



UNITED REPUBLIC OF TANZANIA

**THE NATIONAL INVESTMENT
PROMOTION POLICY**

**PRESIDENT'S OFFICE
PLANNING COMMISSION
P.O. BOX 9242
DAR ES SALAAM**

OCTOBER, 1996

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LIST OF ABBREVIATION

COMESA	-	Common Market for Eastern and Southern African States
ECA	-	Economic Commission for Africa
GDP	-	Gross Domestic Product
ICSID	-	International Centre for the Settlement of Investment Disputes
IPA	-	Investment Promotion Authority
IPC	-	Investment Promotion Centre
MIGA	-	Multilateral Investment Guarantee Agency
Mt.	-	Mountain
NIPP	-	National Investment Promotion and Protection
NGO	-	Non Governmental Organization
PTA	-	Preferential Trade Area
SADC	-	Southern African Development Cooperation
SET	-	Science and Technology
TRC	-	Tanzania Railway Corporation
TANESCO	-	Tanzania Electric Supply Company
TAZARA	-	Tanzania Zambia Railway Authority
UNIDO	-	United Nations Industrial Development
UNDP	-	United Nations Development Programme
WTO	-	World Trade Organisation

1.0 PREAMBLE

1.1 Basic Country Data

1.1.1 Tanzania covers 945,000 sq. kms, which is the largest in East and Central Africa except Zaire. It is situated on the east coast of Africa and lies between one degree and 11 degrees south of the Equator. It borders Kenya and Uganda in the north, Zaire, Rwanda and Burundi in the west, and Zambia, Malawi and Mozambique in the south. The Tanzania mainland has a coast-line of some 804 kms of beaches, most of them palm-fringed. In the Indian Ocean, Tanzania embraces the spicy islands of Zanzibar and Pemba, occupying an area of 2,332 sq. kms and separated from the mainland by a channel of 40 kms width at its narrowest point, as well as the beautiful little island of Mafia.

1.1.2 According to the 1988 census, the total population of Tanzania is likely to reach 46 million by the year 2025 from the current 27 million in 1995. Over the thirty year period, the rate of population growth is projected at 2.8% per annum (1994 -1999), 2.5% per annum (2000-2006), and 2.3% per annum from 2006 to the year 2025. The size of the labour force is currently estimated at around 10.8 million, or 40% of the total population out of which 900,000 are registered employees (wage and salary earners).

1.1.3 Extremes of topographical relief, typical to the African continent can be found within Tanzania's territory. From the towering Mt. Kilimanjaro, with its permanent ice-cap reaching 5,895 metres above sea level, the country stretches to the trough-like depression of Lake Tanganyika the world's

second-deepest lake (7724 metres deep). The country rolls from its lush, forested mountains in the north and south, through the great central plateau of rich brown savannah grass and bush, down to the tropical coastline. Tanzania also boast of Lake Victoria, Lake Nyasa, several smaller lakes and number of large rivers. These lakes and inland waters, some of which provide hydro-electric power make about 10% of the country's total land area.

Tanzania's location is strategic as an outlet to several land-locked countries such as Burundi, Malawi, Rwanda, Uganda, Zambia and Zaire.

1.1.4 The Kiswahili language is a lingua franca all over the country and is also the most widely-spoken African language, with more than 70 million people using it in the Eastern and Central Africa Region. In addition, the English language is widely spoken in the country and is widely used as an official language. The French, German, Arabic and Portuguese languages are also in the use in certain places (such as international hotels). Tanzania also boasts an industrious populace with an uninterrupted history of national unity and tranquillity since independence.

1.2 The Economic Front

1.2.1 Economic Management

Tanzania has made major progress over recent years towards putting into place a general policy environment which is more favourable for private sector expansion and sustainable economic development. The country has shifted from its previous reliance on control mechanisms to a predominantly

market-oriented environment, 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 is being completely liberalized for payments and transfers for current international transactions. Progress has been made with the development of a more market-oriented financial system with the liberalization of interest rates. A substantial number of both local and foreign banks and non-banking institutions have been established in order to provide short, medium and long term loans to investor. Both local and foreign investors are encouraged to establish development banks for venture capital and lease financing so as to match and facilitate the country's current pace with regard to investment and productivity. The tax regime is being reviewed with the view to make it more rational, simple and equitable.

Economic performance responded favourably to these reforms in 1986-95 with the rate of economic growth averaging at four percent per annum up from two percent during 1981 -85. The most relevant long term development objective consists of revitalizing and raising the level of productivity in the leading productive sectors (agriculture, manufacturing, mining and construction) trade restructuring especially restructuring the export sector and realizing the potential of tourism and human resources development.

1.2.2 Agriculture

Agriculture is the foundation of the Tanzania economy underpinning employment, food production and export. The agricultural sector, which comprises of the crop animal

husbandry and fisheries sub-sectors has remained the dominant productive sector employing about 80% of the population, and accounting for about 50% of the GDP and about 60% of foreign exchange earnings. Food-crop production dominates the agricultural economy that contributes 55% of the agricultural GDP, with livestock accounting for 30% and traditional cash crops (coffee, cotton, cashewnut, sugar, pyrethrum, tea tobacco and sisal) accounting for only eight percent.

1.2.3. Industry

Industry is an important economic sector. Between 1986-1995 exports earnings from the industrial sector ranged between 14%-20% on the average, of the total foreign exchange earnings thus ranking second (after agriculture) Moreover, the industrial sector is an employer accounting for 18% of total wage employment and being the largest single source of urban employment.

1.2.4 Tourism

Tanzania ranks number one in Africa for the area set aside for wild animals and variety of species. Tanzania is endowed with all the key attractions necessary for the development of a successful tourist industry. Tanzania has vast coastal areas with wonderful white sandy beaches thronged with peacefully whispering palm trees. The country has a large coverage of game reserves and variety of wild game, the uniqueness of Ngorongoro, the immortality of Serengeti, Mt. Kilimanjaro and the unique opportunities of communicating with "the traditional gods" on Mawenzi and Kibo peaks provide potential mountain climbing activities. In 1994, there were

eleven national parks, namely Serengeti, Ruaha, Ngorongoro, Mikumi, Tarangire, Katavi, Kilimanjaro, Rubondo, Manyara, Arusha and Gombe Stream. These, together with the Ngorongoro Conservation Area, cover an area of approximately 46, 000 square kilometres and occupy about five percent of the total land area. Added to the vast size of the country, these attractions provide tremendous opportunities for the development and promotion of various tourist activities from game-viewing and photographic safaris, to game-hunting, beach holidays, mountain-climbing, film making and sight-seeing.

