

**PROCEEDINGS OF THE 4<sup>TH</sup> INTERNATIONAL INVESTORS' ROUND TABLE MEETING  
HELD ON 23<sup>RD</sup> NOVEMBER 2004 AT GOLDEN TULIP HOTEL DAR ES SALAAM.**

**1.0. ATTENDANCE**

List attached

**2.0. OPENING.**

- 2.1. The Chairman of the Executive Committee of the Tanzania National Business Council, Mr. Matern Y.C. Lumbanga welcomed IRT Members and Observers to the meeting noting commendable preparatory work done by the Working Groups and Secretariat.
- 2.2. The Chairman of TNBC Executive Committee announced that the Tanzania Investment Centre (TIC) was voted as the best Investment Promotion Agency (IPA) in Africa in Dakar Senegal out of 40 contesting countries in November 2004.  
  
He further requested HE President Benjamin William Mkapa to accept the awarded trophy from Mr. Samuel Sitta, the Executive Director of TIC.
- 2.3. The Chairman of TNBC Executive Committee requested HE President Benjamin William Mkapa to call the meeting to order.
- 2.4. HE President Benjamin Mkapa requested the IRT Members and Observers to introduce themselves.

**3.0. OPENING STATEMENT BY H.E. PRESIDENT BENJAMIN WILLIAM MKAPA.**

**3.1. Introductory remarks.**

Welcomed all IRT Members and Observers to the 4th International Investors' Round Table meeting.

Thanked H.E. Amani Abeid Karume, President of Zanzibar, for successfully chairing the 3rd International Investors' Round Table held at Ngorongoro on 24th November 2003..

Thanked all the IRT Members and Observers for praying and wishing him quick recovery from hip operation.

Congratulated Tanzania Investment Centre for winning the best Investment Promotion Agency (IPA) Award for Africa for 2004.

**3.2. Highlight of Progress since the 3<sup>rd</sup> International Investors' Round Table:**

**Land related reforms.**

Inventory of land, rural and urban properties for protection of rights in the informal sector are well in advance. The BEST program is expected to complete the legal framework for enabling collateralisation of land.

These measures are expected to unleash the immense potential for lending and property market in Tanzania while improving access to capital for growth as well as poverty eradication.

Commercial banks are now expected to review their approach to credit risk assessment in order to promote extension of credit to all sectors of the economy following completion of land related reforms.

Government will extend support to pioneering banks and pathfinders especially in agriculture, mortgage financing and lending to informal sector

#### **Labour market reforms.**

Noted achievement and progress in labour market reforms whose main objective was to promote competitive and efficient labour market.

Two pieces of legislation—Labour Relations Act and Labour Institutions Act—have been promulgated and attendant institutions established.

The second stage of labour market reforms will be completed before the end of 2005.

The ultimate objective of these reforms is to enable Tanzania to build a regionally and internationally competitive labour force.

#### **Business Licensing.**

Reiterated Government's resolve to establish single window licensing at local Government level with minimal fee by mid 2005.

#### **Tax and TRA Related Reforms.**

Reaffirmed long term objective of easing tax burden to agriculture sector and strengthening TRA particularly in Customs Administration. Emphasized efforts to remove pending tax related impediments especially to sub sectors which Tanzania enjoyed competitive advantage.

#### **Enabling environment for private investment**

Noted efforts towards implementation the BEST Programme as key in creating a conducive environment for private sector growth and private investments, reaffirming the resolve to continue fighting corruption albeit the improvements as cited in the current Transparency International Report, released on October 20, 2004,.

Noted improvements in private sector financing mechanisms through the introduction of a credit guarantee facility for exports and operationalization of micro financing policy.

Noted further drastic improvement in power situation has through tariff adjustments, reduced reliance on hydro power in favour of locally produced natural gas and overall improvement in financial and technical management of the Tanzania Electricity Supply Company (TANESCO)

#### **Impact of IRT at 28 months of age**

- provided genuine platform for frank consultations.
- Increase in FDI consistently,
- Macro economic stability, lower inflation, GDP growth and increased foreign earnings
- Lowering cost of doing business
- Growth in licenced projects and privatization.

### **Way Forward**

- the IRT in Tanzania has played a crucial role in fostering constructive dialogue between Government and the private sector, as well as in strengthening the content and direction of our economic policies and reforms. The IRT process will continue hence personal invitations will be sent for another two year period.
- To ensure the economy continue to grow briskly, we must focus on policies and strategies that bolster private investment and domestic savings thus reducing dependence on development assistance.
- Vigorous export drive hence IRT to take up challenge of advising on policies to unleash export potential.
- There is strong political will and commitment to continue with the IRT process since it is benefiting the people of Tanzania who hold the key for ring-fencing the IRT process.

