companies, though only 50 being active

having paid up subscription fees, and with many other companies being members of rival associations and some do not even subscribe to any association. The PSCs mainly offered domestic security services, such as policing (guarding and arresting), body guarding (bouncers), cash-in-transit services, alarm response services, firefighting (evacuation), ambulance services, surveillance, event security, security consultancy, investigation and detection. In particular, their services cut across various areas of the economy such as banks, manufacturing, trading, services sector, retail sector, aviation, travel and tour security, and agricultural security. They are licensed to use firearms. Some multinational security companies also offer business intelligence, and investigation such as due diligence, asset tracking and recovery, counter-surveillance and anti-surveillance, private detection (ransom and kidnap cases), and training police and military personnel (Jaba 2011).

1.1.2 Regulation of Private Security Industry

Despite the continuing importance of PSCs' role in security, the debate on how they are supposed to be regulated is still simmering. Effective regulation will ensure all stakeholders' interests are protected. Some authors argue that privatization of security poses a serious threat by slowly eroding the state's legitimate monopoly on the use, control and authorisation of force (Weirs, 2018; Ortiz, 2010). The state can also lose its power over its territory by ceding its core function (Abrahamsen and Williams, 2006; Diphooorn, 2016). It can also undermine democracies, (Bures, 2015), and raises concerns about the behaviour of such fighters towards enemies, civilians and neutrals as seen through the lens of international humanitarian law (Weir, 2018).

Other concerns raised regards to ability of the state to control the private actors' operations and also the relationship between the PSCs and those who pay for their services and the society (Holmqvist, 2005). These arguments point to the need for stricter regulations of the sector, mostly fronted by proponents of the status quo, where the state is left with the responsibility of security and hence PSCs are seen to lack legitimacy (Vaux et al, 2002). PSCs are responsible to their shareholders, and not voters, yet they carry a critical role in protection, previously a preserve of the state (Diphoorn, 2016). Context is significant since the ultimate consumer of PSCs service goes beyond the contract holder to the public and traverse international borders, a complex and multifaceted issue (Avant, 2004:7).

Whereas many researchers have identified the need for effective regulations, Percy (2012), points out that private security industry is agile and innovative, responding swiftly to market pressures. She decries the lengthy negotiating processes from the state, resulting in 'regulating the last war', regulating a moving target, hence inadequate or outdated regulations (Percy, 2012; Gumedze, 2020). It has been a game of catch-up, led by necessity to respond to problems in the industry, rather than seeking to regulate the direction of the industry's growth (Percy, 2012). This gap has created prominence of voluntary regulations by the actors, through trade associations and international initiatives and standards. However, enforcement of these regulations is largely dependent on the consumer demanding compliance when choosing suppliers.

African region, though less documented, has seen an exponential growth in its private security industry, coupled with diversification of activities, which has overtaken the applicable regulatory frameworks (Gumedze, 2020; Diphooorn, 2016). This has resulted in the governance deficit of an industry that has now become a force to be reckoned with due to absent or weak regulatory regimes (Gumedze, 2020). However, many PSCs have formed trade associations and adopted voluntary regulations, codes and standards to boost their performance and some customer-imposed rules, to boost their market appeal (Diphooorn, 2016). These efforts have resulted in better regulation of the sector, filled the gaps in state regulation, but criticised for lack of effectiveness and credibility and for being nondemocratic and exclusive (Crawford, 2006).

Applying qualitative research approach, with key informant interviews and doctrinal research, this study was therefore aimed at contributing towards the effective regulation of private security in the country and the region. Through this study, a deeper understanding of the nature of the private security industry in Tanzania is gained. An appreciation of the various regulatory mechanisms presents a perspective on what gaps the country needs to address to ensure that the private security industry is effectively regulated in the country. The study lays a foundation for an informed debate on the possibility of adopting good practices from other regulators of private security that will improve the regulation of the private security industry in the country. The ultimate goal is to enhance knowledge on challenges and opportunities for the promotion of effective oversight and accountability of the private security industry in the country.

1.2 Statement of the Research Problem

The existence, legality, legitimacy and growth of PSCs require the establishment, strengthening and promotion of effective regulatory frameworks (Diphoorn, 2016; Krahmann, 2017; Berg, 2002; Holmqvist, 2005). Absence of effective regulatory frameworks in a country may pose serious challenges in improving professionalism, quality and standing of the private security industry (Gumedze, 2020). The crux of the private security sector's capacity to be a legitimate actor lies in the relative capacity of states to manage them and ensure it is compatible with the promotion of good governance (Holmqvist, 2005:9).

The African context in the existing literature has largely been left out. Yet PSCs continue to thrive, complementing state machinery in provision of security and creating employment (Abrahamsen and Williams, 2005; Diphoorn, 2016; Dickinson, 2013). The literature largely focuses on the Western world, and much on state-led regulatory mechanisms, leaving gaps in the role of self-regulatory mechanisms – from trade associations and international codes. Technological advancement and market dynamics have rendered some regulations, that largely focused on manned guarding, obsolete (Jaba, 2020). Even where there is adequate regulations, implementation and enforcement have been cited as a weakness in many states, rendering the existing regulatory mechanisms ineffective (Berg, 2013; Diphoorn, 2016; Abrahamsen and Williams, 2005; The World Bank, 2017).

This study therefore sought to explore the existing regulatory mechanisms in Tanzania, a developing economy that has a vibrant private security industry. In addition to filling the contextual gap, this study applied Institutional Theory lens in this industry and explored the role of the consumer in enforcing the regulations, by exercising the choice, voice and exit strategies as a means to have the PSCs comply with the regulations (Krahmann, 2016). Applying various dimensions of the Institutional Theory, the study also develops a theoretical framework for understanding how consumers can help facilitate and enforce PSC industry regulation, building on basic microeconomics, and Hirschman (1970)'s classic treatise Exit, Voice, and Loyalty. The findings therefore bring new knowledge on effective regulatory regime for PSCs in Tanzania.

1.3 Research Objectives

1.3.1 General Research Objective

The main objective of this study was to assess the efficacy of regulatory framework pertaining to private security industry in Tanzania.

1.3.2 Specific Research Objectives

The specific objectives of this study were:

- (i) To examine how the state regulates private security industry in Tanzania;
- (ii) To examine self-regulation through PSCs' industry associations;
- (iii) To evaluate the contribution of codes and standards in regulation of PSCs;

- (iv) To assess the influence of consumers of PSC services in effectiveness of regulatory mechanisms.

1.4 Research Questions

1.4.1 General Research Question

The study sought answers to the general question: How effective is the regulatory framework in governing the private security industry in Tanzania?

1.4.2 Specific Research Questions

The study was guided by the following specific research questions:

- (i) How is the state regulating private security industry in Tanzania?
- (ii) What self-regulation mechanisms do exist in PSCs?
- (iii) What is the impact of voluntary codes and standards in regulation of PSCs?
- (iv) How is the regulatory regime influenced by PSC service consumer?

1.5 Significance of The Research

Theoretically, the study contributes to the advancement and development of body of knowledge and improvement of the Institutional Theory and application of the Hirschman's (1970) treatise of Choice, exit and loyalty in the private security industry. The study also has practical implications on appropriate policy development and improvement of regulation of private security industry in Tanzania. The study may also

be of immediate benefit to the key players, including the TPF and other close regulatory agencies, and researchers interested in regulations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter reviews the research works of other scholars. It also lays down the theoretical orientation, empirical review, conceptualisation, and operationalisation as relates to the study of governance and specifically on regulation assessment. It presents theories that seek to predict or explain regulation practices in sectors to streamline conduct of organizations in pursuit of their objectives.

2.2 Conceptual Definitions

2.2.1 Governance

Governance refers to the process of interactions of policy making and policy implementation which take place in complex political and social settings, in which individuals and groups with unequal power interact within changing rules as they pursue conflicting interests (World Bank, 2017). This definition was found appropriate and hence adopted for the purpose of this study.

2.2.2 Corporate Governance

This study adopts the definition by Hart and Milstein (2013) that corporate governance refers to that blend of law, regulation and appropriate voluntary private sector practices which enable the corporation to attract financial and human capital, perform efficiently, and thereby perpetuate itself by generating long-term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole.

2.2.3 Regulation

This study adopts Moll's (2007) definition from the public policy perspective that regulation refers to the targeted rules, typically accompanied by some authoritative mechanism for monitoring and enforcing compliance. This study adopted this definition and incorporated both the government intervention mechanisms and the self-regulation by private actors either through voluntary trade associations or international standards.

2.2.4 Private Security Company (PSC)

Weir (2018) defined PSC as a business entity which provides security services and expertise to private and public clients. This study adopted this definition. Any public entity that offers commercial security services also falls under this definition of PSCs.

2.2.5 Self-Regulation

This refers to industry members jointly pursuing regulatory or standard-setting activities in the absence of explicit legal requirements (Garvin, 1983). For the purpose of this study, self-regulation includes individual PSCs as well as collective efforts via trade associations in pursuit of compliance with regulatory requirements and voluntary standards and codes of practice. It also covers the constitutions and codes of practice set by the trade associations.

2.3 Critical Review of Supporting Theories

This section provides an insight into theories revolving around external mechanisms of corporate governance practices that enhanced the foundation of this study. According to Swanson (2013), theories are formulated to express, predict and understand phenomena,

and in many cases to challenge and extend existing knowledge within the limits of critical bounding assumptions. The theoretical framework is therefore the structure that holds or supports a theory or theories of a research study; it introduces and describes the theory or theories that explain why the research problem under study exists. This study is built on the following theories to explore the regulation of PSCs phenomena: the Institutional theory and the Hirschman's treatise of voice, choice, exit and loyalty.

2.3.1 Institutional Theory

Institutional theory, introduced by John Meyer and Brian Rowan in the late 1970s, addresses the means to explore how organizations fit with, are related to, and how their societal, state, national, and global environments shape them (Meyer and Rowan, 1977). An institution refers to social structures composed of cultural–cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life (Scott, 2008).

Institutional theory considers the processes by which regulative, normative and cultural cognitive structures are established as authoritative guidelines for social behaviour (Scott, 2008). The theory explains how these elements are created, diffused, adopted and adapted over space and time (i.e. institutionalized); and how they fall into decline and disuse (i.e. deinstitutionalized) (Scott, 2008). Institutional theory assumes that organisations are widely affected by the external environment, actions and behaviours like law, regulations, values and norms and culture and expectations (DiMaggio and Powell, 1991). They not only compete for resources and customers, but also for political

power and institutional legitimacy, social and economic fitness (DiMaggio and Powell, 1983). The institutional mechanisms consist of coercive, normative and mimetic. These drive organisations towards homogeneity (isomorphism) in organisational practice (DiMaggio and Powell, 1983). Institutional theory indicates that an institution can change in several ways because of coercive isomorphism, mimetic isomorphism and normative isomorphism to meet social expectations. In the context of PSCs, this will imply the surveillance assemblage - state regulation and self-regulation, as shown in the empirical review. They are influenced by consumer power. These are the factors considered in the conceptual framework.

Organizations act rationally by following rules established by actors who control valuable resources to avoid actual or perceived penalties that could result from non-compliance, via coercive isomorphism (Hoffman, 1999). For instance, PSCs change their practices because of pressure from dominant stakeholders such politicians, government authorities and non-governmental organizations (DiMaggio and Powell, 1983). Key in this relationship is the consumer, who contracts the PSC to provide services and dictates the relationship.

Normative isomorphism refers to standards and cognitive frameworks that are created in professions from formal education, professional experience, and inter-organisational networks, associated with professionalisation within a specific organizational field (DiMaggio and Powell, 1983). These isomorphic tendencies gain legitimacy from rational choices made by key actors in related fields, which ultimately leads to

organisations that look and act similar to each other in form and function (DiMaggio and Powell, 1983). PSCs have international codes and standards they adopt and adapt to legitimise their operations and differentiate themselves. This study will explore the influence of these voluntary codes regulating PSCs.

Mimetic Isomorphism occurs when organizations are not sure what to do; they very often look to a reference group and emulate what they do in the same situation. Therefore, organizations will adopt the practices of successful institutions and therefore come to resemble them if that leads to greater access to resources and even some strategic advantage (DiMaggio and Powell, 1983). Uncertainty is also a powerful force that encourages imitation. March and Olsen (1976) stated that when organizational technologies are poorly understood, when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations. This aptly describes the private security industry in Tanzania. This study therefore explores the behaviour of the PSCs as they address compliance to various regulations. Cyert and March (1963) argue that the advantages of mimetic behaviour in the economy of human action are considerable, and that when an organization faces a problem with ambiguous causes or unclear solutions, a search of the problem may yield a viable solution at little expense.

This study therefore adopts the variables of state regulation initiatives, which provides the coercive isomorphism through various regulations and directives. The other variables include industry self-regulation initiatives, both via trade associations and via

international standards and codes, the appropriate normative isomorphism. The environment these regulations occur is political, as that dictates the PSCs regulations passed and how they are implemented. In addition, given the level of uncertainty about the standards and regulations, mimetic isomorphism will come to play as PSCs try to imitate the operations of the others in the same industry to cope.

2.3.2 The Consumer Influence Theory: Choice, Voice and Exit

In the absence of a strong shadow of hierarchy, consumer behaviour becomes a central factor in promoting industry regulation (Krahmann, 2016). The basic microeconomics model that explains consumer influence on markets for goods and services is the relationship between demand and supply. Slowman et al (2010) posited that prices transmit important information about demand and supply. In a competitive market, consumers signal dissatisfaction with specific products and standards through choice, that is, by selecting specific suppliers, and exit by shifting their custom to competitors or by ending client-supplier relations (Slowman et al, 2010). Therefore, if higher standard providers attract greater demand, they can raise their prices, which means that, the higher the prices that competitors can ask for their services, the more interested other firms become in offering similar standards (Slowman et al, 2010:62).

While analysing consumer influence on standards of goods and services, Hirschman (1970) argued that consumers can also attempt to shape business behaviour through ‘voice’. That is, ‘individual or collective petition to the management directly in charge, through appeal to a higher authority with the intention of forcing a change in

management, or through various types of actions and protests' (Hirschman, 1970:30). Hirschman understood voice not in terms of political protests directed at the government, but as consumer action targeted at a company or industry (Krahmann, 2016). Hirschman argued that exit is a blunt instrument because it only tells companies that there is something wrong with their products, services, or operations, but not what. Voice has greater benefits than exit since it can provide suppliers with precise information about consumer preferences.

The model has been primarily applied to private consumers, but Krahmann (2016) tried it on public clients and found it applicable. Whereas private customers can only hope to influence individual firms or have to rely on collective action to affect industry services and standards, government agencies have much greater consumer power. Krahmann (2016) argued that where governments are, for various reasons, unwilling or unable to act in a regulatory capacity, choice, voice, and exit may thus serve as alternative strategies for shaping industry behaviour and standards. This study extends this to consumers of PSC services. Specifically, it will try it on the banking sector, where the players are highly regulated and there exist specific directives and guidelines on how to conduct outsourcing of activities, and this is where PSCs come in. This brings new knowledge of the private consumers but acting under strict regulatory guidelines.

However, the idealized relationship between producers and consumers emerging from Hirschman (1970), and basic microeconomics is not perfect and holds only under specific conditions. Krahmann (2016) argued that choice and exit depend on competition

among alternative suppliers as well as the ability and willingness of consumers to assess and select between competitors. Collusive behaviour among firms and monopolistic or oligopolistic market structures can inhibit competition (Dowding and John, 2011; Hirschman, 1970, p.25). Consumers' lack of information and expertise, the cost of comparing competing products and services, and the expense of changing suppliers can also obstruct choice and exit (Hirschman, 1970, p.26). Loyalty towards a particular supplier or product is another factor, which can prevent exit 'in a less rational, though not wholly irrational, fashion' (Hirschman, 1970, p.38). In cases where consumers have developed loyalty to a supplier, they are more likely to voice their dissatisfaction or 'suffer in silence' than seek a new provider (Hirschman, 1970).

