REPORT ON THE IMPLEMENTATION OF THE INVESTMENT POLICY REVIEW

UNITED REPUBLIC OF TANZANIA
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The following symbols have been used in the tables:

- Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.
- A dash (-) indicates that the item is equal to zero or its value is negligible.
- A blank in a table indicates that the item is not applicable.
- A slash (/) between dates representing years, for example 2004/05, indicates a financial year.
- The use of a dash (-) between dates representing years, for example 2004–2005, signifies the full period involved, including the beginning and end years.
- Reference to dollars ($) means United States dollars, unless otherwise indicated.
- Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.
- Details and percentages in tables do not necessarily add up to the totals because of rounding.
- The material contained in this study may be freely quoted with appropriate acknowledgement.
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<tr>
<td>AAITPC</td>
<td>Asia-Africa Investment and Technology Promotion Centre</td>
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<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
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<td>BEST</td>
<td>Business Environment Strengthening for Tanzania</td>
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<td>BIT</td>
<td>bilateral investment treaty</td>
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<td>BOT</td>
<td>build–operate–transfer</td>
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<td>BREL A</td>
<td>Business Registrations and Licensing Agency</td>
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<td>BRU</td>
<td>Better Regulation Unit</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>COSTECH</td>
<td>Commission for Science and Technology</td>
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<td>DTT</td>
<td>double taxation treaty</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>EDZ</td>
<td>economic development zone</td>
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<td>EPZ</td>
<td>export processing zone</td>
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<td>EPZA</td>
<td>Export Processing Zones Authority</td>
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<td>FCC</td>
<td>Fair Competition Commission</td>
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<td>FDI</td>
<td>foreign direct investment</td>
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<td>ICRT D</td>
<td>Institutions Collaborating in Research and Technology Development</td>
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<td>IPR</td>
<td>Investment Policy Review</td>
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<td>LDC</td>
<td>least developed country</td>
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<td>MFEZ</td>
<td>multi-facility economic zone</td>
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<td>NDC</td>
<td>National Development Corporation</td>
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<td>NISC</td>
<td>National Investment Steering Committee</td>
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<td>PPP</td>
<td>public–private partnership</td>
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<td>RITES</td>
<td>Rail India Technical and Economic Services</td>
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<td>R&amp;D</td>
<td>research and development</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SEZ</td>
<td>special economic zone</td>
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<td>SIDO</td>
<td>Small Industries Development Organization</td>
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<td>SMEs</td>
<td>small and medium-sized enterprises</td>
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<td>SPILL</td>
<td>Strategic Plan for Implementation of New Land Laws</td>
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<td>TCCIA</td>
<td>Tanzania Chamber of Commerce, Industry and Agriculture</td>
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<td>TIC</td>
<td>Tanzania Investment Centre</td>
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<td>TNBC</td>
<td>Tanzanian National Business Council</td>
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<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>VAT</td>
<td>value-added tax</td>
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<td>VETA</td>
<td>Vocational Education and Training Authority</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Investment Policy Review series

1. Egypt
2. Uzbekistan
3. Uganda
4. Peru
5. Mauritius
6. Ecuador
7. Ethiopia
8. United Republic of Tanzania
9. Botswana
10. Ghana
11. Lesotho
12. Nepal
13. Sri Lanka
14. Algeria
15. Benin
16. Kenya
17. Colombia
18. Rwanda
19. Zambia
20. Morocco
21. Viet Nam
22. Dominican Republic
23. Nigeria
24. Mauritania
25. Burkina Faso
26. Belarus
27. Burundi
28. Sierra Leone
29. El Salvador
1. Introduction

An Investment Policy Review (IPR) of the United Republic of Tanzania was published in 2002. The report recommended a strategic thrust for investment promotion, along with strategies for creating a more attractive environment for investors such as strengthening the investment framework and reducing the cost of doing business. It also addressed equally important areas such as continued privatization, stimulating human resource development, infrastructure development, and building a dynamic enterprise sector.

In 2005, UNCTAD also prepared the Blue Book on Best Practice in Investment Promotion and Facilitation, with the financial support of the Japan Bank for International Cooperation. The Blue Book identified an eight-point action plan designed to guide the United Republic of Tanzania in the process of improving its investment climate.

In 2009, the Government requested that UNCTAD conduct a review to assess progress made in implementing the recommendations set out in the IPR. To this end, a mission was conducted in March 2010, the findings of which are detailed in this report.¹ The implementation of the Blue Book action plan is also assessed in this report.

2. Summary of findings

Over the eight years since the IPR was published, foreign direct investment (FDI) inflows have increased steadily, at an annual average of 28 per cent since 2003. Overall progress in implementation has, however, been mixed.

¹ This report was prepared by Paige Griffin under the direction of Chantal Dupasquier and the supervision of James Zhan. Substantive support and contributions were provided by Hans Baumgarten and Alexandre de Crombrugghe.
• There has been good progress made in modernizing the investment framework. Of the ten laws recommended for redrafting in order that they better apply to modern business practices, six were enacted. Unfortunately, the law that was highlighted as the most important to the reform process, the 1997 Investment Act, was not revised. Furthermore, this law encapsulated four other areas of legislative reform (employment, commercial, tourism and fishing, and arbitration) that were recommended by the IPR, which meant that those areas were not addressed.

• The implementation of measures to reduce the cost of doing business had its greatest success in improving the system for commercial dispute resolution. Some progress was made in improving import and export procedures – a primary source of the high costs of doing business in the United Republic of Tanzania. Business start-up procedures have been simplified, but many of the planned improvements are yet to be implemented.

• Privatization has brought mixed results in the United Republic of Tanzania. The privatization of state-owned enterprises not related to infrastructure or utilities was considered largely successful. In infrastructure and utilities, the outcome was less positive, and as such, the recommendation to speed up privatization of these entities was not pursued. Instead, a more cautious approach has been taken. The Government has recently passed a public-private partnership (PPP) law in preparation for more privatization of utilities and infrastructure. However, this has not been accompanied by guidelines or policies on how to carry out the law, and as a result, many infrastructure projects have been delayed.

• Many of the recommendations revolving around infrastructure development have been acted upon, to the extent that plans have been formulated and serious interest by investors has been secured. The barrier to further progress in most cases has been the lack of PPP policy and guidelines.
• For the most part, the area where progress has been deficient is in human resource development. Noticeably absent are training programmes based on private sector needs, and incentives for companies to provide “in house” training. The curriculum of the Government-funded Vocational Education and Training Authority (VETA) is designed without any private sector input, and as a result lacks relevance. Furthermore, there are no incentives for the private sector to train their workers. Effort has been made to implement linkage programmes through the Small Industries Development Organization (SIDO), but more is required to meet the recommendation.

• Progress in addressing recommendations related to building a dynamic private sector has been good, although full implementation was only attained in one of the three recommendations in this area. Two new science and technology policies were introduced but have yet to be implemented, and the restructuring of the Commission for Science and Technology (COSTECH) is under way but has not been completed. The United Republic of Tanzania has been successful in encouraging private sector involvement in technology dissemination and in research and development (R&D).

• More than half of the recommendations dealing with regional integration have been at least partially, if not fully, implemented. The United Republic of Tanzania was able to take advantage of the East African Community (EAC) customs union, and is gradually harmonizing taxation with that of other EAC member States. However, recommendations such as encouraging export orientation in domestic industries, attracting investors interested in exporting to the region, and attracting investors from the region, were not fully acted upon.

• Recommendations related to investment promotion focused on three strategic thrusts. No action was taken to target smaller investors motivated by “first mover” advantage. In part, implementation was hindered by a lack of targeting at the firm level. Promotion strategies have
been created for sectors and subsectors. Parameters for targeting investors within these sectors have been established, but genuine individual investor targeting has been limited. The other recommendation focused on land access for commercial development in agriculture – an area which is being addressed, albeit at a slow pace.

3. Strengthen the investment framework

The United Republic of Tanzania has made significant progress in moving from a centrally planned economy to a market-based regime. The reform process has been maintained at a rate that has outpaced reforms to the statutes. As a result, the IPR identified several key legislative areas affecting FDI which should be brought in line with the reformed investment climate.²

3.1. Employment and labour laws

The IPR was primarily concerned with the difficulty that investors in the United Republic of Tanzania were facing in terminating or laying off employees. Investors were wary of creating jobs and hiring permanent workers until the worker’s competence had been proved. The IPR also noted that the labour laws from before the 1990s were onerous and complex. During the drafting of the IPR, the Ministry of Labour was working to reform labour laws. Initially, this entailed simplifying existing legislation and processes. A new law – the Employment and Labour Relations Act – was introduced in 2004, becoming effective in 2007 (see section 4.4).

3.2. Commercial disputes, contract law, the Arbitration Act and the Companies Act

Commercial dispute settlement and contract enforcement were identified as problematic for investors. The laws were considered outdated and inconsistent, and were found to have gaps with regard to modern business organizations, modern commercial

² It should be noted that the mainland Tanzanian and Zanzibari Governments do not have the same laws and regulations, and that they enforce them separately. For the purposes of the report, only the mainland is being assessed.
practices, and modern business systems and technologies. Commercial dispute settlement and arbitration is dealt with in the 1997 Investment Act, which has yet to be updated. Contract enforcement is codified in the Law of Contract Act, 1961, which also has not been updated.