1.2.5 Mining

Sixty years of conducting geological surveys and explorations in the regions, together with the available mineral production statistics and information reveals that Tanzania has a diverse mineral resources base and a high potential. Despite her immense potential, Tanzania has yet to accrue significant contributions to the national economy from the mineral sector. The major minerals are found in a number of geological settings. These include the following: gold occurrences found in the Archean greenstone belts, and banded iron formations in southern and eastern parts of Lake Victoria, gold and base metal occurrences in the Proterozoic Ubendian systems in Western Tanzania, the Kimberlite pipes in the central and southern parts of Archean craton of Tanzania, nickel, cobalt, copper, tin and tungsten-bearing rock formations in the Karangwe-Ankolcan system of northwest Tanzania, carbonatites associated with the Rift Valley System, the major gemstone district concentrated in the Proterozoic Usagaran and Ubendian Geological System, iron-ore hosted by anorthositic intrusives in the proterozoic Ubendian system,

coal resources in the Karoo System, evaporites in the Rift Valley and younger formations along the Coastal Belt, and variety of industrial minerals such as kaolin, mica, phosphate, magnesite, beach sands and diatomites in different rock formations. Tanzania has also substantial proven natural gas reserves that can be exploited for industrial use and power generation. Other hydrocarbon reserves are also said to exist but these require further exploration.

1.2.6 Energy

Tanzania has substantial and diverse energy resources waiting to be exploited. The country possesses a number of potential hydro-power sites that could easily satisfy the country's power requirements for many years to come. The total hydro-power potential is estimated at about 4,500 MW, with an output of about 20,000 GWh output per year. Of this potential, only 330 MW has been developed. The major sites with hydro-electric power are found in the Rufiji River Basin. By far the site with the highest hydro-power potential is Stiegler's Gorge along River Rufiji. Tanzania also has considerable biomass resources in terms of forestry and agricultural residues. The total forested area is 44 million hectares, i.e. about 50% of the total land area. Possibilities also exist for the economic conversion of these resources for energy uses.

1.3 The Infrastructure

1.3.1 Tanzania acknowledges the importance of the physical infrastructure as an enabling environment for the promotion of investment activities. The transport sector accounts for about six percent of real GDP and 16% of the gross capital

formation. It provides the economy with the vital spatial and sectoral links particularly important for the agricultural sector-- for the distribution and marketing of food and cash crops. It further facilitates trade with other land-locked countries in the region and thus provides other revenue sources.

1.3.2 Tanzania is highly dependent on road transport for conducting her economic activities. Compared to other transport systems, road transport is easily accessible and available in the urban and rural areas. The transport system comprises of a road network of about 88,000 kms; two railway systems totalling about 3,510 kms operated by the Tanzania Railways Corporation (2,600 kms) and the Tanzania-Zambia Railway Authority (970 kms in the Tanzania Sector of the railway), ocean and lake ports operated by Tanzania Harbours Authority and Tanzania Railways Corporation respectively, three international airports (Dar es Salaam, Kilimanjaro and Zanzibar) and over 60 smaller aerodromes and air strips and a pipeline from Dar es Salaam to Ndola, Zambia for the transportation of crude or processed oil.

1.3.3 Considering the size of Tanzania, air transport is important for domestic travel. All urban and regional centres are covered by the air network of national airline. Private airlines and air charters supplement and compete with the services offered by the national airline especially to Dar es Salaam, Kilimanjaro, Mwanza and Zanzibar. Air charters and commuter airlines serve the tourist industry -- flying to national parks and the scenic locations. Air transport services have been liberalized to allow for better quality services through competition.

1.3.4 The expansion and development of port corridors is being undertaken most cautiously, given the substantial trade and traffic flows that is developing with and through South Africa.

1.3.5 The existing railway transport capacity amounts to more than five million metric tons, although the combined actual annual performance (TRC and TAZARA) amounts to about two million metric tons of cargo freight and four million passengers.

1.4 Communication

Communication is an integral part of any investment project and an essential component in the long-term development process. Due to the trade liberalization and other reforms, economic activities are expected to increase rapidly and there is a growing need for basic telephone, data communication and other communication services, but also increasingly for more advanced information technological services. The communication sector is under restructuring, with the objective of accessing and using modern information technologies and making communication networks accessible to the public and meeting the domestic demand as well as the regional and international business requirements.

1.5 The Political Front

1.5.1 Tanzania is one of a few African countries with a stable and peaceful socio-political environment. The country remains free of ethnic and religious tensions and the violence that has struck so many developing countries. The country has ushered in political pluralism -- increase democratization --

as part of global political reforms.

Specifically, in 1992, the country officially adopted the multiparty system and, in 1995, the first multiparty general elections were held. These political developments, particularly the pluralistic political environment, have ushered in a new era and heightened the level of democratization -- there is more freedom of speech, movement, and increased participation in the decision-making process. Press freedom has also been enhanced.

1.5.2 Tanzania strives to create a politically-enabling environment to build the national consensus on the investment and development goals and purposes. Multiparty democracy will ensure the establishment of a legal and administrative framework for different players to participate efficiently in the country's economic management and decision making. Also, the multiparty parliament ensures that there is efficiency in the provision of public services and utilities, that the judicial system is fair and effective, that government and public officials are strictly accountable and strive to maintain a better link between the government, the general public and the business community, and the public funds are efficiently and honestly utilized to better the living standards of all Tanzanians.

1.6 On the Social Front

1.6.1 Social and economic development effort in Tanzania is founded on the premise that the development of human resources plays a major role as a vehicle for social progress, and for building a strong, diversified, resilient and

competitive economy.

1.6.2 The average life expectancy is expected to rise to 70 years which compares to that of newly industrialized nations. This attainment is higher than the life expectancy (68 years) found in medium-income level countries where human development ranks high. Infant mortality rates are also expected to fall from 99 per 1,000 to 20 by the year 2000.

1.6.3 The recent estimates for the national literacy rate approximate 90%. Tanzania will have Universal Primary Education by the year 2005 and the secondary school enrolment rate will rise from 15% to 60% which is comparable to the average of countries where the current level of human resource development is high. A new Education and Training Policy (1995) has been adopted by the government and stresses, among others, vocational and polytechnic training with gender equity in mind. Based on the new Education and Training Policy, provision of education and training has been liberalized to include the participation of the government, private sector, NGOs, religious institutions and individuals. Similarly, and based on the policy, the management of the Education and Training Policy is to be decentralized.

1.6.4 Access to safe and clean water will have risen from 50% (in 1995/6) to 90% (in the year 2000) which compares well with the current average (86%) for countries with high human development levels e.g.. China (83) and South Korea (92%).