## **4.0. WORKING GROUPS PROGRESS REPORT SINCE 3RD IRT.**

### **4.1. Finance**

- That re-establishment of development banks has been approved calling for support from development partners, private sector and IRT members to provide technical and financial assistance in establishment and running the institutions..
- Income Tax Act 2004 is attractive and business friendly, demonstrating success story in the Government and private sector consultations.

### **4.2. Tourism and Image**

- Opportunities for investment in the sector have been identified and investors are encouraged to take advantage of these opportunities in order to increase hotel capacity.
- Hotel Classification based on East African Criteria is underway with objective to improve the facilities and services to the required standards for value for money.
- Investors are also encouraged to invest in human capital development.
- Branding of Tanzania is on course and the government is taking lead in the process. IRT Members, the private sector and development partners are requested to provide technical and financial assistance for the exercise to be a success.

### **4.3. Agriculture**

- Special incentives have been given to the sector during the 2004/05 Budget covering tax exemptions and removal of nuisance regulations and levies .
- Land bank measuring 1.0 million ha is now available at Tanzania Investment Centre for local and foreign investors
- Private sector encouraged to invest in seed production, irrigation and large scale farming.

### **4.4. Human Capital Development**

- The Government has set aside US\$ 200,000 during 2004/05 budget toward establishment of CEO Scholarship Fund and the private sector is now urged to contribute toward this course.

- Noted achievements in Universal Primary Education (UPE) and urged embarking on Universal Secondary Education (USE) and private sector participation in building schools.
- Human Capital Working Group now focusing on curriculum development and will work closely with Technology Working Group.

#### 4.5. **Manufacturing and Agribusiness.**

Reiterated that Sustainable Industrialization Development Programme (SIDP) depends on :-

- Agro processing for value addition and employment creation covering resource based industries: cotton, barley, grapes, cashewnuts, oil seeds, leather etc.
- Export Strategy enhancing EPZ and SEZ operations.
- Reliable power and competitive tariffs.
- Infrastructure development including private sector participation.

#### 4.6. **Technology.**

- Endorsed the concept that Tanzania Telecommunication Company Ltd (TTCL) should be transformed into Carriers' Carrier Operator because it has the entire basic infrastructure.
- TTCL must be re-engineered to add value to national development.
- Tanzania should participate in the construction of optic fibre cable connecting the Indian Ocean bordering countries with the rest of the world.
- Operationalize the national ICT Policy under the Ministry of Communication and Transport.

### 5.0. **OPEN DISCUSSIONS BY MEMBERS.**

- 5.1 Commended the institutionalization of the consultative mechanism between the Government and the private sector. Success stories include friendly Income Tax Act and Land Amendment Act 2004.
- 5.2 Recommended the operationalization of Export Development Strategy for increasing foreign exchange earnings and employment creation and poverty alleviation.
- 5.3 Stressed infrastructure development by way of harmonizing the development of ports, railways, roads through private public partnership to promote rapid economic development.
- 5.4 Cautioned that for the Dar es Salaam Container Terminal to work more efficiently, current impediments of TRA, THA and TRC should be addressed.
- 5.5 Mining sector recommends improvement in railway network and reliable power supply to cut down costs on imported fuel oil.
- 5.6 Cautioned that incentives to the Mining sector should not be disturbed by the Mining Policy and Regulations Review Committee established by PMO. To enhance investor confidence – Stamp Duty Act should not cover transactions made outside the country.
- 5.7 Challenged local banks to aggressively take opportunities in the agricultural sector and

SMEs given that a major part of the risks is covered by the Guarantee schemes established by the Government (SMEs and ECGS).