The new 2002 Companies Act, which came into effect in 2006, repealed the Companies Ordinance (Cap. 212), 1932. Some salient aspects of the new Act are reducing the minimum number of people required to establish a company to two, and reducing the amount of information required in the memorandum to the registrar (a document necessary for business registration). In the past, new companies were required to list explicitly all activities of the company. This has been simplified so that companies can now describe their intended activities in more general terms. Changing the activities or reducing capital investment no longer requires court approval, unless there is a challenge by shareholders or creditors.3

3.3. Tourism and fishing

As strategic priorities, both tourism and fishing have been governed by outdated laws which were drawn up in a less internationally competitive market. To begin to attract FDI to these sectors, once FDI in lead sectors such as mining was established, the IPR recognized the importance of modernizing the regulations governing these sectors. In line with the recommendation, the Government replaced the Hotel Act, 1963, and the Tourist Agency Licensing Act, 1969, with the Tourism Act, 2008. It also replaced Fisheries Act No. 6 of 1970 with Fisheries Act No. 22 of 2003.


The Fair Trade Practices Act of 1994 was passed to address competition issues that the newly established market economy was facing. In 2001, it was amended and became the Fair Competition Act. At that time, the Act addressed economic regulation and competition together. The Appellant Mechanism Tribunal was not established in accordance with the Act and the

Commissioner acted in the capacity of advisor, while one person made rulings. The IPR recommended that the Fair Competition Act be reviewed and the Fair Trade Practices Commission be strengthened.

A new Competition Act was introduced in 2003, which separated economic and competition regulation, and established the Fair Competition Commission (FCC) along with other regulatory bodies for areas such as marine and surface transport, energy and water, communications and aviation. Companies or individuals can now approach the FCC or the other regulatory bodies listed above with complaints, and if unsatisfied with the decision, can appeal through the Appellant Tribunal established by the new Act. The Tribunal is chaired by a High Court judge, with final decisions being made jointly by five commissioners. There have been a total of 15 cases (seven in 2009).

The FCC has been strengthened, although there has been some decline in resources since the World Bank shifted responsibility for funding to the Government in 2009. Training uses up a large portion of the budget, as many of the staff recruited are not well versed in competition-related issues and regulations. The FCC does recoup approximately 5 to 10 per cent of its budget through fines for anticompetitive offenses. In addition to the ability to impose fines, the FCC can impose compliance orders and order companies to pay compensation for damage.

3.5. **1997 Investment Act**

The IPR found that the 1997 Act was rapidly becoming obsolete. It no longer had relevance to issues such as the functions of the Tanzania Investment Centre (TIC), and it contained references to Acts no longer in existence (e.g. the Sales Tax Act which was replaced by the VAT Act) and to the Certificate of Incentives. As a result, the IPR recommended that the Act be replaced by a new and up-to-date Act. Other areas that the IPR felt required review were the minimum investment thresholds, which may exclude some investments. The IPR recommended that these be lowered to levels that would be competitive with other African countries. It also prescribed a review of the vague and unspecified investment incentives included in the Act which could lead to
arbitrariness or discrimination among investors. So far, the Act has not been revised, however, TIC has created a Certificate of Incentives which provides clear, specific incentives for investors.

3.6. Bilateral investment treaties and double taxation treaties

To increase the attractiveness of the United Republic of Tanzania as a destination for foreign investment, the IPR recommended that the number of bilateral investment treaties (BITs) and double taxation treaties (DTTs) be increased, with special emphasis on current and potential sources of FDI such as France, Japan and the United States. In addition, it was recommended that the countries considered should also include dynamic, developing countries from Asia, such as Malaysia, Singapore and Thailand, as well as South Africa.

There has been some progress made in this area, particularly as it relates to regional agreements. As a member of the East African Community, the United Republic of Tanzania has participated in the common market since July 2010. Included in the protocol establishing the common market is the gradual harmonization of taxation between all member States. Although the Blue Book advised ratification of the EAC DTT, it is still under negotiation, following a review after the entry of Burundi and Rwanda into the EAC. The United Republic of Tanzania is also a member of the Common Market for Eastern and Southern Africa (COMESA), and since 2008 it has been a member of the Southern African Development Community (SADC) Free Trade Area; both of these organizations contain agreements on investment and double taxation. Given the scope of these regional trade and investment agreements, it is difficult to assess precisely the extent of their implementation.

In addition to the good progress made regionally in this area, there has been some momentum in signing new BITs and DTTs, notably with South Africa, which was specifically recommended in the IPR. The new BITs and DTTs in force include the following: 4

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4. Reduce the cost of doing business

The cost of doing business is fairly high in the United Republic of Tanzania. The IPR emphasized the importance of steadily pursuing policies and procedures that would reduce these costs. In 2002, the Tanzanian Government launched the Business Environment Strengthening for Tanzania (BEST) programme. BEST is a five-year multi-sector programme intended to reduce the administrative and regulatory burden of doing business, to improve the commercial judicial system, and to strengthen the advocacy role of the private sector. As part of the programme, the Better Regulation Unit (BRU) was established to oversee implementation. The IPR identified the BEST programme as a clear path to reducing the cost of doing business and to creating an enabling investment climate. In particular, the IPR strongly supported the idea that a BRU be established to implement the BEST programme.

The progress made in the reforms was highlighted when, in 2005–2006, the United Republic of Tanzania was ranked tenth out of 175 economies for improvements made in easing the conditions for doing business. In the period since, however, progress has slowed, although work is ongoing. The IPR recommended that priority be given to the following areas of the BEST programme: regulatory improvements in business licensing and registration, taxation, land, labour, import and export procedures, commercial

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dispute resolution, and using private sector organizations to help identify and remove barriers.

4.1. Business licensing and registration

Since 1999, the Business Registrations and Licensing Agency (BRELA) has retained responsibility for business start-up processes. In the past, these processes were viewed as revenue streams. In the process of streamlining and reforming these processes and the accompanying regulations, there has been a shift towards more facilitation and less revenue collection. The new Business Activities Registration Act of 2007 has been introduced, and is being implemented jointly by BRELA and BRU. The Business Activities Registration Act of 2007 will eliminate the general licence for businesses, leaving only sector-specific licences such as mining licences. In the past, BRELA's only activity was licensing businesses, but under the Business Activities Registration Act of 2007, BRELA will register businesses as well. Presently, however, the only registration system in place is a business name registration, which provides, for a fee, the legal right for a business to be the sole user of the name in question. Although deemed to be voluntary, no transaction can be carried out using an unregistered business name (e.g. opening a company bank account). Therefore, registration is, in effect, required.

The BRELA registration and licensing system is currently undergoing computerization. The system is being piloted in several of BRELA's regional offices. It will ultimately connect all regional offices with the headquarters in Dar es Salaam. In addition to these services, BRELA provides tax identification numbers, which are expected to become a computerized system linked to the Tanzania Revenue Authority (TRA). Although the Business Activities Registration Act of 2007 is still relatively new, and therefore not fully implemented, it is clear that progress in easing and simplifying the business start-up process has been made.

In order to broaden the measurement of performance beyond financial indicators, the Blue Book recommended that all executive agencies administering business regulations and inspections should develop performance charters. Most public agencies, including BRELA and TRA, have “client charters” that
specify the time and cost for all procedures and services offered. Performance is measured against these, but the monitoring systems need to be improved.

4.2. Taxation

In this area, BRU is not applying the BEST programme. Instead, the World Bank has provided $7 million in funding to review the taxation system. There have been some regulatory changes in the interim. In 2006, the Revenue Authority Act, Cap. 399 was introduced, which, according to TIC, has reduced the number of tax requirements. The Act introduced a system that allowed investors to defer a portion of their tax payments due in advance.

Tax incentives for investors seem to be operating smoothly, however TIC is concerned that TRA’s allegations that abuses are occurring will lead to the removal of goods deemed to be capital goods. TRA has implemented an Audit on Exemptions Unit to address possible abuses, while TIC is working with TRA to ensure that investors are not unfairly harassed. In general, progress has been made in modernizing and simplifying tax regulations, and more progress can be expected once the review is completed.

The Blue Book recommended amending the Tax Revenue Appeals Act of 2000. Although a new Act came into force in 2006, this Act did not include specific advice to amend the Act so that the person objecting should pay only the amount of tax that is not in dispute. The reason behind this is that some objections were not based on serious facts – objections have been used as a tactic to delay payment of taxes – hence the need to ensure that only serious appeals are handled.

The Blue Book also recommended enhancing transparency in tax administration. In this regard, much has been done by TRA. A quarterly stakeholders’ forum has been put in place, with the participation of representatives from the private sector, tax consultants, and various representatives of government departments. TRA has also introduced a taxpayers’ charter informing the public of TRA initiatives and new developments with regard to tax, and a taxpayers’ service centre to handle enquiries and suggestions and to provide a hotline for complaints. A whistle-
blowing mechanism has also been included in TRA’s strategic planning and should be implemented soon.