1.6.5 Healthy and educated workers are more likely to successfully engage themselves in high productivity activities, high income generating employment and thus

stimulating investment activities. Rapid restoration of the quantity and quality of social services is an integral element of any investment strategy.

Private health care in Tanzania is already an important part of the health care delivery system. There has been a high rate of increase in the number of health facilities following institutional and legal reforms in the sector.

1.7 On the Legal Front

The Government is committed to promoting private investment and has devised strategies to uphold the sanctity of property rights. The government reviews all principal legislations whose provisions contradict the current policy of economic liberalization and the national investment policy. In its endeavour, the Government desires to maintain a legal system that gives due guarantee of protection to both domestic and foreign investments and properties. At the domestic level, contractual and property rights are protected under the legal system. In accordance with the Constitution of the United Republic of Tanzania every person has the right to own private property and receive protection for property that has been lawfully acquired. The Constitution prohibits the expropriation or acquisition, for the purpose of nationalization or for any other purpose, private property lawfully acquired. At international level, Tanzania has membership to a number of regional and international agencies such as Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID) whose purpose is to consolidate investment guarantees and boost the confidence of investors.

2.0 OVERALL NATIONAL DEVELOPMENT GOALS

2.1 The overall long-term goal of Tanzania's socio-economic development is to attain a society with sustainable human development, i.e. a society of educated and healthy individuals, a culturally-dynamic and economically-sustainable society. The society that is needed is the one that rejects under-development and braces itself to the task of raising the living standard of its people to the level of a typical medium-income level country that focuses on human development.

The main components of Tanzania's development goals are:

- (a) To ensure economic prosperity and improve the living standards of the people.
- (b) To ensure economic justice and equity through productive employment and enterprise, paying special emphasis to gender balance.
- (c) To promote and achieve a self-reliant, self-sustaining economy and a national resilience that can effectively cope with changing market and technological conditions.
- (d) To promote economic cooperation with African countries and the rest of the world.
- (e) To encourage the transfer of appropriate technologies and human resource development, including the enlargement and development of local scientific technological capacity.

- (f) To transform Tanzania from rural based subsistence agricultural economy to a more diversified industrialized one.
- (g) To promote, achieve and maintain national equity and cohesion.
- (h) To optimally utilize the nation's natural and other resources.
- (i) To balance accelerated economic growth with a more efficient management of the environment and use of the country's natural resources in ways which will ensure sustainability.

2.2 The Specific National Objectives

The specific national objectives are:

- (a) Attaining a high rate of annual GDP growth averaging eight to nine percent per annum
- (b) Reducing inflation, and maintaining a low inflation rate of a single digit figure.
- (c) Strengthening the country's balance of payments position. This will include raising of the proportion of imports covered by export earnings.
- (d) Achieving fiscal stability through prudent fiscal management. Stress will be on the control of public expenditures, avoidance of domestic bank borrowing to finance budget deficits and strengthening domestic revenue collection.

(e) Maintaining monetary stability and strengthening the financial sector. This will be achieved through the structural and institutional reforms in the financial sector. Monetary policy will aim at checking excessive liquidity in the economy.

2.2.1 The social economic transformation of Tanzania will be dependent not only on establishing a conducive and enabling environment for investment but also on the deliberate efforts to promote the development of productive economic sectors especially, manufacturing industry, mining, agriculture and natural resources and tourism. It will also mean investing in human resource development and in economic infrastructure especially transport and communication and energy resources.

2.2.2 While continuing with the quest for macro-economic stability, the government will focus on boosting the efficient use of its capital which is relatively low in order to accelerate the economic growth rate consistent with this objective the government will continue to withdraw from its direct involvement in productive activities enhance domestic and external competitiveness aimed inter alia at accelerating export diversification and improve efficiency in the use of resources special emphasis will be placed on strengthening macro-economic management particularly with respect to the formulation and implementation of monetary and fiscal policies.

2.2.3 In order to achieve the broad objectives enunciated above, and reinforce the role of the private sector, a liberal investment policy aimed, inter alia at invigorating private investment will be maintained.

2.2.4 There will be incentives to promote joint-venture activities in all social sectors (e.g. health and education), priority geographical areas, and economic sectors (e.g. mining, manufacturing, agriculture and tourism) through deliberate policies aimed at improving the indigenous population with managerial, business and technical skills, and providing incentives geared to ensure their access to (especially financial/capital) resources.

2.2.5 Indigenous investors are mostly engaged in small and medium scale production activities and mostly operate in the informal sector using domestic resources and creating employment and generating income for the local population. There is a need to transform them into formal operations by streamlining registration and licensing and simplifying the tax regime.

3.0 NATIONAL INVESTMENT POLICY OBJECTIVES

3.1 Given the resources and other intangible advantages that Tanzania enjoys, and taking into account the point that development is a dynamic process, in order to meet the challenges facing Tanzania to make its socio-economic aspirations a reality, the government will promote the following policies so as to achieve the pronounced national investment objectives:

3.2 The National Investment Policy

The national Investment Policy objectives will include the following:

- (a) Maximum mobilization and utilization of domestic capacity including cooperation with other developing countries as well as industrialised countries.
- (b) Maximum promotion of export orientation on domestic production of goods and services to enhance the development of a dynamic and competitive export sector.
- (c) The encouragement of inflows of external resources to complement national efforts.
- (d) Encouragement and facilitation of the adoption of new technologies in activities that especially have direct bearing on productivity, quality and increased competitiveness.
- (e) Enhancement of transparent legal framework that facilitate the promotion and gives due guarantee of protection

to all forms of investment activities.

(f) Deregulation of the investment approval process.

3.3 The specific notional investment policy objects that Government wishes to further through, for example, the promotion of local and foreign investments include the:

(a) Optimum utilization of the nation's natural and other resources.

(b) Optimization of foreign resource inflows through export-oriented activities to complement domestic resources.

(c) encouragement and promotion of non-public debt-creating foreign investments.

(d) Achievement of identifiable and substantial foreign exchange savings through efficient productive activities.

(e) Encouragement of the most productive domestic activities to be export oriented as a way to improve competitiveness in the domestic production of goods and services.

(f) Improvement of linkages among the various economic sectors involved in the production of goods and services.

(g) Encouragement of the development of local capacities in the field of science and technology, and the transfer of appropriate and new technology.

(h) Promotion of balanced and equitable growth in the country.

(i) Encouragement of locals to develop indigenous ownership and improve their technological capacity. It is important to accelerate this process by broadening the ownership of companies through the development of capital and stock markets participation of small and medium investors through the establishment of Unit Trusts or Mutual Funds. Joint ventures should be encouraged by providing certain benefits and incentives accruing to such business relationship.

