

**PROCEEDINGS OF THE FIRST MEETING OF THE TANZANIA NATIONAL BUSINESS COUNCIL  
HELD ON FRIDAY, 22<sup>ND</sup> MARCH 2002,  
AT THE ROYAL PALM HOTEL IN DAR ES SALAAM**

**PRESENT.**

See attached list on page 17

**1. OPENING:**

- 1.1 The Chairman of the Executive Committee of the Tanzania National Business Council, Mr. Matern Lumbanga, welcomed representatives and observers, inviting also the Chairman of the Tanzania National Business Council, HE. Benjamin W. Mkapa, the President of the United Republic of Tanzania to call the meeting to order.
- 1.2 The meeting was called to order at 9:00 a.m.

**2. ADOPTION OF THE AGENDA**

- 2.1 The agenda was adopted as proposed.

**3. AGENDA ITEM 1:**

**INTRODUCTION OF TNBC REPRESENTATIVES:**

- 3.1 The Chairman of the meeting invited the Chairman of Executive Committee to introduce representatives of the Tanzania National Business Council (TNBC) from both public and private sectors.
- 3.2 Representatives of the public sector, including a representative of the Government of Zanzibar, were introduced and their attendance acknowledged.
- 3.3 Likewise, private sector representatives were introduced and their attendance acknowledged.
- 3.4 Presence of observers was acknowledged and special tribute was made to the United Nations Industrial Development Organization (UNIDO) observer for contributions made towards the establishment of the Council.
- 3.5 Ending introductions, the Chairman remarked on glaring gender imbalance of the overall representation and attendance urging women to be adequately represented in future meetings.

**4. AGENDA ITEM 2:**

**CONFIRMATION OF THE EXECUTIVE COMMITTEE AND ADOPTION OF THE PROCEDURAL GUIDELINES.**

- 4.1. The Chairman of the meeting invited the Chairman of the Executive Committee to introduce the Structure of the TNBC Executive Committee to the Council and to highlight the Procedural Guidelines which covered powers of the Executive Committee; Procedure at Meetings; Issues of Minutes, Reports, Finance and Working Committees. (A copy of the structure of TNBC highlighting the Executive Committee was circulated to TNBC members with documents of the 1st TNBC meeting)

- 4.2. The Chairman announced following names of the Executive Committee:
- Chairman - Mr. Matern Lumbanga
  - Co-Chairman - Mr. Arnold Kilewo
  - Members - Mr. Charles Mutalemwa
  - Members - Mr. Peter J. Ngumbulu
  - Members - Prof. Joshua Doriye
  - Members - Mr. Kulwa Sato Massaba
  - Members - Mr. Elvis Musiba
  - Members - Mr. Leon Hooper
  - Members - Mr. Anver Rajpar
  - Members - Mr. Elius Mshiu
  - Secretary - Mr. Dunstan Mrutu (ex-officio)
- 4.3. The Executive Committee and Procedural Guidelines were tabled for consideration of the Council.  
(a copy of the Procedural Guidelines was circulated to TNBC members with documents of the 1st TNBC meeting)
- 4.4. The Council confirmed the Executive Committee, ratified and adopted Procedural Guidelines as presented.

**5. AGENDA ITEM 3:  
INFORMATION ON THE STRUCTURE OF TNBC**

- 5.1. The Chairman of the meeting invited the Chairman of the Executive Committee to present the structure of TNBC
- 5.2. The Chairman of the Executive Committee presented the structure of TNBC highlighting the positions of the Council Chairmanship under HE President Benjamin William Mkapa, the 10 members Executive Committee Chaired by the Chief Secretary, Mr. Matern Lumbanga and Co-Chairman Mr. Arnold Kilewo and the Secretariat headed by Mr. Dunstan Mrutu.
- 5.3. The Chairman of the Executive Committee presented further the Working Committees structure highlighting the existence of two special committees namely the Smart Partnership Hub (SPH) and the Investors' Round Table (IRT) all of which report to the Council.
- 5.4. The Council received and approved the structure of TNBC as proposed and presented.