4.3. Land

Access to land is a delicate issue in the United Republic of Tanzania, and for investors it is also one of the most problematic. There are currently two land laws, which were enacted in 1999: (a) the Land Act No. 4 and (b) the Village Land Act No. 5. By 2003, neither Act had been implemented. Recognizing the need for prioritization to implement the many elements of the Acts, consultants were hired to develop a detailed strategic plan. The Strategic Plan for Implementation of New Land Laws (SPILL) was completed in April 2005. Several projects were identified as necessary for implementation of SPILL. These included land registration and land information, a geodetic network and mapping, implementation of the Village Land Act, house registration in unplanned urban settlements, a dispute-resolution mechanism, and capacity-building. A $30 million project to implement SPILL was funded through the World Bank’s Tanzania Private Sector Competitiveness Project, with implementation planned for the period from 2006 to 2012. Thus far, pilots have been conducted in building a computerized registration system for house registration in Dar es Salaam, village land certification (delineating village boundaries), and setting up dispute courts and land tribunals.6

To facilitate land access for investors, TIC has created a “land bank”. Through the land bank, TIC would maintain reserved tracts of land for investors. These tracts would have the appropriate infrastructure and leasing permits already in place. The project has been delayed, however, as the Government and TIC are stalled in negotiations on whether TIC should pay rent for the unused reserved land. There is also some question as to how the programme would work in relation to export processing zones, and who would fund the infrastructure development in the reserved tracts of the land bank.

6 A sub-component of the World Bank’s Tanzania Private Sector Competitiveness Project, the “Tanzania Land Policy and Genesis of Land Reform” pilot project is being implemented by the National Land Use Planning Commission.
One factor which might help investors in the nearer term is the land database currently under development. This would record land ownership (deed, title) and type of zoning for development. While this may ease the process of leasing land, it will not address the problem of short maximum-lease terms. At 33 years, the maximum land-lease term is sufficient in order to develop the land for an agro-business but is not sufficient to guarantee to investors that they will be able to retain possession and reap the benefits of development after the first lease expires. Further exacerbating the problems in commercial agriculture development is the requirement for presidential approval for projects of more than 300 hectares. Ultimately, land access continues to be an issue, and although the Government has attempted to introduce clearer regulations, the lack of progress in implementing the laws has meant that land policy continues to be a barrier to investment.

4.4. Labour

The Employment and Labour Relations Act was introduced in 2004 and became effective in 2007. It addressed such issues as leave, wages, severance pay, maternity, contracts, and collective bargaining.

Some of the provisions related to termination and hiring include a probation period where unfair termination does not apply to workers employed for six months or less, and “fair” termination being deemed to be related to the employee’s conduct, capacity or compatibility or being based on the operational requirements of the employer. Furthermore, an employment contract can be for an unspecified period of time, for a specified period of time, or can be a contract for a specific task.

Labour regulations pertaining specifically to foreign investors are contained in the Investment Act of 1997. Because no new investment Act has been introduced, these regulations have remained unchanged. There are two kinds of work permit for foreigners. The class A permit is given to investors and their family members. The class B permit is issued for qualified labour. The maximum number of foreign employees with a class B permit per investment allowed under the 1997 Act is five. There is, however, a provision in the Act allowing investors to request and be allowed
more. For example, permit records from 2008 indicate that, on average, 6.7 class B permits were granted per investment. Given the skill shortage, five foreign workers is rather low for a management team of any sizeable enterprise of the type that the United Republic of Tanzania would like to attract.

To increase local labour skills, an additional requirement has been placed on the use of expatriate labour: the direct assistants of foreign employees must be Tanzanian. Unfortunately, the workers’ level of skills is usually low, requiring companies to invest significantly in training. Without training, the assistants could not contribute to business operations at a management assistant level. Added to this cost is the 6 per cent VETA tax that must be paid on each salary (see sections 7.2 and 7.3).

4.5. Import and export procedures

A serious concern impacting the costs of doing business relates to customs processes. One issue is the lack of clarity about which agencies are responsible for the various customs functions. To address this issue, the Government is considering establishing a body to oversee all port organizations. The customs system, which is not operating smoothly, is also contributing to the high costs of doing business in the United Republic of Tanzania. An initiative is under way to streamline the clearance and customs processes of the five agencies involved. Unfortunately, the lack of computerization across all agencies is slowing progress in this area. For example, Port Authority operations are not computerized, and all data is recorded manually on paper. Although UNCTAD’s Automated System for Customs Data (ASYCUDA++) is in use, it does not seem to be connected to all the customs-related areas that would normally provide input to the system.

4.6. Commercial dispute resolution

The IPR found that accessibility to the Commercial Court, court procedures, and corruption were all problems facing investors when seeking dispute resolution. As a result, the IPR recommended that these areas receive special attention in Tanzanian reform
efforts. In addition, the Blue Book specifically advised improving capacity in the area of administrative support to commercial courts.

BRU is working to implement BEST in the commercial court system. Thus far, BRU has been able to integrate the commercial courts into the Court of Appeals and has enabled cases to be heard by the High Court. In the past, if there was a dispute, the Ministry was the highest authority; under the new process, the case will move through the judicial system. The cost has been lowered, too, from 20,000 TZS to 2,000 TZS. New commercial courts have been opened in Mwanza and Arusha, which has improved access substantially. Two others, in Dodoma and Tanga, are in the process of opening. A Civil Justice Technical Working Group, funded through BEST, is working to close loopholes in the operations of the commercial courts. The challenge that continues to face the court system is capacity. Resolving a case is a lengthy and time-consuming process for investors. Furthermore, bank premiums for loans have increased, because in the event that a borrower defaults, it is difficult to recoup losses through the court system in a timely manner.

Outside the court system, the Government has formulated another approach to dispute resolution. The Investor Complaints Bureau was established in 2010 and is chaired by the Government’s Chief Secretary. This is a body which allows investors to circumvent the commercial courts and seek resolution more directly. Both investors, and TIC on behalf of investors, can address their concerns to the Investor Complaints Bureau. One example is an incident where the Ministry of Infrastructure and Development wanted to monopolize roadside billboards, for which it planned to sell usage permits. Investors took their concerns about this matter to TIC, which in turn approached the Investor Complaints Bureau. Resolution was provided at a high level and in a more efficient and timely manner than could be achieved through the FCC or commercial courts.

Progress seems to be occurring in the struggle to combat corruption.\(^7\) Contributing to this improvement are the new ethics indicators show that in 2002, in the area of control of corruption, the United Republic of Tanzania was in the 14th percentile; in 2008,
committees, which begin at the district level and report upwards through the regional-level and district-level judicial boards. The committees address corruption issues through a bottom-up approach, which helps to ensure that concerns at each level are brought to the attention of senior government officials. In 2009, the Internal Affairs Unit was created, which, once operational, will introduce a whistle-blowing mechanism. Internal perception surveys, which solicit recommendations, are also contributing to efforts to reduce corruption. Many of the corruption complaints centre upon Customs. In the past, Customs was under the authority of TRA. Many of the complaints of corruption within TRA were related to Customs. Recently, Customs has been given autonomy from TRA, which has eliminated TRA involvement in Customs processes and resulted in some reduction in the reported incidence of corruption in this area.

4.7. The Tanzanian National Business Council and the National Investment Steering Committee

The Investment Policy Review considered the Tanzanian National Business Council (TNBC) and the National Investment Steering Committee (NISC) to be vital to the improvement of the investment climate. Where the TNBC was concerned, it recommended continued efforts to remove barriers to efficient business operation, and vigorous follow-up to problems identified subsequently. The Blue Book suggested strengthening the monitoring system used for tracking measures agreed upon by the TNBC. In the case of the NISC, the IPR recommended that in its role as a mechanism for resolving problems and removing barriers, it should also strongly pursue links with the business community and actively monitor the business climate.

The TNBC has been found to be a useful forum. The primary benefit of the TNBC is the meetings that it holds between the private and public sector prior to the Government’s decision on the annual budget. This allows the private sector to provide input. Although the TNBC forum is commendable, there is a lack of follow-

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it has improved significantly to be in the 36th percentile. This is slightly above the regional average and significantly above the income category average of 24th percentile.
up or tracking of the agreements and decisions reached in the meetings, which causes the TNBC to fall short of achieving the outcome hoped for in the IPR and Blue Book recommendations. This shortcoming is primarily due to the fact that the TNBC lacks a fully functional secretariat.

The NISC is an organization that is focused more on new, strategic, individual investment projects, and on ensuring that any obstacles to this type of FDI are overcome, rather than on solving existing investor issues. Chaired by the President of the United Republic of Tanzania and attended by multi-sector ministers, NISC meetings result in actionable, final decisions. The NISC meets twice a year but can also be convened as important issues arise, such as a potential large investment. Among the decisions made in these meetings is whether large investors who have been deemed to be strategically important should be accorded additional incentives. This type of interaction, although useful, is not what was envisaged in the IPR recommendation. By focusing on potential new investors, the NISC is not the investor problem-resolution organization envisaged by the IPR; this role appears to have been taken by the recently created Investor Complaints Bureau. Furthermore, it has not forged links with the business community either, nor is it monitoring the business climate as recommended.