- 5.8 Need for harmonization of national priorities with regional priorities particularly in IT in order to save and benefit from economies of scale created by regional approaches like NEPAD etc.
- 5.9 Emphasized that large companies should procure locally so as to promote the development of SMEs. The companies should support SMEs in quality improvement aspects for a longer term relationship
- 5.10 Elaborated that in promoting higher level education and professional training the following measures have been taken:-
- The Government has introduced Student Loans to enlarge enrollment.
  - Private universities are getting Government support.
  - The Government has allocated Tsh 200.0 million for the CEO Scholarship Fund during 2004/05 budget.
- 5.11 Reported that the Government was working on Bio-Technology Policy and Guidelines.
- 5.12 Advised that there should be a deliberate policy to empower Tanzanian nationals particularly through promotion of SMEs, access to credit and markets. A leaf can be borrowed from the South African Social Charters, while noting that the historical and cultural experiences of the two countries was different.
- 5.13 Noted that though Tanzania financial infrastructure was not sophisticated enough to handle large projects, all ingredients for modern financial structure were in place encouraging banks and other financial institutions to introduce new and modern systems .
- 5.14 Recommended that for the country to build its image, Tanzania should take advantage of the “peace dividend” particularly following the successful hosting of the Great Lakes Region Peace Conference in November 2004. The following infrastructural projects were recommended for development:
- Linking Kigoma, Bujumbura and Kalemie ports on Lake Tanganyika.
  - Linking Isaka with Kigali by railway.
  - Investment of US\$ 33.0 million to modernize the central railway line
  - Improving Dodoma Inland Container port along with enhancing the efficiency of railway network.
- 5.15 Zanzibar Progress Report highlighted the following:
- Investment Policy has been approved by the House of Representatives and the legal framework was in place.
  - the various institutions responsible for investment promotion are being merged for efficiency and effectiveness.
  - Tourism Master plan has been approved by the House of Representatives.
  - New (four to five star) hotels were under construction to cope with the increasing demand for hotel accommodation.
  - Private sector association responsible for Tourism has been established.
  - Eco-Tourism is picking pace and
  - Land and labour laws have been reviewed.

- SME Policy Document is being developed.
- Zanzibar Licensing Authority is being streamlined.
- Rehabilitation of roads, airports and port are on course and
- Zanzibar Business Council is expected to be in place by first quarter of 2005.

## 6.0. 4<sup>th</sup> IRT WORKING GROUP PRESENTATIONS.

### 6.1 Finance, Agribusiness, Manufacturing and Infrastructure Working Group

The Working Group observed that since the resources available were limited, priority should be given to those sectors in which Tanzania has a competitive advantage. These sectors were identified as:

1. Agriculture / Agro-processing
2. Energy
3. Minerals

#### 6.1.1 *Agriculture / Agro-processing*

Noted that as more than 80% of the population was dependant on agriculture with agricultural commodities forming almost 60% of the country's exports, special incentives including special tax policies were required to encourage local value addition and to minimize raw exports. In this regard, the group recommended following short term measures for reporting to the next TNBC/IRT meetings:

- Working groups to work further on establishing stable and predictable tax regime given the long gestation period associated with investments in the sector.
- Government to mobilize and create price stabilization funds for all commodities that were vulnerable to international price fluctuations.
- Rural electrification to be accelerated as a basis for revolutionizing the sector and encouraging SMEs in agriculture
- Ministries of Finance and Local Government Administration to fast-track harmonization of regional taxes
- Working group to deliberate further and propose Special incentives that should be given to encourage investment in rural areas.
- Government to restructure Commodity Boards for them to meet the needs of a private sector driven economy. These should be private sector driven to reflect stakeholders' interest and their role limited to facilitation, providing marketing and communication support rather than regulators alone.
- Government to "ring-fence" following sub-sectors where Tanzania has a competitive advantage: cashew, cotton, oil seeds, livestock, leather, fisheries, dairy, coffee, tea, sisal and sugar.

#### 6.1.2 *Infrastructure:*

Railways and ports should be looked into critically to determine the real area of bottlenecks ahead of privatizations. It is advisable to borrow leaf from South Africa on ppp on railway rolling stock. A fund similar to TANROADS should be established for railways and ports or the communication sector at large.

Road infrastructure can best be improved through PPPs such as BOT, BOO etc. Partner-

ship UK, a leading organization in UK for PPP should be consulted to learn best practice being a center of excellence in PPPs.

Telecommunication particularly rural telecommunication should be included in the next PRS along with learning best practice on rural road technology from South Africa.

Noting that Tanzania had abundant sources of energy including natural gas, hydroelectricity and coal, most of which were not exploited fully, efforts of the working groups should be directed towards following:

- Measures to revive proposal to exploiting Stieglers Gorge Hydroelectric potential, Mchuchuma Coal project, the Mnazi Bay and other natural gas projects.
- Build up interconnection with neighboring countries so that surplus power can be exported.