**6. AGENDA ITEM NO. 4  
PRESENTATION OF DISCUSSION PAPERS**

**FIRST DISCUSSION PAPER:**

***“The Role of an Integrated National Plan for the Realization of Vision 2025”***

- 6.1. The Chairman called upon Hon. Dr. Abdallah Kigoda (MP), Minister of State in the President's Office (Planning and Privatization) to present the first discussion paper.

- 6.2. Hon. Dr. Abdallah Kigoda made a presentation of paper titled “The Role of an Integrated National Plan for the Realization of Vision 2025”.  
(a copy of the paper was circulated to TNBC members with documents of the 1st TNBC meeting)
- 6.3. The presentation highlighted the following:
- 6.3.1 That Tanzania Development Vision 2025 has been prepared in response to the anticipated challenges of the 21st Century, challenges characterized by intense competition in the economic field, dominated by those with advanced technological capacity, high productivity, modern and efficient transport and communication infrastructure and above all highly skilled manpower imbued with initiative.
- 6.3.2 That Vision 2025 is a statement of intent to direct and facilitate the participation of this country in the global development in the first quarter of this century. It is envisioned that Tanzania of the Year 2025 will be a society of people characterised by high quality livelihood free from abject poverty; a strong and competitive economy; good governance; a well educated and learning society, peace, stability and unity.
- 6.3.3 That the main challenge of its implementation was its baseline situation whereby development indicators are very low, growth rate of below 5% against required rate of 8% to 9%, the economy was still dependent on primary production with industry contributing merely 17% to GDP, low productivity and technology due to poor human and physical capital development resulting from inadequate emphasis on science and technology, capacity in economic management; weaknesses in governance for development; the permeation of a dependent development mindset and infancy of the local private sector.
- 6.3.4 That roles in the implementation of Vision 2025 are essentially divided between the government – which includes the central and local governments; and the private sectors with players ranging from big businesses in urban areas to the poor peasant farmers in the rural areas.
- 6.3.5 That priority areas to be implemented by all stakeholders include human resource development, food security, increase foreign exchange earnings, macro-economic stability and growth, investment promotion in all sectors of the economy, rule of law and governance, gender issues, research and development and environmental protection.
- 6.3.6 That together with its core functions of governance and security, the role of government is economic policy formulation and creation of an enabling environment for private sector participation.
- 6.3.7 That the role of the private sector is wealth creation and implementation of policies including Vision 2025.
- 6.3.8 The presentation concluded that Vision 2025 would be implemented through integrated medium term plans of three-years prepared and implemented by all stakeholders in the development agenda marshalling societal resources integrating public and private sector efforts. This calls for a new approach in preparing development plans moving away from central government development programmes to be implemented and funded by government budget to an approach which involves the private sector and other stakeholders in the development agenda.

- 6.4. The Chairman opened the discussion on the presentation and following major issues and suggestions were made:
- 6.4.1 Tanzania Exporters Association
- That an Export Strategy for Tanzania has been documented but not operationalised. The document should be revisited and a time framework for its implementation be clearly reflected as part and parcel of benchmarks for implementation of vision 2025.
  - That an export promotion board be established replacing board of external trade. An export promotion fund be created out of a small import levy on private sector imports to be used by the Board and other private sector development institutions and associations.
- 6.4.2. Tanzania Consultancy Association
- That Tanzania was losing as much as US \$ 300 million exported through reliance on foreign consultants and local consultants enjoyed less than 5% market share.
  - That there was need to devise mechanism for better utilization of indigenous human resources in order to create savings and build capacity of national consultants.
  - That TNBC take stock of the consultancy sector and the way local consultants were utilised and prepare a national policy on consultancy to guide the use of consultancy services in the country.
- 6.4.3. Government Earnings under Private Sector Driven Economy:
- The Chairman threw a challenging question for debate as to how much the government would earn under a private sector driven economy.
- 6.4.4 Dar es Salaam Merchant Chamber
- That proposal made for the replacement of the Board of External Trade by an Export Promotion Bureau/Board led by the Private Sector should now be pursued vigorously .
  - That emphasis be placed on agro-processing to increase the value of agricultural exports and move the country away from primary commodity exports. This should be paralleled by review of agricultural taxes to encourage investments in the sector.
- 6.4.5 Tanzania Civil Engineering and Construction Association.
- That a draft Construction Industry Policy had been prepared and presented to the government and it was reported that the draft document, which incorporated Private Sector views, has been stuck in government offices for the last four- (4) years, calling for the government to seriously adhere to business facilitation and support.
- 6.4.6 Tanzania Private Sector Foundation:
- Responding to the challenging question posed by the Chairman, the Chairman of Tanzania Private Sector Foundation stated that the biggest constraint was private sector recognition of benchmarks in the long term plan suggesting that policies