5. **Ensure continued success of privatization**

5.1. **Privatization of utilities and infrastructure**

In 2002, the IPR found that the privatization programme was successful and urged the Government to move more quickly in privatizing utilities. Since then, the results of privatization have been more mixed. Whereas privatization of manufacturing, the financial sector, hotels and other sectors has been largely successful, with only a few negative experiences (e.g. turning a manufacturing plant into a warehouse), privatizations of infrastructure and utilities have not been as successful. In 2003, a 10-year lease with a firm from the United Kingdom for supplying water in Dar es Salaam was terminated after only two years, as improvements in services and infrastructure had failed to materialize. The privatization of railways has been problematic too. In 2006, Tanzania Railways was leased
to Rail India Technical and Economic Services (RITES), giving RITES a 51 per cent stake in the operation of Tanzania Railways’ passenger and freight services for 25 years. In 2010, both the Government and RITES, dissatisfied with the partnership, were seeking early termination of the agreement. The sale in 2002 to South African Airways of a 49 per cent stake of Air Tanzania Company Limited was initially considered to be a success. However, differences in business approaches led to the dissolution of the partnership in 2006 and to the Government buying out South African Airways. In addition to these examples, and in common with many developing countries, the United Republic of Tanzania has faced difficulties in privatizing the landline telecommunications and electricity sectors.

Ultimately, the Government worked determinedly to privatize utilities, as the IPR recommended. However, given the failures, it is proceeding much more cautiously in re-admitting private investment in utilities. In the past, in the absence of a PPP policy, decision-makers turned to a standard procurement policy approach that favours low bidders. This is a radical difference from PPP guidelines, which tend to favour a more balanced approach between value and price and which may mean the lowest bid is not necessarily the optimal choice. Some of the past mistakes, such as lack of due diligence, and using the lowest bid as a key selection criterion, are expected to be rectified by the new PPP law which was enacted in 2009. The only component missing is the PPP policy to implement the law, which is expected in the near future.

5.2. The Asia-Africa Investment Technology Promotion Centre

With regard to the search for appropriate partners for assistance in developing utilities and infrastructure, the IPR identified the Asia-Africa Investment Technology Promotion Centre (AAITPC) as a potential partner to link investors in Asia with government projects in the United Republic of Tanzania. The best-known example to have come through the AAITPC is the RITES investment in Tanzania Railways. Other institutions with the same

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core concept of furthering partnerships in trade and investment have been created, overshadowing the AAITPC. For the most part, however, China and India cooperate through bilateral institutions and agreements with the Tanzanian Government.

5.3. The National Development Corporation

The National Development Corporation (NDC) is an important actor in building infrastructure through private investment. It is mandated to initiate, develop and guide the implementation of projects in partnership with the private sector, and to initiate development of export processing zones. The IPR felt that in view of the importance of the NDC in bringing infrastructure development and investors together, it should be assured of appropriate resources and be staffed by personnel with the appropriate skills and technical knowledge. In order to help NDC acquire the necessary capacity, the IPR recommended the secondment of private sector executives to NDC. Such a programme has not been implemented. Furthermore, with the exception of the current director, whose background is in the cement industry, all previous directors have been hired from the public sector.

The IPR also recommended that there should be strong cooperation between NDC and TIC. Cooperation is occurring, particularly in work involving investor profiling. TIC also works closely with NDC and the Export Processing Zones Authority (EPZA) (formerly part of the NDC) to attract investors to the export processing zones (EPZs).

5.4. Redundancies due to privatization

Given the IPR's recommendations to move forward with privatization, the resulting unemployment was a concern. Therefore, the IPR recommended that privatization policies needed to include policies to manage the redundancies that would occur when unviable enterprises were closed or restructured. This aspect of privatization was handled in the 1993 and 1999 amendments to the Public Corporations Act of 1992, which stipulated that a public corporation being prepared for divestiture would be required to prepare a two- to three-year manpower development plan. No new policies have been introduced since this amendment, however this
concern has proved to be unfounded. The low skill level in the United Republic of Tanzania means that these workers are considered to be quite valuable, and as such, they have easily found employment in private enterprises.

6. **Implement effective infrastructure development**

Infrastructure was identified by the IPR as an opportunity to attract foreign investment and other forms of involvement. The IPR highlighted airports, Dar es Salaam Port, and EPZs as opportunities suited to FDI.

6.1. **Airports**

The IPR recommended that the Government use its experience with the privatization of Kilimanjaro International Airport to develop a partnership model that is attractive to foreign investors and beneficial for the country. Kilimanjaro International Airport was privatized in 1998, through a 25-year lease contract with the Kilimanjaro Airports Development Company owned by United Kingdom firm Mott MacDonald and Tanzanian firm Inter-Consult. Dissatisfied with progress in improvements, the Government took over in 2009. This experience, however, has not stopped plans to find a private operator for Nyerere International Airport in Dar es Salaam.

6.2. **Dar es Salaam Port and trade corridors**

The potential of Dar es Salaam Port was recognized by the IPR. The IPR encouraged the Government to pursue transforming it into a major shipping and cargo centre. Among the possibilities, the IPR felt that it could become a top provider of port services, through either a joint venture or hiring the appropriate experts.

The challenges facing the Tanzania Port Authority, which owns and operates the port, include storage capacity, non-computerized processing (including customs handling), and a history of corruption. Despite being poorly outfitted and losing market share to other regional ports, Dar es Salaam Port’s cargo volume continues to grow. This indicates that port services continue
to be in high demand, and that growth could be much higher if the proper infrastructure and management were in place. Cargo has been increasing at a rate of 15 per cent annually since 2004.\(^9\) Unfortunately, the development of container storage has not kept pace, creating significant delays. It has been estimated that by the beginning of 2009, Dar es Salaam Port had lost 30 per cent of its traffic to the ports of Mombasa (Kenya) and Beira (Mozambique).\(^10\)

Recent steps to alleviate the capacity problems include the establishment of inland container depots. A dry port at Isaka is being built from an existing railway terminal; and construction of another dry port is planned in Mbeya, to service Malawi. Customs procedures – which have been one of the primary culprits for delays in unloading cargo and in the clearance of containers – would be carried out at these dry docks, alleviating some of the port congestion. As described in section 4.6, strides have also been made in streamlining customs procedures and in computerizing those processes which will help reduce congestion. The effect of implementing dry docks and of streamlining procedures has been to improve port operation. Waiting times at sea have been reduced from 14 to 4 days for all but oil tankers.\(^11\) The end of the exclusivity clause for Tanzania International Container Terminal Services is expected to further alleviate bottlenecks at Dar es Salaam Port, as it will allow other investors to establish and operate container terminals at Dar es Salaam and other Tanzanian ports. In 2008, the Port Master Plan was completed, which, once implemented, will improve port operations, particularly the plans for a second container terminal. Overall, no progress has been made in involving investors in the development of the port, although future port development plans do include private sector participation.

In addition to improving port operations through private sector investment, the IPR recommended the creation of trade corridors between the United Republic of Tanzania and neighbouring landlocked countries that use Dar es Salaam Port. It was suggested that this could be initiated through “inland ports”\(^9\) Tanzania Port Authority. Quayside. Vol. 2. January/March 2010.\(^10\) Reuters Africa (2009). Tanzania’s key port plans expansion to combat bottlenecks. 17 December.\(^11\) Tanzania Port Authority. Quayside. Vol. 2. January/March 2010.
either wholly owned by the Tanzania Port Authority or through joint ventures. The “inland ports” would be transfer points for goods destined for Dar es Salaam Port and goods destined for neighbouring interior countries. The IPR expected this to reduce the cost of goods and to transform Dar es Salaam Port into a major trade hub for the region.

There are plans for construction of the 850-km Mtwara Development Corridor. The primary objective of the corridor is to address power shortages in the country by developing the Mchuchuma-Katewaka coal field in the southwest and building a thermal plant and transmission systems to feed the national grid. A secondary objective of the project is to be a springboard for other transportation and infrastructure projects, as these can be expected to improve trade. Some examples are expansion of Mtwara Port, upgrading of the Mtwara airport to an international airport, construction of a road or rail connection from Nkatha Bay in Malawi to the United Republic of Tanzania, a Mtwara Port to Mbamba Bay road improvement project, and construction of the Unity Bridge which crosses the Rumuva River into Mozambique. Similarly, there are future plans to develop a northern corridor that would connect Tanga Port in the north to mining in the Lake Natron region in the northwest and in Kenya. In addition, plans are being made for a central corridor that would connect the agricultural regions to the major cities and to some nickel-mining areas near the border with Burundi.

The Government plans to develop the Mtwara and other corridors using the PPP approach. Forty-eight companies from 13 countries have expressed interest in the various Mtwara Corridor projects. The NDC plans to assess the project with interested parties and to begin bidding and negotiating terms. One of the biggest hurdles to overcome is the lack of an implemented PPP policy. As mentioned in section 5.1, a law was passed in 2009, but policy and operational guidelines are not in place yet. Without these,

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12 According to the NDC website, the electrification plan for the south-west region entails the construction of transmission lines connecting to the national grid, including a 280km transmission link to Mufindi, a 200km transmission link to Makambako, and a 400km transmission link to Mbeya.
13 Inaugurated in April 2010.
the Mtwara Development Corridor has been unable to move to the next stage.