According to Hirschman (1970, p.33), voice is normally more costly than exit because the mobilisation and expression of consumer preferences requires time and effort but does not guarantee changes in products or standards. Hirschman (1970), therefore, concludes that voice is a 'residual of exit', most likely to be used when the exit option is unavailable. Krahmann (2016) however established that in the case of public clients, this may not be so. Due to their larger consumer power, greater organisational capabilities and dual role as regulator, public agencies may find it easier to use voice to demand improved standards and services than to exit existing contracts. Banks and financial institutions can be said to be quasi-public, given the highly regulated environment they operate in. This study therefore examines how the actors apply the choice, voice and exit strategy in fostering standards and hence regulation of PSCs.

2.4 Empirical Analysis of Relevant Studies

Regulation has been a simmering debate, especially in the private security industry. First is whether to regulate or not. Then is to regulate, state to take the lead or let the industry self-regulate, either through trade associations or international regulatory efforts that PSCs will be certified against. Opponents of regulations (e.g. Chittenden et al., 2002; Sanjay and Dennis, 2009) argue that regulations restrict business start-up and contribute to business failure, the diversion of scarce resources away from profit-generating activities towards the discovery and understanding of, and compliance with, regulations. Regulation distorts markets, reduces business rewards and disincentivizes business growth all of which lead to a sub-optimal level of economic activity from which businesses, workers and consumers suffer (Sanjay and Dennis, 2009). On the other hand, supporters of regulation argue that although regulations involve some costs for business enterprises, they confer benefits on business owners (Vickers et al., 2003). Regulations are needed to correct market failures, promote fairness, ensure public safety and protect the environment (Blackburn and Hart, 2004). Focusing on PSCs, this study is an attempt to provide the basis for further exploration on the need and effectiveness of regulations in the private security industry especially in the context of developing economy.

Colona and Diphoorn (2017) delved into the corporate governance practices in PSCs, noting that they have important role in facilitating progression and organization revolution. They observed that when organizations do not have sufficient knowledge about their corporate governance practices and its dimensions, they face abundant problems like workplace conflict, weak organization systems and poor performance of

the organization (Colona and Diphoorn, 2017). Their study focused more on the internal governance practices but alluded that influence of external mechanisms was key in enforcing internal practices due to the force they have. This was supported in Ammann and Ehmann (2017) where they found that board members will use its strength using the external mechanisms' force to comply and predict the necessary measures and strategies (Ammann and Ehmann, 2017). The external mechanism is the focus of this study to bridge this gap.

Vaux et al (2002) is from the school of thought that state should remain a legitimate user of force. They question the legitimacy of the private security industry, citing that the role of PSCs in international missions may imply a breach of the Article 2 of the UN Charter in this context: that member states take responsibility, under UN Authority, for maintenance of peace and security. Similarly, anti-mercenary provisions in several state laws prohibit such activities. For instance, in Tanzania's Constitution, under Article 147(1): "...it is hereby prohibited for any person or any organisation or any group of persons except the Government to raise or maintain in Tanzania an armed force of any kind". This raises legitimacy concerns and sets ground for a debate to determine and outline appropriate ethical, political, professional and public accountability standards that PSCs need to uphold in order to be a legitimate resource (Vaux et al, 2002). This study assessed the gaps in legislation especially in Tanzania that may be hindering legitimacy of this sector. Krahmann (2016) appears to support the above ideas but instead, suggests that the market may be better if it is left to regulate itself. The US and the UK governments are opponents of global licensing regime for PSCs and instead,

promote international self-regulation as a suitable mechanism for improving standards (Krahmann, 2016). Given that PSCs services stand in tension with democratic promise of modern society – that every member merit equal consideration when determining protective arrangements – this market is a legitimate concern to all citizens (Krahmann, 2016). The US government has no federal licensing regime for PSCs due to non-aligned political and legal systems, with each state having a right to license PSCs registered in their state and some states set no licensing requirements at all, and lack of political will at federal level (Krahmann, 2016; Avant, n.d.) South Africa and Kenya have independent regulatory authority for private security industry, set under an Act of Parliament (Weirs, 2018). Tanzania has no such body and tasks of overseeing the sector activity is under the police force (Jaba, 2020). This study will compare the effectiveness of the different approaches and hence make appropriate recommendations.

Krahmann (2016) further assessed the various forms of international self-regulation mechanisms, saying these can either be through trade associations or voluntary international standards that PSCs opt to adopt and be certified on. Trade associations are voluntary and often within a country but can also traverses the borders. These associations have codes of conducts where members sign to abide by them in the conduct of their business. At international front, The Montreux Document, the International Code for Private Security Service Providers (ICoCA), American National Standards Institute/ASIS Certification and International Standards Organisation (ISO) 18788 – Management System Standard for Private Security Organisations and key efforts to regulate PSCs (Krahmann, 2017). This study will explore the number of PSCs

who are certified or members of these codes in Tanzania and seek to know the value they derive from them, especially on regulatory compliance.

Umego (2021) found that the Montreux Document, though a step in the right direction towards regulating the operations of Private Military and Security Companies (PMSCs) abroad, it is however fraught with certain shortcomings. He noted its soft law approach, that makes enforcement weak thereby occasioning low levels of accountability and a high degree of criminality among PMSCs global activities. He therefore recommended State parties to the Montreux Document to domesticate the various obligations and good practices/standards provided under the Document in their national legislation. This study will explore the extend to which this is applicable in Tanzania.

Loader and Walker (2007)'s stance is that commodifying security into discrete goods tailored to individual, community and organisational preference erodes the trust and solidarity required to guarantee equal protection for all members of society. State-led regulation is therefore necessary to align public interest with private security. Loader and White (2017) fronted two approaches: one seeking to 'cleanse' the market of deviant sellers and the other to 'communalize' the market through the empowerment of buyers. These models are premised on the neoclassical economic conception of how market transactions map onto the public interest. What seems to be lacking in the analysis of the existing literature in the insight of economic sociology is that PSCs are viewed as moral actors, civilised to deliver democratic promise of security and this was covered by Loader and White (2017). However, success is hinged on effectiveness, efficiency and

legitimacy of public regulators, the willingness of actors to balance economic imperatives and moral considerations. For instance, a PSC offering fire response service will be in a dilemma when there is fire outbreak in a premise, they have now contract to provide that service. Even if this model works, it can be impeded by regulatory gaming, capture and non-compliance. This study sought to extend this debate focusing on Tanzanian context.

When the state regulation targets to cleanse the market, players may only comply with minimum standards, with non-contractual moral concerns having no place. This leads to what (Button, 2012, p.206) calls ‘grudge’ purchasing, a sort of coercion, for instance, when there is a requirement in insurance policy to engage a sort of service from PSC. This leads to price wars and lowering of standards of service in what Loader *et al*, (2016) called a race to the bottom. What is evident is what Sarre (2008, pp.266-68) constructed as risk profile: fraud, incompetence, poor standards, exploitation of staff, corruption, violent malpractice, false arrest and detention, trespass and invasion of privacy, discrimination and harassment, and insider crime. This is a demonstration of market failure and threats to public interest and a call for effective regulation. A cleansing model will however need to be supplemented to align the market with public interest (Loader and White, 2017). Security industry trade associations not only champion economic interests of their members, but they also promote public values and commitments using professional standards or corporate social responsibility (Loader and White, 2017). They use hard – mandatory codes of practice - and soft – awards for outstanding acts – mechanisms. In most cases, trade associations play delegated

authority of the regulator, but questions emerge of how this is monitored and strategies on enforcement when not functioning properly.

Ayres and Braithwaite (1992, p.35) suggested a pyramid approach, where, at the bottom is persuasion, to appeal to moral agency of the uncooperative party. Then follows naming and shaming of the uncooperative party. Next step will be the power to fine the PSC and close it down. At the apex is the option to convert the principles to rules and enforce them. This study will therefore assess the practice in Tanzania using this approach. To have what Ayres and Braithwaite (1992) called responsive regulation, they called for stakeholders' inclusive deliberation and social solidarity to supplement licensing requirements. To operational these policies, they called for delegation of these duties from regulators down to trade associations and police forces. This appears to be the case in Tanzania and this study will seek to explore it further. They suggested that if delegation is unsuccessful, some element so of policy can be made to be rules by the regulator, and hence have legal status as licensing requirements.

To regulate or not to regulate is another debate. Crawford (2006) posited that regulation instils a higher degree of professionalism and increases accountability in PSCs, and state regulation is a means of legitimization of the role of PSCs. The state and nonstate regulatory mechanism are equally important in exploring effective regulation of PSCs. Diphoorn (2016) categorised regulation to state regulation, self-regulation (industry associations and international standards) and agency-level (company) regulation. Diphoorn (2016) referred these are "surveillance assemblages", while other authors

called them regulatory assemblages and others, regulatory pluralism. Some authors came up with hierarchy in regulation, and others coined the multistakeholder initiatives in regulations. It is recommended therefore that studies in regulation of PSCs should include state-based efforts and efforts by trade associations and how companies regulate officers delivering their services, since they are deemed problematic (Diphoorn, 2016). The political environment, the democracy as a background against which regulations take place, remains unexamined in anecdotal literature and this study seeks to bridge that gap.

Diphoorn and Berg (2014) noted that the issues surrounding PSCs in Africa do not have the same level of policy focus and regulatory oversight as mainstream peace and security issues. However, PSCs play significant roles in security sectors across the continent and have substantial potential to impact the security of the state and its citizens. PSCs are active on national, regional and transnational levels and are frequently inadequately regulated, operating under the radar screen of public state actors, regional organizations, and transnational frameworks (Diphoorn and Berg, 2014). The ease with which PSCs are started and operated without clear guidelines has contributed to sporadic expansion and saturation of standards of service, mostly attributed to poor governance practices by PSCs (Oketch, 2018). This therefore underscores the need to understand the players in security industry, nature of regulations, related challenges and therefore suggest ways to improve effectiveness of regulation of PSCs in Tanzania. This brings us to the specific regulatory mechanisms applicable to the private security industry. Berg (2003) found out that the challenge in having effective regulation lies with the implementation, a factor

that is affirmed in studies by Diphoorn (2016), Abrahamsen and Williams (2005). This is in line with what The World Bank (2017) found in their study to demystify why carefully designed, sensible policies too often not adopted or implemented. The capacity and willingness of the actors to cooperate and coordinate to achieve socially desirable goals are what matter for effectiveness. Manifestation of power asymmetry, like exclusion, capture and clientelism, leads to failure to achieve security, growth and equity. They recommended shifting of incentives of those with power to motivate preference to good outcomes through bargains and strengthening coalition for reforms. They devised three guiding principles for rethinking governance for development: think of functions of institutions and not only their form; think of power asymmetries, not only on capacity building; and think of the role of law, not only on the rule of law. This has not been effectively addressed in the private security industry, despite becoming integral part of the security landscape and this study seeks to explore. It focuses on the effectiveness of regulatory mechanisms.

Weirs (2018)'s study in Kenya brought in a new facet - the balance of power between local and international PSCs. He argued that the global security assemblage is a perspective where all actors are treated equal, instead of the more traditional way of thinking, where the state is put as the central unit of analysis (Weirs, 2018). Using Bourdieu's concepts of economic, cultural and symbolic capital, Weirs (2018) concluded that the global PSCs possess more capital of each form than the local. His study somehow supports the scenario in Tanzania, given the presence of local and global PSCs. This balance needs to be studied to understand how this can be addressed in

regulating the industry to achieve the desired effect. This study therefore seeks to close this gap in Tanzania. Cremers and Meyers (2013) studied the relationship between internal and external mechanisms of corporate governance, focusing on whether they are complements or substitutes, in determining equity prices. They found that they were complements, with further finding that the size of the firm play an important role in how these mechanisms interact. They found that internal governance is effective only in the presence of good external governance and similarly, that external governance is effective only in the presence of good internal governance, especially for larger firms. Given that this study focuses on external mechanisms of corporate governance, the findings here underscore the need to assess efficacy of regulations as it has an impact on internal mechanism and hence effective corporate governance practices amongst PSCs.

The role of the consumer has not been fully addressed in the existing literature. Some authors however argue that implicit in these regulatory efforts is the assumption that the consumers of the PSC services will help facilitate and enforce professional standards by shifting their custom to PSCs who have signed up to these codes of conduct or certification schemes (De Nevers, 2009; Garvin, 1983). To what degree the consumers are able and willing to enforce this, given the competing requirements to comply with internal requirements like cost factors, is an area that available literature has not focused on. Krahmann (2016) did a similar study on the US government, and private enterprises, who are commercial focused have been left out. This study will seek to bring this aspect, not only to the voluntary schemes, but also the entire regulations, as a mediator to achieve effectiveness in regulating PSCs. Based on rational profit maximising PSCs,

management and political theories points at two factors encouraging self-regulation: the threat of decreased revenue from substandard services (De Nevers, 2009:494; Borzel and Risse, 2010) and potential increase in demand with certified goods and services, and exclusion of low standard competitors, blocking new ones and creating new markets (Garvin, 1983:44).

Borzel and Risse (2010) brought the concept of ‘the shadow of hierarchy’, the desire of businesses to and industries to avert public regulation. They argue however that this can be weakened by political unwillingness to impose public regulation, possibility of evading public regulation and disagreement among states on the need to regulate and content of the regulation. Threat of public regulation can also be unconvincing if the state is weak to enforce and implement regulations. The political environment is therefore a key factor in setting and enforcement of the regulations and this study is conceptualized in that context, as we address the effective ways of regulating PSCs. PSCs set their own standards, for instance, on selection, recruitment, training and disciplining their officers, in what Rigakos (2002, p.101) termed ‘an obsession for security firms’. Diphorn (2016) termed this as ‘agency-level’ regulation and argued that this form of regulation is the most influential for security officers yet understudied. The focus on officers of PSCs is key, given that the services are provided to the recipients of these services through these officers, and hence their conduct, professionalism and impact of PSCs on society is reflected by the quality of these officers. The officers have been accused of being ‘criminals in uniforms’ in Kenya and organised crime gangs in South Africa (Abrahamsen and Williams, 2005; Ngugi *et al*,

2004). PSCs incorporate panel interviews, aptitude tests, integrity checks, polygraph tests and psychometric evaluation as a means to assess officers' capabilities (Singh, 2008, p.54). However, these checks depend on the financial capacities of the PSCs and that is the practices vary a lot (Diphorn, 2016). Rigakos (2002) also brought in the use of hierarchical systems in PSCs that establishes 'a role model system' and a 'distribution system that ranks skills, attitudes and experience of the offices. He added that supervision and electronic surveillance systems also help officers, especially when clients accuse them of ineptitude, though some officers feel they are not trusted when monitored (Rigakos, 2002, p.104).

South Africa has an entity called SASSETA that sets syllabus and regulates the training of security officers, before being licensed. Kenya does not have a similar institution, but each PSCs conducts training, supported by efforts from trade associations (Nguyi et al, 2004). Anecdotal literature shows absence of any scheme in Tanzania and this study will assess what happens within the PSCs to cover that aspect. This study will also explore the extent to which agency-level regulation is practiced and the influence it has on the overall effectiveness of regulation in Tanzania.

2.5 Research Gap Identified

This study seeks to bridge the knowledge gap by assessing the efficacy of regulatory framework of private security industry in Tanzania. During the literature review, the researcher has identified four major gaps in the previous research and literature. These are practical gap, empirical gap, contextual gap and theoretical gap. The findings in this

study will address the possible practical gap in quality of policies/rules, the empirical gap in the nature, adequacy, set up of regulations and the regulatory bodies especially on PSCs, the contextual gap of developing economy and security industry and finally the theoretical gap, achieved by combining the institutional theory and the theory of consumer influence on regulation – choice voice and exit - to gauge the effectiveness of regulation of PSCs in Tanzania.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This section explains the methodology employed by the researcher in collection, analysis and interpretation of the data, relating to the study. The section contains the research design, the study area, sample and sample size, the sampling procedures, data collection methods, validity and reliability, data analysis plan, work plan and the budget.

3.2 Research Strategies

3.2.1 Research Philosophy

Research philosophy is part of research methodology which explains researcher's beliefs and assumptions about knowledge which guides how studies should be conducted (Saunders et al., 2019). The study adopted interpretivism philosophy. The inherent meaning of the social phenomena (efficacy of governance and regulation) is created by each observer. This is therefore appropriate for this study, since the researcher plays an active role in the study, as it is necessary to draw a holistic view of participants and their actions, thoughts and meanings.