and strategies such as export drive, consultancy, construction, agro-processing etc should be consolidated under the Vision 2025 and coordinated by POPP and that medium term plans preferably of five years should be reintroduced and should be prepared in collaboration with the private sector through sectoral representation.

- That the private sector should be incentivised so as to provide sufficient input to planners for the development planning process.

#### 6.4.7 Planning Development Expenditure under uncertain Revenue Collection

- The Chairman threw a second challenging question for debate as to how you can plan your development expenditure when you are uncertain of your revenue.

#### 6.4.8 Chairman of Executive Committee:

Intervention was made by the Chairman of the Executive Committee that:

- The various issues raised were pertinent and deserved extensive consideration but the meeting picked three key subjects in which case the other issues will find their way to the Council through working committees and task forces to be established by the Executive Committee.
- The private sector unit within the Planning Commission was established expressly to work closely with the private sector in planning but there has not been sufficient and fruitful dialogue, underscoring the importance of the TNBC working committees to be established.

#### 6.4.9 Tanzania Oil Marketing Association

- That in order to develop a strong and vibrant private sector, there was need to build capacity of private sector organizations and deliberately to assist the Tanzania Private Sector Foundation as a secretariat of the entire sector through direct funding by the Government so as to ensure realization of the role it played in the Tanzania economy against a backdrop of infancy and poor capacity. A slogan 'Big Steps and High Speed' was proposed to usher the move towards direct support to the private sector in general.

#### 6.4.10 Tanzania Bankers Association.

- That Small and medium enterprises were identified to be the vehicle for employment, income generation and growth and therefore needed support.
- That Land Act and Labor Reforms were a serious impediment to the development of the SMEs in all sectors of the economy calling for urgent reviews to make them more business friendly as a critical bench mark in the planning process. There should be direct dialogue among legal experts from government and private sector on the implications of the laws.
- That housing industry and financing for shelter in Tanzania were critically important areas for consideration by the Council as it touched the livelihood of a majority of Tanzanians.

#### 6.4.12 Tanzania Chamber of Commerce, Industry and Agriculture

- That while the Vision 2025 is highly commendable, there is need to look at intermediate benchmarks and ways to realize the benchmarks. There should be a mechanism of annual stock taking to assess achievements gained in the implementation of the Vision 2025.

- That the private sector has to be nurtured in order to participate effectively and competitively.
- That since macro-economic fundamentals have now been achieved and have attracted private investors to Tanzania, it was time to create conducive environment for private sector growth to ensure revenue generation to the government through increased tax base. This can be done in several ways including removal of impediments to business, promotion of agriculture and especially livestock sector.

#### 6.4.13 Comments and response by Presenter

- That the discussion should ideally focus on what the partnership between the government and the private sector can do to realize the Vision 2025.
- That the decline in export and the example given of Far East countries, it was important to recognize the fact that those countries have moved from being primary producers to processors, underscoring the need to intensify agro-processing for value addition and minimize vagaries of price fluctuations, being price takers. Revolution of sugar industry after privatization was cited as a case for motivating out-growers, large-scale farmers and investors in agro-processing.
- That though the issues on consultancy were real, it was important to recognize the fact that most of the donor-funded projects had conditions attached to, some of which related to selection and appointment of consultants. TNBC was challenged to look into possibilities of introducing a National Policy on Consultancy, with emphasis on export of Tanzania Consultants.
- That the Construction industry policy proposal would be taken into serious consideration and that the government would look into ways of improving agricultural and industrial productivity addressing such issues as entry barrier, cost of doing business, taxation and bureaucratic delays.
- That the government will continue to put in place conducive environment for competitiveness including the privatization of utilities and other key sectors
- That the slogan, “Big Steps and High Speed” was very much welcome but the issue was what are the specific private sector suggestions for improving the private sector. Having worked together in tax reforms, it was time the private sector made specific recommendations on how to enable the sector contribute adequately.
- That the ongoing PRSP programs involving education, health, water, rural roads and poverty eradication were addressing means of filtering macro-gains to micro level.