6.3. Multi-facility economic zones

Frequently, EPZs are used to attract FDI in countries where infrastructure is a challenge; industrial parks are then developed separately to encourage domestic production. The IPR recommended that, rather than pursuing two separate initiatives, the United Republic of Tanzania should develop multi-facility economic zones (MFEZs) which would combine domestic production and export-oriented industries in one facility. Through cost-sharing with the private sector, and implementation of the regulatory environment envisaged by the BEST programme combined with efficient administration, MFEZs could provide the best possible business environment within a limited geographical area. Furthermore, if the initial MFEZ proved successful, new strategically placed MFEZs could be established, and MFEZ status and facilities could be extended to other areas of large-scale economic activity, such as the creation of townships in large-scale mining areas.

In 2006, the EPZA developed two types of zones. The first was the standard EPZ, which required companies to export 80 per cent of production. The second, more closely aligned with the IPR recommendation, is the special economic zone (SEZ). In SEZs, companies have no export requirements, they can sell to the local market, and do not have to be in manufacturing. In 2008, the EPZA sought the assistance of the World Bank to develop a five-year plan to merge EPZs and SEZs and create economic development zones (EDZs) to incorporate the incentives of both EPZs and SEZs. Another plan being formulated is one whereby “township” economic zones will be created, mirroring China’s approach to industrial organization.

The incentives offered in EPZs are not dependent upon “zone” incentives but rather on the amount of exports. Companies that export most of their output receive more incentives than those servicing the domestic market. In general, the incentives are the same as those given by the TIC, but the infrastructure component could be expected to be the difference in attracting investment. One important difference between the EPZA and the TIC can be found in
the area of regulations. The 2006 EPZ Act specifies incentives available to the EPZA to attract investors, whereas the 1997 Investment Act does not. This may mean that TIC is having a more difficult time in assuring investors of incentives, compared to the EPZA.

Existing EPZs have, for the most part, been developed through local, private investors, and a few joint ventures. The developers are responsible for infrastructure within the zone, with the Government responsible for providing the necessary connections to infrastructure outside of the zone. As is the case with Dar es Salaam Port and the Mtwara Corridor Development Project, EDZ development is being delayed by the lack of a PPP policy and operating guidelines.

Currently, there are three EPZ sites and one SEZ ready for lease. There are 18 companies operating under EPZ status in industrial parks, and 15 single factory units with EPZ status. EPZ enterprises are nearly evenly divided between local and foreign companies. The foreign companies are primarily from China, Denmark, India and Japan. The majority of companies are in engineering, followed by textiles, agro-processing and mineral processing. In addition, there are 14 sites designated for EDZ development. Priority is being given to the zones at the ports of Mtwara and Tanga, at the coastal town of Bagamoyo (50 km north of Dar es Salaam), and at the northern, inland town of Arusha. Bagamoyo, with a completed feasibility study and master plan, is farthest along in terms of development, and is the top priority of the EPZA. It is envisioned that this EDZ will encompass 9,000 ha, which is large when compared to the standard 2,000 ha set aside for other EDZs. The Bagamoyo EDZ will be one of the first “township” style EDZs, and will include construction of a new port and airport.

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14 The available EPZ industrial sites include Millennium Business Park at Ubungo (Dar es Salaam), Hifadhi at Ubungo (Dar es Salaam), and Vector Health at Kisongo (Arusha). The available SEZ is Benjamin William Mkapa SEZ. (Information from EPZA website, accessed 31 May 2010).
7. **Stimulate human resource development and linkages**

As in other developing countries, skills shortages pose problems for investors in the United Republic of Tanzania. The IPR, in an effort to address this shortage, made several recommendations related to addressing the needs of the private sector through curriculum changes, training programmes in partnership with the private sector, and the development of domestic–foreign partnership programmes.

7.1. **Higher education**

Although there is a shortage of skilled workers in the United Republic of Tanzania, there is also the problem of workers having skill sets that do not meet the needs of a modern, market economy. The IPR recommended expanding the provision of higher education and revising curriculums to better meet the private sector’s needs.

There has not been an expansion in higher education or technical training, but there has been some attempt to reform technology-related education. COSTECH, in partnership with UNESCO, is working on this aspect of university education reform, including adding an element of entrepreneurship training to science departments in universities.

7.2. **Training programmes based on priority sectors**

The IPR recommended that a programme be developed which, with private sector input, would identify the skills needed by workers in priority sectors and establish funding systems for training. Such an initiative has not been undertaken. The Government provides training through VETA. The curriculums are developed without the benefit of private sector collaboration, and are therefore not meeting the needs of the private sector. Possibly, a first step towards establishing a coordinated and integrated policy approach to technical and vocational training that would better meet private sector needs is the recently initiated programme to bring technical and vocational training under the umbrella of the Ministry of Education.
There are also several private associations that provide training. The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), with support from international development agencies, provides training for SMEs, focusing on transforming subsistence farmers into commercial farmers and on business management. Although these programmes are not exactly the solution envisaged by the IPR, they may help in formalizing business in agricultural activities.

7.3. **In-house training**

The IPR urged the Government to encourage companies to provide or increase existing in-house training programmes for staff, as well as to offer training opportunities over and above the immediate workplace training needs. The IPR proposed tax deductions for training expenses as an effective incentive. As outlined above, the Government has opted instead to manage training through VETA. The private sector is not satisfied with this approach. Its concerns centre upon the absence of demand-driven curriculums, as this is failing to produce appropriately trained graduates. Another concern is the funding of VETA. VETA is funded by a 6 per cent tax on salaries. Given its lack of inputs into designing the curriculums and the absence of visible skills improvements, the private sector has raised concerns about paying a tax to fund the initiative. Adding to the general climate of discontent are reports that only 2 per cent of the tax is delivered to VETA, while the other 4 per cent is sent to the central Government.

7.4. **Linkage programmes**

To improve the skills and experience of Tanzanian workers, the IPR recommended developing linkage programmes based on sectors. Although energy, mining and agribusiness are all of fundamental importance to attracting FDI, the IPR recommended beginning with the easier tourism sector. No "sector" linkage programme has materialized.

There are three linkage programmes. The TCCIA hosts regional trade fairs to help promote business linkages, and engages in "matchmaking" when foreign delegations visit. SIDO, under the Ministry of Trade, Industry and Marketing, provides workshops for
small and medium-sized enterprises (SMEs) on business linkages, and encourages SMEs to become suppliers to large companies. Finally, UNCTAD launched a business linkages programme in June 2009 in collaboration with TIC. These three programmes would benefit from coordination and sector emphasis.

8. **Build a dynamic private sector**

An effective approach to maximizing gains from the private sector is improving the capacity of domestic enterprises to learn, adapt and assimilate new technology. Accordingly, the IPR made several recommendations to encourage the development of a dynamic enterprise sector in the United Republic of Tanzania.

8.1. **National science and technology policy**

Tanzanian science and technology policy has lagged behind other areas in policy reform. The IPR identified this as an area where modernizing the policy could provide gains in the development of a dynamic private sector. In 2007, a national research policy was developed; this was followed by a national science, technology and investment policy in 2008. Neither policy has been implemented, however an inter-ministerial committee has been created to manage implementation. COSTECH, the implementation arm of the Ministry of Science and Technology, actively participates in policy discussions and gives recommendations. COSTECH is working to increase these policy advocacy activities and to foster closer cooperation with the Ministry of Science and Technology.

8.2. **Technology institutions**

The existing technology institutions structure has become outdated and is in need of a major overhaul and significant restructuring. The IPR recommended initially proceeding with an analysis of institutions, identifying those that are providing essential services and simply require strengthening, and those that are ineffective and should cease operations. It also recommended that in the restructuring, private sector involvement in dissemination of technology and R&D should be actively encouraged.
8.2.1. Restructuring institutions

To increase R&D coordination and reduce overlap among institutions, Institutions Collaborating in Research and Technology Development (ICRTD) was created. This seems to have had a positive effect on the operations of the various institutions. Through consultation with stakeholders, a strategic plan to restructure COSTECH has been developed, too. In the past, COSTECH managed technology as part of scientific education. Going forward, COSTECH is shifting to diffusion of technology that is linked to economic development, with a focus on the commercialization of technologies and on adapting technologies for local use. As part of the development of the strategic plan, gaps in expertise within COSTECH were identified. These included the lack of MBAs and entrepreneurs to direct the Commission in developing its economic growth approach, and the absence of policy advocacy and communication skills.

8.2.2. Private sector involvement

SIDO, the organization working with SME development, has technology dissemination, access and transfer components to its programme. To address this area of responsibility, SIDO has recently opened incubation centres to help disseminate technology from other institutions. Some examples include exposing domestic SMEs to SMEs from India and South Africa. The Tanzania Private Sector Foundation encourages R&D by providing a grant to support enterprises that perform R&D. It is also working with the Government to create a list of R&D opportunities for the private sector. Although there is no regulatory requirement for technology transfer, some transfer has been occurring naturally. For example, banks have been outsourcing ATM operation and maintenance to domestic companies.