### 6.1.3 **Mining.**

Noting that Tanzania had untapped potential particularly in precious minerals such as gold, diamonds, tanzanite and a wide range of gemstones, in industrial minerals such as base metals, nickel, ferrous minerals and a wide variety of industrial minerals, the contribution of the Mining sector, which today is about 2.3 % of the GDP, should be revolutionized as follows:

- Launching another Stimulation Package for the sector for exploration and mining of the rest of the untapped minerals in the same way and manner as the Gold Mining campaigns.
- Facilitation of vigorous mineral based marketing arrangements in col laboration with the large companies already invested in Tanzania.
- Ensure wealth generated from mining supports sustainable development, empowerment and poverty alleviation
- Promotion and development of Tanzania as the gemstone centre for Africa given its unique location and resource abundance
- Incentivise development of local skills for lapidaries and art of jewelry making particularly to youth and women.

### 6.1.4 **Key Impediments:**

Working group listed following impeding issues to the sector requiring urgent attention

#### **Land Ownership**

Banks perception on agricultural land to be used as collateral

Land surveying and issuance of title deeds was slow and cumbersome enforcement land title right not always guaranteed Process (how, with whom, where) to access land for commercial use was unclear

#### **Seed Agency/Improved Seed**

Government to focus on Research, Policy & Regulation only to set standards and quality parameters, leaving propagation to the private sector. Government should not be involved in seed distribution unless in disaster/famine situations.

Regional improvisation of seed and other agro products regulations and need to promote an East African regional regulatory agency.



### **Empowerment of Small Scale Farmers**

Access to finance in Rural Areas was illusive but key for empowerment. Finance working group should now come up with practical and concrete proposals to improve access to capital at rural setting. Access to lucrative markets was still illusive but crucial for the survival of farmers. Crop Boards should be challenged to provide market intelligence information to farmer. Infrastructure development including physical infrastructure, marketing boards, irrigation and input support were the cornerstone of the setor urging strong private sector participation particularly in running irrigation schemes. Working group to prepare concrete proposals for the next meeting.

#### 6.2 Tourism and Trade Working Group.

##### 6.2.1 *Major areas for development to unleash the immense “potential” in the sector include:*

- Hotel accommodation capacity emphasizing small sized hotels which can easily be constructed and managed.
- The number of airline seats destined for Tanzania is bigger than the number of standard rooms in the country indicating that there was urgent need for expansion of accommodation capacity.
- Urgent need for state of market conference facilities to turn Tanzania particularly Dar Es Salaam to a conference destination benefits of which were demonstrated by the just ended Great Lakes Conference.
- Security and adequate inland transport was necessary to cope with the emerging flow of tourists suggesting that private sector should be encouraged to invest in these facilitating areas than discouraging such initiatives.

6.2.2 There was need for coordination of branding and imaging in order to establish a common brand name. Branding, however, should emphasize on Tanzania as an investment destination than a merely holiday destination if the country is to benefit from the branding exercise.

6.2.3 The role of National Airlines as a tool for image building suggests that there should be bold arrangements with the government for use of ATC by government officials in an attempt to also strengthen the airline.

6.2.4 Emphasis be given to operationalization of the Export Development Strategy as well as EPZ project recognizing that without exports the country will perish.

6.2.5 Mlimani City Project will be the largest single tourist attraction in Dar Es salaam while bringing shopping to the doorsteps from Dubai and South Africa. The complex will stimulate conference tourism apart from exploiting the natural beauty of the Mlimani area and its botanical gardens.

6.2.6 Need for regional collaboration in trade issues than the nation going alone. This is evidenced in the EU and other regional blocks suggesting that the presence of Tanzania in the regional block was important in order to safeguard her trade interests in the region.



6.2.7 E-tourism is an emerging practice of tourism promotion and transactions depriving poor African countries revenue since the e-commerce infrastructure for tourism is done in Western countries, suggesting that Tanzania should join NEPAD initiatives for putting a common presence in order to benefit from e-tourism. Microsoft experience was pledged for this challenge.

### 6.3 Technology and Human Resource Working Group

6.3.1 The Working Group deliberations were categorized into following key areas:

- Carriers' Carrier Concept.
- Timing issue (Urgency to act early)
- TTCL as implementing body
- Policy decisions by sector Ministry
- Project 2005 (Tanzania as Centre of Technology Excellences)
- Operationalization of scholarship fund
- Curriculum development.

