

# TANZANIA NATIONAL BUSINESS COUNCIL



## 7<sup>th</sup> TNBC MEETING

## PROCEEDINGS AND ACTION PLAN



## **DRAFT PROCEEDINGS OF THE 7<sup>TH</sup> TANZANIA NATIONAL BUSINESS COUNCIL MEETING HELD ON 16<sup>TH</sup> DECEMBER 2013 AT SERENA HOTEL, DAR ES SALAAM.**

### **1.0. ATTENDANCE.**

Refer to the attached list appearing as Appendix 1.

### **2.0. OPENING.**

- 2.1. The Chairman of Tanzania National Business Council (TNBC) Executive Committee Amb. Ombeni Y. Sefue welcomed TNBC Members and Observers to the 7<sup>th</sup> TNBC Meeting, and recognized the presence of Regional Commissioners from Tanzania Mainland who are the Chairpersons of Regional Business Councils which are TNBC dialogue platforms. Amb. Sefue recognized further representatives from Parliament and from Zanzibar. Moreover, he thanked the TNBC Executive Committee, its Secretariat, Task Force Members and the Sponsors; specifically the IPP Group Ltd and African Barrick Gold Ltd for making the meeting happen.
- 2.2. Amb. Ombeni Y. Sefue requested Hon. Dr. Mary Nagu (MP), Minister of State, Prime Minister's Office, Empowerment and Investments, to make introductory remarks to the meeting before requesting the Chairman of TNBC, His Excellency Dr. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania to open and chair the meeting.
- 2.3 Hon. Dr. Mary Nagu MP, made the following observations:
  - i. The last meeting which TNBC held was in June 2009 which brought forth with the KILIMO KWANZA Initiative, a Tanzania Green Revolution aiming at modernizing and commercializing the agricultural sector. Thereafter no meetings were conducted on account of misunderstandings in the private sector operations and leadership.  
The Prime Minister's Office whose portfolio, among other things, comprises private sector development was tasked to reconcile the parties. Today that we are holding this meeting is a testimony that the job has been well accomplished. A new private sector leadership, under Dr. Reginald Mengi, the Chairman of the Tanzania Private Sector Foundation has been ushered in. Needless to point out the private sector organizational structure in the country has changed which invariably touch the realm of legal framework.



- ii. Hon. Mary Nagu MP, requested the Chairman of TNBC, His Excellency President Dr. Jakaya Mrisho Kikwete to call the meeting to order.

### **3.0. OPENING STATEMENT BY H.E. PRESIDENT DR. JAKAYA MRISHO KIKWETE.**

3.0.1 H.E. President Dr. Jakaya Mrisho Kikwete called the meeting to order and joined the Chief Secretary and Chairman of TNBC Executive Committee Amb. Ombeni Y. Sefue and Hon. Mary Nagu (MP), Minister of State, Prime Minister's Office, Empowerment and Investments in welcoming the Members and Observers to the Meeting also recognized and acknowledged the presence of Hon. Mizengo Kayanza Peter Pinda MP, the Prime Minister of the United Republic of Tanzania and congratulated Dr. Reginald Mengi the Chairman of Tanzania Private Sector Foundation (TPSF).

3.0.2 Moreover, the TNBC Chairman, H.E President Dr. Jakaya Mrisho Kikwete made the following remarks:-

- Noted with regret the postponement of the meeting which was previously scheduled for 11<sup>th</sup> December, 2013 to today; attributing it to the untimely death of H.E. Nelson Rolihlahla Mandela (Madiba), former President of South Africa, which occurred on 05<sup>th</sup> December, 2013 and laid to rest on 15<sup>th</sup> December, 2013. President Kikwete lead the Tanzania delegation to the funeral and burial of Madiba.
- Commended TNBC Executive Committee for selecting the theme of the Meeting, being "*Economic Growth with Inclusiveness*". This gives us an opportunity to reflect on our recent socio economic transformation as we move from a public sector led economy to a private sector led economy based on market principles.
- Tanzania's recent economic growth has been impressive averaging at around 6.8% with estimates of 7% in 2013 and projections of 7.2% in 2014. Indeed Tanzania is in a club of 10 fastest growing countries in the World, seven being in Africa. This precipitates the concept of "Africa Arising".
- Economic Growth with Inclusiveness should translate into a growing economic pie shared broadly. In the Tanzania context, economic growth should go in tandem with poverty reduction/eradication. However, the situation on the ground depicts that the trickle-down effect is limited. Tanzania should focus on the following:



- i. Hitherto the drivers of significant economic growth rates appear to be telecommunication, mining, tourism and financial services, while agriculture the mainstay of majority of Tanzanians seem not to be doing fairly well, growing at 3-4%.
- ii. Improvement of the business environment is imperative for attracting domestic and foreign investments which generates wealth creation and employment and contributes to standards of living.
- iii. Reduction in Government bureaucracy and red tape, calling for quick decision making to take advantage of emerging opportunities.
- iv. Recognize the role of foreign direct investments for exploiting our natural resources and transfer of technology. This is true for all emerging economies such as Malaysia, Singapore, Korea and South Africa.
- v. Economic empowerment encapsulates taking advantage of seizing opportunities in the diverse sectors of the economy, not only from extractive industry.
- vi. Cautioned that in adopting affirmative action, care should be taken in ensuring that domestic and foreign direct investments would continue unabated.

#### **4.0. REMARKS BY DR. REGINALD MENGI, CHAIRMAN OF TANZANIA PRIVATE SECTOR FOUNDATION.**

Dr. Reginald Mengi thanked the President; H.E. Dr. Jakaya Mrisho Kikwete for his valuable time and attention to meet with the private sector to dialogue on the participation of Tanzanians on the ownership and management of the national economy as underscored by the theme of the meeting, "Economic Growth with Inclusiveness" promising that the private sector in Tanzania will play its part. Furthermore, thanked the Prime Minister's Office, in particular Hon. Dr. Mary Nagu MP, for bringing together the diverse private sector organizations under one roof.

#### **5.0. ADOPTION OF THE AGENDA**

The Agenda was adopted as proposed by H.E. President, Dr. Jakaya Mrisho Kikwete, the Chairman of Tanzania National Business Council.



## **6.0. PRESENTATION ON ECONOMIC EMPOWERMENT IN TANZANIA**

The presentation was made by Prof. Lucian Msambichaka, University of Dar es Salaam focusing on:

### **6.1 Major Objectives of Economic Empowerment of Tanzanians**

- i. Uplifting the Social and Economic Condition of Tanzanians
- ii. Building Greater Ownership and Control of the Economy by Nationals

These two objectives are key in moving towards a robust strategy of economic empowerment of nationals within the spirit of the national policy and the law.

### **4.0.2 In order to attain the above objectives the following parameters should be taken into consideration:**

- i. For a considerable future Tanzania will rely on foreign direct investment (FDI) for its social, economic and technological development.
- ii. The desire to forge greater ownership and control of the national economy by nationals does not entail or imply a negative or oppositional view to FDI policy.
- iii. It is important to recognise that no country is ever developed by another.
- iv. It is essential to create the conditions that enable a country to increasingly rely on its own people's resources and capacities for its development.
- v. It has to be recognised that quality education is one of the leading '**economic equalisers**' in any society

### **6.3 General Discussions:**

- i. The general consensus was Tanzania was rich in natural resources such as wildlife, water, minerals and gas; yet the majority of its people are poor particularly those living beyond district headquarters. This begs the following questions:
  - o What are they doing that is not right?
  - o How come they don't see the opportunities that surround them early enough?
  - o What should be done to rectify the situation?
- ii. Human capital and skills development are vital for socio and economic development (ownership and management of the economy)
- iii. Access to financial and non-financial assets is of paramount significance for social harmony.
- iv. The Bio-diversity degradation should be arrested for the benefit of the current and future generations for sustainable development. Challenged the



tourism industry to raise the current level of one million tourists per annum to ten million within the foreseeable future.

## **7.0. PRESENTATION ON BUSINESS ENVIRONMENT IN TANZANIA**

The presentation was made by Dr. Donath Olomi, Institute of Management and Entrepreneurship Development (IMED):

### **7.1 The presentation focused on:**

- Tanzania's recent ranking in the World Bank report on cost of doing business has been declining; (124 in 2007 and 145 in 2014) and Global Competitiveness ranking has equally declining (97 in 2007 and 125 in 2014).
- How to improve the Business Environment in Tanzania