9. Enlarge markets through regional integration

9.1. The EAC and import and export procedures

In order for the United Republic of Tanzania to increase its attractiveness to FDI, the IPR recommended that the Government
work to realize the benefits of regional integration, particularly within the EAC. Areas identified as good starting points included encouraging export orientation in indigenous industry, attracting export-oriented FDI to exploit the larger EAC market, and attracting intraregional FDI. It was only in 2010 that the EAC became a full-fledged customs union and a common market between Kenya, Uganda and the United Republic of Tanzania.\textsuperscript{15} The United Republic of Tanzania has worked to attract export-oriented FDI, but the destinations for these exports are principally the European and Asian markets.

One obstacle identified by the IPR that the United Republic of Tanzania must overcome in order to realize the benefits of the EAC is the deficiencies in the Tanzanian import and export procedures. As detailed in section 6.2, there has been an effort to streamline and computerize the customs processes. Indications are that this effort, combined with the five-year transition period which has been spent readying customs for the new EAC customs union procedures, has prepared the United Republic of Tanzania for the transition.

9.2. Tariffs and non-tariff barriers

The IPR warned that while the EAC and the customs union would have positive effects on Tanzanian trade, the Government would have to proceed cautiously in eliminating tariffs and non-tariff barriers to avoid import surges. In particular, the Government would need to recognize problems that foreign and domestic manufacturers would face in competing with Kenya. There are not any specific programmes to help Tanzanian manufacturers, although there has been a five-year transition period, which gave some time for manufacturers to prepare.

9.3. Transportation infrastructure

SADC was another opportunity for intraregional FDI identified by the IPR. It was felt that, in the short term, realizing the

\textsuperscript{15} Kenya, Uganda and the United Republic of Tanzania began implementing a customs union in January 2005, while newer members Burundi and Rwanda began implementation in 2009. The initial five-year transition period ended in 2010 for the original members and will end in 2014 for the other two members.
benefits of SADC would be unlikely. With improvements in transport infrastructure in the south, however, it could become a gateway to the region in the longer term. As outlined in section 6.2, the Mtwara Development Corridor and the associated transportation projects (Mtwara port, the Unity Bridge to Mozambique, the Mtwara-Mchuchuma road improvement) will address many of the shortcomings of the transport infrastructure in the southern region.

9.4. Regional FDI promotion

To further exploit the benefits of membership in the regional communities, it was recommended that the United Republic of Tanzania encourage regional FDI promotion events, particularly for the EAC. Two types of trade fairs are held annually in the EAC. The first is the Trade and Investment Forum, which aims to attract international investors to the EAC member countries. Held on a rotational basis, the first forum took place in Kigali, Rwanda, in 2008; this was followed by Kenya in 2009. The other trade fair, the Jua Kali/Nguvu Kazi Expo, which has been held since 2006, targets SMEs in the region and provides them with the opportunity to display their products and expand their marketing within the EAC.

In order to facilitate business in the region, the Blue Book recommended issuing joint EAC business visas. Such visas do not exist yet, but under the common market, once a person receives resident status in one of the member States, he or she is free to travel within the EAC. This, however, does not simplify the visa application process for potential foreign investors visiting the region.

9.5. WTO and tariff protection

The “window of opportunity” offered by the World Trade Organization (WTO) creates an opportunity for the United Republic of Tanzania to encourage import substitution industries. The IPR recommended taking full advantage of this period, while keeping in mind the short-term nature of these measures to help manufacturers. The United Republic of Tanzania has continued to pursue policies which foster its industries, and plans to continue doing so until the country graduates from least developed country (LDC) status.
10. Impart a new strategic thrust to investment promotion

In 2001 and 2002 the global economy was in a period of slowdown. The IPR recognized this, and cautioned the United Republic of Tanzania not to expect waves of FDI into its economy. Accordingly, the IPR recommended that the United Republic of Tanzania approach investment promotion with a series of strategic thrusts in selected areas. These thrusts would be driven by a “Sustained Programme of Action” with the objective of yielding positive, measurable results in two to five years.

10.1. Investor targeting

The TIC launched a five-year programme in 2007, which includes a branding programme to promote the country as a destination for FDI, and a plan for targeted promotion. Implementation of the country branding programme is being conducted in cooperation with embassies. The TIC set out the four key sectors on which to focus the promotional activities, namely agriculture, the extractive industries, infrastructure and tourism. In agriculture, the focus is on biofuels, floriculture and horticulture, and textile fibres such as cotton. The TIC has had some success in attracting investors to mining. Infrastructure – a top priority for the country – is being tackled by the TIC too. The focus is on electricity (independent power producers, and tapping the potential in coal and hydropower), ports (favouring build-operate-transfer (BOT) agreements), railways, and fibre optics (now that the infrastructure exists, the TIC is interested in attracting large-scale end-users such as call centres). There has been success in the area of tourism, with investors attracted to safari tourism. Going forward, the TIC would like to begin attracting investors in other areas, such as coastal development.

Parameters have been established for targeted promotion efforts. When targeting investment in a specific sector, the TIC undertakes research on the potential of local and international

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16 Normally, smaller deposits in developing countries attract, for the most part, junior mining companies; however, the TIC was able to secure investment from Barrick Gold, a company that is ranked fourth in the world for gold production.
markets, on infrastructure support projects, and on the existence of potential investors in that sector. These parameters are reviewed every three years. A couple of initiatives have targeted specific investors and resulted in attracting FDI. These were Vodacom in 1999 in the telecommunications sector, and Barrick Gold in 2001 in the mining sector. Future projects in which the TIC plans to target specific investors include a gas pipeline project, a biofuel refinery, and development of information and communications technology (ICT) infrastructure for the country. The latest economic downturn has shifted the TIC’s targeting to include more emerging markets, such as India and China. The primary obstacle that the TIC faces in moving ahead in this area is the missing PPP policy.

Thus far, the results of the investor targeting have been disappointing. Training could be part of the reason for the lacklustre performance, as the number of trained staff is insufficient. Another problem is the lack of more precise targeting. Rather than targeting investors at the firm level, targeting is more broadly applied at the sector and country level. Lastly, the lack of a PPP policy is hampering promotion in infrastructure projects.

10.2. Agriculture

The United Republic of Tanzania has an abundance of land appropriate for agriculture, but access for large-scale investment is a bottleneck, as outlined in section 4.4. To address this issue, the IPR recommended selecting five areas of land that would be made available to potential investors of large-scale commercial farming operations. Outside of the proposed TIC “land bank”, no action has been taken to set aside land for agricultural investment.

The Blue Book noted that the United Republic of Tanzania had a number of different policy documents on agriculture, and recommended establishing a strategy for growing agriculture and agro-processing in the country. In response to the 2008 increases in commodity prices, the Government decided that a new focused effort was needed in order to develop the agriculture sector. As a result, in 2009, the TNBC passed the Kilimo Kwanza resolution. Its goal was modernization and commercialization of the sector. The resolution contains 10 pillars, two of which include creating
incentives to stimulate investment in agriculture and ensuring land availability for agriculture.

10.3. Manufacturing

Attracting manufacturing investment, given the country’s present state of development and limited domestic market, may pose difficulties. The IPR proposed that the TIC target investors that would be suited to operating in a small-sized market, with the chance to gain a “first mover” advantage. These investors would be interested in moving quickly to enter the Tanzanian market and consolidate their position in it. That is not to say that the TIC should not also consider targeting large transnational corporations (TNCs). The IPR highlighted the consumer goods sector, in which TNCs have historically been pioneers in emerging markets. To attract this type of investor, the IPR recommended targeting at the firm level.

Although the TIC has used firm-level targeting (as mentioned in section 10.1), this tool is not being used regularly. The primary method used is promotion at the sector or country level. Furthermore, each ministry has an investment promotion strategy, accompanied by respective budgets, with which they seek to attract FDI. The TIC collaborates with the ministries only if requested.

10.4. Existing investors

The IPR recommended that the TIC should encourage established foreign investors to reinvest in the domestic economy, while at the same time encouraging enterprises in Kenya and other bordering countries to expand their operations into the United Republic of Tanzania. The TIC has implemented an aftercare programme for established investors. Each of the TIC staff members manages a portfolio of investors whom they visit periodically, encouraging expansion of their investment. The staff members also work to remove any impediments to reinvesting when issues are raised by investors. Thus far, the TIC’s programme has yielded some success in encouraging investors to expand. There is, however, no outreach programme for potential regional investors or for promoting expansion by enterprises from bordering countries into the United Republic of Tanzania.
10.5. National Investment Task Force

Each of the strategy thrusts was considered the best opportunity for attracting FDI, which would also prove beneficial for the United Republic of Tanzania. However, the IPR acknowledged that a full assessment was needed to confirm the feasibility of the recommended thrusts. To conduct this assessment, the IPR recommended a National Investment Task Force be formed, with members drawn from the private and public sectors. The task force would carry out assessments, which would include feasibility plans and detailed implementation plans for promoting each strategic thrust. The IPR identified the TIC and the Zanzibar Investment Promotion Agency as likely agencies to lead the effort, with the National Investment Steering Committee receiving the findings of the task force. To date, although the Land Task Force and the Tax Task Force have been set up, no task force to assess the feasibility of the strategy thrusts as recommended by the IPR has been established. There has also been no action, other than that identified in section 10.1, to formulate strategic thrusts resembling those recommended in the IPR.