## SECOND DISCUSSION PAPER:

6.5. The Chairman called upon Mr. Ole Naiko, Director of Investments, Tanzania Investment Centre to present the second discussion paper.

6.6. Mr. Ole Naiko presented a paper titled “Tanzania Investors’ Road Map –Update”.(the paper was presented by power point and copies distributed after the meeting)

6.7. The presentation highlighted the following:

### 6.7.1 **1996 Investors’ Road Map**

That the 1996 Investors’ Road Map prepared in collaboration with the Service Group of USA gave examples of the findings of the road map that gave Tanzania the most unfavorable competitive position compared to Uganda, Namibia and Ghana in processing investment approvals. Main areas cited include amount of paper work required, taxation, land, building permits, investment approvals and work permits.

### 6.7.2 **1998 Investors’ Road Map Review**

That positive results which emerged after the review of 1996 Investors’ Road Map included reduced time for project approvals, business registration and work permits as well as introduction of Single Bill entry system for custom clearance.

### 6.7.3 **Overall Results.**

- That based on the findings of the Investors’ Road Map 1996/98, a new Investment Policy of 1999 was made and a new Investment Code enacted.
- That economic and social reforms have been enhanced to the extent that in 2000 Tanzania was rated top on improvement in investment climate index by Harvard School of Business.

### 6.7.4 **Remaining Entry Barriers**

- That negative image of Africa by the West has made Africa receive less than 1.2% of the world’s FDI inflows.
- That negative perception about South African investors by some Tanzanians has retarded and delayed investments from South Africa, the largest investor in Africa.

### 6.7.5 **Current Investors’ Views on investment climate in Tanzania**

- That research conducted by TIC, BOT & NBS in 2000/2001 on investors views gave the following results:
  - Infrastructure & Services = Generally poor
  - Financial Services = All poor
  - Government factors = overall good including incentives but poor in tax collection and corruption
  - Other adverse factors include corruption, cost and quality of utilities.
- That the remaining domestic barriers required action focusing on
  - Business licensing and Local Government taxes and levies which are too many, with too many collecting agencies and are set arbitrarily.

- Administrative barriers starting from village, local to central Government level.

6.7.6 **Immediate impact**

- That due to these impediments, informal sector cannot easily be upgraded to formal sector.
- That infant sectors which largely operate as informal business like livestock sector etc will not be able grow or attract investments.

6.7.7 **Recommended Action**

There should be a review of the number of licenses, taxes and number of tax collecting agencies and harmonize as far as possible local and central Government taxes.

6.7.8 **Infrastructure**

That the status of roads in Tanzania was the single biggest bottleneck in developing other vibrant sectors particularly agriculture, tourism and mining.

6.7.9 **Recommended Action**

- A holistic approach in developing road network in Tanzania involving all stakeholders including government, private sector and donors is recommended
- A road concession policy should be put in place so as to attract the private sector through BOT, BOO or BOOT schemes.

6.7.10 **Land**

- That the 1996 Investors' Road Map categorized availability of land as a major impediment to investors.
- That despite Prime Minister's directive to Regional Authorities to set aside land for investment purposes little action had been taken and TIC was yet to secure land for giving to investors.
- That the reluctance and inertia of the Regional Authorities to set aside land for investment purposes was slowly leading to uneven growth of investments in the country and retarding agricultural development.

6.7.11 **Labour Law:**

That the Minister for Labour has established a task force to address problems of labour in Tanzania.

6.7.12 **High Cost of Doing Business and Tax Administration**

- That Tanzania is generally criticized as a high cost area of doing business characterized by high taxes, multitude of taxes, high energy cost, cumbersome customs procedures, executive time spent to deal with TRA, refusal to grant bona-fide investors due incentive, hash tax collection methods etc. making Tanzania an uncompetitive investment destination.