3.2.2 Research Approach

The study adopted an abductive approach. Abductive reasoning seeks the simplest and the most likely conclusion from a set of observations (Saunders et al, 2019). Regulation of PSCs is novel, and it appears no known premises or causal relationships have been settled on. There could be complex relationships that exist amongst the actors and hence

a tentative explanation to make sense of the observations is necessary. The approach was appropriate since the research sought to build on something that existed, based on the theories chosen, and still involved investigating something that cannot necessarily be rooted in previous research, hence ability to shape the theories. It links things together to generate order that fits the surprising facts about PSCs and hence might result in building a theory. The outcome of this approach is further studies in the area.

3.2.3 Research Design

Kothari (2004) simplifies research design as “... the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”. This study adopts a qualitative research design, exploratory in nature, with abductive approach, employing case study research strategy. It was appropriate to enable us to understand the sentiments of the actors and analyse the documents in place to clearly demonstrate existence of regulations, how the PSCs are motivated to comply and hence effectiveness of regulation of the private security sector.

3.2.4 Data Collection Methods

The study employed documentary research and interviews to validate the initial findings and understand the reasons. Documentary literature review covered statutes, policy documents, guidelines, rules, books, journals, research papers, organization materials and reports, corporate governance principles and industry codes of practice and standards.

Secondly, the researcher applied selective interviews. He held discussions with directors or executives in PSCs, persons in charge at the regulators and experts in the area of regulations and policy, to explore attempts made so far to cover governance aspects in PSCs.

3.2.5 Survey Population

The target population for this study was the owners/directors and senior executives of PSCs. The study targeted PSCs and also target selected regulators and TPF unit in charge of auxiliary police, because they have information relevant for the study. According to the TPF, PSCs who had applied for letters of grant to operate in 2021 were about 2,000. Those with established operations and inspected numbered only 600. TSIA (2022) indicates that their members are over 150, but active members, with paid up subscriptions are 50, as at the end of 2021. The population for the purpose of this research is therefore taken as the active members of TSIA, hence 50. Another population is the security managers of financial institutions, who are consumers of PSCs' services. There are 55 financial institutions (BOT, 2022).

3.2.6 Area of the Research

The study was delimited to the Dar es Salaam and Dodoma regions in Tanzania. According to statistics from TSIA (2022), about 75 per cent of the PSCs have bases in Dar es Salaam, and therefore taken to be a good representative of all PSCs. Dodoma, being the capital city where the TPF headquarters is based, and where most meetings of the PSCs are held, was also seen as appropriate to gain access to the respondents.

Documentary research was mainly done online and in selected libraries in Dar es Salaam. The study also focused on the following aspects of governance of PSCs: regulatory framework, self-regulation, best practices locally and internationally. It also covered players in the industry, which include PSCs' owners/directors, government agencies like TRA, TCRA, TPF, OSHA, BRELA, Fire department, Immigration Department, WCF, NSSF, TCRA, LATRA, JKT and various municipalities.

3.3 Sampling Design and Procedures

Sampling is the process of selecting a portion of the population to represent the entire population; it is then a subset of the population (Denise, et al, 2001). It involves selecting some part of an aggregate or totality on the basis of which inference about population or aggregate is made (Kothari, 2004). The study adopted a purposive and convenient sampling technique where the researcher targeted respondents believed (from his/her judgment) to be reliable for the study or has the key information the study wants, based on available and depth of skill.

The sample size was 12 PSCs and 6 security managers from financial institutions. This is deemed an appropriate sample given the attributes attached to the samples selected, given the structure of the sector and the design of this qualitative study. The actors are experts in the field a larger sample may lead to saturation. The collection method is interviews and may pose challenge in analysis. The four TPF officers in charge of PSCs were interviewed. Others were the representatives from Data Vision International and

ICoCA. Reviewed documents were sampled based on relevance and usefulness in the aspect of regulation of PSCs.

3.4 Variables and Measurement Procedures

The display in the conceptual framework is for illustration on how regulatory framework influences the effectiveness of PSCs. The aim is not to measure the extent of this influence, but to understand how effective the regulation is in producing the desired results, to spur the sector and eliminate unintended and undesirable aspects of its growth.

3.5 Data Processing and Analysis

Data analysis entailed separation of data into constituent parts and examination of the data to distinguish its components parts or elements separately and in relation to whole (Oso and Onen, 2008). Data analysis started once all the data was captured. The data was analyzed via coding, categorizing and making sense of the essential meanings of the phenomenon, using content, discourse and narrative analysis and findings presented in narratives. The open-ended interview questions will be analysed using content analysis to establish fundamental commonalities among the set of observed variables (Kothari, 2004).

3.6 Validity and Reliability

In this study content validity, which according to Oso and Onen (2008), refers to the degree to which an instrument measures the subject matter and behaviors the researcher wishes to measure. To establish content validity, the expert judgment method was used.

The instrument was given to experts who have undertaken studies on governance, regulation and PSCs, to evaluate the relevance of each item in the instrument to the objectives. Delpont (2005) argues that reliability means the ability of the measuring instrument to yield consistent numerical result each time it is applied; in other words, it does not fluctuate unless there are variations in the variable being measured. In order to test reliability of the instrument in this study, the developed interview guide was given to a few respondents after a space of about two weeks, to gauge consistency before subjecting the rest to the instrument.

3.7 Ethical Consideration

Ethics consideration in this research was observed in compliance with the Open University of Tanzania Research Ethics Guidelines, 2015. The main issues for consideration included avoiding data fabrication in surveys, data falsification in surveys and plagiarism. In addition, participation in this study was on voluntary basis and during the interviews, the researcher emphasised participants on confidentiality in the whole process including the use of data, information and personal opinions as provided by participants. In this report, the names of institutions and people interviewed have been concealed to protect their privacy.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Overview

This chapter presents and discusses the findings of the study. The chapter contains a brief description of the respondents, the findings as per the research objectives and discussion of each question of the research. This study sought to assess the efficacy of regulatory framework pertaining to private security companies in Tanzania. It focuses on the external mechanisms of corporate governance. It had four key objectives: to evaluate the state-led regulations, to assess the self-regulatory mechanisms via trade associations, determine the influence of voluntary international standards and codes in regulating PSCs and to evaluate the influence of customer in effectiveness of regulations. The study was shaped by the Institutional Theory and built on the basic framework in microeconomics by Hirschman's (1970) treatise: Exit, Voice and Loyalty. In so doing, it adopted a qualitative research approach that focused on documentary research supplemented by interviews of key informants. These were selected using purposive sampling and it covered 24 respondents drawn from the 12 PSCs, the TPF, Data Vision, TSIA and PSC corporate customers from the banking sector. The results have been analysed and are hereby presented in this section.

4.2 State-led Regulations on PSCs in Tanzania

4.2.1 Structure and Size of the Private Security Industry

Law enforcement in Tanzania is primarily the responsibility of Tanzania Police Force (TPF). Its role is to maintain law and order, protect life and property and prevent, detect and investigate crime. The force, headed by the Ministry of Home Affairs, is divided into five departments, each led by a commissioner. According to United Nations Office on Drugs and Crime (UNODC) (2011), the police in most countries are the only State body that may legally use force to maintain order (in times of peace). Others are allowed to use force only in self-defense. This is referred to as a police monopoly on the use of force in times of peace (UNODC, 2011:5). This is applicable to TPF. In discharging their mandate, TPF is governed by the Police Force and Auxiliary Service Act, Cap 322. The Inspector General of Police also issued orders under Section 7 of the Act, via Government Notice No.315 published on 26 March 2021: The Police Force and Auxiliary Services (Police General Orders) Order, 2021. The organisation structure of TPF appears in Figure 4.1 here below:

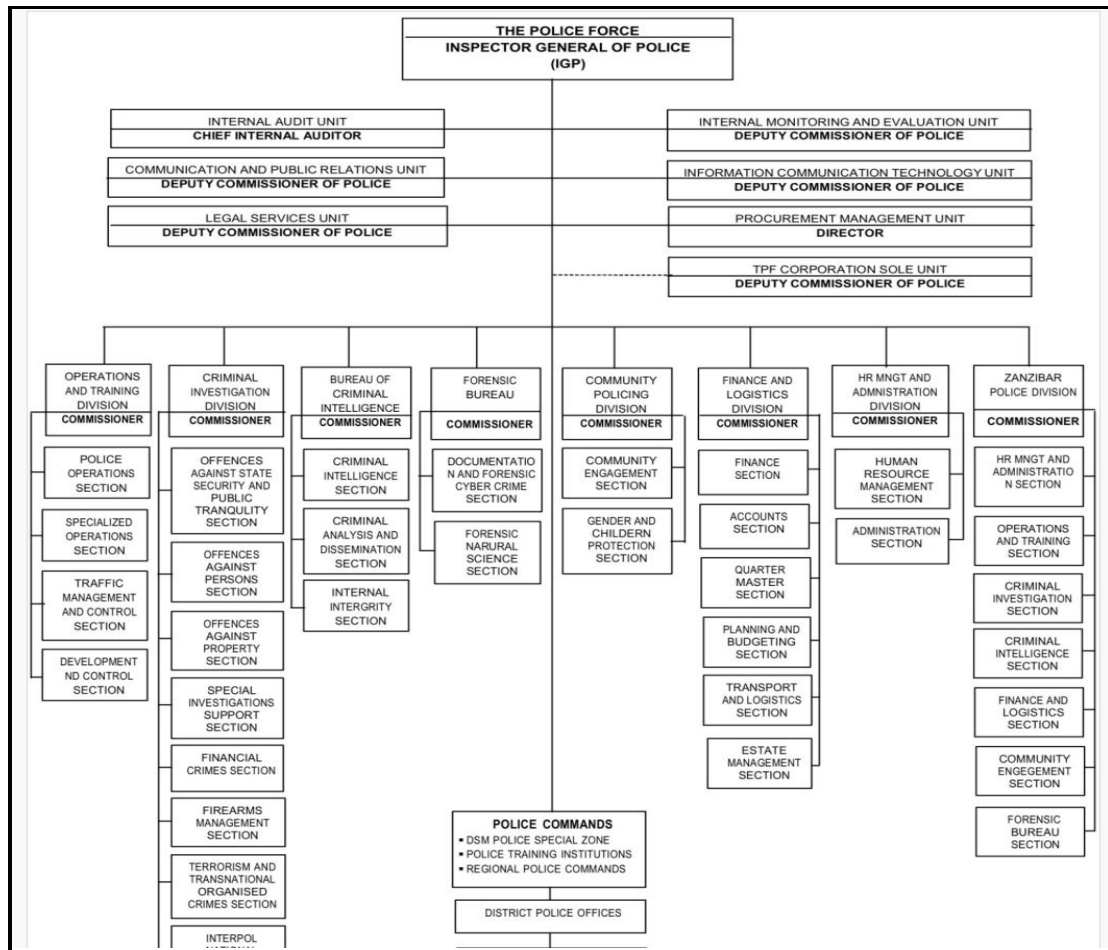


Figure 4.1: Tanzania Police Force Organogram

Source: TPF Website Visited on 22 April 2023.

The private security industry falls under the Community Policing Division. The division has four mandates: to build capacity for citizens to engage with TPD in reduction of crime, to take charge of all matters pertaining to gender and children, to coordinate the registration and operations of PSCs and to coordinate the activities of auxiliary police. Each of these sections (commonly referred to as desks) is manned by an assistant commissioner. Globally, we have seen tremendous growth by PSCs, both in revenue

generation, and scope of services. Even though statistics from African countries are not reliable on this sector, it is indicated that the private security industry in South Africa contributes 2% of national GDP, making it the highest in the world (Abrahamsen and Williams, 2011). The sector is slowly being formalised with specific Acts of parliaments to regulate the actors, as seen in South Africa and Kenya, with establishment of Private Security Regulatory Authority, charged with registration, vetting, training standards and regulating conduct of PSCs and officers. Interviews with participants discovered that there is no such regulator in Tanzania. Instead, PSCs are still regulated by police under Community Policing Division.

Efforts have been made in the past to enact laws to specifically regulate the private security industry, but it is yet to materialize. A private member's bill by one MP was presented in parliament but was referred to the ministry so that it is refined but it is yet to be tabled. In the 12th parliament, session 11, the MP asked a question as to the status of the bill, decrying that it was applauded as a step in the right direction when it was presented, but since being handed over to the ministry, it has not been tabled. The MP painted a picture of the situation in the sector, reiterating that an Act of Parliament to create a regulator was the way to go, and will serve to instill discipline, provide framework to regulate and expand the tax base. The MP requested that even as the public waits for that law, at least the ministry should issue a government notice to formally recognize the sector.

Despite the efforts by TPF to streamline the sector, there are still gaps in the regulation of the sector. The first challenge is to determine the actual size of the sector and actors in there. TPF indicates that companies given letters to operate were about 2,000 by the end of 2022 (Interview, Dodoma, March 15, 2023). Efforts were made jointly with TSIA to have a database set and a contractor was jointly appointed for that task. The mandate was to register all companies and all their officers in the database called Private Security Governance Portal (PSG-P) and issue them with identification cards. It was seen as a sort of license to operate as security officers. The contractor – Datavision International - managing the database for PSCs, jointly with TPF and TSIA indicated that as on February 15, 2023, the registered companies in the portal were 391, with 26,871 of their employees registered (Interview 15 February 2023). However, the director there indicated that the PSCs were still adamant to register, and the portal can only succeed if the police and perhaps consumers pushed for compliance (Interview, Dodoma, March 15, 2023). This study however established that one of the conditions of the permit to operate given to PSCs from TPF is the requirement to maintain registration with the PSG-P. Despite this requirement, the enforcement is weak, and some PSCs still operate without complying (Interview 15 February 2023).

According to statistics with TSIA, private security industry in Tanzania started in early 1980s when the government opened economy to private actors. The first PSC was registered in 1984 – now called SGA – and followed two years later by a second company – Ultimate Security. The two operated for about ten years, with the former handling diplomatic missions and the later handling corporates. In 1994, a third

company – KK Security – was licensed, then many others came in in the late 1990s. By the year 2000, the PSCs operating had hit 1,000. TSIA attributes the sudden surge in numbers to lack of barriers to entry and simple registration requirements before operating. This made every retiring officer from disciplined forces start their own PSC (Interview, 15 March 2023). It appears that currently, there is no proper data on the active PSCs operating in the country. TPF is still constructing a live database as they conduct visits.

4.2.2 Registration and Licensing

The TPF usually issues letters to companies granting permission to operate. A person intending to operate a PSC is required to incorporate a limited liability company, register with Tanzania Revenue Authority (TRA) and get Taxpayer Identification Number (TIN) and VAT Registration Number (VRN). They are also required to register with the National Social Security Fund (NSSF) and Workers' Compensation Fund (WCF). They then get a letter from TPF permitting them to operate a PSC. With that, they go for trade license from respective municipal council and report to TPF Regional Police Commander to be allowed to operate in the region. Such permission comes with the requirement to have established an office that meets requirements specified in the IGP letter, for instance, having a standard armoury for safekeeping of firearms. According to a sample letter availed, that requirement to report to RPC is to get specific instructions on the security situation in the region and be included in the database of security operators there for regular contacts and control of operations. Some directors of PSCs

decried this requirement saying the letter from IGP should be sufficient to operate nationally, without needing to seek an additional permission from RPC.

From 2018, TPF made fresh requirement that all PSC owners need to make fresh application and demonstrate compliance before being granted to operate. The new letter had fresh terms and conditions that PSC owners had to comply with in their operations. Importantly, the new letter was set to expire in three years and owners of PSCs were required to apply afresh on expiry. TPF explained this was to help weed out non-active PSCs, some referred to as ‘briefcase’ companies. Some directors, however, indicated that they know some people with requisite permits, yet they do not operate despite dutifully renewing permits. During the study, a sample letter was availed and the conditions in the letter which operate were required to have in place before and during operations include the following:

- (i) Ensuring officers employed are Tanzanians and without criminal record. Fingerprints are to be taken by officers from TPF Fingerprints bureau for background checks.
- (ii) Guards are supposed to wear combat uniforms – either dark blue or black – with a matching cap or beret and a white shirt. All uniforms should bear logos of the PSC on the left side of the chest pocket and shoulder.
- (iii) Guards to have a whistle while on duty.

