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FDI AND DOMESTIC PRIVATE SECTOR DEVELOPMENT IN AFRICA

“THE EXPERIENCE OF TANZANIA”

ABBREVIATIONS

BOT – Bank of Tanzania

DSE – Dar es Salaam Stock Exchange

GDP – Gross Domestic Product

PSRC – Presidential Parastatal Sector Reform Commission

PCB – Prevention of Corruption Bureau

FDI – Foreign Direct Investment

PSRP – Public Sector Reform Programme

USA – United State of America

TNBC – Tanzania National Business Council

HIPC – Highly Indebted Poor countries

TAS- Tanzania Assistance Strategy

PRS – Poverty Reduction Strategy

NPES – Natural Poverty Eradication Strategy

OPRAS – Open Performance Review Appraisal System

MDAs – Ministries, Departments & Agencies

PSP – Private Sector Participation

TPSF – Tanzania Private Sector Foundation

IPC – Investment Promotion Centre

ESRF – Economic & Social Research Foundation

FIAS – Foreign Investment Advisory Services

BEST – Business Environment Strengthening Programme

SMEs – Small & Medium Scale Enterprises

MIGA – Multilateral Investment Guarantee Agency

ICSID – International Centre for Settlement of Investment Disputes

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“THE EXPERIENCE OF TANZANIA”

1.0 INTRODUCTION

The Economic Reforms of Tanzania, which began in earnest in 1986, have brought about the foundation of an economy that increasingly relies on private sector enterprises and market forces for growth and development. The wave of reforms has been both intensive and extensive covering all aspects of the economy. These reforms include financial sector reforms, privatisation of parastatals, civil service reforms, good governance initiatives, tax system reform, adoption of multiparty system and institutional reforms like establishment of the TIC & TRA.

Tanzania has enacted favourable laws and regulations to suit the needs for investors and keep pace with the new dynamic business world. Conflicting laws and regulations have been rectified and made clearer and easier to interpret. These includes the Tanzania Investment Act (1997); Investment Regulations (2002); Petroleum (Exploration and Production) Act, 1980; Mining Act, 1998; Tanzania Revenue Authority Act, 1997; Land Act, 1999; Financial Laws Miscellaneous Amendments Act, 1997; to mention a few.

Initiatives have been implemented to reduce bureaucratic delays and uncertainties in servicing the business sector and in ensuring rule of law, transparency and regulatory consistency to all; Thus for example The Public Sector Reform Programme (PSRP) has as one of its main goals the empowering of public servants so that they take timely decisions in accordance with their levels of responsibility and authority.

In response to the continually improving economic performance and investment climate created by economic and political reforms and the generous package of investment incentives, Tanzanian's Foreign Director Investment (FDI) inflows have increased impressively. According to the latest World Investment Report 2002 (WIR 2002), Tanzanian's inward FDI stock in 2001 reached a record high of US\$224 million, placing the country among the top dozen recipients of FDI in Africa, just behind oil producing countries and South Africa. Tanzania FDI flows have increased from US\$23 million in 1995, rising to US\$193 million in 1999, US\$224 million (2001) and projected to top US\$300 in 2002. This is despite the fact that the whole of Africa received only 2% of total global inflows in 2001 while global FDI plunged by 51% from US\$1.3 Trillion in 2000 to US\$735 million last year (2001).

Among African countries, South Africa leads the continent in attracting FDI's as it attracted US\$6.6 billion last year followed by Morocco (US\$2.7 billion), Algeria (US\$1.2 billion), Angola (US\$1.1 billion), Nigeria (US\$1.1 billion) and Sudan (US\$574 million). Others are Egypt (US\$510 million), Tunisia (US\$486 million), Côte d'Ivoire (US\$257 million), and Mozambique (US\$255 million). With this reputable performance with FDI, the challenge for Tanzanian now is to push FDI to new frontiers, to attract high levels of FDI inflows and to increase the scale and scope of the benefits of these inflows to its economy.

Its therefore very encouraging for us at TIC as a business – support organisation to note that government is on top of the situation and has intensified action aimed at seriously tackling the remaining obstacles that contribute to a lingering negative business climate. Implementation of the envisaged programmes for Business Environment Strengthening for Tanzania, in short BEST, which begins early next year, is expected to further transform the business operating landscape of Tanzania rapidly and irreversibly.

2.0 BUILDING AND STABILIZING AN ENABLING POLITICAL AND ECONOMIC ENVIRONMENT

2.1 BACKGROUND OVERVIEW

Tanzania achieved independence in December 1961 with a severely underdeveloped economy and extremely limited infrastructure. The economy was heavily dependent on agriculture, which accounted for more than 70% of Gross Domestic Product (GDP). Major export crops were coffee, cotton, tea, cashew nuts, sisal, maize, rice, wheat, cassava and tobacco. Primitive technology together with dependence on climatic conditions, however, limited cultivation of crops to only 6% of the arable land area. Industry accounted for 15% of GDP and was mainly limited to processing agricultural products and manufacture of light consumer goods.

In an effort to create socially equitable and rapid development, Tanzania became an early proponent of African socialism, **Ujamaa** (roughly meaning togetherness), launched in 1967 under the banner of the Arusha Declaration, with nationalisation of banking, finance, industry and large-scale trade; marketing and export of crops through Boards, and resettlement of peasants in communal villages known as “**vijiji vya ujamaa**”. By 1975, rural Tanzania had been carved into 8300 villages. While the Ujamaa period is widely regarded as an economic failure, it is noteworthy to remember that the enduring values of National unity, social cohesion and a united purpose were successfully planted then. It is this strong sense of unity which has spared Tanzania scourges of civil strife that have commonly affected a large number of African countries and has formed the bedrock upon which Tanzania was able to carry out radical economic reforms with spectacular success without undergoing the social upheaval that so often do take place whenever developing countries attempt major political, social or economic transformation.

Tanzania was able to record progress in education and health but, after an initial boom, the formal economic base shrank; production fell and the parallel economy became a way of life. Falling export prices in the world market coupled with appreciating real exchange rates and the Government’s policy shift to favouring food crops over export crops led to foreign exchange shortage, drop in imports of intermediate goods and raw materials led to sharp cutbacks in production of goods, and to a deterioration of the country’s frail infrastructure. These factors worsened Tanzania’s economic position and created strong inflationary pressures, an accumulation of external payments arrears and an increased reliance on external borrowing. Average inflation rate rose to 38% while the Government external debt reached a record US\$9 billion (*BOT review of Political and Economic Performance 1961 – 1981*).

The Ugandan war (1978-79), falls in commodity prices and failure of the policy itself in economic terms brought the country to the verge of bankruptcy by -1984/5. However, reforms to reverse the downward trend were initiated on coming into power of the second phase Government in Tanzania led by Ali Hassan Mwinyi (The President). In 1986, new policy directions and International Monetary Fund (IMF) backed structural adjustment programmes (at a considerable cost to social sector programmes) helped to integrate the parallel economy and to stimulate growth.

2.2 RECENT DEVELOPMENTS

Tanzania has made major progress over recent years towards putting together into place a general policy environment, which is more favourable for private sector expansion and sustainable economic development. The economic recovery programme announced in mid 1986 has generated notable increases in agricultural production and financial support for the program by bilateral donors. The World Bank, the International Monetary Fund, and bilateral donors have provided funds to rehabilitate Tanzania’s weak economic infrastructure.