6.7.13 **Recommended Action**

- That cost of utilities particularly electricity should be reduced appreciably, tax

collection system should be simplified and there was need to implement the Business Environment Strengthening of Tanzania (BEST) program as promised by the President during his Parliamentary address in February 2002

### THIRD DISCUSSION PAPER:

6.8. The Chairman called upon Mr. Arnold Kilewo, Chairman of the Tanzania Private Sector Foundation to present the third discussion paper.

6.9. Mr. Arnold Kilewo, presented a paper titled “Competitiveness of the Tanzania in the Global Economy”.  
(a copy of the paper was circulated to TNBC members with documents of the 1st TNBC meeting)

6.10 **The presentation highlighted the following:**

6.10.1 That competitiveness is “*the ability of a country to produce goods and services that meet the taste and test of international competition in quality, price and delivery*”

6.10.2 That recognizing the inevitability, opportunities and risks posed by the globalization process, *the Tanzania Development Vision 2025 has laid out a strategy to enhance the competitiveness of the economy.*

6.10.3 That factors impeding competitiveness in Tanzania include:

- **Human Resources**

A significant proportion of the economically active population, mainly the youth, is either unemployed or underemployed due to low level of education along with lack of entrepreneurship/specialized skills and employment opportunities.

- **Capital Resources**

Access to capital resources is a serious problem in a competitive platform and that the problem is exacerbated by, among other things, the existence of high interest rates, low domestic savings, weak banking system, and weak investment incentives.

- **Physical resources**

Despite liberalization measures taken in Tanzania, ownership, control and management of key resources such as land was still in the hands of the state.

- **Infrastructure**

Inadequate and inefficient infrastructure including roads, railways, marine and air transport and the highest electricity and telecommunications tariffs within the Eastern and Southern Africa region were major impediments to Tanzania’s competitiveness.

- **Knowledge resources**

The use of information and communication technology (ICT) in production, distribution and exchange was limited to few private and public institutions mainly in urban areas.

- **Demand conditions**

The average per capita income in Tanzania is US \$ 0.70 per day while savings rate is 17% of GDP and the prevalence of HIV/AIDS is continuing to put pressure on human and national resources.

- **Good Governance**

Good governance underscores the need for accountability, rule of law, transparency and competent public agencies. Corruption, poor accountability and inefficient legal system experienced in Tanzania are eroding good governance and hence competitiveness.

6.10.4 That the trend-setting agenda for improving Tanzania's competitiveness in the global economy was proposed by His Excellency President Benjamin William Mkapa during the launching ceremony of TNBC on 9th April 2001 where the President's advice was enveloped in the following quotation:

*"there is such an abundance of pressing needs and competing expectations that if we are not careful we may bite more than we can chew, and may end up without any concrete results towards the attainment of our objectives".*

6.10.5 The Chairman of the National Business Council proposed six agenda issues considered as critical for enhancing Tanzania's competitiveness: -

- tax regime
- regulatory framework
- domestic industry, utilities, labour and markets
- financing productive activities;
- broad sharing of the fruits of economic growth
- good governance

6.10.6 That the past one year was sufficiently a long period to reflect and take stock of actions taken towards the implementation of the agenda and a matrix was presented summarizing actions taken, remaining obstacles, further actions required, key institutions to be responsible for undertaking further actions and time frame in a performance appraisal format for implementing the competitiveness enhancing measures.

6.10.7 That the Tanzanian government, while confining its role to that of maintaining law and order, has remained committed to initiatives aimed at creating a competitive market economy and has encouraged the private sector to take a leading and pro-active role in the conduct of economic affairs in Tanzania

6.10.8 That the privatization programme has expanded the scope of competition through, for example, the introduction of foreign banks, insurance companies, manufacturing firms and other service firms. Though unfinished and has its criticisms, the privatization programme has expanded the competitive horizon in Tanzania and many Tanzanians have now forgotten widespread shortages, price and export-import controls, monopolistic operations by state-owned enterprises etc.