- (iv) If the PSC is to use firearms, it should not be military type, but use only Shotgun, properly licensed and registered/marked.
- (v) PSC to ensure proper command from TPF during operations are implemented and constantly liaise with local police during operations.
- (vi) PSC to ensure guards recruited are physically fit, healthy and between the ages of 18 and 55 years old.
- (vii) Ensure good working condition of guards and pay requisite salary as per the wage order.
- (viii) Ensure foreigners employed in senior ranks have permits and fingerprints taken to check criminal records.
- (ix) Ensure all officers employed are registered with a pension scheme and copies of documents presented to TPF for verification.
- (x) Ensure firearms are kept in a secure armoury inspected and approved by police.
- (xi) Guards employed must have military training either from JKT or Mgambo.
- (xii) Ensure guards are inspected as they report, while performing their duty and as they leave duty.
- (xiii) PSCs to maintain a bank account.

- (xiv) Ensure that all owners, officers and guards of PSCs have their details captured in the Private Security Governance Portal.
- (xv) The permit expires after three years from the date of issue.
- (xvi) The permit will lapse if PSC breaches any of the terms and conditions specified.

TPF maintains oversight of the PSCs operations by conducting regular inspections to ensure PSCs are compliant. The TPF Spokesman, issued a press release on 30 September 2021 that TPF officers from Headquarters would conduct inspections countrywide in an effort to weed out non-compliant PSCs. The exercise was to be conducted in the month of October 2021. Directors of PSCs however indicated that the reach was limited, and this is partly attributed to lack of resources to cover national footprint of the PSCs.

In July 2022, however, there was a great effort made by forming a multi-agency taskforce that went round the country visiting all PSCs. The taskforce had TPF, NSSF, Ministry of Labour, Immigration department, OSHA, Fire department, TRA and Datavision International. Response from some directors indicated that the exercise was a good indicator, but it was sudden and did not give directors time to prepare. They suggested that a check list needs to be given in advance and verification day agreed upon. Some indicated that they were caught unawares by the surprise visit and could not present documents within that short period to all agencies and some key officers in PSCs were not available. They also indicated that press presents created a tense environment

and some who had been visited were in the news as part of PSCs not complying, yet they were in the process. They viewed that process as maligning them, yet it could have brought good results had it been properly planned (Interview 15 March 2023). TPF however said that inspection was an eye opener and noted that many PSCs are poor in record keeping. They noted that such inspection should be continuous, noting that PSCs who were unable to present documents during the visit were instructed to present them to the office afterwards. The taskforce members, however, commended some PSCs for full compliance and orderly operations that presented seamless audit. They singled out multinational PSCs. This alludes to the balance of power between the local and international PSCs.

From the foregoing, there seems to be no schedule of inspection nor the checklist of what needs to be inspected during such visits. Directors also indicated that where there is a mention of 'secure' armoury, there are no specific instructions on what it means and therefore leaves it to subjective interpretation by both the inspecting officers and the directors of PSCs (Interview 15 March 2023). During the interview, some directors lamented that they are frequently visited haphazardly because of their proximity when some PSCs never receive any form of inspection visits.

A discussion with one director of a PSC who previously worked in Uganda, where police are also in charge of the private security sector, indicated that Uganda Police require PSCs to send specific information about their operations on a quarterly basis. They are also inspected frequently. This makes it hard to operate a PSC without the

knowledge of the police. A PSCs cannot also recruit without a letter of permission to do so from Uganda Police. The police will also participate in recruitment and training, to control the curriculum and prevent mercenary activities that may antagonize state security. These points may be good practice for Tanzania as well.

4.2.3 Minimum Wage for Private Security Industry

Tanzania has a set minimum wage per sector, which is revised periodically. The set wage is only the minimum and employers are encouraged to exceed that, and those already paying are required to maintain those higher levels. It is important to note that Zanzibar also has a different set of labour laws and hence a different regime in setting minimum wages. PSCs operating in both territories in Tanzania have to comply with two different sets. The Minister of State, Prime Minister's Office (Labour, Youth, Employment and Persons with Disability) published the Government Gazette Number 687 of 25/11/2022 as required by the Labour Institutions Act CAP 300 R.E 2019. The New Wage Order came into effect on 1st January 2023 and was published on the 25th of November 2022. It revoked the Wage Order Government Notice No. 196 of 2013.

In that wage order, the private security services sector is required to pay TZS.222,000 for what is termed as 'international and large companies' and TZS.148,000 for 'small companies'. The order does not define the cut-off of small and large, neither does it define criteria for being categorised as 'international'. Respondents raised concern about this and pointed out that it leaves many PSCs to pay the lower salaries, yet they are larger than PSCs perceived to be 'international'. They suggested that the law should have

clearly indicated the criteria to use in categorizing a PSC as international, since all of them are locally incorporated. In terms of size, at least the Minister should have given a threshold, say of using number of employees or revenue turnover or scope of geographical operations or any other measures that can clearly be delineated and applied.

The other concern raised by the respondents is that the minimum wage level for the two categories means that the first lot pays a wage which is 50% higher than that of the second lot, yet they compete in the same market. This makes an unlevel playing field and gives an unfair advantage to the 'small' PSCs. On the side of employees, some directors felt that being paid significantly less wage legally yet doing similar jobs of guarding for instances, just because your employer is categorised as 'small' is unfair labour practice. They called for uniformity and fairness. Some suggested that perhaps the wage ought to be categorised per region, with those in cities earning more than those based in rural areas due to the cost of living – food, rent, transport, education, health etc. Currently, that wage order does not take into consideration such factors.

Lastly, the wage review was significant and required to be implemented within a very short time – only one month. The increase was 48% from the level it was in the wage order of 2013. Directors felt that this was a significant and drastic increase, coming at a time when they had existing contracts some of which had fixed rates, making either to accept losses or quit. The director pointed out that even contracts from government agencies were not negotiable, despite the wage order coming from the government. It

was deemed against the public procurement rules to change the terms of the contract and pay higher prices having been awarded the contract. The recourse was to surrender the contract and have it retendered, without guarantee that it will come back. The time given to implement could not accommodate such moves given that the order came around festive season some customers had closed and could only report back mid of January 2023 when it was already implemented. Respondents indicated that they continued paying old rates in contravention of the wage order, while some ended the contracts for the customers who could not increase the rates for their services as a result of the sudden increase. This led to retrenchment of employees and since there was no time to comply with the labour laws in retrenching, many of the PSCs now have cases in the Commission for Mediation and Arbitration (CMA) (Interview, 15 March 2023).

The Revolutionary Government of Zanzibar, through the Commissioner of Labour, also issued a minimum wage order on 27th March 2023, vide Circular No.43 of 2023, issued under Section 96 of the Employment Act No.11 of 2005, to be implemented from 1st May 2023. It increased the wage from TZS.300,000 to TZS.347,000 for all private sectors employees; not only for PSCs. There is a provision to have ‘small companies’ pay lower, which was TZS.180,000 and not rises to TZS.250,000. Unlike mainland, there is a clear criterion provided under The Minimum Wage for Small Institutions Regulations to grant a company as ‘small’. One is required to apply to the Minister with justification and there is a criterion in the wage order that includes turnover, the highest pay for employee amongst others. Once granted, the certificate expires after three years and one is required to reapply again with justification for renewal. Some directors

suggested that this could be a good practice Mainland Tanzania could adopt. PSCs were still negotiating the contracts with the customers during this study.

4.2.4 Staff Welfare

There are several legal and regulatory requirements concerning the welfare of employees. Key amongst these pertains to health and safety. Occupational Safety and Health Authority (OSHA), established under the Occupational Health and Safety Act No. 5 of 2003, is a government institution in charge of ensuring safety in places of work. Noting that the PSCs deploy their officers in line of duty where they are exposed to various threats to their health and safety, the provisions of regulations from OSHA are critical. The interviews with the directors of PSCs reveal that they are required to comply with various provisions, including personal protective equipment (PPEs) in places of work. The requirements from TPF on uniforms are therefore enhanced by OSHA regulations such that where officers are deployed in sites they need PPEs, then that applies. These include, but not limited to, safety boots, reflective jackets, safety helmets, gloves, dust masks, eye protection glasses, ear plugs, overalls, and raincoats. The provisions serve to ensure zero injuries in places of work and OSHA conducts checks periodically.

The interviews reveal that the requirement to have medical examination before and after duty is a burden to the PSCs as to cost. Directors revealed that they are forced to pay TZS.75,000 for each employee, on entry and annually, and on exit. Given the nature of business, which have low margins, such levies just to conduct tests is a huge cost to the

PSCs. An employer is required to obtain OSHA compliance certificate annually, but after undergoing place of work audit and all staff subjected to medical examination by OSHA. The challenge mentioned is that even examination by ordinary hospitals is not accepted by OSHA and they demand to carry out. The directors see this as another form of tax, given that the said examination is not detailed. In addition, employers are also required to provide OSHA training to their employees as part of the compliance and such training is expensive, ranging from TZS.300,000 to TZS.1 million. Interviews revealed that none of the PSCs had current OSHA compliance certificates, but some PSCs demonstrated that they had made an effort to meet some of the requirements, common of which was registration of workplace. A few had been subjected to OSHA audit of workplace and they revealed that they were fined heavily in what they termed as unclear criteria of judgment. What was evident is that education on the actual requirements was low. Many suggested that OSHA should conduct awareness training and more so, be considerate in handling sector issues.

Some directors opined that their employees are not even based on the PSCs workplace but deployed in their customers' premises providing services there. However, they indicated that OSHA insists that examinations be carried out on all employees on payroll, whether they are based in the PSC office or outside. One director disclosed that the PSCs had 3,400 employees, but only 24 were based in the office with the rest deployed across the country in customer premises. If the PSCs is to be compliant, then they need to incur TZS.75,000 X 3,400 officers which is TZS.225 million, which is about 2.5% of its annual turnover. Given that there is a high employee turnover in

private security and exiting staff needs to be subjected to exit medical examination, the cost is even higher. And this is just for medical tests, before mandatory training and audits which he revealed resulted in assessment of examination and penalties amounting to TZS.12.5 million. Despite the requirement to have compliance certificate during tenders, it is impossible to comply. The directors suggested that the fee ought to have been considerate of labour-intensive market, reiterating that the PSCs 'sell people' and any levy on people makes their rates uncompetitive.

The other key regulatory requirement for employers regarding employee welfare is the Workers' Compensation Fund (WCF). This was established under The Workers' Compensation Act. Cap.263 R.E. 2015. Its objective was to provide adequate and equitable compensation for employees who suffer occupational injuries and in case of death, their dependants. It was also to provide rehabilitation after work related injuries and promote prevention of occupational accidents and diseases. The Act requires employers in the private sector to contribute 1% of gross emoluments of employees on a monthly basis to the fund, from July 2016. This rate was later revised to 0.6% and recently revised further to 0.5% to match the employers in the public sector. The interviews with directors of PSCs revealed that many do not comply fully with registration and remittance of dues, apparently because the burden is too heavy. Again, a discussion with many PSC operators revealed that the level of awareness of the WCF requirements was low.

The interviews revealed that the WCF process requires reporting of the incident as it occurs, but the employee has to be treated and a claim is lodged when the treatment is complete. This gives the PSCs the burden of sustaining the employee even when out of duty, paying medical costs and retaining them in the payroll until they are sure there will be no further expenditure, then claim. They suggested that the claim process should be fast and some suggested that the injured employees should be the burden of the fund right from the injury date, to avoid cashflow strain on PSCs, which are struggling to sustain. One director revealed that out of his 640 employees, 12 were injured but still on payroll, 4 of which had been out for over 2 years, yet they are required to keep paying them and claim in future. The director said also that the receipts of expenditure sometimes fade and makes them lose the claim, because WCF insist on tax receipts which is often printed in low quality paper and ink, fading easily. Some directors suggested that WCF should sign MOUs with hospitals to treat employees injured on duty and lessen the burden on employers. One director also revealed that even though he understands that the fund works like insurance, he said that the rate of contribution is so high compared to the potential claims. He disclosed that since inception, he had contributed TZS.43 million to the fund, but all his potential claim comes to about 6.3 million. He opined that if all employers have the same claim ratio, then the fund is hugely unproportional to the mandate it has, and the rate of contribution should be lowered further. Some directors indicated that they had insurance covers – the Group Personal Accident, the Public Liability cover, and group medical covers. The WCF

being mandatory ought to have given consideration for employers with existing covers to achieve the same aim.

Another concern that came out was that workplace injury, even though covered by WCF, does not stop the employee from suing employer for injury sustained. This still forced employers to have common law cover, just in case of such claims. The WCF covers specific treatment, specified compensation for injury or death, the salary paid during the injury absence, but not the compensation for being suit as a result of that injury. Neither the award nor the cost of suit is entertained by WCF, which is an exposure. It was also revealed that despite the Employment Act given room to separate with a sick employee, after the first 63 days on full pau and the next 63 days on half pay, it appears that workplace injury has different interpretation and employer is stuck with employee. The last part assessed on employee welfare is the pension and medical cover. At the moment, the PSCs are required to register with the National Social Security Fund (NSSF), a fund established under the NSSF Act Cap. 50 R.E. 2018. The PSCs are required to remit 20% of an employee's gross earnings, on a monthly basis, with 10% coming from the employee. There are huge penalties for noncompliance, which is five times the amount due. Interviews with directors of PSCs show that many do not comply fully and even some do not remit dues on time, citing cashflow issues. This makes them accumulate huge penalties. NSSF has medical benefits and employees are required to enroll and select a hospital of choice for self, spouse and up to four children. Many PSCs lose on this given that one needs to be up to date in remittances to have their employees

benefit. NSSF also has the last expense that covers funeral and unemployment benefits of up to six months when one loses employment.

On retirement, one is paid a lumpsum and a pension formula based on the last earnings, provided that one has contributed for the last 15 years. The directors indicated that since guards hop from one job to the other frequently, they lose out as there are gaps in contribution. The recent introduction of unemployment benefits triggered mass absconding so that they claim NSSF and once they receive that, they come seeking to be reinstated. Sometimes some guards opt to sue employers in CMA, even when they absconded willfully. PSCs are therefore experiencing high turnover of staff since that introduction.

4.2.5 Key Taxes and Levies on PSCs

Some key taxes and levies assessed, in addition to those of OSHA, WCF and NSSF appearing in the foregoing section, includes corporation tax, Value Added Tax (VAT), Skills Development Levy (SDL), withholding tax and municipal levy. All VAT registered persons are required to use Electronic Fiscal Devices (EFDs) or else face stiff penalties of 200 to 300 currency points (1 currency point is currently TZS.15,000) or a jail term of up to 3 years or both. Corporation tax is levied at 30% on the total income of the corporate, after deducting allowable expenses. This is payable quarterly in advance. The SDL is charged at 4% of gross emoluments of employee for Mainland Tanzania and 5% in Zanzibar. This is payable within seven days after the month of salary deduction and returns to TRA made after every six months.

VAT standard rate is currently 18% of the sales value, but 15% in Zanzibar. The threshold for registering for VAT in Mainland is TZS.100 million per annum and TZS.50 million in Zanzibar. However, anyone dealing in professional services must register regardless of the turnover. Security services were included as part of professional services under S.83 of Income Tax Act, through the Finance Act of 2016. VAT is remitted on every 20th day of the following month after the tax period. The withholding tax is deducted at source and remitted to TRA. PSCs had a lot to say about this. It appears that their objection to being included as professional services was not heeded. They had argued that theirs is labour intensive market and about 85% of what they charge their customers goes into salaries of officers and hence their fee is only 15%. That is to cover support services, and they are left with about 5%, with many barely breaking even. With this 5% withheld by customers, they are cash trapped and the calculation of what they ought to pay as corporation tax is far less than the amount withheld. This means the PSCs are forever in tax credit with TRA. They suggested that this needs to be reviewed and only the proportion of consultancy needs to be subjected to withholding tax. Efforts to pursue via tax refunds bear no fruits, since tax audits PSCs are subjected to result in huge assessments which eat up the tax credits. The tax audits are conducted with the presumption that PSCs evade taxes, and hence must get huge findings. Directors revealed that this behaviour makes the business so uncertain given that it does not matter how financial audit was conducted, the TRA auditors will ignore that and resort to constructing their own figures using primary documents like banks statements.

