

**DRAFT PROCEEDINGS OF THE 6TH INTERNATIONAL INVESTORS' ROUND TABLE MEETING HELD
ON 12TH MARCH 2007 AT NGURDOTO MOUNTAIN LODGE, ARUSHA.**

1.0. ATTENDANCE.

attached list on page 168.

2.0. OPENING.

- 2.1. Mr. Phillemon L. Luhanjo, Chairman of TNBC Executive Committee, welcomed Members and Observers to the 6th International Investors' Round Table meeting acknowledging the presence of His Excellency, Amani Abeid Karume, President of Zanzibar and Chairman of the Revolutionary Council, His Highness Prince Karim Aga Khan, Baroness Lynda Chalker, The Rt. Hon. Simon Cairns and Sir Andy Chande.
- 2.2. Mr. Luhanjo introduced the theme of the meeting as "Investment for Accelerated Growth and Prosperity" proposing discussions to be focused on seven priority areas of access to finance, empowerment, tourism and image, infrastructure and technology, human capital development, agriculture, manufacturing, agro-processing and marketing, for which members would be requested to join respective Working Groups to carry further the work of the Investors' Round Table. He then requested the IIRT members to introduce themselves.
- 2.3. After self-introduction of the IIRT members, Mr. Luhanjo invited His Excellency, Jakaya Mrisho Kikwete, President of the United Republic of Tanzania and Chairman of TNBC, to preside over the 6th IIRT meeting.

3.0. OPENING STATEMENT BY H.E. JAKAYA MRISHO KIKWETE, PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA.

- 3.1 H.E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania and Chairman of the IIRT, joined the Chairman of TNBC Executive Committee to welcome Members and Observers to the 6th IIRT meeting.
- 3.2 The President thanked and commended Members and Observers who took time to visit Ngorongoro Crater and other tourism sites and requested them to help market Tanzania tourist attractions that included national parks, game reserves, Mount Kilimanjaro and the exotic Islands of Zanzibar and Pemba.
- 3.3 In his opening statement, the TNBC Chairman, H.E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania, made the following key remarks:-
 - 3.3.1 In the endeavour to improve business environment, the following major landmarks have been attained:-
 - (i) enactment of Business Activities Registration Act (BARA) in January 2007 which aims at simplifying the business licensing regime to facilitate starting of business;
 - (ii) harmonization of regulatory business licensing which governs the conduct of regulated trade and investment;

- (iii) labour law reforms for better labour relations and efficient labour markets whereby bills for Workman's Compensation, Social Security, Occupational Safety and Health are ready for presentation to the Parliament;
- (iv) land law reforms including drafting of mortgage financing bill, estate agency bill, regulations for Village Land Act and Urban Planning Act primarily to promote access to credit;
- (v) establishment of regulatory bodies such as Surface and Marine Transport Regulatory Authority (SUMATRA), Energy, Water and Utilities Regulatory Authority (EWURA), Tanzania Communication Regulatory Authority (TCRA) and the Fair Competition Tribunal (FCT).

3.3.2 Ongoing efforts towards economic growth in Tanzania include:-

- (i) modernizing agricultural sector with emphasis on the use of high yield seeds, insecticides, herbicides and fertilizers, the challenge to the private sector being to invest in commercial farming, irrigation schemes, agro-processing for value addition and local manufacturing of agricultural implements;
- (ii) encouraging the private sector to invest in manufacturing sector targeting resource based industries for value addition of exports;
- (iii) diversification of tourism products and destinations including opening up the Southern Circuit so as to increase the flow of tourists.

3.3.3 For sustained economic growth and competitiveness, the government's unwavering commitment to infrastructure development, human capital development and technology as national priorities is demonstrated in following achievements:-

- (i) current drive towards ensuring quality and reliable power supply in partnership with the private sector;
- (ii) diversification of power sources including natural gas, coal, wind, solar and bio-fuels;
- (iii) concessioning of Tanzania Railways Corporation (TRC) to RITES of India while discussions between Tanzania, Zambia and Chinese Governments for concessioning of Tanzania Zambia Railways Authority (TAZARA) are ongoing;
- (iv) implementation of Central Corridor Road/Highway projects;
- (v) opening education sector to the private sector so as to ensure supply of educated and skilled workforce;
- (vi) opening the Dar Es Salaam Stock Exchange to foreign companies operating in Tanzania.