(j) There will also be efforts to empower women by encouraging investment into areas where women are active in order to enable them be more productive.

(k) To encourage through incentives institutions involved in the interpretation and skill based training capacity building.

3.4 The specific sectoral policy objectives to contribute towards achieving investment transformation will be:

(a) In Agriculture

(i) Fostering Research and Development that encourages the adoption of new production technologies in the agricultural sector, improving extension services, modernisation of agriculture, raising productivity and the use of agricultural tools and inputs.

(ii) Transforming the domestic food production and

comercial farming sector into satisfying domestic needs and becoming one of the major export sectors and source of employment and income for both farm and off-farm labour.

(iii) Encouraging livestock production in the small holder and commercial farming sector, including processing and marketing of livestock products.

(iv) Promoting a secure land tenure system that encourages the maximum use of land resources and facilitates broad-based social and economic development.

(v) Promoting export cash crops production by utilizing technological advances in agriculture, monitoring developments in worlds markets and provision of credit facilities.

(vi) Encouraging expansion in irrigation agriculture which uses environmental sound technologies.

(vii) Encouraging investments in production and exports of horticultural produces and other non-traditional agricultural exports.

(b) In the mineral sector

(i) Providing mechanisms for managing mining rights allocation that will encourage broad based growth in mining and encourage investments into mining activities.

(ii) Adopting supportive measures which promote artisanal and small-scale mining activities.

(iii) Providing in place legal and institutional mechanisms that will ensure the existence of harmony between small and large-scale mining activities.

(iv) Promoting and encouraging minerals beneficiation in order to maximize value added mineral products.

(v) Providing into place incentives to encourage private sector investment in exploration, efficient mining and marketing of the country's mineral resources, including gas and oil reserves.

(c) Industry

(i) Transform the structure of the Tanzanian economy from a predominantly rural based subsistence agricultural economy to a more diversified and more industrialized economy.

(ii) Improve access to finance as a basis for encouraging investments in technology and industrial expansion, especially electronic, computer and other high-tech industries.

(iii) Promote the installation of competitive infrastructural facilities especially reliable power, water, telecommunication and transport.

(iv) Encourage the use of domestic materials which promote greater sectorial linkages within the economy.

(v) Promoting the development and growth of small and medium scale industries which serve both the domestic and export markets.

(vi) Encouraging investment in the agro-based industry, i.e the processing of local raw materials into final products.

(vii) Identifying and promoting informal/micro-enterprise sector activities that have potential for output expansion and employment generation, and that serve both the domestic and export markets, in a manner that structurally integrates such activities that complement the formal, rural and urban sector.

(viii) Encouraging and promoting the participation of local entrepreneurs in investment development so as to make private investment sustainable.

(d) Tourism

(i) Expanding and diversifying the tourist industry by improving supportive infrastructure support services, the quality and efficiency of service delivery, and preservation of the natural environment.

(ii) Encouraging local and foreign investment in tourist services and infrastructure

(iii) Engaging in more active tourist publicity and marketing arrangements both domestically and internationally.

(iv) Strengthening tourism institutions and enhancing coordination among tourist service delivery participants.

(c) Transport

(i) Encouraging private sector, public sector and foreign

investment in the transport sector, as well as regional cooperation and investments in transport services and facilities.

(ii) Encouraging investments in inland water and maritime transport facilities.

(iii) Improving the quality and competitiveness of transport services and facilities.

(iv) Encouraging the regular maintenance of the transport infrastructure.

(v) Promoting an integrated and linked national regional and international road, railway and air transport networks in order to enjoy not only the benefits of economies of scale, but also to maintain international standards and levels.

(vi) Encouraging the development of rural roads to facilitate farmers in the market.

(f) Communications

(i) Encouraging private, public sector and foreign investment in the communications sector.

(ii) Enhancing the quality, efficiency, accessibility and reliability of the communications network within the country, the region and internationally.

(iii) Promoting the adoption of new and emerging information technologies in the communications sector.

(g) Energy

(i) Encouraging investments in the development of all possible commercial and alternative sources of energy with emphasis on the utilization of domestic resources with the aim of ensuring security and continuity of supplies, as well as reducing dependence on bio-mass fuels.

(ii) Encouraging investments which promote sub-regional and regional cooperation and collaboration in the energy sector.

(iii) Promoting adoption of systems of production, procurement, transportation, distribution and end-use which are efficient and not detrimental to the environment.

(h) Social Services

(i) Improving the provision of social services particularly in health and education by encouraging private investment and investment partnerships between the private sector communities and the public sector.

(ii) Improving the standards of social services including increased access to good quality water for domestic use.

(iii) Encouraging individuals, communities, private and public agencies, and NGOs involved in the health and education sector to establish, own, manage, and administer all systems of formal education and training.

(iv) Encouraging private and public investments in human resource development and sectors that involve women and

the poor, e.g child-care centres, health services, simple and cheap energy sources and technologies that reduce the workload of women.

4.0 NATIONAL INVESTMENT POLICY STRATEGIES

This section presents investment policy strategies that aim at achieving the above national investment objectives. The strategies include the provision of the efficient and effective institutional framework including the role of the government, the investment Promotion Authority, financial and other investment support institutions. The second strategy, is the need for adequate and effective fiscal and non-fiscal incentives in mobilization of local and foreign investments. The third strategy is the need to establish transparent legal framework that facilitates the promotion and gives due guarantee of protection to all forms of investment activities. The fourth strategy is the provision of adequate quality and reliable socio-economic infrastructure and facilities. The last strategy is the implementation of the investment policy that seeks to promote the growth of exports by strategically utilizing scarce natural, social and capital resources via efforts such as establishment of export promotion zones, industrial processing sites and other facilities.

4.1 Institutional Framework

4.1.1 The role of the Government

With the on-going economic reforms, the role of the Government in the Investment Policy has been narrowed down to the provision of clear policy guidelines, the stimulation and promotion of investment sectors, and overseeing the general development, rather than directly engaging itself into productive activities within the investment sector. Therefore the Government's role is limited to guiding, promoting and

facilitating, and being a service provider for investment.

Recognizing the importance of both local and foreign investments in the social and economic development of Tanzania, the Government, as a facilitator, will put in place:

- (i) Conductive macro and micro-economic policies.
- (ii) Competitive fiscal regime which articulates and clearly states the taxation packages.
- (iii) Environmental protection standards in line with the countries socio-economic policies.
- (iv) Stable and predictable developmental policies, and
- (v) Supportive regulatory framework to support private sector investment.

The Government as a promoter and facilitator of both local and foreign investments, will put in place conducive legal framework for protection, promoting, facilitating and guaranteeing investments.