Since the 1995 multiparty elections in Tanzania, President Mkapa’s Government has established as its priorities the development of a stable macroeconomic environment, privatisation, the elimination of

institutionalised corruption, the promotion of good governance, the entrenchment of multiparty democracy and the development of civil society. The Government's macroeconomic objectives have had the following targets: -

- Attain high rate of annual GDP growth averaging eight to nine percent per annum;
- Reduce inflation, and maintain a low inflation rate of a single digit figure;
- Strengthen the country's balance of payments position. This includes raising the proportion of imports covered by export earnings;
- Achieve fiscal stability through prudent fiscal management. Control of public expenditures, avoidance of domestic bank borrowing to finance budget deficits and strengthen domestic revenue collection;
- Maintain monetary stability and strengthen the financial sector.

In late 1996, the Government signed a Structural Adjustment Agreement with the International Monetary Fund and the Paris Club creditors wrote off US\$1 billion and rescheduled repayment of US\$700 million of Tanzania's external debt which still remains at US\$8 billion (*BOT Annual Report 1999/2000*).

The country shifted from its previous reliance on control mechanisms to a predominantly market orientation, particularly with respect to investment, the external sector, monetary management and agricultural marketing arrangements. Restrictive regulations and controls have been removed. The foreign exchange system has been completely liberalised for payments and transfer for current account international transactions. Progress has been made with the development of a more market-oriented financial system with the liberalisation of interest rates. A substantial number of private banks foreign and local, insurance companies and other financial intermediaries have been established in Tanzania to match and facilitate the country's current pace with regards to investment and production. The establishment of the Tanzania Revenue Authority (TRA) with the assistance of bilateral donors as an autonomous body in tax collection has increased the government tax collection by more than 200%, that is from about US\$0.4 billion per annum in early 1990s to US\$1.1 billion in 2001 (*The Economic Survey 2001; President's Office – Planning & Privatisation*). As a result of failure of the parastatals to deliver and their heavy dependence on bank credits, Government grants and loans for survival and growth, the Government embarked on a divestiture programme. The Government decided to withdraw from the business sector and decided instead to play the role of policy co-ordinator (**Privatisation**). As at October 2001, a total of 326 divestiture transactions had been completed, comprising 243 divested units and 83 non-core assets sold. The divested units included 200 handled by PSRC and 44 liquidated by LART (*PSRC Annual Review 2000/01 and Action Plan 2001/02*).

2.3 DOMESTIC OUTPUT

Developments in various sectors of the economy indicated that the targeted GDP growth of 5% was achievable. Aggregate supply as measured by GDP at constant 1992 prices grew at 5.6% in 2001 compared with a growth rate of 3.3% recorded in 1997 (*See table 1 in Appendix 1*)

Given the annual average population growth rate of 3.0%, real per capita income in Tanzania Mainland grew at a higher rate of 2.7% in 2001 compared with a rate of 0.5% recorded in early 1990s. According to the statistics agriculture, mining, construction and the trade, hotels and restaurants sectors recorded substantial growth rates. The agriculture sector grew by 5.5% in 2001 compared to 3.4% recorded in 2000. The increased growth in the sector is attributed to relatively good weather conditions during 2001, which boosted both food and cash crops production. Other sectors and their contributions to the GDP see Table 2 in **Appendix 1**.

Inflation and the exchange rate

The headline inflation as measured by changes in the consumer price index, declined from around 30% in late 1980s to 5.2% in 2001 making it the lowest inflation rate achieved over the past twenty years.

Table 3: Tanzania Shillings (Tshs) v/s US Dollar from 1993 to 2000 ¹

Year	1995	1996	1997	1998	1999	2000	2001*
Tshs per 1 US\$	595.1	608.3	631.0	665.5	746.1	807.7	896.0
% of decrease in value		2.2	3.7	5.5	12	8.2	11

* Estimate

2.4 PROGRAMMES AND STRATEGIES ADOPTED

Policy reforms which have been implemented from the late 1980s include: -

- Trade liberalisation;
- Financial sector reforms;
- Privatisation;
- Civil service reforms and enforcing accountability;
- Decentralisation (improve participation in decision making);
- Measures against corruption (empowerment of Prevention of Corruption Bureau-PCB);
- Tax reforms (formation of the TRA).

These reforms have enabled Tanzania to improve efficiency and reduce impediments to growth. To accelerate economy growth, reduce poverty and create an enabling environment conducive for private sector development, this Government adopted different programmes such as: -

- Planning Commission Composite Development Goal for the Tanzania Development Vision 225 (Feb 2001);
- Government of Tanzania Programme for Business Environment Strengthening Programme for Tanzania (Feb 2001);
- Ministry of Finance and Economic Affairs, Zanzibar vision 2020 (Dec 1999)
- Establishment of a National Business Council (TNBC);
- Liberalization of the Financial Sector;
- Establishment and improving the performance of a “One Shop Centre” investment facilitation servicing and promotion (TIC);
- Structural Adjustment Programme (SAP) to foster macroeconomic stability;
- Stock market formation and Development (DSE);
- Targets to reduce poverty and stimulate pro-poor growth through the extended highly indebted poor countries (HIPC) initiative and the related Poverty Reduction Strategy (PRSP) which support National Poverty Eradication Strategy (NPES)
- Tanzania Assistance Strategy (TAS) – giving indications of priority areas for external support;
- Strategies towards achieving the goals set by vision 2025;
- The public sector reform programme (PSRP) to support the attainment of a high rate economic growth and ensure that delivery of quality services within the priority sectors conforms to public expectations for value, satisfaction and relevance by the end of 2011.

¹ Source: The Bank of Tanzania – Economic and operations report for the ended 30th June 2000

2.5 PUBLIC SECTOR REFORM PROGRAMME (PSRP)

The Government of Tanzania has been implementing various reforms across its economic as well as social sectors to expedite the development of the country.

The Public Sector Reforms Programme of Tanzania, which was officially launched by His Excellency, the President of the United Republic of Tanzania in June 2000 aims to transform the public service into an excellent and result oriented public service.

The PSRP has been designed in pursuit of the vision, mission, core values and guiding principles that have been promulgated in the new public services management and employment policy.

PSRP programme requires public service that is performance based outcome and as such Ministries are required to use open system of appraisal known as Open Performance Review Appraisal System (OPRAS). This replaced to the old system of confidential assessment. The new system is transparent to avoid victimisation of the staff. Another key aim of the programme is to hive off the Government the non – core services by outsourcing them to the private sector.

It is believed that under the current reform programmes, the private sector has a crucial role to play and if well utilised it will become an engine for growth.

Consequently the programme has started to roll – out some of the non – core services to private sector, in this regard Private Sector Participation (PSP) has been implemented in several Ministries while capacity building for other Ministries, Departments and Agencies (MDA`s) to carry out PSP has been undertaken².

It was agreed that MDAs identify the core services and time for processing such services. This has improved the speed and efficiency of the service delivery to units. Following this, the civil service department launched its Client Service Charters on Dec 2001. Another 14 Ministries and Agencies have already completed their Client Service Charters and will be launched in the near future. An additional major component of the programme is the establishment of Executive Agencies which will operate as autonomous Government institutions on a self funding basis and thus relieve Government's obligation of spending public funds to run them.

In the context of the above, it is projected that the programme will have three overlapping phases ending in year 2011,

- Phase 1: Installing Performance Management Systems (2000- 2004)
- Phase 2: Instituting a Performance Management Culture (2005 – 2008)
- Phase 3: Instituting Quality Improvement Cycles (2009 – 2011)

The six major components of the programme as defined in the medium term strategy and action plan are: -

- Performance Management System Component
- Restructuring and Private Sector Participation Component
- Executive Agencies Component
- Management Information System Component;
- Leadership, Management and Governance Component; and
- Programme Co- ordination, monitoring and Evaluation Component.