- 3.4 Concluding the opening statement, the Chairman appealed to the members of IIRT for frank opinion on practical approaches for improving investment climate and economic performance in Tanzania.

4.0 PROGRESS REPORT ON IMPLEMENTATION OF THE RECOMMENDATIONS OF THE 5TH IIRT MEETING
BY HON. DR. JUMA NGASONGWA (MP),
MINISTER FOR PLANNING, ECONOMY AND EMPOWERMENT

4.1 The Minister for Planning, Economy and Empowerment presented summary of progress report on actions taken by Government Ministries, Departments and Agencies in implementing issues raised during the 5th IIRT meeting as follows:-

4.1.1 Business Environment

The Government has taken following measures to improve the business environment as recommended during the 5th IIRT meeting:-

- i. Implementation of the Private Sector Competitiveness Project (PSCP) aiming at stimulating and expediting competitiveness of local entrepreneurs and supporting the growth of micro, small and medium enterprises;
- ii. Implementation of the Business Environment Strengthening for Tanzania Program (BEST) aiming at creating a conducive legal and regulatory framework while changing the mindset of public service towards the private sector;
- iii. Fast tracking modernization and digitization of the Business Registration and Licensing Agency (BRELA) to become the National Registry for business activities as first step to bring about improvement in the time required to register a business;
- iv. Major drive towards primary school enrolment and increased intake in secondary schools in line with the Millennium Development Goals, the challenge now being improvement in tertiary and university intake and their capacities;
- v. The Government has contributed to the CEO Scholarship Fund and operationalization of the fund now awaits release of contributions pledged by the Private Sector and the World Bank;
- vi. The Tanzania Investment Bank (TIB) is being capitalized in order to become a fully fledged development bank as a measure to improve access to credit by the private sector. Other measures include restructuring of pension funds and putting in place the legal and regulatory framework for leasing and mortgage finance;
- vii. Major strides have been made in creating an investor friendly taxation regime and the concept of tax self assessment is gaining ground;
- viii. Creation of TIC Land Bank for investment purposes is in progress as initial identification of land parcels has been undertaken, the task ahead being to gazette the land parcels ready for use by TIC in promoting investments;
- ix. Legal reforms are in progress with Commercial Court operations now extended to Arusha and Mwanza. Reforms to the Civil Procedure Act have created an effective civil procedure enforcement process;
- x. The National Investment Steering Committee (NISC) under the Chairmanship of the Prime Minister is overseeing among other things, the creation of special incentives to attract investments to the agricultural sector;
- xi. Infrastructural modernization programs for ports, railways, roads and telecommunication are underway to make Tanzania a commercial and transit hub in the Great Lakes Region.

4.1.2 Zanzibar

The Revolutionary Government of Zanzibar has continued with the implementation of core reforms covering economic and financial sectors key ones being as follows:

- i. Institutional and human capacity building;
- ii. Good governance;
- iii. Adoption of BEST Programme for Zanzibar;
- iv. Formation of the Zanzibar Investment Promotion Authority (ZIPA) as a single investment promotion agency through the enactment of the Investment Promotion Act No. 11.

4.1.3 **Expectations of the 6th IIRT meeting**

Concluding the progress report, Hon. Dr. Juma Ngasongwa (MP) assured IIRT members that the deliberations and their valuable suggestions and contributions would be seriously considered by the Government.

5.0 **OPEN DISCUSSIONS**

After presentation of the progress report by Hon. Dr. Juma Ngasongwa (MP), the Chairman of TNBC, H.E. President Jakaya Mrisho Kikwete invited members for open discussions. The issues raised by members during the discussions are summarized into six categories as follows:-

5.1 **Economic Empowerment**

It was emphasized that the objective of economic empowerment should be to involve Tanzanians in wealth creation, gainful employment and poverty alleviation, underscoring the following business principles:-

- i) that partners should not make money from each other but partners should make money for each other. In this respect, foreign companies should endeavour to have a local face through ownership by, among others, listing at the Dar es Salaam Stock Exchange (DSE);
- ii) that investors should promote local supply chains so as to ensure trickle down effect and to support creation of a Tanzanian middle class;
- iii) that skills development in all sectors of the economy was paramount to economic growth underscoring the importance of local and in-house training as well as attachments to foreign companies.