As a provider of services, the government will provide social and economic infrastructures and investments in human development in undertaking the provision of services, the government will encourage and invite both public and private sector participation.

4.1.2 The Role of Investment Promotion Authority.

This Investment Promotion Authority (IPA) is established as

the focal point of the promotion, coordination, and monitoring of local and foreign investments in Tanzania. In sense, the IPA will be custodian, a one stop centre, and oversee the implementation of the investment policy and compliance in all institutions. The Authority shall make available to all prospective investors the relevant governments that would need to be completed in respect of the proposed investment in its operations. The Authority shall observe expediency, facilitate consultations with government ministries, non-governmental organizations, business supporting agencies, business communities and other stockholders. In addition, the Authority shall strive to be self-financing and shall be guided by the overall national investment objectives.

In order to transform the economy of Tanzania i.e. make it more diversified and industrialized the role of IPA would be to promote, facilitate and monitor investments so that there occurs orderly development and growth in the economy. In order to undertake this basic function, the IPA will do the following:

- (i) Undertake promotional activities which include. Collect, complete and disseminate information to investors on investment conditions and opportunities existing in Tanzania.
 - Maintain direct contact with investors and act as a link between local inventors and possible foreign investors.
 - Will market Tanzania as an investment destination within the country and overseas.

• Organize and advertise investment potentials through seminars, workshops, trade shows and all forms of information dissemination, both in Tanzania and overseas so as to increase awareness of Tanzania as an investment area.

(ii) Facilitate investments through the provision of assistance in the sourcing of finance in forming joint ventures and in making other business arrangements.

(iii) Provide the investors with services that aim at assisting both new and old investors with regulatory problems (e.g difficulties with customs clearances, labour problems, site and infrastructural facilities etc.) and the identification of new markets or opportunities for the expansion of businesses. Where appropriate the centre will identify local partners for foreign investors.

(iv) Identify and give advice to potential investors on possible areas of investment.

(v) Identify and acquire land for investment use

(vi) Promote and foster local entrepreneurs to participate in the investment efforts.

(vii) Liaise with other investment promotion agencies in East Africa on matters pertaining to incentives given to investors and taxation policies in order to harmonize the incentives given.

(viii) The new IPA will maintain close contact with private sector business representative.

(ix) Expedite the processing and approving of investments i.e. granting certificates and incentives provided by the law to investors. The investment approval process is intended to monitor the impact of investment in the economy as well as ascertaining potential investments that qualify for special incentives and identifying environmental problems.

(x) The facilitation and speedy acquisition of all necessary permits and decisions required by investors in such areas as work permits, land leases, licenses, bank clearances, and other infrastructural services.

(xi) Engage competent staff with the appropriate qualifications and experience for the efficient and effective performance of its functions in mobilizing local and foreign investments.

(xii) Encourage the role of consultants in promoting investment activities and maintain a register of such consultants to guide and assist potential investors.

In order to ensure and exercise its autonomy the centre will be based in and report directly to the office of the president.

4.1.3 Financial Institutions

Financial intermediation is a prerequisite for economic growth and development because it facilitates efficient mobilization and channelling of savings into investment. This role (allows) presumes the existence of diversified financial institutions and instruments as well as an enabling environment as dictated by the social economic and political factors.

From the mid- 1980s Tanzania has implemented a number of financial reforms that have put in place a liberalized and autonomous financial system which operates on sound commercial principles, guided by internationally acceptable and prudential regulation and supervision of the financial system. These policy reforms have enabled entry of private (local and foreign) banks and financial intermediaries, and the market determination of interest and exchange rates. The reform and restructuring of the financial system has brought about an effective payment and settlement system.

A substantial number of both local and foreign banks and non-banking institutions have been established to provide short, medium and long term loans to investors in various sectors of the economy.

In order to further strengthen and develop the financial system to better serve economic growth, the following policy strategies are relevant:

(i) Strengthening and broadening venture capital companies, finance companies, development banks, lease companies, housing finance companies and insurance companies through investments by public, local private and foreign investors. These would foster competition and offer more financial instruments to investors.

(ii) Encouraging the continued restructuring of the financial system to increase efficiency and attain diversification of the financial assets to cope with the requirements of a more diversified economy.

(iii) Promoting rural financial intermediaries.

(iv) Widening the financial system and popularizing new financial instruments using the right technology in banking, and taking advantage of developments in the telecommunications and information technology.

(v) Encouraging the adherence to financial discipline by the government and public institutions.

(vi) Putting in place appropriate incentives and institutions which will instil savings habits by the general public and enhance sustained pursuit of savings.

(vii) Developing secondary markets for securities and equities.

(viii) Ensuring that reforms in the public sector are intensified so as to promote private sector development, investment and growth, particularly through divestiture and other restructuring strategies.

4.1.4 Other Investment Support Institutions

Arbitrary behaviour of regulatory institutions calls for greater transparency accountability, good governance and the rule of law institutions demand sound public enterprise management as well as efficiency, responsiveness and integrity in public management and administration. They influence the structure and pace of investment and development. In this regard, to ensure that investors obtain all the support and encouragement in their efforts, civic, professional and sectoral institutions will closely work with investors to ensure clarity of responsibilities among institutions themselves and with national bodies so as to stimulate investments and mobilize

resources to promote efficient delivery of social and economic services.

Recent reforms have enabled the establishment of institutional mechanism both private and public that enable this developmental agency to play its effective role in investment and economic development. As such the establishment of business and industrial associations has brought about dialogues between artisan, traders, business community and business entrepreneurs on one hand and the government on the other hand, and various matters of mutual concern and interest. This clearly indicates that the government recognizes the business sector as the engine of economic growth. So as to have an effective institutional support that facilitates investments and provides an overall guiding vision for development, and in order to sustain, improve and strengthen the institutional mechanism the following will be done:

(i) Ensuring an efficient public sector that is accountable, transparent and responsible and which upholds and respects the rule of law.

(ii) Fostering the full and efficient participation of the business sector (including public enterprise, private firms, cooperatives, other socially-owned enterprises and micro-businesses) in promoting sustained growth and development. The reforms that have taken place in Tanzania have given the private sector the responsibility of spearheading economic development. In this regard, micro-enterprises manufacturing activities are becoming important. Just as in Tanzania, it is globally recognized that the informal sector alleviates poverty, it absorbs the

ever-growing number of new job seekers, it produces a substantial share of the GDP and it provides goods and services that the poor can afford. Furthermore, the micro-enterprise sector provides commercial experience and technical training to thousands of people in Tanzania. The micro-enterprise sector is the engine power through which local entrepreneurs and investors can effectively participate in investment development so as to make both local and foreign investments sustainable and promote greater sectoral linkages within the economy. Investments in this sector will also encourage the introduction of new technology and foster industrial expansion.