The SDL is a levy that PSCs have long objected to. It appears that all employers have issue with the rate levied, which currently stands at 4% of gross emoluments of employees. Their argument is that it increases the cost of doing business. This levy is meant to finance Vocational Education and Training Authority (VETA). It is, however, also financing Higher Education Students' Loans Board (HESLB). The issue was that the employers were not benefiting directly from this. PSCs indicated that they recruit grade 7 and form 4s, who do not benefit from these funds. PSCs train their own security officers but there is no support from either of the institutions benefiting from SDL they contribute. Some directors suggested that employers need to be allowed to claim from the fund for specific trainings given to their employees, like what is happening in Kenya. Employers through Association of Tanzania Employers (ATE), where PSCs are represented through Tanzania Security Industry Association (TSIA), have been pursuing reduction from 4% to 2%. This lobbying is yet to succeed. PSCs are also subjected to municipal service levies, which is based on 0.3% of the revenue turnover. This is covered under the Local Government Finance Act, Cap 290 of 1982. This is a charge imposed by Local Government Authorities (LGAs) on corporate entities or persons conducting businesses. Each branch of the business is required to pay the respective LGA, posing practical challenges in determination of revenue generated by each branch. Interviews revealed conflicting demands by different LGAs to PSCs on the same revenue. Each municipality sends invoices to businesses operating in their area of jurisdiction. The concern from the directors of PSCs is that whereas the office is based in one area, the revenue comes from various areas. Some directors admitted that they use

that confusion not to pay any of the LGAs. They called on the government to consider centralizing collection of the levy in a way that property tax is now being collected. In a way, that will simplify processes and encourage compliance. They also called for the creation of a central point of data collection that would provide a strong tool for enforcement of the legislation requirements during audits/review by the collecting Authority. In addition, they urged for efforts to be made to eliminate disputes between LGAs and businesses.

The other point raised was the advertisement fee that TRA took over from LGAs. Where it was meant for advertising companies, it has now covered everyone and any form of sign about the company is deemed as advertisement and a levy of between 20,000 and 80,000 is charged per square meter depending on the type of the advertisement material and design. This also includes the signs on the vehicles. This appears to contradict the directive from police for each PSC to clearly mark their uniforms, offices, places they offer services and vehicles. The vehicles for patrols are critical to have inscription of the security company as the patrols serve to reduce changes of crime and they usually coordinate with police where they provide their officers to jointly do patrols with PSCs officers. A vehicle to be used has to be clearly marked as a security vehicle, but the requirement to pay from a different authority discourages this.

4.3 Self-Regulation Through Trade Associations

When the private security industry began in Tanzania in the early 1980s, the PSCs operated without a formal trade association. It was not until 1999 when some few

companies came together to form what was known as Tanzania Association of Private Security Companies (TAPSCO). This was later to change its name to Tanzania Security Industry Association (TSIA), formalized in its first AGM on 22 October 2005, when a new constitution was passed. TSIA's constitution recognises the setup of the sector as composed of five main sub-sectors: manned-guarding, cash-in-transit, electronic security installers, security consultants and investigators, and security dogs (TSIA, 2005). The main objectives of the trade association include: to bring together PSCs, to have one voice for the sector, to be the link between the government and PSCs, and to promote private security in Tanzania (TSIA, 2005). It aimed to deliver that mandate by close liaison with TPF and other partners in fostering the sector's role in maintaining peace, ensure high standards of service provision by PSCs, ensure service provided meets expectations, to program training and ethical standards for the sector, to form sector committee to align standards, link with other associations in other countries, award PSCs, support members facing challenges (TSIA, 2005, p.5).

TSIA's constitution is comprehensive as it set governance structures for the association. Despite the mention of the ethical and performance standards in the constitution, members do not recall seeing such standards. There seems to be no mechanism of enforcing them either. During the study, the association did not have a secretariat, but the board of management was helped by a volunteer owner of a PSCs to run its affairs. This was attributed to little financial muscle to put in resources since members were not good payers of the annual subscription. The membership had also dropped significantly, and this was attributed to the proliferation of other rival associations in the recent past.

The second trade association called Tanzania Manned-guard Security Association (TAMASCA) was formed in 2010, by a splinter group of PSC owners who were discontented by the manner in which TSIA was being run then. They felt that there was an authoritarian approach, and their voices were not being heard. They accuse TSIA of lack of transparency and being a government mouthpiece instead of standing for the sector. TSIA however states that given that it is an association of manned-guarding companies, it is one of the divisions within TSIA. TAMASCA strongly refutes this. This animosity played in the public eye and was evident when called upon to present views on various proposed legislations like the Firearms and Ammunitions Act of 2015 and the proposed Private Security Regulatory Act, which is still pending. It also played out in the roll out of PSG-P, where TSIA collaborated with TPF to appoint Datavision International to operate it on their behalf. They objected and instead, they registered an entity called TAPSCO Database Services Ltd, with an aim to have it operate a similar database, arguing that someone outside the sector should not control data for the sector (Interview 30 March 2023). A big tussle emerged when TSIA successfully lobbied Government Procurement Services Agency (GPSA) to include TSIA membership as a condition to participate in the government tenders. A discussion with some members of TAMASCA revealed that they know very little about the affairs of the association, saying there is little on focus on standards and governing the sector. The indication is that it is a voice for them, though with little impact on their operations.

In 2022, another splintered group formed what they called Umoja wa Kampuni Binafsi za Ulinzi Tanzania (UKUTA) and formally registered it on 13 June 2022. It was still

conducting member recruitment during the study. A discussion with some PSC directors who joined the new outfit indicated that they were looking for a true voice of the sector. Some indicated that the existing associations leaders were self-seeking and lost interest of the members. They accuse them of being non-democratic and lacking accountability to members. They expected that they will elect leaders from their midst who will champion their interests.

A discussion with TPF desk in charge of the sector revealed that whereas the officers did not have preference to any of the trade association, they expressed concern that the more the factions arise, and sector appears to disintegrate, the harder it becomes to have a channel give and get instructions to the sector. Asked about the possibility of limiting the number of associations, it was revealed that the IGP had given instructions to the sector that they agree on one association. Those fronting UKUTA insisted that there is the outcome of that instruction, but the rest insisted that there were no consultations, and it is only a few individuals that formed it. During the study, the constitutions of the associations were reviewed in addition to checking if the associations had sector standards or mechanisms to check members' compliance. It turns out that the documentation stopped at enacting the constitution and getting the certificate of registration. None of the associations had a code of conduct that can be used to discipline members. They neither have structures in place to do so and nor even employees to implement what the board decides. TSIA seemed to have a bit of structure, with office address and could demonstrate holding board meetings and members meetings. None of the associations had a comprehensive and updated list of their

members that indicated where they are and what they do. Most of the officials only spoke of plans they had to have databases.

As posited by De Nevers (2010), the success of self-regulatory frameworks in changing corporate behaviour and assuaging public concerns is determined by the way these frameworks utilize five elements: standards, reporting, monitoring, sanctions, and rewards. The study analysed these, but it appears there is no activity regarding these elements, something that reduces the associations to mere 'clubs', as put by some respondents. The associations do not seem to take up the role to fill the regulatory gap that exists in the absence of an industry regulator. But this can be attributed to lack of threats that may force PSCs owners to come together. The lack of framework from the government on the minimum requirements of the associations may be contributing to this. If the TPF imposes these requirements, then perhaps the associations will be strengthened, supported by key governance structures to improve accountability and democracy within.

4.4 Self-Regulation Through Voluntary International Codes and Standards

As reviewed in the literature, voluntary international codes and standards are emerging to be a key and dependable source of industry self-regulation. There is a general agreement that the threat of state intervention, or 'the shadow of hierarchy', is an important influence on the willingness of private groups to develop effective self-regulatory mechanisms (Héritier and Lehmkuhl, 2008). An alternative hypothesis is that companies or industries adopt self-regulation for reputational reasons (De Nevers,

2010). Adoption can also be driven by lack of governments in those jurisdictions to set state-led regulations. Effectiveness can be evaluated with regard to the process by which companies do business – are they changing their work habits and procedures? – or with regard to the outcome – is the end result ‘better’ for those affected by their services? – or both (De Nevers, 2010).

This is getting support from the developed nations, with the USA, the UK and many parts of Europe opting for these as opposed to state-led regulations (Krahmann, 2016). Self-regulation is preferred because it is seen as cheap form of regulation from the government side, who may not wish to fund any industry monitoring mechanism. The USA commissioned ASIS, a private security industry association, to collaborate with American National Standards Institute (ANSI) and therefore set the industry standards called ANSI/ASIS PSC.1, PSC.2 and PSC.3. These form the standards for a ‘Management System for Quality of Private Security Company Operations’ (ASIS, 2023). They also created PSC.4, the ‘Assurance and Security Management for Private Security Companies Operating in the Maritime Environment’.

4.4.1 ISO 18788:2015 – Security Operations Management System

The PSC.1 standard has been transformed into the new International Organization of Standardization (ISO) Standard 18788 ‘Management System Standard for Private Security Operations’ supported by the key Western nations. Whereas this standard has been hailed as ‘the world’s first standards designed to manage risks related to security services’, a closer examination reveals that they only indirectly contribute to raising

operational standards in the field and has key omission. This includes lack of details and minimum requirements like vetting, training, competency levels for officers like armed or dog handlers. Certification is therefore based on demonstration that a PSCs had put in place management process for development, implementation, monitoring and revision of self-defined standards. Annex A of the standard specifies that the standard merely ‘provides guidance or recommendations for any PSC to identify and develop best practices’. ISO 18788 has however addressed a gap in certification that PSC.1 had by having an independent third-party certification. It also acknowledges that the management system should comply with Montreux document, ICoCA and international human rights law.

According to ISO (2023), ISO 18788:2015 provides a framework for establishing, implementing, operating, monitoring, reviewing, maintaining, and improving the management of security operations. ISO standards are reviewed after every five years. ISO 18788:2015 was reviewed in 2021 and found to be current, hence no change was required. This standard provides the principles and requirements for a security operations management system (SOMS). ISO 18788:2015 provides a business and risk management framework for organizations conducting or contracting security operations and related activities and functions while demonstrating:

- (i) conduct of professional security operations to meet the requirements of clients and other stakeholders;
- (ii) accountability to law and respect for human rights;

- (iii) consistency with voluntary commitments to which it subscribes.”

Therefore, ISO (2023) explains that ISO 18788:2015 is applicable to any organization that needs:

- (i) to establish, implement, maintain and improve an SOMS;
- (ii) to assess its conformity with its stated security operations management policy;
- (iii) to demonstrate its ability to consistently provide services that meet client needs and are in conformance with applicable laws and human rights requirements”

A check with ISO about the certified PSCs in Tanzania on ISO 18788 shows that only SGA Security is the only locally certified PSC. However, three other PSCs have certifications in their headquarters: WS Insight, Gardaworld and G4S. A discussion with some of their directors during the study shows that the entities are working on localizing their certification (Interview, 14 April 2023). That interview also revealed that there is limited demand of such a certification in the market, except from one project: the East African Crude Oil Pipeline (EACOP), where the project owner demands that any PSC contracted to provide security services. A review of the recently issued requests for proposals from EACOP and affiliates, specifically mentions ISO 18788:2015 as a prerequisite, in addition to ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupation Safety and Health). It is of concern that only large PSCs in the country have ISO

18788:2015. A check with ISO shows that some other local PSCs have other standards, for instance Kiwango Security and Insight Security. This tilts the image in favour of the international and large PSCs operating in the country.

Interviews with directors of PSCs showed that many are not aware of what ISO certification is all about and the value it gives to their businesses. Many had never heard of ISO 18788:2015, despite being the sector's standard. For a few who knew and wanted to get certified, they expressed concern on the cost of the entire program. They cited that there is training and awareness for all staff, documentation then certification. Once a PSC is certified, there is a fee to that and in addition, the certificate expires in three years, of which one is to undergo surveillance audit annually and a recertification after three years. A sample of two PSCs with certification indicated that it cost them TZS.75 million and TZS.44 million respectively, and they only selected part of the processes to certify and only head office, hence branches were excluded. The cost is therefore prohibitive (Interview, March 15, 2023).

Another concern that came up is that the awareness of such standards is low, especially on the consumer's side. Rarely do you see any tender advert demanding ISO certification for PSCs, except for EACOP which started recently. Other extractive industry actors like mining, oil and gas, do not demand these. This therefore reduces the ISO certification to 'good to have' rather than a necessity to operate (Interview, March 15, 2023).

4.4.2 International Code of Conduct for Private Security Providers

International Code of Conduct Association (ICoCA) is a multi-stakeholder initiative formed in 2013 to ensure that providers of private security services respect human rights and humanitarian law (ICoCA, 2023). It serves as the governance and oversight mechanism of the International Code of Conduct for Private Security Service Providers (ICoC). ICoCA acts as a founding instrument for a broader initiative to create better governance, compliance and accountability. To enforce the standards and human rights compliance. ICoCA works with members and affiliates through capacity building, certification, advisory services, monitoring, and complaint management (ICoCA, 2023).

A check with ICoCA revealed that it has 116 PSCs certified but in Tanzania, only four (4) PSCs were certified (SGA, WS Insight, GardaWorld and Salama Fikira) and there was one affiliate (G4S) (Interview 22 March 2023). Therefore, it shows that the list is composed of international and large PSCs, with no local PSC. During the interviews with various directors, it came out that they had never heard of ICoCA at all and neither have they been asked by any consumer. That may demonstrate why international PSCs have exclusive cover of diplomatic missions and international organisations and NGOs in the country. Between March 21-31, 2023, five members of the ICoCA team travelled to Tanzania, Kenya and Uganda to meet with ICoCA Member and Affiliate Companies, prospective companies and PSCs clients, Civil Society Organisations, as well as Diplomatic Missions (ICoCA, 2023). After their mission, they issued their report which revealed widespread noncompliance to basic regulations and human rights. The report said in part: “Over 1,000 private security officers were surveyed in both Tanzania and

Kenya, and surveys are still underway in Uganda. Key findings from Tanzania and Kenya revealed that a high number of security guards are paid below minimum wage, work very long hours but are not paid for overtime and are subject to discrimination and harassment. These poor working conditions make them more likely to engage in unlawful behaviour, becoming a considerable threat to the reputation and operational efficiencies of PSCs and their clients” (ICoCA, 2023).

During the interviews, the ICoCA team revealed that the members and affiliates in the country are, however, compliant, according to their study (Interview, March 22, 2023). This therefore means that PSCs can improve their compliance to regulations and human rights are ascribed in the ICoC. But it appears that the fee for certification may be prohibitive for many PSCs and this may explain the low uptake in the certification. A check on the ICoCA website shows that the fee is based on the turnover of the PSC and can be from USD5,000 to over USD30,000. During the interview with the directors of PSCs, it came out that awareness by both the directors and customers in the market is low about the benefit of having ICoCA certification. One director said he only came across once in his 24 years of operations, and it was an Embassy. He had to inquire what it takes to get ICoCA certification, and it turned out to be prohibitive, given the potential revenue he would have derived from the contract he was pursuing. Therefore, as indicated in ISO certification, this ICoCA certification becomes a ‘good to have’ and not a necessity to operate.

4.4.3 Other Relevant Standards and Frameworks for PSCs

The ‘Montreux Document on Pertinent International Legal Obligations and Good Practices for States Related to Operations of Private Military and Security Companies During Armed Conflict’ recognizes that well-established rules of international law apply to States in their relations with private security service providers and provides for good practices relating to PSCs (Montreux, 2013). The negotiations leading up to the Montreux Document resulted in the reiteration of existing state obligations under international law and a non-binding list of good practices for states and PSCs (Krahmann, 2016). However, divisions between the supporters of a binding international regime on PSCs, including states from Latin America, Asia and Africa, on the one hand, and its opponents such as the US, the UK, and other Western countries, on the other, have also characterised the discussions about the UN Draft International Convention on Regulation, Oversight and Monitoring of Private Military and Security Companies (Krahmann, 2016). DeWinter-Schmitt (2013) analysed the importance of this Montreux Document, especially on the operations of PSCs. It appears that it suffers from lacks specifics on what PSCs ought to do on selection, training and many other minimum requirements. The enforcement is also lacking given that it is a soft law. It only created a general guide and for it to be effective, it requires states to enforce this in the jurisdiction and borrow concepts to their municipal laws.