5.2 **Energy and Water Supply**

The meeting acknowledged the Government and private sector efforts in infrastructure development recognizing the following:-

- i) Artumas Group for developing Mnazi Bay gas fields and for converting gas to electricity thus ensuring energy supply to Mtwara and Lindi Regions;
- ii) Dar es Salaam Water Supply network currently undergoing major rehabilitation and expansion under World Bank funding. Under the Millennium Challenge Corporation programme, a new dam will be constructed at Kidunda along Ruvu River which will facilitate increase of water supply from Upper Ruvu intake to Dar es Salaam from the present 40.0 million gallons to 60.0 million gallons per day.
- iii) research undertaken by NORAD at Kimbiji area, about 50 kms South of Dar es Salaam, has revealed large reserve of water which can be tapped and supplied to Dar es Salaam.

5.3 **Image of Tanzania:**

The meeting acknowledged the significant improvement of the image and reputation of Tanzania internationally during the recent past. To safeguard the image of Tanzania, the

meeting urged adherence to rule of law and honouring contractual obligations recommending further that:-

- i) integrity of courts should not be compromised and that the legal and judicial system should remain independent but become more efficient so as to stem-out investors' insistence on the use of the Paris based International Chamber of Arbitration;
- ii) efforts be directed towards attracting investments in the service and hospitality industry to take advantage of the image of Tanzania.
- iii) the dialogue forums in the country such as CEO's Club, TNBC, IRT and others were addressing closely related issues suggesting the need to review and harmonize the forums.

5.4 Business Environment

The meeting noted that although the business environment was improving, additional efforts were required in the following areas:-

- i) reliable supply of quality power and water for industrial and domestic use;
- ii) addressing the visa issuing system whereby Tanzania was still issuing single entry visas even to investors and business travelers, urging for adoption of multiple entry visa and challenging further the need to adopt EU visa system for EAC and SADC countries. The Immigration Services Department was directed to issue multiple visas to investors and business travelers without delay;
- iii) addressing delays in issuing Work Permits which currently took up to three months urging for efficiency in the system and cutting down the processing time;
- iv) urging Tanzania to benefit from the investment climate facility of US\$ 119 million created by the Investment Climate Facility Board (ICF) for African countries that have demonstrated improved legal, regulatory and macro economic reforms.

5.5 Mining

The meeting noted that further growth of the mining sector was constrained mainly by:-

- i) high energy costs especially where mines generated their own power, urging for extension of the national grid to connect mining areas;
- ii) poor security in the mining areas calling for drastic measures to ensure security of investments and people;
- iii) low supply of trained workforce and technicians for the industry which could be improved by strengthening of local institutions such as Dodoma Mineral Resources Institute, introducing relevant courses at Dar es Salaam Institute of Technology as well as selected VETA institutes.

5.6 Accreditation

Noting that Tanzania, Kenya and Uganda had different higher education accreditation systems hindering exchange of students in East Africa, the meeting recommended that the East Africa Inter University Council should work on measures to harmonize accreditation systems with the view to facilitate student exchange programmes in the region.

6.0. WORKING GROUP PRESENTATIONS

Champions of the seven Working Groups created during the meeting provided the following highlights from their discussions:-

6.1 Agriculture

To revolutionize Tanzanian agriculture, the working group will champion and provide practical measures on following key areas:-.