11. FDI attraction and performance

Since the mid-1990s, FDI inflows have increased significantly (fig. 1). From that point on, the privatization programme was pursued in earnest, market-oriented reforms were implemented, and the 1997 Investment Act was put in place. From 1990 to 1995, FDI inflows totalled $232 million, compared to $1.3 billion from 1996 to 2000. From 2000 onwards, FDI inflows accelerated, growing at an annual average rate of 28 per cent from 2003 to 2008.

Since the end of the 1990s, mining has been – and continues to be – the main source of FDI inflows. In 2000, AngloGold began operations in the United Republic of Tanzania, followed by Barrick Gold in 2001. From 2001 to 2009, Barrick Gold alone opened four mines. FDI stock surged from $2.78 billion in 2000 to $5.94 billion in 2007.17 During this period of growth, over $2

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17 UNCTAD. *World Investment Report 2010.*
billion out of the $3 billion increase was due to mining.\textsuperscript{18} Other examples of FDI include the arrival of Vodacom in 1999, and some smaller projects in manufacturing and tourism.

**Figure 1.** Annual FDI inflows, 1990–2009
(in millions of dollars)

\textsuperscript{18} World Gold Council (2009). \textit{The Golden Building Block: Gold Mining and the Transformation of Developing Economies.}

12. Conclusions and recommendations

There has been a great deal of activity related to improving the investment climate in the United Republic of Tanzania since the completion of the IPR. However, as the record illustrates, progress implementing the recommendations has been mixed. Of the 49 recommendations, a third have been fully implemented, a third have been partially implemented, and a third have not been implemented. Noticeable gains have been made in improving the investment framework and in reducing the cost of doing business. The progress in these areas, although good, has been limited by slow implementation. A similar situation exists regarding progress in
infrastructure development, where the absence of an implemented PPP policy remains a bottleneck for many projects. Human resource development and investment promotion are the areas in which the least progress was made. The education and training system has largely remained unchanged since the IPR was drafted. In investment promotion, with the exception of improved aftercare services, none of the recommendations were implemented.

All of the recommendations, if implemented, could boost FDI inflows. Of the recommendations that were not fully implemented, five are of particular importance. These include:

- **1997 Investment Act**: Investment reform is overdue. The delay in enacting a new investment law is affecting not only the conditions of FDI such as minimum investment size, enterprise establishment and incentives, but also those factors that contribute to creating an attractive investment climate such as commercial dispute resolution, contract enforcement, arbitration, and expatriate labour.

- **Infrastructure development**: It is imperative that a fully formulated and implemented PPP policy and guidelines be established in the immediate future. Poor infrastructure is one of the primary stumbling blocks to attracting FDI. The United Republic of Tanzania has made significant headway in developing strategies, formulating plans and securing investor interest in infrastructure development, but the projects have stalled while awaiting the PPP policy.

- **Human resources development**: Not only is the current training through VETA not meeting the needs of the private sector; it is not meeting the needs of the employable population either, which is having trouble securing jobs due to irrelevant training. The Government should completely overhaul VETA, beginning with the curriculums. The curriculums should be changed, based on the needs of the private sector. There should be quarterly or six-monthly meetings between VETA administrators and representatives from the private sector to assess the programme. If the 6 per cent tax is to remain in force, 100 per cent of it should go directly to VETA. The VETA tax should be lowered or
removed for companies providing in-house training. For this initiative, clear guidelines on what will constitute in-house training and what the corresponding tax reduction will be should be published.

- **Land**: A large project to modernize the land system of the United Republic of Tanzania is under way, the results of which are expected to be seen in the long term. In the interim, the United Republic of Tanzania is failing to realize investment opportunities in the agriculture sector. Disputes about rents for land that would be unlikely to generate revenues without some type of development investment are preventing forward momentum in securing FDI in commercial agriculture. As such, the Government needs to move this initiative forward and reserve land as the IPR recommended. In this respect, it should look to resolve the issue over financing the TIC’s “land bank”.

- **Investment promotion**: The TIC appears to have the strategies, the tools and the established parameters for targeting investors. However, there does not appear to be much activity in this area. After the early success in the mining sector, firm-level investor targeting seems to have tapered off. To attract FDI in the current economic environment, in areas outside of the mining sector, the TIC needs to more frequently use the targeting tools that it has. Blanket promotion efforts to a sector or to investors by region are not sufficient. TIC staff working on investment promotion should be trained and well versed in targeting techniques. There also needs to be a more coordinated approach to FDI promotion. With each ministry pursuing FDI promotion alongside the TIC’s activities, it is likely that there is significant overlap and redundancy of effort. Resources could be marshalled more efficiently and effectively by placing FDI promotion firmly under the auspices of the TIC and implementing a coordination mechanism with the individual ministries involved in FDI promotion.
## Table I. Summary of implementation achievements

**Strengthen the Investment Framework**

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>Employment and Labour: introduce new, modern law</td>
<td>★★★</td>
<td>Employment and Labour Relations Act, 2004</td>
</tr>
<tr>
<td>Legislative</td>
<td>Commercial Dispute: introduce new, modern law</td>
<td>★</td>
<td>No new law</td>
</tr>
<tr>
<td>Legislative</td>
<td>Contract Law: introduce new, modern law</td>
<td>★</td>
<td>No new law</td>
</tr>
<tr>
<td>Legislative</td>
<td>Arbitration Act: introduce new, modern law</td>
<td>★</td>
<td>No new law</td>
</tr>
<tr>
<td>Legislative</td>
<td>Companies Act - introduce new, modern law</td>
<td>★★★</td>
<td>Companies Act, 2002</td>
</tr>
<tr>
<td>Legislative</td>
<td>1997 Investment Act: introduce new, modern law</td>
<td>★</td>
<td>No new law</td>
</tr>
<tr>
<td>Legislative</td>
<td>Tourism: introduce new, modern regulations</td>
<td>★★★</td>
<td>Tourism Act, 2008</td>
</tr>
<tr>
<td>Legislative</td>
<td>Fishing: introduce new, modern regulations</td>
<td>★★★</td>
<td>Fisheries Act No. 22, 2003</td>
</tr>
<tr>
<td>BITs and DTTs</td>
<td>Increase the number. Sign agreements with the United States, France, Japan; with developing countries from Asia such as Malaysia, Singapore and Thailand; with African countries.</td>
<td>★★</td>
<td>The number did increase (2 new BITs and 1 new DTT), however none were signed with the countries recommended in the IPR.</td>
</tr>
</tbody>
</table>

Key to table:  
- ★★★ surpassed expectations  
- ★★★ fully or largely accomplished  
- ★★ partially accomplished  
- ★ no change or reversal  
- + different policy direction taken
Table II. Summary of implementation achievements
Reduce the Cost of Doing Business

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>Improve business licensing and registration</td>
<td>★★</td>
<td>New Business Activities Registration Act, 2007 was introduced but has not yet been fully implemented.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Simplify and update taxation regulations</td>
<td>★★</td>
<td>Revenue Authority Act, Cap. 399 reduced the number of tax requirements. Tax system still undergoing review. Full overhaul not completely implemented.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Improve access to land for investors</td>
<td>★</td>
<td>2 new acts introduced in 1999: Land Act No. 4 and Village Land Act No. 5. Not implemented. Land access for investors has not changed.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Modernize labour regulations pertaining to foreign workers brought in through FDI projects</td>
<td>★</td>
<td>These regulations are encapsulated in the 1997 Investment Act which has not been changed.</td>
</tr>
<tr>
<td>Trade</td>
<td>Streamline import/export procedures</td>
<td>★★</td>
<td>Project to streamline customs and clearance processes partially implemented. Computerized many but not all of the agencies handling customs procedures.</td>
</tr>
<tr>
<td>Judiciary system</td>
<td>Improve access to commercial dispute resolution</td>
<td>★★★</td>
<td>Commercial courts integrated into Court of Appeals. New commercial courts in two regions, with two more planned.</td>
</tr>
<tr>
<td>Judiciary system</td>
<td>Simplify and streamline court procedures</td>
<td>★★★</td>
<td>Established Civil Justice Technical Working Group to close loopholes in court operations.</td>
</tr>
<tr>
<td>Judiciary system</td>
<td>Address corruption</td>
<td>★★★</td>
<td>Established a new Ethics Committee and an Internal Affairs Unit. TRA and customs activities have been separated.</td>
</tr>
<tr>
<td>Public-private sector cooperation</td>
<td>TNBC and NISC should work to remove barriers to efficient business operation</td>
<td>★★</td>
<td>TNBC holds meetings with private and public sector participants, but the absence of a secretariat has hindered follow-up on decisions. NISC used more to make decisions among multi-sector ministries on large-scale potential investors. No obvious private sector input.</td>
</tr>
</tbody>
</table>
Table III. Summary of implementation achievements  
Ensure Continued Success of Privatization