² PSRP Annual Report June 2001 to June 2002 Civil Service Department

3.0 PRIVATE SECTOR DEVELOPMENT

The Vision 2005 document spelling out Tanzania's long-term development policy, clearly identifies the importance of the private sector as the engine for economic growth and in the creation of jobs and additional National income.

The private sector in Tanzania is made up of foreign investors and domestic investors. The domestic investors consist of a small number of formally registered establishments, mainly in urban areas, and the unregistered informal establishment. Most of the businesses are informal including some small, medium and micro level enterprises, operating in urban as well as rural areas.

To redistribution of roles between the state and the private sector reforms, have focused on reducing and rationalising government activities and on creating a conducive environment for private sector. Measures relating to the former include privatisation of state-owned companies, down-sizing of civil service and approved public financial management systems. Reforms relating to the latter include liberalisation of the financial services, trade liberalisation to improve competition in trading of goods , dismantling of marketing boards, and streamlining of the investment code to facilitate both local and foreign investments.

As part of the development, the private sector progressively organising itself in associations. At national level the Tanzania Private Sector Foundation (TPSF) has been established as a focal point for advocacy and lobbying with Government on behalf of its members.

3.1 TANZANIA NATIONAL BUSINESS COUNCIL (TNBC)

The Government has for long-time realised that the growth of the economy depends ultimately on a dynamic and robust private sector. Its ability to solve problems such as poverty alleviation, employment creation and overall welfare of the people also depends on a growing economy. A strong and dynamic private sector increases government revenue. On the other side the private sector has been calling for a less constrained operating environment, a more business friendly public service, and a platform for expressing its views in the process of planning and implementing programmes and strategies for the economic and social development.

In 2000, the Government, after consultation with the major stakeholders, started to institute a mechanism for holding regular dialogue with the private sector and other stakeholders on issues concerning the social-economic development of Tanzania. This process culminated in H.E. the President of the United Republic of Tanzania Mr. Benjamin William Mkapa inaugurating the Tanzania National Business Council (TNBC) on 4th April 2001.

The objectives⁴ of the *TNBC* are;

- (i) To provide a forum for public-private sector dialogue with a view to reaching consensus or mutual understanding on strategic issues relating to the efficient management of development resources;
- (ii) To promote the goals of economic growth with social equity and even development;
- (iii) To review from time to time developments in the external and domestic business environment, the challenges they pose to Tanzania, and propose appropriate course of action,
- (iv) To exchange views on the prevailing operating and regulatory environment, and propose ways to facilitate the public service, to improve on service delivery and make the civil service business friendly;

⁴ Speech by the President at the Inauguration of TNBC April 2001.

- (v) To review and propose changes in the policy environment to enhance the attractiveness of Tanzania for both domestic and Foreign Direct Investment (FDI), and improve the competitiveness of Tanzanian products in the world market;
- (vi) To encourage and promote the formulation of co-ordinated policies on social and economic matters, including consideration of existing and proposed economic, legislation, and make appropriate recommendations; and
- (vii) To consider any other matter deemed relevant to the achievement of the above objectives.

In pursuit of the above objectives the TNBC shall,

- (i) Cause to be conducted, such research or survey or study any aspect of social and economic development policy as it may deem fit;
- (ii) Review specific research, reports of policy proposals submitted is it by any of the consultative bodies. It may also call for and consider any such reports as it deems necessary to provide a clearer picture of affairs before it;
- (iii) Set targets as well as performance benchmarks for implementing decisions or agreements reached. Including assignment of responsibilities
- (iv) Monitor and evaluate implementation of policies and measures agreed upon, as to their effectiveness and outcomes.

The private sector is now working in partnership with the government in Taxation, the regulatory framework and also in day-to-day problem solving of business bottlenecks. In this regards nowadays the Government's annual budget measures are only concluded after genuine dialogue between the Government and the private sector (**See attachment 2**). In addition, the Government through regular dialogue with the private sector (in meetings such as **The International Investment Forum, Local Investment Forum, Focus Group Meetings and Task Force on Capital Goods Commission**) has so far managed to solve many Private sector problems on a fast track basis (see attached set deadlines directives from the Government as solution to some investors problems)

3.2 THE TANZANIA INVESTMENT CENTRE (TIC)

In its effort to reform the economy and create a favourable climate the Tanzania Government acted aggressively on recommendations made by two report of export published in November and December 1996. The reports revealed astonishing experiences with regards to the constraints in the legal and regulatory framework in Tanzania these are:

1. The legal, administrative and institutional components of the review of investment policy and law, prepared by Dr. Hawa Sinare and Dr. F. Ringo under the auspices of Economic and Social Research Foundation (ESRF).
2. The Investor Road Map of Tanzania prepared by the TSG Group, a team of experts from USA and funded by USAID.

The policy review carried out by ESRF, helped to launch the new National Investment Promotion Policy formulated in 1996 based on the ESRF report which reviewed investment promotion and facilitation activities carried out under the investment code of 1990, by the Investment Promotion Centre (IPC).

As regards to the review of the investment code, the legal administrative and institutional component review come up with a number of issues that needed to be rectified for improving the business investment environment in Tanzania.

One of the major findings of the study pointed-out the existence of about 600 pieces of legislation that were perceived to be anti-business.

The launching of the Tanzania investment policy (1996) paved the way for the enactment of the Tanzania Investment Act 1997 which established the Tanzania Investment Centre (TIC) to be “the primary agency of Government to co-ordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government in investment related matters”. All Government departments and agencies are required by law to co-operate fully with TIC in facilitating investors.

3.3 Investor Roadmap 1996

The investor roadmap 1996 report revealed procedural and administrative barriers to investment in Tanzania. It outlined the steps required for each agency involved in business set up, and highlighted the requirements, fees and expected delays an investor would encounter on his way to investing in the Country. By then Tanzania ranked very low when compared with other Africa Countries in terms of investment facilitation and servicing. These shocking revelations of the 1996 roadmap report forced government departments to re-examine their processes and institute appropriate changes.

Subsequently the **1999 Roadmap Study**, which revisited the earlier one, enumerated the following improvements in simplifying procedures: -

- Obtaining a Class A resident permit, the process took 2 days to 2 weeks in 1998 compared to 2 to 6 months in 1996;
- Obtaining a letter of offer from Ministry of lands the process took 3 to 4 days in 1998 compared to 1 week in 1996;
- The Certificate of Incentives (for investment) took between 3 to 14 days to be obtained from TIC in 1998 compared to 3 to 4 months from IPC Attached. **Table 4** gives more details of improvement in other areas.

3.4 TIC as A One Stop Facilitative Centre

After working on the recommendations made by the Foreign Investment Advisory Services (FIAS) report of early 1999 and the investors roadmap 1999, TIC has been able to transform itself into a fully fledged one-stop centre with officials from the Ministry of Trade and Industry, Business Registration and Licensing Authority (BRELA), Lands, Immigration, Labour and TRA stationed at the TIC office attending to investors.

This arrangement eases the process of setting-up a business in Tanzania. The arrangement has also enabled the following achievements:-

- Certificate of incentives processing time has been minimised from 100 days to less than 14 days
- Regular visits and communication are being established between Relationship Managers (all TIC professional staff) and investors with a view of solving investors’ problems, facilitating implementation and operation of their projects as well as work in partnership for improved investment environment.

In its detailed guideline (TIC - Corporate Plan 2001- 2006) it envisages the transformation process to make TIC a world-class investment promotion agency that is capable of, and successful in, promoting/ generating significant private sector investment for Tanzania. The Centre expects to achieve that objective by adopting a proactive approach to:

- Transform itself into a fully fledged investment promotion agency
- Developing a high level of expertise in investment promotion, facilitation and servicing.
- Becoming an efficient one-stop shop for facilitation and servicing of private sector investment.
- Becoming a lead advocate for private sector investment and development in Tanzania
- Attracting significant foreign investment to Tanzania.