- (i) national campaigns for wide use of high yield seeds, agricultural extension services, timely distribution of inputs and improved agricultural marketing arrangements;
- (ii) establishment of agricultural joint ventures for reviving and expanding irrigation schemes so as to reduce dependency on rain fed agriculture;
- (iii) establishment of vibrant farmers' organizations such as primary societies, SACCOS and others to handle distribution of inputs and marketing of crops in the endeavour to improve rural incomes;
- (iv) establishment of specialized agricultural financial institutions to provide access to credit at affordable interest rates; and
- (v) in collaboration with the Finance Working Group, recommend special and favorable agricultural incentive packages so as to attract investors to the key sector;

6.2 Tourism

Recognising the strategic role of the tourism sector in income generation, employment creation and multiplier effect to other sectors, the working group would focus on the following areas:-

- (i) examining the possibility of direct flights from USA and Europe to Tanzania in order to increase tourist arrivals, acknowledging the ongoing negotiations with Atlanta based Delta Airlines and pledging to approach other airlines for the same;
- (ii) following up proposals and initiatives for existing international airlines to increase flights to Tanzania;
- (iii) timely opening up of the Southern Circuit by advocating channeling of resources towards core infrastructural developments including access roads, tour routes and airfields in Selous, Mikumi, Udzungwa, Ruaha and Katavi;
- (iv) measures to enable the private sector to invest in up-market hotels in Ruaha National Park which is currently being developed to be the largest National Park in Africa;
- (v) measures to improve Iringa, Mbeya and Sumbawanga airports to facilitate air transportation of tourists to the Southern circuit;
- (vi) measures to open more entrances to the Serengeti National Park particularly from the western part of Tanzania to cope with increasing demand;
- (vii) in preparation for the up-coming Leon Sullivan Summit, the group will participate fully to ensure that the unique event is successfully exploited in promoting Tanzania tourism;
- (viii) the group challenged the private sector to complement the efforts of the Tanzania and French Governments by using the National College of Tourism for local training of its workforce.

6.3 Human Capital Development

Recognizing the crucial role of training and re-training labour force for creation of a knowledge based economy for economic growth, the working group would deliberate on the following key areas:

- (i) spearhead negotiations with Government to establish mechanism for enabling employers to retain part of skills development levy to be used for rapid training and re-training of local labour;
- (ii) work with education stakeholders to ensure that education curriculum and current training courses are tailored to meet the requirements of a private sector led economy;
- (iii) pursue operationalisation of the CEO Scholarship Fund currently awaiting contribution of the private sector and the World Bank as pledged.

6.4 **Manufacturing**

Acknowledging that the manufacturing sector was growing very slowly and contributed dismally to the GDP, the group would champion initiatives aimed at revolutionizing the sector in the following key areas:-

- (i) campaign for quick measures to address factors such as energy, roads, railways, ports and water together with compounding factors such poor town planning;
- (ii) advocating for areas/sub-sectors with comparative advantage for agro-processing such as leather, oil seeds, cotton along with local processing of minerals for value addition;
- (iii) deliberate on operations of the East African Customs Union particularly compliance to the Common External Tariff protocol since some member states were giving preferential treatment in form of tariff exemptions as seen in some printing, packaging, pharmaceuticals and textile industries;
- (iv) deliberate further on appropriate tax and tariff structures for enhancing competitiveness of locally manufactured goods.

6.5 **Empowerment**

Cognizant of the historical fact that the majority of Tanzanian citizens are economically marginalized, the working group would address and champion measures to empower citizens and enable them to participate in wealth creation. The group will champion the following key areas:-

- (i) institution of deliberate policies that will encourage partnership between local and foreign companies focusing in joint ventures and acquisition of shares in specified operations;
- (ii) urging foreign companies operating in Tanzania to list in the Dar Es Salaam Stock Exchange (DSE) so that locals can get an investment avenue;
- (iii) campaign for foreign companies to build local supply chains for goods and services while operating in the country;
- (iv) use of land as a core asset for citizens in promoting joint ventures between local and foreign companies.