### **7.2 Causes of decline on the Rankings**

- i. In the past Tanzania was among the ten top reformers in the world, however we have now reneged on regulatory and administrative reforms as put forward by the private sector.
  - Reforms under BEST not sustained after integration in MDAs (Government Roadmap)
  - Consultative mechanisms at Regional and District levels (RBC, DBCs, etc) not working effectively.
- ii. Unpredictable regulatory environment
  - Re-introduction of annual business license fees
  - Recent review of land rent in rural and urban areas
- iii. Multiple regulatory bodies increasing the cost of inspection to the private sector.
  - TBS, TFDA, TPRI, WMA, TFRA, WRA, TCRA, EWURA, SUMATRA, etc,
- iv. Unfavourable taxes and tax practices
  - VAT refund takes months or even years (seriously affect cost of financing for local companies)
  - Very high entry fees in some sectors are entry barriers for small businesses (e.g. US \$ 2000 per year for small tourism and travel enterprises against US \$200 in Zanzibar)
  - The 5 % produce tax rate (on top of all other taxes) is too high for the low profitability industry.



### **7.3 General Discussions:**

- i. The Government Investors Roadmap should be effectively implemented and be monitored and evaluated.
- ii. Streamline regulatory bodies to make them more effective and efficient. Moreover their operations to be financed from the Government budget and not by stakeholders for good governance.
- iii. Introduce Regulatory Impact Assessment (RIA) whenever an Act or Regulation is introduced. RIA components comprise stakeholder consultations and technical evaluations.
- iv. The Sub National Cost of Doing Business survey to be undertaken by TNBC under the guidance of the Prime Minister's Office and should complement World Bank efforts.

## **8.0. PRESENTATION ON PRIVATE SECTOR PARTICIPATION ON BIG RESULTS NOW GOVERNMENT INITIATIVE**

The presentation was made by Prof. Samwel Wangwe, Research on Poverty Alleviation REPOA:

### **8.1 The presentation focused on:**

- i. The Government has identified six key sectors that can fast track the socio economic transformation of the country. The Big Results Now (BRN) priority sectors include; Energy, Transport Sector (roads, airports, ports and railway), Agriculture, Education Sector; Water, and Resource Mobilization.
- ii. Private sector is expected to contribute 67% in financing the BRN Government initiative.
- iii. The challenge is for the PPP legal framework to provide:
  - o Conducive environment for drawing private sector resources.
  - o To provide adequate space for SMEs which dominate the Tanzania economy and Local Government Authorities participation.
- iv. Enhance competences of the public sector in processing PPP projects
- v. Setting up of a PPP facilitation fund to facilitate undertaking of pre-investment processes (Feasibility studies, etc) and guarantee framework.



vi. Launching a National Transport Infrastructure Trust.

## **8.2 General Discussions:**

- i. Expedite the operationalization of the PPP process to contribute effectively to the BRN Initiative.
- ii. The President's Delivery Bureau should be a real instrument in the Monitoring and Evaluation mechanism.
- iii. Government should develop a clear communication strategy to reduce mistrust between the two parties.

## **9.0 GENERAL OBSERVATIONS BY TNBC CHAIRMAN HE PRESIDENT DR. JAKAYA MRISHO KIKWETE**

- i. Improved business environment is a cornerstone in the economic empowerment process of the majority of Tanzanians
- ii. Streamline the operations of the Executive Agencies to ensure they are not a burden to the private sector and the economy.
- iii. Recognized the need of carrying out the Regulatory Impact Assessment prior to introduction of new Acts and Regulations.
- iv. Tanzania will continue to recognize the positive role of the Foreign Direct Investments in the economic development process of the country
- v. The sustainability of Bio-diversity should not be compromised for the benefit of the current and future generations.

## **10. RESOLUTIONS BY TNBC CHAIRMAN HE PRESIDENT DR. JAKAYA MRISHO KIKWETE**

- i. To form a Task Force to involve different stakeholders under the coordination of President's Delivery Bureau on how to improve the business environment in Tanzania
- ii. The Prime Minister's Office, Tanzania Private Sector Foundation and Tanzania National Business Council to form a Task Force on how Tanzania can effectively participate in raising the LOCAL CONTENT in diverse investments being undertaken in the country such as mining, gas, extractive projects, construction, financial services etc.
- iii. The private sector was challenged to come up with strategies that promote sustainability of Bio-diversity in the endeavor to raise tourist arrivals from the



current level of one million to ten million per annum for the foreseeable future.

## **11.0 CLOSING**

While adjourning the meeting the Chairman directed the three Task Forces to report their analysis and recommendations to the 8<sup>th</sup> TNBC Meeting scheduled for March 2014.