(iii) Recognizing and promoting the entrepreneurial function in the private sector by training aspiring entrepreneurs, promoting contacts and interactions between business leaders, politicians and public officials, attracting new industries by providing the reliable basic economic services such as building power supplies, land, banks, industrial sites, water, technical and business advice, venture capital on favourable terms, tariff and other types of protection where appropriate and the provision of information on markets prospects.

(iv) Developing public awareness campaigns to enlist the help of the people in combating corruption on a sustained basis.

Tanzania is a signatory to a number of agreements which ensure protection of investments, facilitate settlement of business disputes as well as facilitating entry to Regional and Sub-regional markets. Significant among these are the PTA, Multinational Industrial Enterprise Charter which regulates

and promotes investments and trade among the member states, the Economic Commission for Africa (ECA), the Common Market for Eastern and Southern African States (COMESA) which promotes trade among the member states, the Multilateral Investment Guarantee Agency (MIGA) which guarantees and protects private foreign investment, the Southern African Development Cooperation (SADC) which facilitates investments and trade in the Sub-Region, and the East African Cooperation.

The machinery for the settlement of investment disputes is also guaranteed through the International Centre for the settlement of Investment Disputes (ICSID) for Tanzania is a signatory to the charter. Other forms of investment protection can take place within the framework of bilateral or multilateral agreements on investment protection to which the country is a signatory.

4.1.5 Legal Institutions

There is a need to enhance and facilitate transparent, efficient and effective legal system that will ensure the sanctity of property rights, enforcement of contracts and consolidation of all legal registries. The legal institutions reforms include the establishment of proper legal institutions such as industrial, commercial and claim courts.

4.1.6 Science and technology

There is need to mobilize resources for science and technology, particularly in R & D activities. Both public and private enterprises are encouraged to invest in the development of science and technology by contributing to the

national fund for the Advancement of Science and Technology, assisting in the transfer of science and technology and adapting it to suit the local needs and making use of proven technologies that have been locally-developed.

4.2 Investment Incentives

The government recognizes the importance of adequate and effective incentives in facilitating the mobilization of increasing magnitudes of appropriate local and foreign investments. Accordingly, the investment incentives provided will facilitate the achievement of investment policy objectives, some of which are specified in the investment code. The incentives provided will be competitive, and directed towards investments in areas that are most crucial to Tanzania's economic development and suit the country's changing needs.

The incentives are broadly standardized to avoid the high administrative costs associated with a large number of incentives differentiated by activities and sectors. The incentives are also performance-based depending on sector, and thus will be availed to investors subject to the satisfaction of performance criteria. This performance will largely be reflected in the investment plans submitted by the investor and agreed upon with IPA.

The investment incentives are categorized into fiscal and non-fiscal incentives. The fiscal or tax incentives include investment allowances on capital expenditure, reinvestment allowances on capital expenditure, infrastructure allowances on infrastructure expenditure, preferential tax rates for withholding tax on dividends, royalties and interest,

preferential tax rates on personal income tax, preferential rates on indirect taxes, and double deductions of approved/ specified costs and expenses. In addition, the incentives must be stable, affordable and competitive.

4.2.1 Tax Incentives

Tanzania's tax system shall be more competitive compared to similar economies and shall facilitate efficient, cost-effective tax administration. The tax rates within the region (e.g. within the East African Cooperation, COMESA and SADC), are being harmonized in order to encourage trade and investment. Tanzania is also entering into more double-taxation avoidance agreements with other countries to improve the environment for profitable investment in Tanzania.

The government will provide tax incentives in order to improve investment productivity, and to facilitate this, the Government will make taxes affordable and provide investment allowances that allow investors to contribute to tax revenue.

Tax incentives will facilitate the achievement of various investment policy objectives. The simplified tax incentive will be provided and maintained on a schedule in the investment code as follows:

(a) Corporate taxes

The corporate taxes applied shall be low, affordable and competitive enough to assure profits and thus stimulate investments.

(b) Cooperative society taxes

Incentives will also be extended to investing cooperative societies that are registered under the existing Cooperating Societies Act. The tax rate applicable on the approved Cooperative Societies Investments will be low, affordable and competitive.

(c) Investment allowances on capital expenditure

The investment allowances on capital expenditure are applied to the assessed statutory income, subject to account being taken of the goals of the investment policy. Capital is taken to include all major capital inputs or assets such as equipment, machinery and other fittings in all socio and economic sectors. These goals are in respect to the designated and non-designated areas, whereby localities where investment is encouraged are subject to a higher rate of allowance. Investments with significant local participation are also provided investment allowances. Investments which provide sectoral linkages as well as the adaptation of new technologies are also provided with investment allowances. Similarly, investments with significant export orientation, as well as those generating substantial local employment and dependant on the use of domestic materials and resources are provided investment allowances.

The following investment categories on capital expenditure are provided:

- (i) Non-designated areas
- (ii) Designated areas
- (iii) Local participation in the equity

- (iv) Export oriented projects
- (v) Projects generating significant local employment
- (vi) Project dependent on domestic resources
- (vii) Sectoral linkages
- (viii) New technology
- (ix) Training

(d) Re-investment allowances on capital expenditure

Re-investment allowances are provided to cover capital expenditure for re-investment and rehabilitation purposes. This is treated as equivalent to normal capital expenditure, and is provided at the same rates as in (a) above.

(e) Withholding tax on dividends, royalties and interest

(i) Dividends

Dividends shall be governed by the current Act on Companies -- the Companies (Regulation of Dividends and Surpluses and Miscellaneous Provisions) Act and as reviewed from time to time. This Act regulates the distribution of profit and the cashflow uses of certain Boards and Corporations, and makes special provisions relating to companies.

(ii) Royalties

To encourage innovation and the transfer of appropriate technology, withholding tax rates on royalties on imported technology shall be on the gross amount payable, while an incentive arrangement applicable to domestic based technology will be worked out.

(iii) Interest Payable on Foreign Loans

In cognizance of the recent international move to reduce the burden of foreign debts and the massive transfer of resources externally, there is a need to encourage investment in equity rather than capital. In this regard, so as to minimize foreign debts, the withholding tax rates on interest payable on foreign loans will be low, affordable and competitive.

(f) Personal income tax

(i) Sole proprietors

In order to encourage the registration of sole proprietors and partnerships, and their participation in investment activities, the rate of tax shall be low, affordable and competitive, taking into consideration the national long-term development goals.