6.5 **Infrastructure**

Recognizing that the poor state of infrastructure in Tanzania translates into higher cost of doing business and un-competitiveness, the group would advocate for following key areas:-

- (i) drastic measures towards improving energy supply, rehabilitation of roads, concessioning of railways, modernization of ports and development of additional water resources;
- (ii) improvements in central corridor roads, railways and ports to make Tanzania a commercial hub in the region and to enable exploitation of minerals such as nickel, cobalt and gemstones abundant in the western part of the country.;
- (iii) advocate for appropriate legal and regulatory environment needed for allowing private sector participation in infrastructure projects through BOT, BOO etc;

6.7 **Finance**

Acknowledging that access to capital was constrained by numerous factors ranging from monetary to regulatory framework, the working group would focus on the following key areas:-

- (i) high cost of finance in Tanzania which is attributable mainly to banks' preference

to investing in monetary instruments and government securities and also to banks' risk evasiveness linked with the difficulty and complex process of collateral realization;

- (ii) National Identity Cards to support the credit reference bureau in vetting borrowers;
- (iii) expediting the on-going Legal Sector Reform Programme involving also reform to the regulatory framework governing land registration and collateral realization;
- (iv) propose prudential approaches to enable foreign companies operating in Tanzania to list in the Dar es Salaam Stock Exchange (DSE) to enable Tanzanians acquire stake, cognizant of capital account liberalization limitations and the experience of the South East Asia financial crisis;
- (v) advise on mechanism to operationalise the proposal that part of the skills development levy should be accessed by companies directly to finance their skills development programmes for their workers;
- (vi) the group will deliberate on all taxation issues raised including tax incentives for education, agriculture, manufacturing and duty on pharmaceuticals working in collaboration with the Task Force on Taxation.

7.0 REMARKS BY H.E. AMANI ABEID KARUME, PRESIDENT OF ZANZIBAR AND CHAIRMAN OF THE REVOLUTIONARY COUNCIL

Presenting his observations on the 6th IIRT meeting, H.E. Amani Abeid Karume, President of Zanzibar and Chairman of the Revolutionary Council echoed the progress report presented by Hon. Dr. Juma Ngasongwa (MP), Minister for Planning, Economy and Empowerment as truly reflecting the status of reforms in Zanzibar highlighting further the following:-

- (i) that the Government of Zanzibar was committed to the reform process in Tanzania aimed at improving business environment and investment climate;
- (ii) that following major investments in infrastructure, Zanzibar now enjoys wide telecommunication network and that the ongoing rehabilitations to the Zanzibar port as well as airport will increase the flow of goods, passengers as well as tourists;
- (iii) commended Precision Air Ltd for operating efficiently in the isles and for bringing tourists from the Northern Circuit, Dar es Salaam and Mombasa;
- (iv) that the Government puts special emphasis on efficient management of Zanzibar stone town as a world heritage and tourist attraction area;
- (v) that investments in transport, food production, beverages and service sector including banking and insurance are highly encouraged; and
- (vi) that the Government of Zanzibar would consider the valuable suggestions and recommendations raised during the meeting and make them part of the Zanzibar reform agenda.

8.0 CLOSING REMARKS BY TNBC CHAIRMAN H.E. JAKAYA MRISHO KIKWETE, PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA

Closing the meeting, H.E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania and Chairman of TNBC made the following key remarks:-

- (i) thanked IIRT Members and Observers for their candid and frank contributions noting that the objective of the 6th IIRT meeting of getting genuine suggestions on measures to improve business environment and create a conducive investment climate had been achieved;

- (ii) that the Tanzania leadership has a contract with its citizens of accelerating economic growth for prosperity through investments, a promise which shall be delivered through strong partnership between the public and the private sector;
- (iii) that action on the recommendations of the 6th IIRT meeting would be taken and reported during subsequent TNBC and IIRT meetings;
- (iv) that as an IIRT tradition, the next meeting would take place after six months hence in September 2007.

9.0 VOTE OF THANKS

Vote of thanks was delivered by Baroness Lynda Chalker on behalf of IIRT Members and participants, expressing profound appreciation for the hospitality extended to members and for the efficient running of the 6th IIRT meeting by TNBC Executive Committee and the Secretariat.

Baroness Lynda Chalker commended the system of working groups and called for improvement in organizing the working group sessions urging Members to dedicate time and resources towards serving in the working groups, cautioning the Government and IIRT Members not to wait for six months to start implementing recommendations of the 6th IIRT meeting.

10.0 CLOSING:

The meeting was closed at 17:00 Hrs

Chairman

H.E. Jakaya Mrisho Kikwete
President Of The United Republic Of Tanzania

Secretary

Dunstan Gideon Mrutu
Executive Secretary
Tanzania National Business Council