The “Respect, Protect, Remedy” framework developed by the Special Representative of the United Nations (UN) Secretary-General on Business and Human Rights, and welcomed by the UN Human Rights Council, entails acting with due diligence to avoid

infringing the rights of others. The UN devised this framework to ensure businesses play their requisite role in upholding human rights across their supply chains. The Norms essentially sought to impose as binding obligations on companies directly under international human rights law the same range of duties that states have accepted for themselves: namely, “to promote, secure the fulfillment of, respect, ensure respect of, and protect human rights,” with the only distinctions being that states would have “primary” duties and companies would have “secondary” duties, and that the duties of companies would take effect within their (undefined) “spheres of influence” (UN, 2010). Therefore, The “Protect, Respect and Remedy” Framework rests on three pillars: the state duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication; the corporate responsibility to respect human rights, which means to act with due diligence to avoid infringing on the rights of others and to address adverse impacts that occur; and greater access by victims to effective remedy, both judicial and non-judicial (UN, 2010). Interviews with directors of PSCs showed that many were not aware of these UN norms, commonly referred to as ‘PRR’. Two directors with customers in the mining industry indicated that the mines strictly enforce that and training on human rights to all staff is mandatory. They indicated also that there is a sort of identify card that has the 14 principles of human rights, in addition to the ‘PRR’ norms (Interview 15 March 2023). It turned out that without the customer push, the PSCs are not willing to embrace such frameworks. They indicated that there are so many compliance requirements already on their plate and

voluntarily soliciting for more will add unnecessary burden, especially where there is not competitive advantage by embracing the international norms.

4.5 Role of Consumer in Regulating PSCs

Any form of regulation requires a push to be effective. The relative ineffectiveness of self-regulatory efforts confirms previous findings: effective self-regulatory schemes are more likely to emerge in the shadow of hierarchy, or when companies can be punished directly by consumers, which generates reputational incentives to self-regulate (De Nevers, 2010). As DeWinter-Schmidt and Elms (2013) established, capacity of the governments to enforce the regulations and weak judiciary coupled with challenges in getting evidence makes it hard to control the PSCs compliance. Similar sentiments were established from the respondents during interviews. Tanzania relies on TPF to ensure PSCs are compliant, but evidence shows that there no consistency in oversight. This brings to light the role of the consumers in ensuring that the PSCs they contract are fully compliant. In the context of financial sector, which is highly regulated, there is a push by central banks through several guidelines for consumers of services – the banks and financial institutions, including those from PSCs, to enforce compliance to various regulations. Respondents demonstrated that this has forced the banks, who consume PSCs' services, to enforce regulations, through pre-contract vetting, and periodic evaluations of their performance. The forgoing discusses the application of Hirschman's (1970) treatise *Exit, Voice and Loyalty* in the context of banks. However, banks and financial institutions have guidelines from BOT they have to comply with. There is a specific guideline issued in 2021 on outsourcing, which touches some of the services

from PSCs. This is analysed, followed by how banks and financial institutions apply the choice-voice-and-exit strategy in ensuring PSCs are compliant to regulations.

4.5.1 Bank of Tanzania Guidelines to Banks and Financial Institutions

The Bank of Tanzania (BOT), which is the country's central bank, discharges its mandates under Banking and Financial Institutions Act, 2006. Among its core functions is the oversight of the financial institutions in the country. BOT has issued various guidelines in discharging its mandate. It continues to do so as the situation keeps changing to ensure stability of the financial sector. The relevant guideline regarding outsourcing of activities and functions to PSCs is Outsourcing Guideline for Banks and Financial Institutions, 2021.

This Guideline recognises that banks and financial institutions are increasingly using third party services to carry out activities, functions and processes under outsourcing arrangements as a way of reducing cost and accessing specialist expertise and capabilities, which are not available internally, as well as for achieving strategic objectives and business goals (BOT, 2021). This Guideline acknowledges that while outsourcing arrangements can reduce costs and bring benefits, they can also increase risk profile of a bank or financial institution due to, among others, reputation, compliance and operational risks arising from failure of a service provider in providing the service, breaches in security or inability to comply with legal and regulatory requirements. Among the services involved are from the PSCs, which include guarding, emergency response, security equipment installations, cash management services among other

services. Banks are required to ensure that outsourcing arrangements neither diminish its ability to fulfil their obligations to customers and the BOT nor impede effective supervision by the Bank (BOT, 2021).

The guideline provides a framework which guide banks and financial institutions in in all outsourcing arrangement to ensure that such arrangements are subject to appropriate due diligence, approval and on-going monitoring, risks are addressed and that the dealings are at arm's length. Banks are required to seek prior approval from BOT by demonstrating among other things that there is need for services being outsourced, basis of determining the fees, impact on tariff structure, evidence of due diligence on capacity of the service provider, aggregate exposure if banks outsource to the same service provider, impact on the bank's financial performance and risk profile. The Guideline also requires banks to observe the Risk Management Guidelines relating to outsourcing, Core Principles for Effective Banking Supervision issued by Basel Committee and the Transfer Pricing Regulations issued by Tanzania Revenue Authority, where outsourcing is to related parties (BOT, 2021). Banks are also required to maintain an outsourcing policy, approved by BOT. The Guideline contains minimum content of the desired outsourcing policy. It requires that all outsourcing arrangements be subject to a written contract. The Guideline sets minimum requirements the contract should contain and should not contain exclusivity clauses. It also bars sub-contracting of outsourced activities or functions. This Guideline grants the ultimate responsibility for proper management of the risks associated with outsourcing to the board of directors and senior management of the respective bank or financial institution (BOT, 2021:20). It further

provides for details to be evaluated, business continuity management and recovery plans. It requires regular monitoring of the performance of the service provider, regular audits, review of financial condition with clear grievance redress procedure. Where the bank or financial institution contravenes the provisions of the Guideline, BOT may impose various sanctions specified in the guideline that includes sanctions against defaulting directors (BOT, 2021).

The BOT also issued the Risk Management Guidelines for Banks and Financial Institutions, 2010, which also requires banks to establish policies for managing the risks associated with outsourcing activities. Outsourcing of activities can reduce the institution's risk profile by transferring activities to others with greater expertise and scale to manage the risks associated with specialized business activities (BOT, 2010). The Guideline however cautions that use of third parties does not diminish the responsibility of the board of directors and management to ensure that the third-party activity is conducted in a safe and sound manner and in compliance with applicable laws (BOT, 2010). It advises that outsourcing arrangements should be subjected to legal due diligence and be based on robust contracts and/or service level agreements that ensure a clear allocation of responsibilities between external service providers and the outsourcing institution. It requires that institutions need to manage residual risks associated with outsourcing arrangements, including disruption of services in addition to monitoring and controlling the performance of outsourced arrangements (BOT, 2010).

4.5.2 Choice

Choice refers to the ability of consumers to select and switch among alternative goods and services and competing suppliers (Krahmann, 2016:36). Whereas economic models assume that companies and markets respond to changes in demand by modifying supply, consumer demand is the aggregation of individual choices and indicates collective preferences (Dowding and John 2011). Krahmann (2016) however added that individual purchasers may influence company and industry supply if they are monopolistic or particularly important consumers. Tanzania's banking industry is not a monopoly purchaser, but it is one of the largest consumers of PSCs services, given that they deal in sensitive services that require round the clock security. Interview with one compliance officer in a bank revealed that PSC services like guarding and emergency response services are not taken as outsourced activities or functions of the banks but viewed as services, which falls outside the purview of the BOT Guideline on outsourcing. However, some functions like temporary staff and cash management services are outsourced functions.

Krahmann (2016) fronted three factors that affect the ability and willingness of public consumers to support industry standards by choosing among competing suppliers: other consumer interests, restrictions set by countries of operations and the influence of PSCs on the choices of potential and existing clients. Respondents showed that due to a variety of reasons, such as loyalty, unique services, path dependency and reciprocity, the banking industry mainly considers company age, size and geographical spread. Size matters because contractors are required to supply a range of services, some within a

short lead time and turnaround time and in multiple locations. They need to have the capacity to deliver similar services across the branch network and sometimes within a short time. Banks also consider age and want assurance that the PSC has requisite experience and ability to sustain the services for a foreseeable future, at least covering the contract period, and possible extensions (Interview, Dar es Salaam, February 22, 2023).

Other interest which can lead consumers to restrict their choice include efforts to cut transaction costs, such as the expense and time for advertising and selecting among the competing bidders, loyalty to contractors which have demonstrated their ability to work in a deployed operation, and political networks and preferences for national providers of PSCs associated with specific trade association or certified under specific international standard. Directives from BOT play a key role in the selection but also local content regulation, where application, like in mining and oil and gas sectors. (Interview, Dar es Salaam, February 22, 2023).

PSCs can also influence consumer choice through consulting services and package deals. The role of security experts in creating demand for security services has been widely noted in academic literature (Leander, 2005; Krahmann, 2011; Berndtsson, 2012). PSCs can influence their customers' choice of security services and suppliers as contractors (Markusen, 2003:484; Spearin, 2003:35-37). This is more likely when the same PSC is hired as consultant and later to offer services. Examples of package deals include offering free fire engine and ambulance with main guarding service, offering

free servicing for sale of security equipment, offering discounted CIT service for existing guarding and alarm response service or free event security is providing services. There is also potential to ride on the close working relations with police to provide armed escort and collaborate in investigations and due diligence of staff especially in criminal checks. These offerings from PSC entice them to banks (Interview, Dar es Salaam, February 24, 2023).

The preceding analysis shows that even though the banking industry is in a privileged position to exercise choice, and with an increasing number of PSCs which provide options, the choice between alternatives is limited. Some of the reasons are beyond the industry like the restriction by police in usage of armed PSC officers in banks, restriction of PSCs' use of firearms in regions deemed porous, such as Kigoma, and restricting PSCs from doing escort of Cash-in-transit (CIT) using only police officers – Field Force Unit (Interview, Dar es Salaam, February 24, 2023). The other restriction is the influence of advisers and the restructuring of PSC industry. The predominant reason remains the competing interests – cutting down on cost of selecting new suppliers, potential pitfalls in managing transition, loyalty to existing suppliers (Interview, Dar es Salaam, February 22, 2023). These findings therefore suggest that choice among competing PSCs is likely to play only a minor role in influencing industry regulation and certification because of the influence of other factors when selecting their suppliers. However, if BOT is to set the physical security criteria to include these requirements for bankers to comply with, then that will play a key role in influencing the regulatory compliance. It appears that bankers are mostly doing only what they must, to be seen to

have complied, then focus on cost containment (Interview, Dar es Salaam, February 24, 2023). I attribute this attitude to the competing regulatory requirements – that of stringent security viz-a-viz the cost-to-revenue ratio of 55%. The BOT issued directives to the banks in 2021 to target cost to revenue ratio at 55% within the next one year. This has forced the banks to renegotiate existing contracts with an aim of bringing down the cost of various services they outsource (Interview, Dar es Salaam, February 22, 2023). PSCs have suffered as a result. The bankers may therefore have resorted to voice to improve the professional standards of PSCs in response to these circumstances and opted to foster the existing relations with negotiated terms.

4.5.3 Voice

Hirschman (1970) prefers voice to choice or exit as a means of conveying consumer preference because it is more precise. Voice can also work in a monopolistic or oligopolistic market structures where choice is limited (Hirschman, 1970). Voice can also be the only option for consumers who are restricted in their choice among alternative providers for reasons discussed earlier. This appears to be the case in banks especially on CIT services, where there are limited choices (Interview, Dar es Salaam, February 22, 2023). The market has few suppliers and only – SGA – covers the entire country with full capacity to service the banks. Large banks therefore are limited in options – either to outsource it to them or decide not to outsource at all. Voice extends beyond the confines of the contractual requirements that PSCs should be compliant or sign up to voluntary codes and be certified with specific standards. It can be used to influence the content of those voluntary industry codes, to express consumer demands.

Voice takes many forms, from contract renegotiations to direct protest to the PSC management. Contracts from banks are usually well crafted and must contain minimum clauses specified by BOT. The BOT (2021) has now required all banks to submit all existing contracts for perusal and any subsequent contract needs to be sanctioned before the banker can engage the vendor and sign the contract. The requirement to monitor PSC performance with periodic review meetings which are minuted strengthens voice especially where the choice and exit are limited.

The BOT (2021) directives require financial institutions to instill compliance to standards on all service providers for physical security. However, these standards are not well set, but banks often rely on the minimum standards in the guidelines issued by BOT. The guidelines have not explicitly demanded certification of the service providers to particular standards that are known, like the ICoCA, ANSI/ASIS and ISO. For instance, the BOT guideline loosely mentions that banks should ensure PSC provides vetted staff but falls short of detailing what background checks to carry out. Aspects like the competency to use firearms do not appear. This makes it hard to ensure compliance. Even international standards leave out the details, after specifying as a requirement that all officers be vetted. The second challenge is the monitoring of the PSC performance to ensure compliance to consumer demands. The other challenge is the consequence for non-compliance. It emerged in the interview that holding PSCs accountable is a serious challenge, leaving banks to exercise exit, or live with the weaknesses. Lastly, compliance level is wanting given that there is no independent body to vet PSCs and ensure they comply with the minimum requirements for provision of their service in

compliance with the BOT guidelines. It is left to individual financial institutions to use own means to submit that they have carried due diligence to the contractor. That means, even self-assessment and self-declaration can be taken to be sufficient. Specific customer assessment or independent third-party assessment may be more effective.

Exercising voice rather than choice in influencing PSCs by banks is informed by the need to monitor whether and how contractors implement contractual requirements and other demands made by operation officers (Interview, Dar es Salaam, March 22, 2023). That aspect of monitoring remains a gap. Contractor performance evaluation is termed as a tick-box exercise since there are no clear metrics to apply, with different banks applying different metrics which often lack yardsticks that are ‘SMART’ (Interview, Dar es Salaam, March 22, 2023).

The banking industry has made a significant attempt to influence PSCs’ industry standards and perhaps even their self-regulation mechanisms through trade associations through voice. As seen, some factors inhibit this strategy. These include a lack of detail in specific requirements that each bank can monitor periodically and focus on during evaluation of performance. The guidelines leave a lot for specific banks to still generate their own evaluation metrics and yardsticks for the contracted PSC (Interview, Dar es Salaam, March 22, 2023). The other aspect is the capacity and the uniformity in verification of compliance to the set requirements by the contracted PSCs by the individual banks. Each institution uses its own metrics. The disciplinary option is exit - termination of the contract - which is discussed next.

4.5.4 Exit

Exit can be defined as the ability of consumers to terminate contracts and to suspend or debar contractors from further awards (Krahmann, 2016, p.43). As per the BOT Guideline, the standard contract by banks with PSCs should contain an exit clause, granting the bank right to terminate contract, either on its own convenience or if supplier defaults on its contract (BOT, 2021). Suspension is the temporary disqualification of a PSC from contracting or subcontracting. This can be as a result of suspicion of fraud, criminal offences or even unfair trade practices. Suspension is imposed pending completion of investigation and any ensuing legal proceedings, but with set limited time. The debarment can follow conviction for the offence. The BOT (2021) guideline has however specified some of these options in its guidelines.

Whereas exit is the preferred disciplinary option for errant PSCs, interviews revealed that it is a rare option. Banks appear to opt for voice to have things back on track and prefer long-term relations with their preferred PSC, more so, those doing CIT services. When the banks get to a point of exit, many opt to convince the incoming PSCs to 'inherit' personnel who were serving in the previous PSC, except for a few undesirable ones (Interview, Dar es Salaam, March 22, 2023). It emerged that the PSCs serving in the banking industry are only six, and top three dominates almost 80% of the market (Interview, Dar es Salaam, February 24, 2023). This shows that banks, by default, have preferred service providers. A discussion with concerned managers of physical security shows that whereas there are over 1,000 PSCs in Tanzania, many are too small and lack capacity to serve the banks. This is in terms of resources like 24hr control rooms,

emergency response services, competent technicians for banks' systems, mobile vehicles and top management response to issues raised. This leaves the market with a small number of players who have invested heavily to service the banks. Exit therefore still gives limited options and that is why banks leave that as the last resort. When inviting tenders, physical security is rarely advertised but preferred suppliers are called upon to bid (Interview, Dar es Salaam, February 24, 2023). The exceptions here are banks owned by the government where they must comply with the public procurement regulations.

