

**PROCEEDINGS OF THE INAUGURAL MEETING HELD ON 17TH JULY 2002
AT ROYAL PALM HOTEL, DAR ES SALAAM**

PRESENT:

List attached

1.0 OPENING

- 1.1 The Chairman of the Executive Committee of the Tanzania National Business Council, Mr. Matern Lumbanga, welcomed members 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 9:30 a.m.

2.0 ADOPTION OF THE AGENDA

The program circulated earlier was adopted as agenda for the inaugural meeting.

3.0 INTRODUCTION OF INTERNATIONAL IRT MEMBERS:

- 3.1 The Chairman invited members to introduce themselves.
- 3.2 The presence of HE Abeid Amani Karume, President of Zanzibar and World Bank President, Mr. James Wolfensohn as observers was acknowledged and special recognition was made to His Highness, The Aga Khan for participating as a member.
- 3.3 At the end of introductions, the Chairman remarked on glaring gender imbalance in the membership.

4.0 OPENING SPEECH BY PRESIDENT BENJAMIN WILLIAM MKAPA

4.1 Main highlights included: -

- Call for international IRT members to support efforts aimed at improving international perception of Tanzania given the new partnership, commitment and shared vision;
- Government's recognition of the predominant role of the private sector and enhancement of public-private partnership with the private sector emerging as the driving force in economic development of Tanzania.
- Having launched the TNBC process and organised subsequent consultative meetings including Local Investors' Round Table (LIRT) and CEOs Round Table, the International Investors Round Table was now a final stage in establishing the dialogue mechanism for achieving private sector led economic growth and development.
- The last ten years have seen deliberate measures to make Tanzania an attractive investment destination for local as well as foreign investors evidenced now by rapid and unparalleled growth in investments in mining, tourism, communication sector, evidenced also by the unparalleled stable political climate.
- The government was committed to fast track on-going reforms including tax and tax collection, judiciary, local administration, public expenditure, war on corruption, policy formulation and monitoring, empowerment, land and labour, privatization and regulatory framework, transaction costs, and most important peace and security needed to make Tanzania a genuinely attractive and profitable place to invest.

- The ten top reasons foreign investors should invest in Tanzania include: political stability, sound economic and fiscal policies, abundant natural resources, investment incentives, transfer of capital and profits, investment guarantees and settlement of disputes, assistance in the establishment of enterprises, transfer of technology agreements, preferential trade access and geographical location.
- IIRT members were expected to make frank assessment of the Tanzania's initiatives and IRT become a platform for frank exchange of views, general as well as specific, for making Tanzania an ideal investment destination, given members' extensive experience.
- The meeting is expected to advise on operational modalities for the IRT including approaches for carrying out tasks, agendas, frequency and venues of future meetings.

5.0 SPEECH BY PRESIDENT JAMES WOLFENSOHN:

5.1 Main highlights of President James Wolfensohns' speech are as follows: -

- That the local IRT had done commendable work and made valid recommendations for creating a cutting edge environment for FDI flows to Tanzania;
- That the World Bank was committed to the reform process in Tanzania which had reached HIPC completion point enabling the country to benefit from US \$ 3.3 billion towards reduction of the debt servicing burden, acceleration of growth from the present 5.6% rate to 8% p.a needed for poverty eradication, support to the government for completion of key reforms and growth of the private sector;
- That key areas for further deliberations to include state of law and order, tax and taxation system, bureaucracy and corruption, policy consistency and stability, land law reforms, legal and regulatory reforms, regional integration and trade agreements, education reforms and a clear sense of direction.
- That efforts should not be spared to make Tanzania a highly profitable area in the region; and
- That the meeting was a Declaration of Partnership for enduring growth and stability.

6.0. SUMMARY OF ISSUES DISCUSSED AND RECOMMENDATIONS MADE: Local IRT Issues

6.1 International IRT Members noted and acknowledged issues and recommendations of the first TNBC meeting, Local IRT, CEO Club and Government commitment to resolve outstanding issues, key ones being:

- Security and Safety
- Image of Tanzania
- Human Capital
- Land issues
- Labour law
- Law and order
- Tax, Tax Administration and Customs
- Governance (corruption, bureaucracy)
- Enhancement of regulatory framework e.g. utilities
- Regional integration and trade agreements.

IRT members further offered to use their skills and services to communicate with the private sector to solicit investors to invest in Tanzania.

Ongoing Reforms

- 6.2 Members noted and acknowledged successes in Tanzania's reforms since 1996 and the advanced level of development of private-public dialogue in the country particularly the establishment of an institutional framework for the dialogue in form of TNBC and its constituencies including IRT;

Negative Perception and Image

- 6.3 Members noted the negative perception and image of Africa as key impediment to flow of investments to the continent. Members undertook to be part of the advocacy in creating positive image and resolved to use the international media to report Africa positively and the attractiveness Tanzania in particular.
- 6.4 In the domestic scene, IRT noted that the problem of mindset has been adequately addressed and urged for vigorous education campaigns to create an ideal mindset for both the public and private sectors in Tanzania.
- 6.5 The negative perception by the general public against foreign investments and privatization process in the country appears to be strong. The Government and the private sector should educate the public on the advantages of foreign investments.