6.10.9 That the government has created several key institutions and charged them with the responsibility to promote competition. Though the performance of some institutions needs to be improved, it is without doubt that TRA has endeavored to simplify tax col-

lection system by reducing tariff bands and rates, TIC has facilitated foreign investments into Tanzania and PSRC has facilitated the privatization exercise.

- 6.9.10 That realizing the importance of linking the country to a family of competing nations globally, the government of Tanzania has sought membership and has been admitted to global trading arrangements like the World Trading Organization (WTO) and regional integration schemes like East African Community (EAC) and the Southern Africa Development Community (SADC).
- 6.10.11 That the Tanzania National Business Council (TNBC) with its affiliates, such as the Tanzania Private Sector Foundation (TPSF), Confederation of Tanzania Industries (CTI) and the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) etc, will continue to be the mouth piece of the private sector and thus the main instrument for dialoguing with the Government.
- 6.10.12 That an action plan for improving Tanzania's competitiveness in the global economy should start with policy action directed towards seven key sectors of Education, Finance, Agriculture, Livestock and Fisheries, Mining, Industries and Manufacturing, Tourism (Entertainment and Service Industry), and Lands. A matrix for proposed solutions was presented showing proposed responsibility and time frame for action.
- 6.10.13 That to enhance competitiveness, the key strategy is to identify individuals, firms or sectors which can be competitive at the domestic level and support them to enhance their competitiveness in order to gradually graduate to competition at the regional and eventually at the global market.
- 6.11 The presenter tabled private sector recommendations and specific actions for trend setting as follows:
- 6.11.1 **Recommendation 1: Tax Regime**
- he private sector recognizes the importance of taxes in the development of the economy and appreciates what has been done so far to rationalize taxes.
  - Given the importance of the tax issue, the private sector recommends that the Government through the Ministry of Finance form a Tax Commission to address the remaining tax matters within the financial year 2002/2003,
- 6.11.2 **Recommendation 2: Development of Infrastructure**
- Given the state of infrastructure in Tanzania, the private sector recommends involvement in upgrading and developing trunk and feeder roads, ports, developing the Central, Mtwara and Mbeya/Kirando corridors, encouraging private sector participation in infrastructure development, and liberalizing further the energy and telecom sectors.
- 6.11.3 **Recommendation 3: Human Capital**
- The private sector commends the government efforts in promoting Universal Primary Education (UPE) and recommends that similar efforts be extended to Universal Secondary Education (USE) and expanding enrolment for girls at secondary and tertiary levels.
  - Budgetary allocation to education should increase to 15% of 2002/03 budget, 20% of 2003/04 budget and 25% of 2004/05 budget.

- Civil service reform should be accomplished by adopting and developing a meritocratic civil service, introducing effective coordination, monitoring and follow-up mechanisms, and adopting the ‘Tanzania Incorporated’ approach and attitude.
- Participation of private sector in implementing HIV/AIDS prevention and curative programmes at all levels in the economy and introducing cost reducing strategies.

6.11.4 **Recommendation 4: Country Wide Export Drive**

Export drive be revived by introducing facilities for long-term finance, promoting agro processing, developing industrial infrastructure, establishing EPZs, promoting FDIs, technology transfer through manufacturing and engaging in active economic diplomacy.

6.11.5 **Recommendation 5: Agriculture and Agro-processing**

Agriculture sector be revolutionized by harmonizing taxes, establishing mechanisms for long-term finance, establishing forward and backward linkages, promote sub-sectors including edible oils, fish processing, forestry products, meat processing, textiles, machine tools, light engineering and demarcating land to facilitate ownership and making foreclosure practicable.

6.11.6 **Recommendation 6: Processed Minerals**

Mining sector be revolutionised further by improving mining technology among artisanal miners, mining support industries, introducing facilities for long-term finance, and establishing facilities for semi-processing of minerals including lapidaries.

6.11.7 **Recommendation 7: Investment Promotion**

TIC to become an effective agent for investment promotion, deliberate actions should be taken for the transformation of the TIC into a real one-stop center for investors.