- Promoting, stimulating and encouraging investment amongst the local private sector.
- Advocating for the implementation of measures designed to improve the climate and environment for private sector investment in the economy.

3.5 The ‘Best’ Program

The Government is committed to the continued development and improvement of the investment and business environment in the country. An encouraging achievement made is the Government’s endorsement of the Business Environment Strengthening for Tanzania (BEST) program as recommended by a DFID (UK) funded study carried out with the full involvement of both public and private sector stakeholders together with other development partners.

The program has three main objectives: -

- Creating an enabling environment;
- Increasing the competitiveness of Tanzania’s products and Services in the international markets;
- Fighting poverty by increasing Tanzania’s Gross Domestic Product (GDP).

Five components of the program includes:-

- Achieving better regulations;
- Improving Commercial Dispute Resolution;
- Strengthen the Tanzania Investment Centre (TIC);
- Changing Culture of Government;
- Empowering Private Sector advocacy.

3.6 National Investment Steering Committee

On 11th to 12th May 2002 the Centre conducted a National Investment Stakeholders Workshop held in Sea Cliff Hotel, Dar es Salaam. One of the major recommendations made was to request Government to form a high-powered National Investment Steering Committee. This was recognized by Stakeholders as being essential in the context of Tanzania if she really wants to improve investment growth.

The Government, in an effort to improve the business environment and foster economic growth through increased investment accepted the recommendation and formed a National Investment Steering Committee to be headed by Honourable Prime Minister on 5th September, 2000. Other members of the committee are Minister of Finance, Minister of State, President’s Office - Planning and Privatisation, Minister for Industries and Trade, Minister for Lands and Human Settlement Development, Attorney General, Governor Bank of Tanzania, Executive Director - TIC (Secretary). The Committee is entrusted with the role of investment policy formulation and solving problems of investors on a fast track basis.

The Committee is entrusted with the task of investment policy formulation and solving problems of investors on a fast track basis. Again this initiative is meant to provide further momentum to the investment process in Tanzania. The committee was inaugurated in May 2001.

The Committee has already proved instrumental in approving projects which have major impact either in terms of size, area or cross-sectoral requirements. The Committee has also approved a special investment incentives package for the textile industry to take advantage of AGOA and other similar arrangements.

In response to the continually improving conducive investment legal framework and the generous package of investment incentives, the TIC has between 1990 and September 2002 registered 2,076 projects worth about Tshs. 6,422.6 billion. Out of these projects 473 or 22.80% were wholly foreign owned, 674 or 32.5% were

jointly owned by foreigners and locals and the remaining 929 or 44.7% are projects invested by local Tanzanians.

FDI is showing an upward trend in Tanzania, as reforms initiated in 1986 appear to have begun to firmly take hold. Tanzanian's FDI inflows have increased, improving the century's position from number 16 to 12 on the FDI list in Africa.

As per World Investment Report 2002 (WIR 2002) Tanzania between 1995 and 2000 received a total of US\$1 billion in FDI, compared to US\$90 million during preceding Six years – a remarkable performance for a country that was receiving hardly any FDI just 10 years ago. As per WIR 2002, Tanzania attracted US\$224 within in the year 2001, thus recorded US\$1.404 billion of FDI stock as of 2001 just below oil producing countries and South Africa.

As FDI has increased, the qualitative impact of FDI on the economy has also, become noticeable, especially in the industries where FDI is concentrated. In mining, FDI has served as an engine of growth and has helped increase gold exports. In banking, it has contributed to modernisation of the industry.

3.7 CORPORATE RESPONSIBILITY ISSUES

Through the public/private sector interactions explained above there has been a general agreement on the following issues as underpinning the corporate responsibility agenda:-

(1) Tax evasion/corruption

Tax evasion through collusion and corruption enabling cheating on imports (underdeclarations and deliberate miscategorisations) fraudulent sale of tax-exempt goods and false accounting for tax cheating.

(2) Cheating on Imports

Importation of junk spares, cheap substandard parts, expired chemicals etc. which leads to manufacture and assembly of dangerous goods and substandard articles.

(3) Bad labour practices:-

- Refusal to allow unionisation by obstructing trade union representation at work places.
- Perpetuating harsh work conditions e.g. abrupt sackings, very low pay, no pension benefits; keeping workforces on temporary terms for prolonged periods;
- Perpetuating employment of foreign staff at the expense of qualified local staff;
- Absence of genuine training and advancement programmes for local professionals.

(4) Racial Discrimination

This manifests itself in several ways:-

- Unequal pay and privileges based on racial grounds
- Separate canteens, segregated menu or toilet facilities based on race
- Victimisation of local female staff particularly in the hotel industry and some factories
- Racial insults and abusive language on workers

(5) Safety

- Unsafe conditions at work-places e.g. staff being forced to work without protection gear against dust, chemicals, heavy objects hazards etc.

(6) Outsourcing Supplies and Services

Confining subcontracts of supplies and services to foreign firms instead of using local consultants, contractors and service providers. It should not be forgotten that investment is more if welcome so that local capacities are enhanced. It is unacceptable that investment should be used to constrain local capacities and perpetuate dependency on external capacities.

All businesses are encouraged to adhere to good corporate citizenship by avoiding malpractices mentioned above. Dialogue on these matters is open and frank. TIC intends to have government set up annual award recognitions for firms that demonstrate high standards of corporate responsibility. Details are being worked out for implementation starting year 2003.

4.0 SMALL AND MEDIUM SCALE ENTERPRISES DEVELOPMENT (SMEs)

The government strategy for promoting SMEs development, has changed from a strategy of direct intervention to that of policy support and facilitation. Lead roles have been assigned to private sector institutions and non- government organisations (NGOs).

Apart from their effectiveness in creating jobs at low capital cost, SMEs contribute significantly in terms of provision of goods and services; facilitating forward and backward linkages between economically, socially and geographically diverse sectors and providing opportunities for the development and adaptation of appropriate technology.

For example, the Tanzania breweries industry stimulates the packaging, transport, sales and distribution industries at the retail level. FDI in edible oil industry has linkages effects in that it supports oil-seed farming, oil processing and the use of its by-products in the manufacture of animal feeds. In fishing industry, small scale fisherman have not only improved their fishing methods arising from the technology spillover from big fishing/fish-processing companies but also have become suppliers to the large fishing/fish-processing companies. It is agreed that all these linkages have a highly positive effect on the economy.

5.0 GOVERNANCE AND HUMAN RIGHTS

Tanzania adopted political pluralism in 1995, which provide an additional “watch dog” in policy formulation, decisions on implementation of policies and the way the public sector is run.

Tanzania has adopted the National Framework on good governance with emphasis on:-

- Promoting participation of people in decision making;
- Promoting the private sector;
- Cherishing the principles of constitutionalism, rule of law and administration of justice and protection of human rights;
- Promoting gender equality;
- Building a culture of accountability, transparency and integrity in the management of public affairs;
- Promoting and observing positive principles of electoral democracy;
- Building capacity of public service institutions/ agencies to deliver services efficiently and effectively.

Measures taken to improve economic Governance include

- Implementation of an integrated Financial Management System;
- Adopting an inclusive Public Expenditure Review/ Medium Term Expenditure Framework process;

- Revision of Public Finance Management and Public Procurement Act;
- Civil Service Reforms;
- Local Government Reform Programmes;
- Local Sector Reform Programme; and
- Setting-up a Good Governance Co-ordination Unit.