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities and infrastructure</td>
<td>Move more quickly in privatizing utilities</td>
<td>+</td>
<td>Moved rapidly at first, however problems led to a more cautious approach being taken. Moving slowly until PPP guidelines are formulated. PPP law has been passed.</td>
</tr>
<tr>
<td>International cooperation</td>
<td>Partner with AAITPC to link investors in Asia with government projects in the United Republic of Tanzania</td>
<td>+</td>
<td>Cooperation with China and India is largely conducted through bilateral institutions and agreements.</td>
</tr>
<tr>
<td>Domestic coordination</td>
<td>Improve capacity of the NDC through a secondment programme</td>
<td>★</td>
<td>No programme has been implemented.</td>
</tr>
<tr>
<td>Domestic coordination</td>
<td>Strong cooperation between NDC and TIC</td>
<td>★★</td>
<td>NDC and TIC work together on investor profiling.</td>
</tr>
<tr>
<td>Employment</td>
<td>Include policies to address redundancies in privatization policies</td>
<td>+</td>
<td>The 1999 Amendment requires a manpower development plan, however further policies addressing redundancies not implemented. Has not been found to be a problem, as employees are better trained than the population as a whole and in high demand.</td>
</tr>
</tbody>
</table>
## Table IV. Summary of implementation achievements
### Implement Effective Infrastructure Development

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airports</td>
<td>Develop partnership model to attract FDI to airport projects</td>
<td>★★</td>
<td>The PPP guidelines will establish modalities for partnerships once implemented.</td>
</tr>
<tr>
<td>Dar es Salaam Port</td>
<td>Transform port into major shipping and cargo centre</td>
<td>★★</td>
<td>Port is undergoing expansion but is not fully implemented.</td>
</tr>
<tr>
<td>Trade corridors</td>
<td>Establish trade corridors between the United Republic of Tanzania and landlocked countries in the region.</td>
<td>★★</td>
<td>Plans have been made and investor interest has been secured, but construction has not begun.</td>
</tr>
<tr>
<td>Multi-facility economic zones</td>
<td>Develop MFEZs, instead of EPZs and industrial parks</td>
<td>★★</td>
<td>Have begun working to establish EDZs, which operate in a similar way to MFEZs. Although plans and strategies for one EDZ have been completed, no EDZs have been built.</td>
</tr>
</tbody>
</table>
Table V. Summary of implementation achievements
Stimulate Human Resource Development and Linkages

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education</td>
<td>Expand provision of higher education and technical training</td>
<td>★</td>
<td>There has been no expansion.</td>
</tr>
<tr>
<td>Higher education</td>
<td>Revise curriculums to meet private sector needs</td>
<td>★★</td>
<td>COSTECH is working with UNESCO to reform technology-related education. But overall, curriculums have not been revised.</td>
</tr>
<tr>
<td>Training</td>
<td>Develop training programmes based on priority sectors, with private sector input</td>
<td>★</td>
<td>No new training programmes have been implemented. VETA continues to be the only training system and is provided without private sector input.</td>
</tr>
<tr>
<td>Training</td>
<td>Encourage in-house training programmes</td>
<td>★</td>
<td>No programmes or incentives promoting in-house training.</td>
</tr>
<tr>
<td>Linkages</td>
<td>Develop linkage programmes based on sectors</td>
<td>★★</td>
<td>SIDO provides workshops on linkages, and encourages SMEs to become suppliers to larger companies. UNCTAD started a business linkages programme with TIC.</td>
</tr>
</tbody>
</table>
Table VI. Summary of implementation achievements
Build a Dynamic Enterprise Sector

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Modernize science and technology policy</td>
<td>✭✭</td>
<td>Two policies developed: the 2007 National Research Policy, and the 2008 National Science, Technology and Investment Policy. Neither has been implemented.</td>
</tr>
<tr>
<td>Institutions</td>
<td>Overhaul and restructure outdated technology institution structure</td>
<td>✭✭</td>
<td>Introduced the ICRTD to oversee the network of institutions. Restructuring COSTECH is under way but not completed.</td>
</tr>
<tr>
<td>Institutions</td>
<td>Private sector involvement</td>
<td>✭✭</td>
<td>SIDO incubation centres opened to help disseminate technology. Grants to companies that perform R&amp;D.</td>
</tr>
</tbody>
</table>
Table VII. Summary of implementation achievements
Enlarge Markets Through Regional Integration

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional integration</td>
<td>Encourage export orientation in indigenous industry</td>
<td>★</td>
<td>No specific programme targeting domestic firms.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Attract export-oriented FDI to exploit larger EAC market</td>
<td>★</td>
<td>No specific programme to attract this type of investor. Exports are principally destined for the European Union and for Asian markets.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Attract investors from the region</td>
<td>★</td>
<td>No targeting of investors from the region.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Within context of EAC new customs union, streamline import/export procedures</td>
<td>★★★</td>
<td>The system for the EAC customs union was implemented in July 2010. Overall, progress has been made in streamlining procedures.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Proceed cautiously in eliminating tariffs and non-tariff barriers with Kenya</td>
<td>★★★</td>
<td>Has addressed the issue by implementing gradually under a five-year transition period.</td>
</tr>
<tr>
<td>Transportation infrastructure</td>
<td>To realize benefits of SADC membership, improve infrastructure in the south</td>
<td>★★</td>
<td>Mtwara Development Corridor, once implemented, will link the United Republic of Tanzania to SADC members and facilitate trade.</td>
</tr>
<tr>
<td>FDI promotion</td>
<td>Encourage regional FDI promotion events</td>
<td>★★★</td>
<td>Two EAC trade fairs are held annually with Tanzanian participation</td>
</tr>
<tr>
<td>Tariff protection</td>
<td>Take advantage of the WTO's &quot;window of opportunity&quot; to encourage import substitution industries</td>
<td>★★★</td>
<td>The United Republic of Tanzania continues to pursue policies which foster industries, and will do so until it graduates from LDC status.</td>
</tr>
</tbody>
</table>
Table VIII. Summary of implementation achievements
Impart a New Strategic Thrust to Investment Promotion

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Set aside five areas of land for potential investors.</td>
<td>★</td>
<td>No land has been set aside for commercial agricultural development.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>TIC should target smaller-scale investors motivated by “first mover” advantage</td>
<td>★</td>
<td>TIC does not normally target at the firm level. Mining was an exception.</td>
</tr>
<tr>
<td>Existing investors</td>
<td>Provide aftercare and encourage existing investors to reinvest and expand</td>
<td>★ ★ ★</td>
<td>Periodic visits and calls to investors. Promote expansion and help remove obstacles to expansion.</td>
</tr>
<tr>
<td>Implementation</td>
<td>Form a National Investment Taskforce to perform assessments of these strategic thrusts and manage implementation</td>
<td>★</td>
<td>Although two task forces were formed, no task force for the purpose of FDI strategy assessment has been formed.</td>
</tr>
</tbody>
</table>
### Table IX. Summary of implementation achievements

**Blue Book on Best Practice in Investment Promotion and Facilitation**

<table>
<thead>
<tr>
<th>Sector/Area</th>
<th>IPR recommendation</th>
<th>Result</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judiciary system</td>
<td>Improve capacity of administrative support to commercial courts</td>
<td>★ ★</td>
<td>Opened regional offices to improve access to commercial courts. The number of backlog cases has been reduced, and administrative management has been sped up.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Develop performance charters for executive agencies that administer business regulation and inspections</td>
<td>★ ★</td>
<td>Most public agencies have “client charters” that specify the time and cost for all procedures and services offered. Performance monitoring systems need to be improved.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Enhance transparency in tax administration</td>
<td>★ ★ ★</td>
<td>Automation and online access to tax procedures have improved transparency. The TRA has also created an ethics committee encouraging internal whistle-blowing and has opened an anti-corruption hotline for clients to report abuses or irregularities.</td>
</tr>
<tr>
<td>Policy</td>
<td>Establish a strategy for growing agriculture and agro-processing in the United Republic of Tanzania</td>
<td>★ ★</td>
<td>The Government adopted “Kilimo Kwanza” as a strategy, with an action plan to develop the agricultural sector including its industrialization. However, there is no comprehensive strategy for agro-processing.</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Strengthen the monitoring system for tracking measures agreed upon by the Tanzania National Business Council</td>
<td>★</td>
<td>The TNBC lacks a functioning secretariat to follow up on decisions taken by the Council.</td>
</tr>
<tr>
<td>Sector/Area</td>
<td>IPR recommendation</td>
<td>Result</td>
<td>Comment</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------------------------------------------</td>
<td>--------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Legislative</td>
<td>Amend the Tax Revenue Appeals Act (2000)</td>
<td>+</td>
<td>The Tax Revenue Appeals Act of 2006 did not amend the measure proposed by the Blue Book to allow an objecting party to pay only the amount of tax that is not in dispute. The TRA argued that if objectors had this right, they could abuse the appeal process to delay payment and severely limit their ability to collect taxes.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Bring into force the East African Community double taxation treaty</td>
<td>★★</td>
<td>The EAC double taxation treaty has not been ratified by all members yet. However, since the coming into force of the common market in July 2010, tax systems are being harmonized for the original three members.</td>
</tr>
<tr>
<td>Regional integration</td>
<td>Jointly issue EAC member state business visas</td>
<td>★</td>
<td>There are no joint EAC business visas. Under the common market, once a person receives resident status in one of the member states, he or she is free to travel within the EAC, including for business. Nevertheless, this does not simplify the visa application process for potential foreign investors visiting the region.</td>
</tr>
</tbody>
</table>
REPORT ON THE IMPLEMENTATION OF THE INVESTMENT POLICY REVIEW

UNITED REPUBLIC OF TANZANIA