Publicity Campaign

- 6.6 Members noted that Tanzania and its economic reforms to-date, its attractive investment potential as well as resource endowment are not well known in the world and the country is not publicized sufficiently. Members recommended strengthening the capacity of the country to carry out publicity campaigns by among others, staffing Tanzania Missions abroad with appropriate trade and investment promotion personnel. Members themselves agreed to be positive ambassadors.

Real Income

- 6.7 Members noted the low levels of incomes and purchasing power as inhibitions to investments; recommending emphasis towards income generation activities including increased support to SMEs and agriculture. Members recommended establishment of banks and financial institutions dedicated to SMEs and other employment creation activities in Tanzania.

Human Resource Development.

- 6.8 Members noted that the Tanzania education system and school curriculum should be reformed to address human capacity needs of the private sector and business should collaborate with the government in providing opportunities for apprenticeship and practical training.
- 6.9 Members recommended improvement of human capital through importation of highly qualified skills for effective transfer of technology, underscoring the role of education and efficient human capacity in foreign direct investment.

Poverty Reduction.

- 6.10 Members commended Tanzania's initiatives towards poverty reduction urging the private sector to join hands by increased direct investment in targeted areas of tourism, agriculture, manufacturing and economic as well as social services including education and health.

Infrastructure.

- 6.11 Noting the predominance of the rural economy in Tanzania, members recommended measures to improve rural infrastructure and adoption of economically viable rural technologies tested and proven worldwide.

- 6.12 IRT Members noted that road infrastructure was key to the development of agriculture. IRT Members recommended increased budgetary allocation to road infrastructure so as to revolutionize agriculture for sustained poverty eradication.

Agriculture, Fisheries and Livestock.

- 6.13 Members noted the lack of support services to agriculture despite its role in the economy urging private sector involvement in provision of extension services as well as research and development in order to revolutionize the sector. Members observed that due to absence of a vibrant agro processing industry in Tanzania farm products have limited markets. IRT Members therefore offered to assist Tanzania to promote investments in agro-processing industries in order to enable Tanzania to move to brand production through value addition of its agricultural products. IRT members were also requested to advise Tanzania on what more should be done to attract investments in the fisheries and livestock sector.

Tourism

- 6.14 Members noted Tanzania's immense and unique tourism potential recommending that the sector be turned to a major source of income, growth and employment. IRT Members advised Tanzania, first and foremost market itself as "Tanzania" in order to insulate itself from any possible negative perception of its neighbours. Members recommended immediate focus on professional marketing of Tanzania's unique features worldwide along with the improvement of supporting infrastructure.
- 6.15 To publicize the country effectively, members recommended Dar es Salaam to be turned to a regional business center for East Africa through creation of world class conference facility, sport complex facility and infrastructure linked with the tourism potential of the country.
- 6.16 IRT Members noted that there was a direct relationship between agriculture and tourism urging the need to improve tourism as it has a high accelerator effect on agriculture and other service sectors.

World Bank Support:

- 6.17 Members acknowledged World Bank support to Tanzania noting that the support was essential in creating private sector confidence for direct investment. Members commended local efforts to fight HIV/AIDS pandemic urging the private sector to participate more actively in prevention initiatives given private sector ability to influence consumers and the society.
- 6.18 IRT Members were assured of World Bank commitment to finance private sector initiatives in Tanzania and continued support by sister institutions including IMF, IFC, and MIGA.

IRT Dividend

- 6.19 IRT challenged members to think of an IRT Dividend through doubling of their investments in Tanzania urging for regional synergies and integration in East Africa, making use of expertise of IRT members given their knowledge and experience in advocating with consumers and the society.

WAY FORWARD

- 6.20. TNBC Executive Committee and its Secretariat to deliberate on the various issues raised and prepare presentations to the next meeting co-opting IRT members where necessary,

6.21. During the second IRT meeting GOT will report progress achieved on the following major areas: -

- Perception and image building. This will also cover sensitization of local Tanzanians.
- Implementation of Local Investors Round Table resolutions.
- Action taken to promote strategic growth sectors e.g. Agriculture, Agro-processing, Tourism, Fisheries, Livestock and Mining especially gemstones value addition.
- Explain what Tanzania has done on Regional integration and especially East Africa community as an investment destination.
- Update of sustainable reforms including on land and labour laws.
- Indigenous participation in the economy, micro finance, agricultural finance etc.

6.22 IRT Members agreed to meet in six months time in Zanzibar.

CLOSING:

6.23 The meeting was closed at 05:30p.m.

CHAIRMAN

H.E. BENJAMIN WILLIAM MKAPA

PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA

SECRETARY

DUNSTAN GIDEON MRUTU

EXECUTIVE SECRETARY

TANZANIA NATIONAL BUSINESS COUNCIL