In addition the Government is working with development partners in the process of finalising a framework for implementing and monitoring progress in improving governance.

5.1 HUMAN RIGHTS

Democratisation has led to a strong emphasis on human rights issues and Tanzania has ratified the most important international conventions and rules on human rights.

Following emphasis in democratisation, human rights and good governance, Tanzania Government on May 2001 enacted the Commission for Human Rights and Good Governance Act; which instituted the Commission for Human Rights and Good Governance as a “watch dog” for Human Rights and Good Governance matters.

5.2 INVESTMENT GUARANTEES AND SETTLEMENTS OF DISPUTES

Investments in Tanzania are guaranteed against nationalisation and exploitation.

Tanzania is a member of Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID). In that regards, any dispute arising between the Government and Investors are settled amicably through negotiations or may be submitted for arbitration before the international organisations, such as MIGA or ICSID.

In additional the Tanzania Government has established a **Commercial Court** and **Tax Appeal Board** to deal with Commercial disputes resolution and solving tax disputes respectively.

TABLE 5 - DISPUTE BETWEEN GOVERNMENT AND INVESTOR
(Methods of Arbitration)

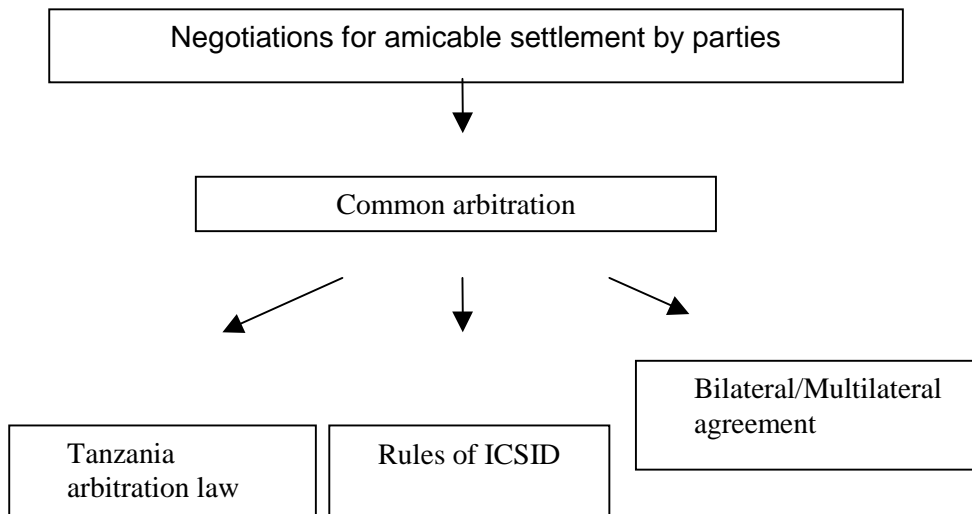
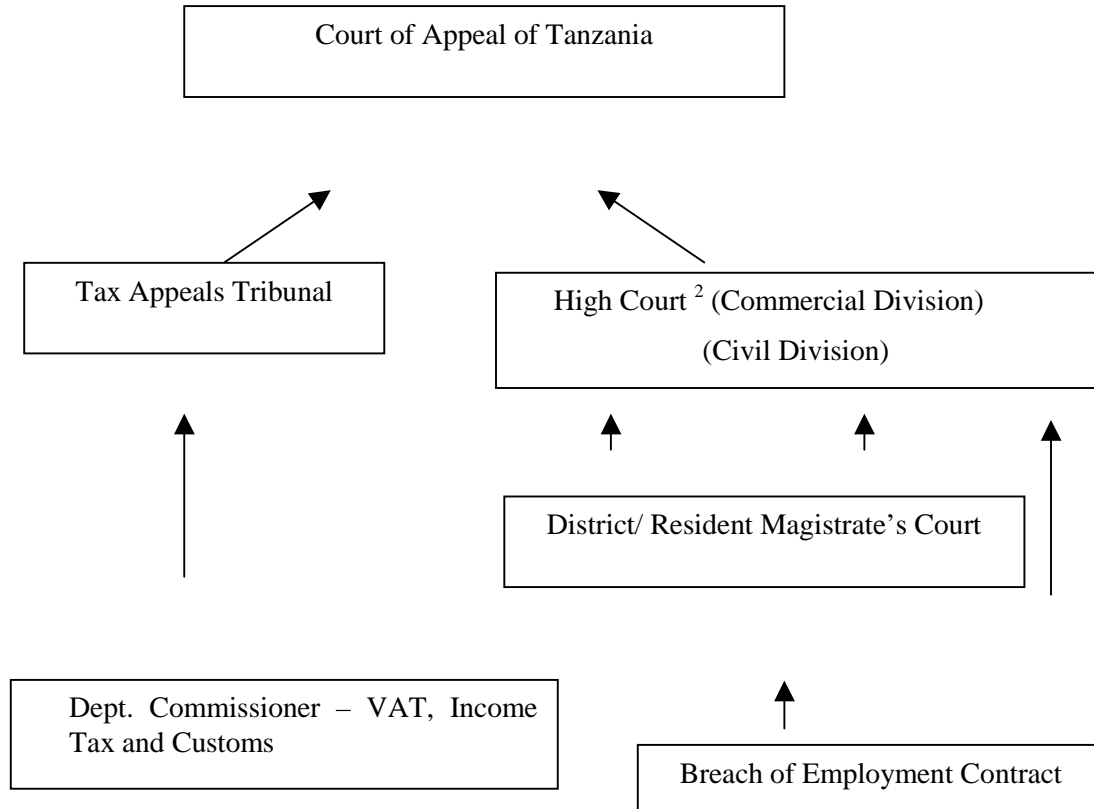


TABLE 6 - TAX AND COMMERCIAL DISPUTE

(Methods of Arbitration)



6.0 REMAINING BOTTLENECKS TO FDI AND FUTURE CHALLENGES

Issues which constitute impediments to investors as reported in different reports like the 1999 investor roadmap and the 2001 FDI Report carried out by BOT, TIC and NBS, that need to be addressed to install Tanzania as a top investment destination are:

- Poor infrastructure;
- Negative bureaucracy;
- High transaction costs (emanating from petty corruption, import / export procedures, business regulations, fiscal regulations, planning processes, legal system, bureaucracy etc).

6.1 FUTURE CHALLENGES

From TIC's standpoint, we see Tanzania's investment efforts in the immediate future being directed towards the following:-

- Simplifying the business-operating environment of Tanzania by implementing the BEST programme already described above.
- Attracting large-scale quality investors in the agricultural, tourism and infrastructure sectors through a carefully worked out targeting campaign.
- Expediting economic infrastructure construction using private sector support.
- Skills upgrading through intensified training in business and operational management and in other modern disciplines of a modern world.

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Graph 1: GROSS DOMESTIC PRODUCT (GDP) GROWTH

- GDP growth rate remained relatively low around 4.1% in 1990's.
- As a result growth has generated only minor increases in per capital income and effects on poverty levels have been insignificant.