(ii) Expatriate Inducements

The government recognizes the role of expatriates, and attaches importance to the need to employ expatriates with appropriate technical expertise. Such expatriates are required in order to train and complement local expertise in strategic areas. Apart from the maximum marginal tax rate on individuals, the Government also offers tax concessions to expatriate employees under the current Income Tax (Remission) Inducement Allowance Paid to Expatriate Employees) Order as provided by the Investment Code.

(g) Indirect taxes

Indirect taxes are differentiated between those charged on

investment goods and those charged on production inputs. The following indirect taxes which are uniformly lower for investment approved projects are charged.

(i) Import duties and sales/excise taxes are payable on imported investment goods at a competitive rate and subject to periodic reviews.

(ii) Export duties/subsidies and taxes are to be charged/offered at a zero rate.

(iii) Imported inputs for export production will be subjected to a duty drawback scheme (with respect of exported goods and services) at competitive rates Drawback claims will be made at the time of export.

(h) Infrastructural allowance

In recognition of the fact that there is a need to improve the infrastructure, the Government has provided an allowance for infrastructural expenditures in order to encourage private investors to incorporate the infrastructural expenditures that are necessary for the efficient running and success of their projects.

Infrastructure allowance at 100% on infrastructure capital expenditure (e.g access roads, bridges substations, etc) is applied on assessed statutory income.

(i) Double deductions of specified approved costs and expenses

Certain expenditure and cost have significant impact on encouraging investment in desired directions, e.g.. in respect

to mining, industry, agriculture (marketing and packaging in the field of horticulture), research and development and tourism.

The following double deductions are allowed:

- (i) Promotion costs and expenses in respect of exports
- (ii) Export credit insurance premiums
- (iii) Expenditure on research and development in approved sectors.
- (iv) Training costs

(j) Double - taxation Avoidance Agreements

Tanzania has concluded various agreement with other countries for the avoidance of double taxation. Such agreements provide relief for foreign investments undertaken in Tanzania by nationals of the countries in question.

(k) Accelerated depreciation allowances

Accelerated depreciations are those that take into account (in computing), the gains or profits from the investments with strategic importance -- such as high-tech industries and firms with high linkages with local industries and whose machinery and equipment depreciate over a long period. In order to improve the prospects for recovery of the investment expenditure, the government will provide depreciation allowances at an accelerated rate in respect of the approved capital expenditure depending on the nature of the sector and priority geographical area.

(l) Specified sectoral tax incentives

Taking into account the investment policy objectives with regard to the promotion and encouragement of investment in specific sectors and desired directions, these tax incentives involve: investment and re-investment allowances on capital expenditures, accelerated depreciation on specified capital expenditures, and double deductions of specified approved costs and expenses. These tax incentives are provided in relation to eight objectives, namely: export orientation, use of domestic materials/resources, promoting sectoral linkages, adoption of new technologies, generation local employment, local equity participation, location in designated areas, and location in non-designated areas. The total investment allowance package will be reasonable and range between 50%- 60% of the total investment expenditure.

4.2.2 Non-Fiscal Incentives

In order to facilitate investment, incentives other than tax incentives are necessary. These are called non-fiscal incentives. These are incentives that are necessary and facilitated by the Government, and the Investment Promotion Authority (IPA) will inform, assist investors to obtain and use the non-fiscal incentives which will be subject to continuous reviews in order to improve the investment environment. The following non-fiscal incentives are provided:

(a) Access to Land

Potential investors passing through IPA will be assured priority access to land set aside by the government for allocation for investors. The investor is entitled to apply to

the Government for a lease of land outside registered villages.

(b) Priority access to utilities, transportation and communications services

Investors passing through IPA will have priority access to utilities (water and power), and transport and communication connections and services.

(c) Expatriate Employment

Investors are assured the right to employ expatriate personnel required for the enterprises development and for the use of technology and skills that are not available locally particularly if such personnel will facilitate the adoption and acquisition of skills by local personnel.

IPA has to ensure that investors have the final say on what they desire and the engagement of expatriate personnel without any condition.

(d) Access to regional and sub-regional markets

The investor will benefit from access to larger regional and sub-regional markets as COMESA, SADC, and East African Cooperation involving markets constituted of: Tanzania, Kenya, Uganda, South African Zambia, Zimbabwe, Malawi, Rwanda, Burundi, Ethiopia, Namibia, Angola, Botswan, Commoros, Djibut, Somalia, Swaziland, Lesotho, Mozambique and Mauritius. Tariff protection is also provided against non-COMESA and non-SADC products Tanzania is committed to ensuring the free flow of production factors in response to integration schemes.

4.2.3 Ineligible Investments

All investments are encouraged except for those producing goods and services restricted on grounds of health, armaments, any type of explosives and environmental considerations.

4.3 Legal Framework

The legal framework underlying the investment policy is provided by the Investment Facilitation Act of 1996 and the new Code designed to facilitate the promotion of all forms of investment activities in Tanzania, and cater to both local and foreign investors.

The investment code will be self protection and cannot be changed by any other law except itself.

The legal framework clearly stipulates the guarantees, rights and obligations of investors under the Constitution and the laws of Tanzania and the arbitration procedures.

4.3.1 Protection and guarantees to investors

The Constitution of the United Republic of Tanzania confers the right to private acquisition and ownership of property.

4.3.2 Arbitration of investment disputes

Disputes between an investor and the government in respect of an approved enterprise is to be dealt with through discussions between the two parties with the aim of reaching an amicable settlement.

In the unlikely event that the amicable settlement of disputes fails, arbitration will follow. At this juncture, several options will be open to the parties concerned. Arbitration will take place in accordance to the following:

(a) The framework of any agreement on investment protection both national and international. For the case of foreign investors arbitration can also take place within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the investor is a national are parties, or

(b) In accordance with any other machinery for the settlement of investment disputes agreed by the parties. Both national and international machineries are involved depending on whether an investor is foreign or local and

(c) The rules and procedures for arbitration of the International Centre for the Settlement of Investment Disputes (ICDID), the Multilateral investment Guarantee Agency (MIGA) and the related authorities.

(d) Dispute between the government and a local investor can also be settled through legal channels and both parties are equal before the law.

(e) An approval of any enterprise may specify the particular mode of arbitration to be resorted to in the case of disputes relating to that enterprise.

4.4 Physical Infrastructure and Facilities

Adequate quantity and reliability of infrastructure are key

factors in the ability of Tanzania to compete in attracting both local and foreign investments. Global reforms on trade and liberalization of economies have increased competitive pressures on countries to improve their infrastructure and facilities in order to attract investments. So as to achieve a competitive edge in attracting investment, Tanzania has put in place the following facilities:

(a) Transportation facilities

(i) The government has invested heavily in the improvement of Railways and Road Network system, and is encouraging private sector investments in the provision of transportation related services.