Factors that impede exit include lack of information and communication on the PSC with requisite capacity to serve the banks. The banking sector can also have a database on non-compliance to be shared among decision makers, say, through Tanzania Bankers' Association (TBA) (Interview, Dar es Salaam, February 22, 2023). The interview revealed that another issue is the ability of PSCs to change identity, either through mergers or name changes. In the market, among the big players, Gardaworld acquired long-serving PSCs – Kenya Kazi (KK) Security and Ultimate Security and rebranded them. G4S was also acquired by Allied Universal, though retained its brand name. Warrior Security changed its name to WS Insight. Another factor limiting exit option is the dependence of the banking sector on major contractors, especially in specialty areas like CIT. SGA, previously called Security Group, is the oldest in the market and dominates over 85% of the market for CIT with extensive geographical coverage and armoured vehicles across the network. This competitive advantage makes it hard for banks heavily relying on them to exit. The banks resort to voice instead, seen

to be less radical. Lastly, loyalty, and other interests appear to play a role in the banking industry. PSCs are large employers and consume services of these banks, who reciprocate with contracts for them to foster their business relationship. Some banks are too used to the service from some PSC to an extent that they do not wish to consider other options. The service is tailored and opting out means a change in strategy altogether with resultant costs (Interview, Dar es Salaam, March 22, 2023).

Whereas the (threat of) suspension and debarment from further contracts is a strong mechanism for facilitating and enforcing professionalism in PSCs, that exists only in theory and application is limited. Banks do not want ‘to rock the boat’, hence resorting to less radical means. Penalising PSCs has demonstrated a more effective impact to instill discipline compared to sanctions on their staff not complying. PSCs will therefore resort to proper screening, training and supervision of their deployed staff.

4.6 Summary

This chapter has presented the findings in correspondence with the objective set for the study and answers from research questions. In summary, the statistics about the private security industry are not comprehensive. The state-led regulation for PSCs is mostly from the TPF, who are charged to oversee their operations. There is no independent regulatory authority like seen in other countries. The manner the industry is regulated leaves a lot to be desired and the foregoing section will explore some suggestions for improvement. Self-regulation through trade associations is also not effective, partly due to the proliferation of trade associations who appear to compete. The voluntary nature of

membership and lack of push from TPF and consumers to have PSCs become members reduces them to become sort of clubs. The international codes and standards relevant to the industry are yet to take root in Tanzania, with only a handful of PSCs having such certifications. Some customers, however, demand such certifications. The mediating role of consumers in enforcing standards and compliance to regulations by PSCs has been explored and there appears to be competing priorities that takes priority of standards behind pressing needs like cost considerations for services from PSCs. However, the banking sector has specific directives to ensure banks control and vet PSC operations to ensure compliance as the former outsource some activities to the latter. Nevertheless, there is still ineffectiveness, and the banks balance this requirement with other priorities.

This chapter laid down the findings from the study, based on the specific objectives of the study. The next chapter gives conclusions and recommendations based on the findings presented in this chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Overview

Having presented and analysed the study findings in the foregoing chapter, this chapter presents conclusions and therefore recommendations for possible adoption and for further studies. It begins with the conclusion and ends with recommendations.

5.2 Summary

Whereas state regulatory authority does not exist in Tanzania, there are several regulations which guide PSCs in their conduct of business. These include the registration requirements (incorporation, registration for tax compliance, registration for statutory bodies compliance like for WCF, NSSF, OSHA, Fire), licensing requirements (from respective municipalities, specific regulatory authorities depending on the service e.g. Contractors Registration Board (CRB), Tanzania Communication Regulatory Authority (TCRA) and Land Transport Regulatory Authority (Latra)) and specific permit to operate a PSC from TPF. Each of these has conditions and timelines to comply, failure to which sanctions are specified in respective legal frameworks.

The level of awareness of these key compliance requirements is high among the PSC directors interviewed and they have resources to comply. Many of the institutions complement each other in enforcement given that one may ask compliance from the other institution before proceeding. Customers, especially banks, also ask for evidence of compliance during their due diligence check and performance appraisal, a key

requirement in the BOT outsourcing guidelines. It is therefore hard to avoid complying with these state-led regulatory requirements. However, some PSCs were late in catching up with remittances to various institutions, due to cashflow challenges.

A number of compliance requirements explored show that the fees and levies charged on PSCs are a huge burden to the PSCs, and they are struggling to make ends meet. Some create an unlevel playing field by favouring local PSCs, especially on minimum wages, where international PSCs pay 50% higher wages. Some aspects of compliance require restructuring to reduce the cost of compliance and it might be helpful if all bodies had a centre to deal with instead of several institutions as per the present case. The city service levy is paid to different LGAs, making it an administrative burden. The levy for advertisements inhibits the branding which would have otherwise boosted security as PSC vehicles move around complementing TPF. The WCF rate is seen to be too high, given the claims rate is low. WCF did not also consider that employers had insurance covers for the same purpose, leading to a bigger cost burden. It was established that despite contributing to SDL kitty, the institutions benefiting, namely, VETA and HESLB, do not benefit private security as they recruit from a pool who do not join those institutions. About NSSF, the unemployment benefits have boosted absconding by guards to claim that. The withholding tax is stifling cashflows to PSCs, since their invoices are subjected to 5% tax at source and customers remit to TRA. They are in tax credit perpetually and refunds are not forthcoming. Instead, they are subjected to further tax audits which results in further liabilities. The findings of tax audits, conducted mostly in an abrasive way, makes the businesses so uncertain as investor cannot predict

the performance and even what has been audited by reputable firms is ignored by TRA and conduct own audits.

TPF oversees the private security industry in the country. However, it appears that the sector has no formal recognition from the state, and that could be the reason that it falls under a commission in charge of community policing, despite employing many and having huge impact on the security and safety of the nation. The actors have been calling for promulgation of laws to create regulatory authority but since drafting a private members bill in 2014, nothing seems to have moved. Some industry players, however, cautioned that a regulatory authority for the sector may be formed, but it becomes a burden to the sector since the state will be willing to fund. The PSCs will therefore be forced to pay a certain amount monthly to continue operating. It may also come with additional compliance requirement, which may add cost of compliance to PSCs. This may be true given the scenario in Kenya and South Africa where the Private Security Regulatory Authority has been accused of being toothless. It does not have resources, capacity or willingness to crack down on noncompliant PSCs.

It was established that TPF can do more to instill discipline in the industry but requires dedicated resources to that end. It appears that some PSCs are operating without compliance requirements spelled in the IGP letter because supervision is minimal. TPF also seem not to reduce their directives in writing to make it possible to PSCs to comply. Even though there is evidence of visits to PSCs, there seems to be no schedule of inspection nor the checklist of what needs to be inspected during such visits. Directors

also indicated that where there is a mention of 'secure' armoury, there are no specific instructions on what it means and therefore leaves it to subjective interpretation by both the inspecting officers and the directors of PSCs. This results in a lack of uniformity. In terms of registration of PSCs by TPF, directors suggested that the letter from IGP should be converted to be standards of operations and improved. Then instead of issuing a letter, TPF should only issue a license, one one paper that can be framed. This will make it easy to attach to tender documents, as opposed to the current one which has 4-5 pages. They also called for setting up a online database where customers can check the status of the said licenses. This will improve transparency and the market appeal of the PSCs complying. Once the permit/license has been issued, TPF should eliminate the requirement to seek approval from respective RPCs as this creates unnecessary bureaucracy and costs.

Self-regulation mechanisms appear to be challenging in enforcement. It became evidence that the PSCs require a push to adopt and adapt the self-regulatory mechanisms. As De Nevers (2010) also established, efforts by the private security industry to self-regulate also illustrate a fundamental chicken-and-egg dilemma confronting self-regulation: it is intended to quell pressure for formal regulation, but without the threat of state action industries have little incentive to design effective self-regulatory mechanisms. Where the shadow of hierarchy is absent, industry members have little reason to co-operate on regulating their behaviour since they are in competition with each other. At the same time, government inaction is partly explained by the lack of public pressure to regulate PSCs. It appears that the private security

industry is not seen as having any impact to the public, to an extent that civil society groups push for stricter regulation, unlike if it was something like environmental degradation, for instance. Given the demands on the state, new regulations are unlikely if there is little sustained demand for action.

The trade associations in the private security industry are disjointed. Despite the presence of TSIA, with over 18 years of existence, the actors do not see the need to belong to a trade association. The proliferation of trade associations makes it difficult to delegate some of the regulation duties to them from TPF for instance. If the trade association had proper governance structures, it could instill discipline amongst the PSCs in the country. What is required is a strong constitution and a code of conduct that all members are ascribed to. To ensure compliance, there has to be a effective disciplinary mechanism, with resources to monitor PSCs. But to ensure that there is a need to belong to a trade association, perhaps industry players should lobby the customers to include in tenders that requirement. To have confidence, the association needs to demonstrate that it has mechanisms to instill discipline and uphold standards of service. With self-seeking leaders and lack of democracy and accountability, members will not have faith and hence will stay away or continue disintegrating. Without changes, these associations will remain 'clubs', as some respondents termed them. The international standards and codes are key sources of voluntary self-regulations that signals that a PSC certified observes high standards of service provision and hence gains competitive advantage in the market. Most of these standards, the ISO 18788:2015, The ICoC, The Montreux Document and the UN Principles, are very relevant to the private

security industry. However, the level of awareness amongst the PSC directors is quite low. They do not seem to understand what they are all about, but also insist that customers do not demand these certifications, save for a few, which makes the cost unjustifiable. As for the cost, many who were aware and have pursued certification indicated that it costs a lot to be certified yet only a few customers demand such certification, leading to what they refer to as 'good to have' and not essential.

The role of customers in enforcing regulation on PSCs was explored in this study, focusing on the banking industry. Despite having clear guidelines from BOT, the regulator, on outsourcing, banks appear to have other competing priorities and therefore conduct minimum due diligence to comply with basic requirements of the BOT. The concept of Choice, Voice and Exit was explored, but this appears to be complicated by the competing priorities and the balance of the need to have continuity with the same PSCs over long periods. Some banks appeared to have additional requirements based on internal policies, mostly driven from their group offices, with some group resources deployed to verify due diligence information requested from PSCs. I argue that if the consumers exercise their power in carrying out due diligence and contract terms, they will shape the attitude towards compliance of both state-led regulations and industry-led self-regulations. The banking industry is highly regulated and hence must adhere to strict standards issued by the regulator, and therefore finds itself in an exceptional position to influence professional standards and services through its contract behaviour. There is a lost opportunity though, due to competing priorities, some from the regulator, like the need to control cost to revenue ratio to 55%. This makes the banks prioritise pricing

rather than insist on standards. The central bank guidelines have developed over time and appear to cover the basics on what the banks need to have in place to meet minimum standards in physical security. The guideline on contracting services serves also to tighten procedures of onboarding vendors, including PSCs. As for PSCs, the existence of such standards set in Montreux Document, the ICoCA, ANSI/ASIS and ISO Standards creates hope in voluntary standards and self-regulation, especially on transnational PSCs. PSCs also have individual Standard Operating Procedures (SOPs) guiding them during the conduct of their operations. All these are largely dependent on the assumption that consumers of PSCs services will help facilitate and enforce professional standards through choice, voice and exit strategies. Banks, who consume these services, have a major role in this regard.

The preceding analysis examined empirically the validity of this assumption by investigating the PSCs contracting behaviour of the banks in Tanzania, one of the critical and highly regulated sectors of the economy. It has shown that banks have a differentiated use of choice, voice and exit in order to influence security industry standards. There seems to be a preference to choice (the pre-award requirements) and contractual obligation (voice) over exit (debarment and deselection) of PSCs not meeting expected standards of operations.

The banking sector strategy can be partly explained by Hirschman (1970)'s observation that exit is a blunt instrument of conveying consumer preferences. Further constraints have emerged in this study which shape whether, and the extent to which, financial

institution consumers are able and willing to use choice, voice and exit to influence the industry. Choice can be limited by other concerns like cost-efficiency, flexibility, effectiveness, loyalty and political concerns. Choice may also be constrained by some overriding legislation in the sector. PSCs may restrict choice via consultancies or package deals which encourage consumers to choose particular suppliers e.g., for CIT, guarding and emergency response services. Voice depends on capacity of consumer to monitor the PSCs compliance. The exit option is confined by existence of information and coordination of PSCs details of their capacity, but also, on ability to track and identify the PSCs despite change of names. Consumers may not exit due to dependence on some PSCs, long-term contracts, loyalty and personal networks.

5.3 Conclusions

The above findings suggest that whereas consumers are powerful in enforcing industry standards, there are significant obstacles. Most of these obstacles are structural in the banking sector and may not be easily addressed or changed. It may not be constrained to the banks, but also some public entities and multinational organisations like diplomatic missions and the United Nations (UN) (Leander, 2005). It may not be that simple to simply educate the public and encourage them to use their influence. The motives and conditions shaping consumer behaviour may make it hard for the banks to exercise their role to help raise standards in the PSC industry by forcing noncompliant PSCs out of business. There is a delicate balance of other interests against the cost of choice, voice and exit against potential benefits of improved standards. This affirms the Choice, Voice and Exit treatise but it appears that there are limitations to a consumer in exercising this

role to ensure effectiveness of the regulatory framework. As posited in the Institutional Theory, multiple levels of regulation are needed to govern the private security industry, due to its international nature and the dearth of state regulations. Efforts to develop voluntary international standards for PSCs, for example, have been stimulated by the difficulties of developing state regulation. This implies that, even if limited in its effectiveness, self-regulation may be better than nothing; at a minimum, it can provide public standards against which third parties can judge corporate behavior. But as currently planned and practiced by PSCs, self-regulation is not a sufficient substitute for state regulation of this industry. While governments may complain about the difficulties of regulating a global industry, states remain the locus at which enforcement of laws and standards is most likely. The private security industry's global reach and potential for resort to force make it particularly important to establish an appropriate balance between government and private authority regarding the private security firms that they employ.

The findings of this study appear to validate the findings of other researchers assessed in the literature. The propositions in the two theories used in this study seem to hold in the context on the PSCs and in a developing economy. However, enforcement of regulations is still weak, from the government, the customer and standard setters. This is due to competing priorities, resources to conduct proper surveillance, difference in the power of international and local PSCs, weak industry association and price wars with drive a race to the bottom. This understanding shed light on how to frame regulations and especially those impacting welfare of employees like minimum wages and hence pricing in the market. It also enhances the need for affirmative action in allocation of tenders and

hence the initiatives in local content especially in the mining and oil and gas sectors get credence.

The focus of Master of Arts in Governance and Leadership has resulted in many students focusing on the political scene. The regulatory environment has not been dealt with and this study opens doors for other research in this field and hence informs the policy making organs to create conducive environment that spurs investment and grows different sectors of the economy.

5.4 Recommendations

In view of the findings, this study makes a number of recommendations with the aim of further improving PSC service provision. First of all, evidence suggested that TPF have made good efforts to oversee the private security sector. They appear to be continuously improving, even though the policies they make are sort of reactive to the events, similar to what Percy (2012) referred to as ‘regulating the last war’. TPF may however improve on the directives and reduce them to manuals that PSCs can follow and can be audited against. Most of the respondents alluded to the challenge of keeping up with unstructured directives, which are easy to lose track of. The said directives are not easy to refer to because sometimes the orders lack reference numbers, dates and are sometimes issued verbally.

Awareness was one key area many respondents pointed out as a weakness. Education is therefore required from TPF in order to support PSCs in compliance with the regulations. Once key standards are set, covering all areas, like vetting, recruitment,

training, supervision, record keeping for staff, directors of PSCs should be trained in these standards. According to suggestions from respondents, such trainings should cover the operational requirements like setting of armoury, refresher training for armed guard, maintenance of firearms, control rooms, uniforms, vehicles, branding, office design amongst other issues. It was also suggested that proper due diligence be done before granting license, and TPF should develop a framework of pre-registration vetting.

In the oversight role, TPF was seen as lacking consistency and comprehensiveness. Some respondents suggested that a procedure should be designed on how this is to be done. A clear process was seen to be absent and the suggestion was that TPF should also have pre-designed forms for PSCs to fill in and make periodic returns. After receiving the returns, making self-declarations, TPF should conduct audits to verify that the information is correct. In conducting audits, a clear criterion should be developed to guide the process to eliminate uncertainty and non-uniformity in application of rule.