6.12 That the private sector as partner in progress and wealth creator will contribute in implementing above recommendations by:

- Working to ensure prompt tax compliance and participation in the tax commission when established,
- Joining foreign investors in infrastructure development schemes, investments in advanced technology and energy efficient processes,
- Investing in education and health,
- Providing opportunities for industrial attachments to students, work with vocational training and tertiary institutions to develop relevant courses and programs, and build joint training institutions
- Establishing and developing standards for good corporate governance through TPSF, promote corporate citizenship and be part of “revolving door” policy,
- Helping create a “business friendly” civil service

6.13 That for effective implementation of the strategies, the Executive Committee of TNBC should undertake follow-up and implementation by establishing a Working Committee on Competitiveness.

6.14 The Chairman opened discussion on the two papers and the following issues and sug-

gestions were made:

6.14.1 **Tanzania Chamber of Agriculture and Livestock**

- That in order to improve the competitiveness of Tanzania in the global economy, deliberate actions need to be taken to assist and promote local investors especially in agriculture and livestock which is the main stay of the private sector and the economy of Tanzania. It is suggested to establish comprehensive incentive packages for local investors and especially for agriculture and livestock sectors given their strong linkages with other sectors.
- That competitiveness between local and foreign investors involved local and foreign governments as foreign governments were increasingly assisting their private sectors to compete in the world market. In this respect, the government of Tanzania should likewise support its private sector and especially local investors, suggesting that smart subsidies could be introduced to make the local investors and the nation competitive in the global economy.
- That development finance is singled as a major impediment facing development of the agriculture sector. Considering that development finance institutions worldwide are established through strong state initiatives and resources, it was time for the government to take initiative of re-establishing strong and responsive development finance institutions to support the Tanzania private sector.

6.14.2 **Tanzania Civil Engineering and Construction Association**

That in every investment, 50% of resources go to construction activities. Given the fact that local players in construction industry enjoy only 10% of the resource flow, the rest being taken by foreign companies, it was recommended to create a task force to analyze the situation bearing in mind the multiplier effect of the local players in the domestic economy. The task force would also analyze possibilities of supporting infant local investors in the sector to enable them enter and build capacity for competitiveness. There was need also to revisit the Procurement Act to amend the entry point threshold for local service providers.

6.14.3 **Tanzania Industrial Research and Development Organization**

That entrepreneurship development for competitiveness calls for support to small and medium enterprises through deliberate policies and measures addressing their constraints to penetrate markets, acquire technology, finance and human skills.

6.14.4 **National Development Corporation:**

That a fairly large part of the Mining Policy has been tailored to commit the government to assist small and medium scale miners. However, the use of primitive technology, poor access to finance and limited access to markets are still constraining the development of SMEs in the mining sector

6.14.5 **Confederation of Tanzania Industry:**

That there was need to focus on few big things, which can be done well and fast to attain maximum returns and realize appreciable economic impact.

6.14.6 **Tourism Confederation of Tanzania.**

- That there was need to formulate re-investment policy in the bid to curb flight of capital generated locally
- That there was lack of confidence between local and foreign investors on the issue

of land suggesting that land should belong to local investors and foreign investors should be welcome as joint venture partners

6.14.7 **Tanzania Bureau of Standards.**

That establishment of the Tanzania Bureau of Standards (TBS) was aimed at ensuring that Tanzania does not become a dumping place for sub standard goods and that the Bureau was building capacity also to ensure local industries attain international standards so as to penetrate prime markets.

6.14.8 **Tanzania Association of Consultants.**

That foreign missions should be used to promote export of local skills and not commodities alone

6.14.9 **Tanzania Exporters Association.**

That the private sector should be a member of the National Investment Steering Committee or participate in the deliberations pertaining to business.

6.14.10 **United Nation Industrial Development Organization.**

- That most of the issues raised during discussion call for more sectoral consultations some of which will find way to the working committees and the Council underscoring the need to establish sectoral consultative mechanism
- That the Tanzania Bureau of Standards should be assisted to own an accreditation laboratory to ensure quality exports apart from cubing dumping of sub-standard goods. UNIDO is supporting TBS in this endeavor.

6.14.11 **Chairman of the Executive Committee.**

- That in the bid to create an enabling environment, efforts are directed towards combating corruption, success of which hinge on cooperation by all sectors including business community.
- That Civil Service reform is now in full swing and that the government continues to review public service salaries success of which depends on ability to increase revenue collection.