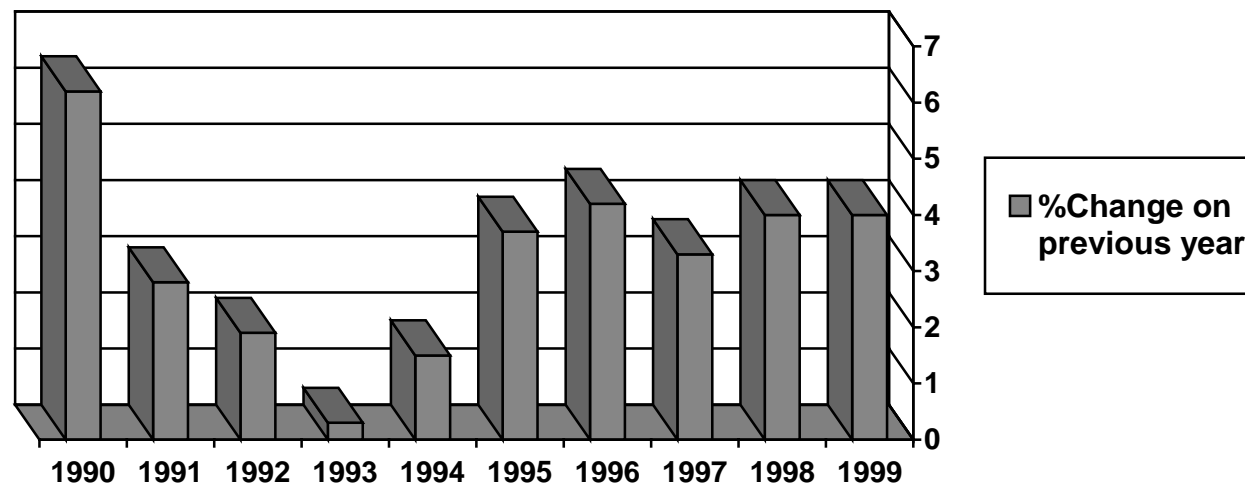


Figure 1: GDP Growth
Source: Bank of Tanzania

Table2: ECONOMIC PERFORMANCE BY SECTOR

- GDP continues to be dominated by Agriculture, Trade and Public Administration.
- Agriculture contributed 48% of total GDP in 2000 which was the same as of 1992.
- The share of public administration has risen from 9.2% in 1992 to 10.3% in 2000.
- The mining and construction industries experienced the strongest growth in 2000 recording rates of 16% and 12%.

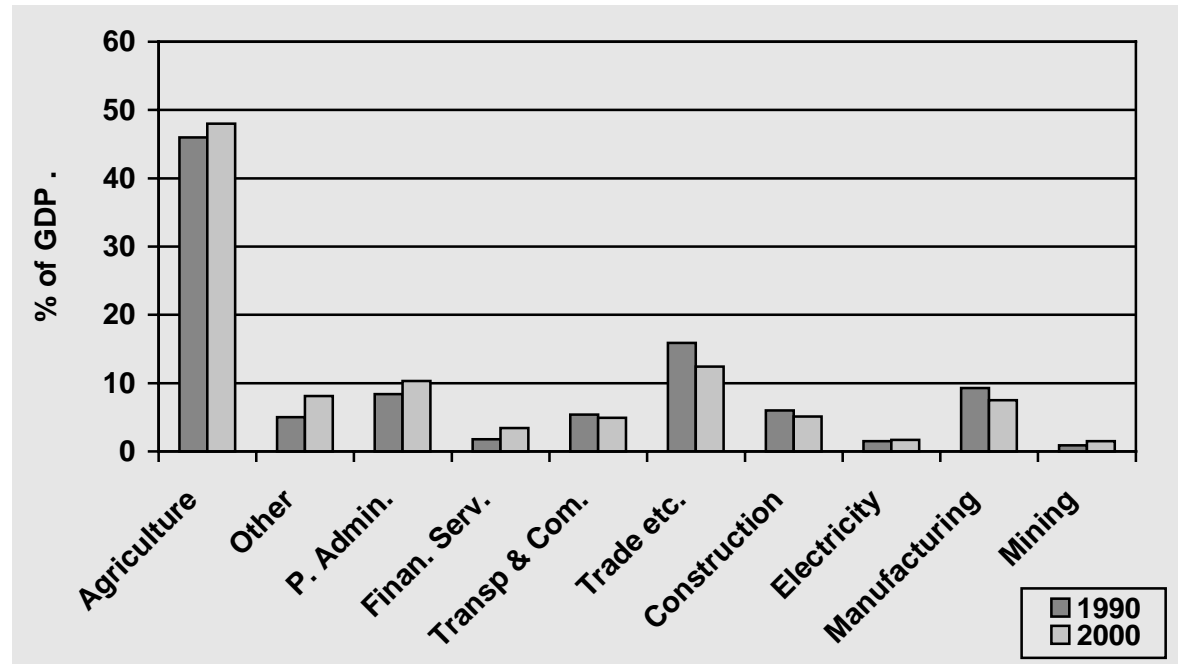


Figure: GDP contribution by sector

Source: Bank of Tanzania

Table 1: BASIC ECONOMIC STATISTICS – TANZANIA

Appendix 1

	1995	1996	1997	1998	1999	2000	2001
Population (millions)	27.5	28.3	29.1	30.0	30.9	31.9	32.9
GDP (factor cost) Tshs Billions	2796.6	3452.6	4286.8	5125.3	5977.7	6663.7	7590.8
Real GDP Growth, % change	3.6	4.2	3.3	4.0	4.7	4.9	5.6
GDP per Capita (at current prices - Tshs)	101696	121999	147312	170844	193453	208893	231426
Exchange rate (1 US\$ to Tshs)	595.1	608.3	631.0	665.5	746.1	807.7	896
Consumer Price Index (%)	28.4	21.0	16.1	12.8	7.9	5.9	5.2
Balance of Merchandise Trade (US\$ million)	-657.6	-448.9	-395.4	-777.5	-824.9	-672.8	-713.3
Current Account Balance (US\$ million)	-589.9	-265.1	-372.3	-823.9	-738.6	-388.4	-413.5
Electricity sold (KWH million)	1547	1743	1663	1807	1693	1808	2015
Tourist Earning (US\$ million)	258.1	322.0	392.4	570.0	733.3	739.0	725.0
Govt. Recurrent Revenue (Tshs billion)	448.4	572.0	627.5	689.3	777.6	861.4	1026.1
Govt. Recurrent Expenditure (Tshs billion)	470.0	606.3	669.6	791.2	808.8	1081.1	1250.1
Govt. Development Expenditure (Tshs billion)	30.1	124.6	186.6	136.5	359.9	313.4	291.9
FDI Growth (US\$ million)	150.86⁴	148.64	154.63	172.22	183.4	192.8	224.4

Appendix 3

TABLE 4: THE INVESTOR ROADMAP OF TANZANIA: ASSESSMENT OF PROCESS

Some of the major changes that have occurred in the four process areas since 1996

Employing Activity	Agency Involved	Practice in 1996	Practice in 1998
Obtaining Class A Permit	Department of Immigration	Takes 2 to 6 months Submissions: 5 photos; Curriculum Vitae; Memorandum of Association; Articles of Association; IPC Certificate; Birth Certificate; Educational degrees; Business plan/ feasibility study; Sector approval.	Takes 2 days to 2 weeks Submission: 5 photos; Curriculum Vitae; Memorandum of Association; Articles of Association; TIC Certificate.
Obtaining Class B Permit		Takes 2 to 6 months	Takes 4 days to 4 weeks

THE INVESTOR ROADMAP TO TANZANIA: ASSESSMENT OF PROGRESS

Obtaining Letter of Offer	Commissioner of Lands, Ministry of Lands	Takes 1 week	Takes 3 to 4 days
Obtaining phone connection	TTCL	Takes 5 to 6 months	Takes 1 month
Calling abroad	TTCL	Full/ economy rate	Full/ economy rate
Africa- COMESA		US\$2.5/ \$ 2.0	US\$1.8/ \$1.4
Africa – Non- COMESA		US\$3.0/ \$ 2.4	US\$2.4/ \$ 1.9
Europe, North America, & Middle East		US\$4.0/ \$ 3.2	US\$3.2/ \$ 2.6
Asia		US\$4.8/ \$ 3.8	US\$3.2/ \$ 2.6
Latin America, Caribbean		US\$4.5/ \$ 3.6	US\$3.2/ \$ 2.6