The effectiveness of this oversight role was linked to the resources available to conduct this critical exercise by TPF. Given that this may require a variety of resources and a dedicated unit needs to be prepared for that, some suggestion was made that TPF seeks budgetary allocation to be effective in its role. To fund this activity, in addition to exchequer funding, the suggestion was that TPF may consider levying an annual fee to help them cover such oversight costs. Lastly, to ensure that the activities of PSCs are under close monitoring and control, given the sensitivity of their activities on national security, TPF should ensure that PSCs apply for permission to recruit and train,

justifying this. This practice was noted to be applied in Uganda with commendable results. In addition, it was suggested that TPF should also vet the curriculum and training school standards and ensure this is standardised. To rationalize registration of PSCs, some of the suggestions from respondents included a recommendation that TPF considers converting the letter from IGP to PSCs to be standards of operations and improved. Instead of issuing a letter, it was suggested that TPF should only issue a license, on a one-page paper that can be framed. It was also suggested that TPF should also set up an online database where consumers of PSCs' services and the public can check the status of the said licenses. This was pointed out as one way to improve transparency and the market appeal of the PSCs complying. In the current practice, once IGP issues a letter to a PSC, it is still required to present it to respective RPCs. With the suggested arrangement, once the permit/license has been issued, TPF should eliminate the requirement to seek approval from respective RPCs as this creates unnecessary bureaucracy and costs. RPC will just check the validity of the license.

Trade associations in private security industry are largely ineffective and leaders accused of self-seeking. It was suggested that TPF should also make an effort to reign over trade associations and ensure that they have proper governance structures. Some respondents noted that it was in the best interest of TPF given that when there is a vibrant industry association, their work will be easier. For instance, instructions to the industry and receiving feedback from the industry will be smooth. When TPF succeeds in streamlining trade associations, it will then be possible for TPF to delegate supervisory

roles to trade associations. This will reduce costs to TPF but still ensure the effectiveness of regulations.

A review of the trend in some countries like Kenya and South Africa suggests that a private security industry regulator may be desirable, and therefore, there is need to enact laws that create that institution. Respondents proposed that if this is adopted, then it will need to be representative of the sector and hence have PSC directors occupying roles in its governance organs. The fear is however on the likely fees PSCs will be required to be charged to sustain the regulator's operations. It was suggested that appropriate funding needs to be discussed to ensure that the PSCs are not overburdened with additional levy to support the regulator. Enactment of such an Act of parliament serves to legitimize the private security sector and its activities. This will be a plus given that at the moment, there is not clear law permitting operations of a PSC in the country, going by the literature reviewed and respondents' responses.

Among the key concerns of PSCs are various taxes and levies. It was recommended that many of these taxes be waived and /or consolidated to make the business environment friendly. The main complaint in taxation targeting the sector was the categorization of private security services as 'professional services' in the Finance Act of 2016, which made them subjected to 5% withholding tax on gross amount of invoice. According to the respondents, this resulted in stifling their cashflows and forces them not to comply with other commitments like remittances to statutory bodies. The PSCs are labour intensive, and respondents indicated that up to 85% of what they bill their customers

goes to payroll cost, leaving little room to cover operating cost. When cash is held at TRA, and refunds are not forthcoming, since a refund takes up to three years after approval, the PSCs will not be sustainable. They pointed out that TRA can still have them pay requisite taxes and they be subjected to normal tax audits to verify the tax due if it was paid. It was also recommended that tax audits be friendly and be considerate of the actual facts.

In addition, some respondents called for revision to the current status of the SDL. They made a case that they do not benefit from the institutions SDL goes to fund. They called upon the government to create training for guards and fund with that SDL. Alternatively, they suggested that SDL should operate to refund the employers for specific training on employees, upon meeting specific requirements, like what happens in Kenya. Meanwhile, they called for reduction of SDL from the current 4% to 2% of the gross pay. They also had an issue with using gross pay, and instead, it should be based on basic pay. Gross pay in PSCs doubles the payroll cost since the overtime pay, which is unavoidable given that the standard working hours for them is 12 hours per day and not the 45-hour working week as stipulated in the labour laws. They are therefore forced to pay overtime pay at 1.5 times the normal rate for every 4.5 hours worked daily. They also called for consideration that basic pay considers that their hours of work are longer.

Whereas WCF and NSSF serve the employee welfare well, some respondents recommended that the rate of contribution, especially for WCF, be reduced from 1% to 0.5% of the gross pay, to match what is charged in the public sector. They also

suggested that WCF should also consider the premium paid to insurance companies for the same purpose, given that there will not be double claim for the same incident. As for NSSF, respondents suggested that the unemployment benefits need to be amended and perhaps ascertain the true reasons behind every claim, then restrict the payment to employees to are retrenched. High turnover in PSCs was attributed to guards' tendency to abscond, forcing PSCs to terminate their employment. Guards then claim from NSSF and once paid, they seek employment again.

The PSG-P was a key complaint from many PSCs, and this was pointed out as an issue that brought divisions which resulted in more trade associations being registered. Respondents indicated that the way it was set up, was not consultative. It was evident that TSIA teamed up with TPF and appointed Data Vision International, a private company, to manage the database. It was suggested that perhaps a proper consultation is needed and set up a proper database operated by TPF. It was indicated that perhaps PSCs would be more willing given that they trust TPF as the regulator. Directors feel that TPF has the capacity to do so, and they are the proper entity to set that. It was also recommended that such a database be linked to other government institutions like the National Identification Authority (NIDA), TRA, NSSF and WCF.

The minimum wage order indicates two sets of wages for the sector, without delineating the PSCs to follow each. Respondents indicated that failure to define makes it uncertain as to what really applies to which type of PSC. PSC directors indicated that some customers questioned them on why they decided to categorise themselves as large and

international, yet they are incorporated locally. It was recommended therefore that the wage order should clearly define what constitutes ‘large and international’ PSCs and ‘small companies’. Secondly, respondents from ‘large’ PSCs felt that it was discriminatory to have them pay 50% more wages yet compete in the same market. They called for uniform minimum wage, terming the distinction as ‘unfair labour practices’ given that it legitimizes paying different wages for the same job, just because of the source. There was also a suggestion that the wages should consider the cost of living, and hence set different wages for cities, municipalities, towns and remote locations. This structure applies in Kenya. In Uganda, the government does not set minimum wages and prefers the market forces to dictate so.

Respondents had mid mixed responses on the value of having international certification, especially on the market appeal of the PSC. Specific customers demanding such certifications were multinational organisations that included actors in oil and gas, mining and international development. General concern was that the cost of getting certified and maintaining the certification with international standards was high. This applies to ISO and ICoCA, where PSCs are mostly regulated from. It was suggested that these agencies should take the stance of the UN where there is no fee to adopt the frameworks they set. Respondents proposed that the certification agencies should consider lowering these costs, especially for developing economies. They can also consider staggering payments for the future so that PSCs can tab the benefits of certification and pay the certification fee from the generated revenue. The training agencies should also consider mass training rather than charging per individual. If pre-designed manuals can be used for self-study

online, that can be better, but certification can be once, instead of repeating after every three years and paying annual maintenance fees. Evidence showed that the consumer of private security services is key in enforcing regulations, but only if the awareness is high on the benefits of existing initiatives to regulate the sector. Therefore, respondents pointed out that trade associations need to have their act together then market themselves to gain confidence that they can reign on noncompliant members. Given the infighting witnessed, respondents suggested that they need to address internal issues first and be seen to be democratic but strict in enforcing standards. To address the education gap amongst consumers, government and PSCs about importance of the international standards, it was suggested that setters and promoters also need to move to the market and educate them on why their standards are key in regulating PSCs. This will improve the uptake and enforcement of the adopted standards, with PSCs opting for certification getting respect they deserve. The recent visit by ICoCA to Tanzania, from Switzerland where they are based, is commendable. However, they only met certified members and a limited number of potential members. If awareness is not made, then local companies will never make an effort to get certified and this continues to tilt the power to the multinational PSCs in the country, who are more conversant on these standards.

Awareness of general regulations was evidently a big issue in PSCs. This may be attributed to the level of education of the directors in the industry. It was evident amongst the directors of PSCs that some have solid disciplined forces background but lack training on business and governance issues. This appears to be a huge gap, and it can be addressed by various awareness training. Effort and push need to come from the

regulator – the TPF for this matter. In the financial institutions and banking sector, it was evident that the push from BOT may have a stronger influence to ensure that standards are enforced. It was therefore recommended that BOT invests in strong monitoring of contractors by setting specific requirements with periodic reporting on their performance. BOT may also consider setting strict criteria to be used in pre-award to ensure only PSCs meeting such standards are allowed to bid. As for voice, BOT may create a database to have all banks report issues of noncompliance noted and demand report on how such is close, with periodic intervention to ensure standards are met within reasonable turnaround times. As for exit, all banks may need to give justifications, and this may be made available to other banks. TBA may also play a key role in setting such database for ease of sharing with the members and complement the efforts of the regulator.

This study had limitations as to the scope and coverage. It selected financial institutions which may be unique and perhaps testing the influence of individual consumers may add more perspectives. For further research, it is recommended that each form of regulation is tested separately to gauge effectiveness. Other researchers may also change the methodology, samples and even theories used, to see if the same findings are achieved and validated.

5.5 Summary

This chapter has covered the summary, conclusions and recommendations of the study. There arose from the findings presented and analysed in chapter three. The

recommendations have covered the suggestions given by various respondents and analysis by the researched. It also covered areas for possible further research for academicians.

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APPENDICES

7.1 Appendix I: Interview Guide

Dear **Respondent**,

I am conducting research on the efficacy of regulation of private security industry in Tanzania. This is a requirement for award of the Master of Arts in Governance and Leadership at the Open University of Tanzania. I kindly request you to assist me by responding to the questions in this interview guides as completely and honestly as possible. The information provided will be used only for academic purposes and will be treated with all necessary confidentiality according to the standards of research ethics.

Thank you very much for your cooperation.

For more information, please contact **Eric Sambu** Email sambueric@gmail.com Tel: **0784988830**

PART I: PERSONAL CHARACTERISTICS

1. Name of your organisation.....
2. Gender: Male ☐ Female ☐
3. What position do you have in the organisation?.....
4. How long have you been working for this organisation?
5. Education Level:.....
- 6 Do you have prior military training? Yes ☐ No ☐, specify.....

7. Is your organisation certified with any international standards? Yes [] No [],

Specify...

8. Is your organisation a member of any trade association? Yes [] No [], specify.....

9. what services do you offer?.....

PART II: Regulatory framework

1 How has each of the following variables facilitated or impeded effective regulation of your organisation:-

VARIABLES	Detailed explanations
a. State regulation <ul style="list-style-type: none">• Regulatory bodies• Registration requirements• Tax and other levies• Performance standards – police instructions• Other government bodies – Brela, OSHA, Fire	
b. Self-regulation mechanisms: trade association	

<ul style="list-style-type: none"> • Code of practices and conduct • Registration and Training requirements. • Common agreed practices 	
c. International standards and codes <ul style="list-style-type: none"> • ISO Standards • ICoCA Requirements • UN Principles on Human Rights 	
d. Customer enforcement of standards <ul style="list-style-type: none"> • Contract clauses and SLAs • Due diligence and Periodic checks • Performance appraisal 	

2 **Private Security Sector Governance:**

- a. How is the private security industry in Tanzania regulated?
- b. What laws are specific regulations are they required to observe?
- c. What are the registration requirements for PSCs in the country?
- d. How are the PSCs inspected to ensure that they comply with various regulations?

- e. Are there any costs implications that influence the implementation various regulatory reforms in your organisation? Give details and examples. Compare it with expected benefits.
- f. What were the challenges in complying with various regulatory mechanisms?
- g. What do you recommend for improvement?
- h. In your opinion, what do you think should be done to achieve effective governance of PSCs?

3 **Internal mechanisms**

- a. Do you have an active board of directors? Company secretary? Compliance /risk manager?
- b. How is the aspect of risk management handled in your PSC?
- c. Do you have standard operating procedures (SOP) in your organisations?
- d. To what extent is the risk and compliance management covered in the SOP?
- e. How do you scan regulatory requirements to ensure compliance?
- f. To what extent the internal governance systems used in your organisation facilitates the effective implementation of external regulations

4 **International standards**

- a. What are some of the international standards relevant to PSCs?
- b. What are some of the benefits of getting certified to such standards?
- c. Is your PSC certified to any? If yes, what were the main challenges faced by your organization while implementing the international standards you are certified on, if any?
- d. What are the benefits so far? Do you get competitive advantage?
- e. Which of such standards are demanded by the customers?

- f. How do you incorporate requirements in such standards in training your staff?

5 Sectorial self-regulation

- a. What trade associations do PSCs in Tanzania belong to? What benefits do they offer?
- b. Is your PSC a member of any? If yes, would you say that joining trade association has met your expectation?
- c. Explain the standards to be met by members eg standards of service provision and code of conduct.
- d. Are there repercussions for non-adherence to such standards? How do the association enforce them.

6 Customer influence of regulatory compliance

- a. What are some of the specific requirements set by customers before engaging your PSC?
- b. After engaging your PSCs, how do customers ensure that you continue to comply?
- c. How do customers influence your compliance behaviour to regulatory requirements and practices in your organisations?
- d. Share examples of such enforcement efforts by your customers and measures you have taken to ensure compliance.
- e. If you serve financial institutions, how do you address the requirements set by BOT for outsourcing?

Questions to other stakeholders

8. To security managers in financial institutions:

- a. As a player in the financial industry, how do you conduct outsourcing to PSCs?
- b. What are some of the specific requirements when vetting new vendors of security services?
- c. How do the BOT outsourcing guidelines affect you in engaging PSCs?
- d. What are some of the challenges faced in managing PSCs?
- e. What is the value of trade associations of PSCs in governing the sector?
- f. Are there specific international standards you are keen to see in PSCs?
- g. Do you demand that PSCs belong to trade associations? Any specific preferences?
- h. How do you ensure that the selected PSC comply with your requirements, that of the government, trade associations and that of the BOT?

9. **To Tanzania Police Force:**

- a. What is the structure of the private security industry in Tanzania in terms of regulation?
- b. What is the size and scope of the private security industry?
- c. How is the industry currently regulated?
- d. How is TPF monitoring performance of the private security industry?
- e. What are the licensing requirements for PSCs in Tanzania?
- f. What are the specific requirements TPF require the PSCs to comply with?
- g. Are there direct costs (fees and levies) to the PSCs in meeting the regulatory requirements?
- h. Is there a requirement for periodic returns from PSCs?
- i. Are individuals working for PSCs required to be registered?

- j. What are some of the challenges observed in PSCs regarding compliance with regulatory requirements?
- k. How is TPF linking with other state agencies like TRA, Municipalities, CMA, Ministry of Labour, Immigration department, NSSF, WCF and the like in regulating the PSCs?

10. **Data Vision International:**

- a. What is the status of the Private Security Governance Portal?
- b. What is the significance of having a database for PSCs?
- c. When did it start and how is the response now?
- d. What are the key challenges faced in enforcing requirement to enlist in the database?
- e. What is the future prospect of this venture?
- f. Is there a link of your database to other government agencies like NIDA?
- g. How do you ensure compliance with data protection regulations?
- h. How do you ensure the database is updated as changes in PSCs occur?
- i. How do you coordinate with TPF and the PSC trade associations?

Appendix II: Research Clearance Letter

THE UNITED REPUBLIC OF TANZANIA



MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA



Ref. No OUT/ PG202086961

15th February 2023

Regional Administrative Secretary,
Dar es salaam Region,
P.O Box 5429,
DAR ES SALAAM.

Dear Regional Administrative Secretary,

**RE: RESEARCH CLEARANCE FOR MR.ERIC KIBET SAMBU, REG NO:
PG202086961**

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Eric Kibet Sambu, Reg. No: PG202086961** pursuing **Master of Arts in Governance and Leadership (MAGL)**. We here by grant this clearance to conduct a research titled **"Efficacy of Regulatory Framework Pertaining to Private Security Industry in Tanzania"**. He will collect his data at Tanzania Police Force, Tanzania Security Industry Association, Various Security Companies in Dar es Salaam Region from 16th February to 16th March 2023.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA



Prof. Magreth S. Bushesha

For: **VICE CHANCELLOR**