6.15 The Chairman requested presenters to respond to issues raised and following clarifications and comments were made by the presenters:

16.16 **Investors' Road Map – Update**

16.16.1 That the National Investment Policy does not favour foreign investors but caters for both local and foreign investment in the country. Local investors in all investments constitute 46% in the mainland and 40% in Zanzibar majority being joint ventures. TIC has also formed a special department to assist only local investors and each region is required to establish an investment center to attract and assist local investors.

16.16.2 That there was no particular policy on re-investment but the current policy encourages re-investment. On the survey done by the Bank of Tanzania and Tanzania Bureau of Statistics indicates that 71% of the investors agreed to expand their investments.

16.16.3 That the capacity of TBS needs to be enhanced to enable efficient controlling of the standards of locally produced products and imports.

### **16.17 Tanzania 's Competitiveness in the Global Economy**

6.17.1 That the slogan that government is getting out of business does not imply abdication and that the government will not deal with matters pertaining to investment. On the contrary, the government is providing conducive environment for investment to enable rapid economic development of Tanzania. In light of the geographic advantage of Tanzania in the region, the government is implementing infrastructure and development corridor projects.

## **7. AGENDA ITEM NO 5 ANY OTHER BUSINESS:**

### **ACKNOWLEDGEMENT**

The Co-Chairman of the Executive Committee presented acknowledgement and made recognition of institutions and individuals who assisted in the establishment of TNBC and whose support and dedication enabled holding of the 1st Council meeting as follows:

1. United Nations Development Program (UNDP)
2. United Nations Industrial Development Organization (UNIDO)
3. Danish International Development Agency (DANIDA)
4. United States Development Agency (USAID)
5. African Capacity Building Foundation (ACBF)
6. President's Office - Civil Service Department
7. President's Office – Planning and Privatization
8. President's Office – Chief Secretary
9. President's Office – Economic Advisor
10. Swedish International Development Agency (SIDA)
11. The Economic Research Bureau – University of Dar Es Salaam
12. Members of the Implementation Committee
13. Members of the Preparatory Committee
14. TPSF and Private Sector Organizations, and
15. The Secretariat

## **8. AGENDA ITEM NO 6**

### **CHAIRMAN'S CLOSING REMARKS**

Closing the meeting, the Chairman made the following remarks:

- 8.1. That the meeting was a success and it is now expected that TNBC Working Committees will become functional and will immediately take into consideration issues raised in the meeting.
- 8.2. That there is a tendency of discussions of this nature to be too general with issues, which were imperative to the participants. TNBC future meetings will be action oriented and will focus on what has been agreed, what has been done and if there are

- problems, come up with proposed solutions.
- 8.3. That a slight tax relief will be provided in the next budget and that it was time the Cabinet was consulted on how best to bring the tax reform topic to an end.
  - 8.4. That electricity tariff was an impediment to investment and competitiveness but review for improvement of industrial tariff is currently underway and decision will be made soon.
  - 8.5. That ongoing review of the Land Act by Ministry of Land and the Attorney General Chamber will be made public on completion and once consensus has been reached.
  - 8.6. That preparation of EPZ and Anti-dumping legislations were currently in progress.
  - 8.7. That there was an outcry for loans to agriculture while financiers complain that Tanzanians do not have a loan repayment culture, as was the case with the defunct Tanzania Housing Bank (THB). The government is hesitant to enter into agro-financing due to general lack of capital and capacity apart from viewing it as the responsibility and opportunity of the private sector.
  - 8.8. That attempts are underway to strengthen education and priority is given to Universal Primary Education program and ICT.
  - 8.9. That implementation of Civil Service Reform is underway despite the government failure to pay living wages
  - 8.10. That the government is making efforts to provide financial empowerment by encouraging self-reliance projects.

## **9. CLOSURE OF THE MEETING**

The Chairman thanked all for attendance and their valuable contributions and closed the meeting at 1:45 p.m.

### **CHAIRMAN**

**H.E. BENJAMIN WILLIAM MKAPA  
PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA**

### **SECRETARY**

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