THE INVESTOR ROADMAP TO TANZANIA: ASSESSMENT OF PROGRESS

Reporting Activity	Agency Involved	Practice in 1996	Practice in 1998
Names clearance and registering firm	Registrar of Companies, Ministry of Industries and Trade	Two processes; takes 3 to 6 days	One process: takes 2 to 3 days
Getting Trades License	Internal Trade Section. Ministry of Industries and Trade	Forms in Kiswahili only Procedures not publicly available	Forms in Kiswahili and English Procedures posted for public review
Obtaining Certificate of incentives	Investment Promotion Agency/ Tanzania Investment Centre	Threshold US\$500,000 if foreign investor 3 – 6 months approval	Takes 3 to 5 days from TIC
Quality for reduction of duty on capital imports		<ol style="list-style-type: none"> 1. Prepare import schedule; 2. Submit schedule to IPC for verification based on business plan; 3. Submit IPC verified schedule to Ministry of Finance for Remission Order; 4. Ministry of Finance submits Remission Order to Customs; 5. Customs matches approved times to capital goods when Imported. 	Register with TIC for blanket capital goods duty reduction.

THE INVESTOR ROADMAP OF TANZANIA: ASSESSMENT PROGRESS

Reporting Activity	Agency Involved	Practice in 1996	Practice in 1998
Obtain Local Trade License	Dar es Salaam City Commission	<ol style="list-style-type: none"> 1. Applicant hosts health inspection 2. Health inspector completes report 3. Applicant picks up health certificate 4. Applicant takes certificate to trade officer 5. Applicant pays fee and receives receipt; and 6. Trades officer recommends yes/ no on license 	<ol style="list-style-type: none"> 1. Applicant hosts health inspection 2. Health inspector collects fee, issues receipt, completes report; 3. Health officer forwards health certificate and cereipt information to tade officer; and 4. Trade officer recommends yes/ no on license
Obtain Industrial License	Industrial Licensing Board, Ministry of Industries and Trade	Manufacturers with turnover of Tshs 10 million must register	Manufacturers with turnover of Tshs 100 million must register
Obtaining commercial fishing license	Fisheries Division, Ministry of tourism, Natural Resources & Environment.	License fees based on US\$80 per gross registered ton	License fee is now a flat US\$16,000 per annum

Discussions between the Government and the Private sector: Follow-Up Actions on Key Issues and Problem^{1/}

	Problem Areas	Remedial Actions to-date	Proposed Way-Forward
1.	LAND-RELATED PROBLEMS		
	<ul style="list-style-type: none"> Inadequacies in the Land Act, 1999, including those related to collateralisation, foreclosure, consent by spouse, customary and small mortgage, default notice, and third part mortgage. Substantial delay in issuing title deeds 	<ul style="list-style-type: none"> The ministry of Lands has documented views of various stakeholders and referred them the AG Chamber. The AG Chamber is in the process of commissioning consultant to review the legal status of the contentious issues. Ministry of Lands has established 76,000 allocated plots in Dar es Salaam, of which 46,000 have identified owners. There are about 3,000 plots with identified owners for which work is at an advanced stage, requiring funding of TShs. 108 million, to complete the work in a period of about two months. The Ministry of Lands expected to identify 20,000 plots in Dar es Salaam through a cross-recovery loan, for which a loan of TShs. 8.0 billion has been provided under the FY 2002/03 budget. 	<ul style="list-style-type: none"> Ministry of Lands submit for Cabinet approval, a position paper outlining practical steps, including possible revision of the Land Act, 1999 and/or modifications in the Land Policy (by end-December, 2002). This submission should be based on the findings of the consultant to be hired by the AG Chamber, and further consultations among stakeholders, including the Tanzania Bankers Association, reputable members of the Law Society, TNBC/PSF and TIC. If deemed necessary, the revision of Land Policy should be ready for government approval before end-March, 2003, and a revised Land Act should be ready for submission to Parliament before end-June, 2003. Ensure issuance of title deeds for the 3,000 plots with advanced work, before end-December, 2002 and embark of time-bound program to complete the issue of title deeds for the 46,000 plots (before end-June, 2004). Ministry of Lands, together with the Ministry of Finance, work-out ways of meeting additional financing requirement, presently estimated at TShs. 325.7 million.

^{1/} The indicated issues and problems were raised, for the most part repeatedly, during the various meetings with the President, notably the TNBC meeting (22nd March, 2002), the Local Investors Round Table (20th June, 2002), and the Interactive meeting with CEOs (26th June, 2002).

Problem Areas	Remedial Actions to-date	Proposed Way-Forward
<ul style="list-style-type: none"> TIC has no Land Bank for investors, contrary to provisions of the Land Act, 1999. 	---	<ul style="list-style-type: none"> TIC together with the PSRC identify commercial farms slated for privatisation that should be transferred to the Land Bank under the agreement of the two institutions (by end-October, 2002). Ministry of Lands (as leader) together with the TIC and the PORALG identify and carryout other necessary work leading to the transfer of unused village land to the Land Bank (by end-December, 2002) Ministry of Lands consult with the Ministry of Finance on practical steps for ensuring financing for this work. TIC consult with individual holders of title deeds for commercial purposes and compile, for purposes of the Land Bank, request for joint partnership.
2. PROBLEMS RELATED TO LABOUR POLICY AND LEGISLATION		
<ul style="list-style-type: none"> Cumbersome procedures for investors wishing to import skilled labour. Rigid labour laws impeding market-oriented deployment of labour 	<p>---</p> <ul style="list-style-type: none"> Serious work towards the revision of the legislation has commenced, including initial consultation with stakeholders. 	<ul style="list-style-type: none"> Cease the practice of seeking Labour Exchange Centre approval for importation of specialised skilled labour under Category B (immediately). Cease the practice of demanding Localisation Action Plan as condition for import of specialised skilled labour (immediately). Ministry of Labour, together with the Department of Immigration and the TIC, develop proposal, including reconciliation of contradictory legislations, to ensure substantial liberalisation in approval of requests for importation of specialised skilled labour. The approval request should not take more than 14 days (by end-December, 2002) Accelerate the revision of the labour laws, taking into account inputs from the private sector for government approval before end-March, 2003. Aim to have the revised legislation submitted to Parliament before end-June, 2003.

	Problem Areas	Remedial Actions to-date	Proposed Way-Forward
	<ul style="list-style-type: none"> Chronic shortage of skilled manpower 	<ul style="list-style-type: none"> A consultant has also been hired to assist in the subsequent work of revising the legislation. The private sector launched the Private Sector Initiative on July 12, 2002, to strengthen market opportunities for small and medium scale enterprises. The private sector intends to launch a CEO Scholarship Program. 	<ul style="list-style-type: none"> Ministry of Labour together with the Ministry of Finance, work-out practical steps for ensuring that any additional finance for this work can be obtained on time. Ministry of Science, Technology and Higher Education, jointly with CEO representatives, develop procedures for operationalising the CEO scholarship program (by end-September, 2002). Ministry of Science, Technology and Higher Education, in consultation with the private sector, develop proposals, for government approval, to strengthen vocational training, and develop centres of excellence, to meet administrative requirements of the government and business needs of the private sector (by end-March, 2003).
3.	TAX-RELATED PROBLEMS		
	<ul style="list-style-type: none"> Overly complex central government tax system and “investor-unfriendly” system of tax administration. 	<ul style="list-style-type: none"> Substantial progress has been made to reduce nuisance taxes and realign taxes, to strengthen their impact on economic development. 	<ul style="list-style-type: none"> Ministry of Finance, in consultation with the World Bank/IMF staff, develop comprehensive proposals, to meet the private sector concerns in regard to the central government and local government system of taxation, in time for the negotiation of the World Bank Poverty Reduction Support Credit (PRSC) in early 2003, and the negotiation of a new annual arrangement under the IMF Poverty Reduction and Growth Facility (PRGF) in 2003.