(ii) The government is promoting an integrated and linked national regional and international air transport networks in order to enjoy not only the benefits of economies of scale but also to maintain international standards and levels.

(iii) Tanzania Mainland has three major ports facilities in Dar es Salaam, Tanga in the north and Mtwara in the south. It also operates lake shipping network that links Kenya, Uganda and other land locked countries such as Burundi, Zaire, Malawi, Zambia and Rwanda.

(b) Communication Services

In this information technology age, rapid access to data and new information technology is essential to national success. This success will be brought about by the access and use of modern communication networks accessible to the investors and the public to meet domestic demand as well as regional

and international business requirements. Tanzania has embarked on improving its communication network, and the private sector has been invited and is being encouraged to participate more actively in the provision of telecommunication services including accessibility to interment and other systems.

(c) Energy

Availability of energy is a prerequisite for the proper functioning and development of all sectors of the national economy. Most urban centres in Tanzania are connected to the National Power Grid, and the government has embarked on power rehabilitation scheme which will supply and distribute power throughout the country. To establish an efficient energy production, procurement, transportation, distribution and end-use system in an environmentally sound manner the government strategy aims at exploitation of abundant hydroelectric sources and development of other indigenous energy resources such as natural gas, coal, petroleum and alternative energy sources in collaboration with the private sector.

The power sector reforms include the process of streamlining TANESCO (Tanzania Electric Supply Company Ltd) and putting it on a viable commercial footing. The Government shall bring average tariff rates in line with the present need to stimulate production. In this regard the Government has invited private investors to invest in power generation which will be cheap and enhance power availability.

(d) The Role of Land

In recognizing that land has value and can facilitate access to capital, the government has instituted a land policy that supports responsible use, allocation, ownership or leasehold, management and land administration. This policy will support investment in agriculture and industrial development. The land policy has introduced different structural arrangements especially for the administration of rural and settlement of disputes. In line with this policy, the government is giving priority consideration to the needs of entrepreneurs to access suitably located, well-priced land for industrial purposes and other uses. Options to facilitate industrial land access for exporters may include: export processing zones, industrial parks and growth centres. To facilitate this process, the government will engage in formal consultation with the private sector on a regular basis to ascertain their needs for agricultural and industrial land.

4.5 On Export and Investment Promotion in Tanzania

Tanzania's export and investment policy clearly stipulates that it seeks to promote the growth of exports by strategically utilizing scarce natural, social and capital resources to accomplish it. In this context, there is a need to have a stable, harmonized and consistent long-term development policies that promote both traditional and non-traditional exports.

Tanzania has made positive direction towards creating enabling environment for investors in the export sector. This has been established by a sound monetary policy, rigorous fiscal management, financial sector reforms, well articulated strategy for debt management and political stability. The above

development policy changes and strategies adopted in Tanzania for export promotion, have already shown success in promoting the country's exports.

In addition to the positive enabling environment, the need for creating strong and effective institutional capacity is crucial. Investors in the export sector need to be provided with a broad range of business, technical, financial supporting services. Among basic supporting services include, provision of information on export markets, market research, provision of basic knowledge and training on export market management and strategies, provision of advice and counselling, trade fair support and use of foreign missions to assist in securing market abroad. More important is the need for simplified export licensing and registration requirements, prior to the shipment of goods so as to maximize export revenues.

Current financial reforms in Tanzania include among others creation of modern and specialized financial services catering for export investment needs. These financial institutions have to be capable, competent and willingly to fulfill their development role as risk taker and partner. These financial institutions would provide export credit facilities and required guarantees or bonds. Extensive efforts by both bank financial institutions are underway to mobilize domestic as well as foreign resources and provide sufficient assurance of liquidity to investors.

Efforts to promote investment must be accompanied by strategies that aim at increasing export production zones. The advantage of these zones is that they promote exports by encouraging export-oriented private investment. The management of the zone is normally the government's

responsibility. The government is expected to ensure special promotional incentives for identified products in a demarcated area. The zones are also intended to assist in job creation.

4.5.1 Eligibility to investment zones/export processing zones will be along the following lines:

(i) Companies/industries whose entire Products are meant for exports. In exceptional circumstances, companies exporting not less than 80% of their products can also be considered for location in the investment zones.

(ii) Export firms whose raw materials/components are mainly imported. The government however encourages investment zones companies to use local raw materials/components where possible.

5.0 OBLIGATIONS OF INVESTORS

The Government has provided a competitive and enabling environment for both national and international investors in the form of fiscal and non-fiscal incentives. The Government expects, in turn, that investors will be serious and highly committed to participate in the country's development and in Government efforts to alleviate poverty. All investors are required to obey the laws of Tanzania. In addition and in accordance to the objectives of the Investment Policy, investors have the following duties and obligations.

- (a) To maintain separate accounts and records in respect of the approved enterprise in a manner required by the Government the stakeholders and other investment supporting institutions.
- (b) To supply, in a timely manner, the required information to investment-support institutions to enable them implement their functions efficiently and effectively.
- (c) To facilitate access to the relevant investment-support institutions information on the enterprise as required by the law and other relevant institutions.
- (d) To undertake investment activities in a manner that best contributes to consumer and environmental protection, industrial harmony, the creation of gender balance, and the development of the human resources.
- (e) That incentives provided in the Investment Code are subject to audit and that there shall be heavy penalties including cancellation of certificate for misuse of the

incentives. The costs of such audit shall be borne by the investor.

6.0 CONCLUSION

This policy document deals with Tanzania's Investment Policy. It presents an outline of the country's economic development with regard to the political, economic, infrastructural, communication, and legal systems that are currently in place. As a young developing nation, Tanzania endeavours to build typical self-sustaining economy focused on the development of its human resources, i.e. a society of educated and healthy individuals with a dynamic culture and sustainable economy.

With this Investment Policy, Tanzania is geared towards creating an open-market economy which therefore means creating an enabling environment for private sector development, undertaking structural reforms and liberalizing the economy. At the same time, there is a need for broad-based growth as contained in the strategies.

This policy provides a vision for future investment in Tanzania, with a focus on

- (i) Building the local capacity -- developing the human resource and the local scientific and technological capacity, and ensuring the transfer of new technologies.
- (ii) Promoting export-led investments.
- (iii) Alleviating poverty through capital accumulation and the promotion of balanced and equitable growth throughout the country.
- (iv) Exercising good governance and the rule of law, and being efficient and transparent on the part of the Government

and other related and relevant institutions. Political stability and the presence of consistent investment policies over long periods will be crucial to the realization of these visionary investment objectives.