6.3.2 The following recommendations were presented:

- Carriers' carrier concept as a way to go forward without delay as the window of opportunity was closing rapidly. The concept will save TTCL as it would re-engineer it for future generation and to serve all neighbouring countries.
- Existing MOUs between Tanzania and India should now be used to build the first technology parks.
- Tanzania should participate in the construction of fiber-optic cable connecting the Indian Ocean bordering countries with the rest of the world and the cable should pass through the first technology park.
- Ministry of High Education and Technology to explore and issue Technology Scholarships for IT degrees particularly those tenable in India and Japan
- Tanzania should join NEPAD e-school project as proposed by Microsoft based on existing MOUs with these governments
- TCRA training funds accruing from license fees and other charges from operators should be used for IT training. It is recommended to establish institutes of technology on a regional basis.
- Tanzania should implement Japanese model of SME development. Tanzania being one of the eight countries targeted by Government of Japan, efforts by relevant ministries should be directed toward exploiting the opportunity.
- Africa pays more for calls and internet since the signal has to go to points of presence and satellites located in Europe or America, a situation which will be reversed by the fiber-optic cable project which will enable direct linking, underscoring the importance and urgency of the project.
- Specific Working Group recommendations on telecommunication and IT will be submitted to Ministry of Communication and Transport for implementation and report filed to next meeting.
- Working group should now concentrate on curriculum review.

**Chairman presented World Bank 2004 Doing Business in East Africa Index as follows:**

		<b>Tanzania</b>	<b>Kenya</b>	<b>Uganda</b>
Starting Business	No. of Procedures	13	12	17
	No. of Days	35	47	36
Hiring and Firing Workers	Difficult of Hiring Index	56	22	0
	Rigidity of Hours Index	80	20	20
	Difficult of Firing Index	60	30	0
Registration of Property	No. of Procedures	12	7	8
	No. of Days	61	39	48
Getting Credit	Cost to Create Collateral (%age of Income Per Capita)	21.3	3.3	11.9
	Legal Rights	5	8	5
Protecting Investors and Enforcing Contracts	Disclosure Index	1	2	2
	No. of Procedures	21	25	15
	Days Taken for Enforcement Contracts	242	36	209
	Closing Business (years)	3	4.5	2.1
	Cost as %age of Estate Concerned	23	18	38

**7.0 WAY FORWARD AND CLOSING REMARKS – BY CHAIRMAN, H.E. PRESIDENT BENJAMIN WILLIAM MKAPA.**

- 7.1 Contributions of IRT members have been sobering as they emphasized that we have set the stage for take-off having turned the tide around. Reform process was irreversible and has gained political footing in Tanzania
- 7.2 Technology working Group report will be taken seriously by the government.
- 7.3 A smaller group will now be created to consult more closely on key issues put forward
- 7.4 Concerns of mining sector with regards to re-evaluation will need serious consultation
- 7.5 Housing finance as key for future planning of urban development, underscoring the need for the Finance Working Group to look into.
- 7.6 Zanzibar has made strides in the reform process urging members and investors to take Zanzibar into consideration in investment promotion
- 7.7 Commercial courts were becoming a concern as they are not living up to the expectations mainly due to the rigidity of the judiciary to learn and reform and come out of the centrally planned economy mindset and interact with the private sector
- 7.8 Empowerment and partnership was bedrock of political sustainability of the reform process and what was required now was to organize and educate the people to be commendable and credible to FDIs and the private sector at large.
- 7.9 SMEs development requires action than words hence the usefulness of the JICA SME facility as proposed, to be emulated.
- 7.10 Fresh look should be taken on operations and structure of Commodity Boards in order to make them facilitators than regulators and to make them agents for value added exports. Government to take action quickly in order to encourage investors to areas of value addition for export.

- 7.11 TTCL future, like that of other key infrastructure and utilities can not be left entirely to the private sector but continue as main domain of the state though partnership was acceptable.
- 7.12 The meeting was the last under the existing composition. New invitations re-appointing members including new members to serve for another two year period will be sent out soon.
- 7.13 It was prudent to hold the next meeting during the 1st half of May 2005 so as to assist in creation of a more inclusive budget for 2005/06.

The Chairman thanked members for participation but for the confidence created in the reform process and closed the meeting with the note that the IRT process was the way forward. The meeting was closed at 4:45 pm.

**CHAIRMAN**  
**PRESIDENT BENJAMIN WILLIAM MKAPA.**  
**PRESIDENT OF UNITED REPUBLIC OF TANZANIA**

**SECRETARY**  
**DUNSTAN GIDEON MRUTU**  
**EXECUTIVE SECRETARY**  
**TANZANIA NATIONAL BUSINESS COUNCIL**