Problem Areas	Remedial Actions to-date	Proposed Way-Forward
<ul style="list-style-type: none"> • Problematic system of local government taxation, including numerous taxes, excessive level of taxation, and inefficient administration of tax system. 	---	<ul style="list-style-type: none"> • Ministry of Finance work-out, in consultation with Bretton Wood Institutions and other development partners, a way for “shoring” or covering any short-term negative impact of the wholesale review of the central and local government tax system as indicated above (in time for FY 2003/04 budget). • TRA expedite the finalisation of the Massawe Ernst & Young Report and its submission to the TRA Executive Board for consideration and guidance on follow-up reforms (by end-August, 2002). • TRA develop proposals for “second generation” reform of the TRA, to make it (a) investor- and tax-payer friendly, and (b) strengthen operational efficiency, to enable the institution to boost revenue collection to “capacity levels” rather than prescribed modest levels. The comprehensive reform program together with time-bound benchmarks should be ready by end-November, 2002.
4.	PROBLEMS RELATED TO THE LEGAL AND JUDICIAL SYSTEM	
<ul style="list-style-type: none"> • Excessive delays in carrying out legal reforms • Ineffectiveness of the courts to deliver timely justice on economic and financial disputes. 	<ul style="list-style-type: none"> • Establishment of the commercial courts has helped to reduce delays on commercial disputes. 	<ul style="list-style-type: none"> • AG Chamber, together with the Ministry of Justice and Constitutional Affairs and the Ministry of Finance, and in consultation with interested donors, develop proposals for strengthening personnel in the Legal and Judicial fields (by end-December, 2002).

	Problem Areas	Remedial Actions to-date	Proposed Way-Forward
5.	PROBLEMS RELATED TO SECURITY		
	<ul style="list-style-type: none"> There is a rising tide of incidents of personal and business insecurity. 	<ul style="list-style-type: none"> Ministry of Home Affairs has just announced a plan to embark on tightened security measures in collaboration with peoples militia. 	<ul style="list-style-type: none"> Ministry of Home Affairs, in collaboration with interested partners, develop proposals to tighten security, including improved working and living conditions of the police force for government approval (by end-September, 2002).
6.	PROBLEMS RELATED TO THE FINANCIAL SECTOR		
	<ul style="list-style-type: none"> Inadequate supply of credit in micro-and small enterprises. Gaps in the availability of long-term finance for housing, agriculture, industry and other sectors. 	<ul style="list-style-type: none"> The government is developing modalities (in the context of FY 2002/03 budget) to guarantee credit for marketing of agricultural crops). A comprehensive review of micro credit schemes has also been carried out, and the World Bank has carried out sector-wide study, covering banks and non-bank financial intermediaries, and the insurance schemes. 	<ul style="list-style-type: none"> Bank of Tanzania and the Ministry of Finance, together with interested partners, develop proposal (based on best practices), for government approval on how to address the problems in these areas (before end-December, 2002).
7.	PROBLEMS RELATED TO LICENSING OF BUSINESS ACTIVITIES		
	<ul style="list-style-type: none"> There are too many licences and tax collecting agencies on individual business. 	<ul style="list-style-type: none"> Substantial work has been made, including in the context of FY 2001/02 budget, to reduce the number of licenses (and collecting agencies) impacting on individual business. 	<ul style="list-style-type: none"> Ministry of Industry and Trade jointly with the TIC embark on publicity campaign to inform the business community and the public at large, of the changes that have been made by the government in this area. Such publicity should continue in the course of FY 2002/03. Ministry of Industry and Trade, jointly with the TIC, PO-ROLG, and concerned line Ministries, embark on the implementation of the government's decision to establish One-Stop Centre on licensing of business activities (by end-December, 2002).

	Problem Areas	Remedial Actions to-date	Proposed Way-Forward
8.	PROBLEMS RELATING TO REGIONAL TRADE AGREEMENTS OF INTERNATIONAL TRADE		
	<ul style="list-style-type: none"> There are underlying weaknesses in negotiating trade agreements. Unfocussed government policy in regard to the use of Suspended Duties. 	<ul style="list-style-type: none"> The Ministry of Industry and Trade has endeavoured to involve the private sector in the negotiations for the EAC and (somewhat belatedly) the SADC trade agreements. The Ministry of Industry and Trade is using the NWG, as a forum for involving a wider spectrum of stakeholders in the negotiation of trade agreements. <p style="text-align: center;">---</p>	<ul style="list-style-type: none"> Ministry of Industry and Trade in consultation with other stakeholders, reach agreement on the establishment of an effective technical Secretariat for the National Working Group (NWG) (by end-September, 2002). Expedite the negotiation of bilateral agreements, to facilitate trade between Tanzania and individual COMESA members. The Ministry of Industry and trade endeavour to conclude negotiations of these agreements (by end-June 2003). Ministry of Industry and Trade commission a study on dumping of imported items in the Tanzanian market, and use this information to prepare, for government approval, product by product recommendations on suspended duty, taking into account Tanzania's obligations under the WTO, as well as in the context of PRGF – supported programmes. This work should be completed before end-December, 2002.
9.	PROBLEMS RELATING TO THE AGRICULTURAL SECTOR		
	<ul style="list-style-type: none"> Lack of coherence and uniformity in responsibilities and mandates of institutions dealing with agricultural crops. 	<ul style="list-style-type: none"> The Ministry of Marketing and Cooperatives has developed a national policy and related comprehensive legislation on cooperatives. 	<ul style="list-style-type: none"> Ministry of Marketing and Cooperatives, together with the Ministry of Agriculture and Food Security, and PO-RALG, develop comprehensive proposals, for government approval, to rationalise roles, functions, and financing of institutions dealing with agricultural crops (before end-June, 2003).
10.	PROBLEMS RELATING TO ROAD TRANSPORT		
	<ul style="list-style-type: none"> Development of the road network is being impeded by the absence of a clear policy on the role of the private sector. 	<ul style="list-style-type: none"> The Ministry of Works has prepared a draft "Construction Policy" for submission shortly to the IMTC. This policy, jointly with the Procurement Act, 2001, and related policies in the macroeconomic area, will clarify the role of the private sector in the construction of roads. 	<ul style="list-style-type: none"> Ministry of Works ensure that the Construction Policy is submitted for government approval by end-October, 2002.

	Problem Areas	Remedial Actions to-date	Proposed Way-Forward
11.	ISSUES RELATED TO COUNTRY RISK		
	<ul style="list-style-type: none"> Tanzania is victimised by the negative “imaging” of Africa. In-country negative perception of investors. 	<ul style="list-style-type: none"> The government has taken steps to enable Tanzania to benefit from international and regional risk guarantee schemes. <p style="text-align: center;">---</p>	<ul style="list-style-type: none"> Ministry of Industry and Trade, jointly with the TIC, examine possible action plans to “market” Tanzania positively, and as a unique destination for private investment (by end-December 2002). Accelerate the implementation of BEST, including the implementation of programs (to be developed jointly by TIC and PO-Planning and Privatisation) to sensitise government officials, political leaders, and the public at large on the nature and benefits of private investment. At least two workshops to this end should be held during the 2nd half of 2002, and during the 1st half of 2003.