UNITED REPUBLIC OF TANZANIA
TANZANIA INVESTMENT CENTRE (TIC)

PRESENTATION ON
THE CONTRIBUTION OF FOREIGN DIRECT INVESTMENT TO THE LOCAL ECONOMY IN TANZANIA

Presented by: Mr. John Mathew Mnali,
Ag. Director of Investment Promotion,
Tanzania Investment Centre
AGENDA

- Background
- Investment Legislations
- Investment climate
- Sectors for investment
- Investment Support Institutions
- Investment incentives
- Trend of registered Investments
- Sector distribution of Investment
- Contribution of FDI in the local Economy (A case of telecommunication sector)
- Conclusion
BACKGROUND

- Since 1986, Tanzania has embarked into various reforms which aimed to transform the economy from public owned central planed economy into private sector owned market driven economy.
- The major policy and structural reforms carried out played a significant role in improving the business and investment environment in the country.
- The efforts have ultimately resulted into an increase in Foreign Direct Investment flow
Laws Governing Investments in Tanzania

- Tanzania Investment Act, 1997 (No. 26 of 1997)
  This is an act to guide investment activities in Tanzania. The act does not apply to investment in mining and oil exploration.

- The village land Act, 1999 (No. 5 of 1999)
  Provides for the management and administration of land in villages and for related matters

- The land Act, 1999 (No. 4 of 1999)
  Provides for basic law in relation to land other than village land, the management of land settlement of disputes and related matters.
Laws governing investments in Tanzania

- Banking and financial institution act 1991 (No. 12 of 1991)
  An act is intended to harmonise the operations of all financial institutions in Tanzania. To regulate credit operations and to provide for other related matters.

- Mining Act, 1998 (No; 5 of 1998)
  Provides for mineral mining, trading and any other relevant matters.

- Capital markets and Securities Act, 1994 (No. 5 of 1995)
  This act provides for establishment of capital markets and Securities authority (CMSA) for the purpose of promoting and facilitating the development of capital markets and securities in Tanzania.
Laws governing investments in Tanzania

- **Export Processing Zones Act 2002**
  - Manufacturing for export
  - Can be single factory unit (Stand alone)
  - Export at least 80% of the products

- **Special Economic Zones Act 2005**
  - Involves investments in other sectors than manufacturing
  - For both export and local markets

- **Foreign Exchange Act, 1992**
  To administer and manage matters related to foreign currency, securities, payment, debts, import/export, transfer funds.
Laws governing investments in Tanzania

- **Petroleum (Exploration and Production ) Act 1981**
  This legislation govern investment in the petroleum exploration and production sector.

- **Public Private Partnership Act, 2010**
  This legislation is for investment in the Public Private partnership projects such as investment in the infrastructure sector.

- **Value added Tax Act, 1997**
  Provides for the imposition of value added tax on supplies of goods and services and related matters.

- **Immigration Act, 1995**
  To control immigration in Tanzania and for matters related to immigration.
ATTRACTION INVESTMENT CLIMATE

- Macroeconomic framework
- Investment Guarantee – MIGA, ATIA
- Protection against Nationalization – TIA, 1997
- Transfer of Capital or Profits
- Settlement of Dispute – ICSID
- Access to Credit from Domestic Sources
- Investment Support Institutions – TNBC, NISC
GDP GROWTH RATE AND INFLATION (1997-2011)

Source: Economic survey 2012
SECTORS FOR INVESTMENT

- Agriculture & Livestock
- Natural Resources
- Tourism
- Manufacturing
- Petroleum & Mining
- Commercial building
- Transportation
- Services
- Computer
- Financial Institutions
- Telecommunication
- Energy
- Human Resources
- Economic Infrastructure
- Broadcasting
INVESTMENT SUPPORT INSTITUTIONS
In an effort to improve the business environment and foster economic growth through increased investment the Government formed a National Investment Steering Committee chaired by the Hon. Prime Minister.

Other members of the committee are Minister of Finance, Minister of Industries and Trade, Minister of Agriculture, Minister of Lands, Attorney General, Governor of the Bank of Tanzania and the Executive Director TIC (Secretary).

This committee is entrusted with the role of investment policy formulation and solving problems of investors on a fast track basis.
The Government has established the National Business Council to enhance Govt./Private sector “smart partnership”.

The Business Council is chaired by the President and the Executive Director of Tanzania Private Sector Foundation is the secretary.

The business council through Investors round table discussion advise the Government areas that need improvement.
Senior Government officials from the following Ministries/Government Departments have been stationed at TIC to assist investors to obtain various licenses and permits they need in order to start business.

- Immigration
- Registrar of Companies
- Business Licensing
- Land
- Labour
- Tanzania Revenue Authority
<table>
<thead>
<tr>
<th>Application</th>
<th>Maximum Time taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Registration</td>
<td>3 days</td>
</tr>
<tr>
<td>Industrial License</td>
<td>1 day</td>
</tr>
<tr>
<td>Business licensing</td>
<td>3 days</td>
</tr>
<tr>
<td>Certificate of incentives</td>
<td>7 days</td>
</tr>
<tr>
<td>Resident Permit Class ‘A’</td>
<td>14 days</td>
</tr>
<tr>
<td>Resident Permit Class ‘B’</td>
<td>14 days</td>
</tr>
<tr>
<td>Special Pass</td>
<td>1 day</td>
</tr>
</tbody>
</table>
## OUR COMMITMENT TO INVESTORS

<table>
<thead>
<tr>
<th>Application</th>
<th>Maximum Time taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting with TIC staff</td>
<td>Immediately</td>
</tr>
<tr>
<td>Arranging appointments</td>
<td>24 hours</td>
</tr>
<tr>
<td>Preparation and confirmation of itinerary for Potential investors</td>
<td>3 days</td>
</tr>
</tbody>
</table>
INCENTIVES UNDER THE TIA, 1997

- **Tax incentives**

- **Exemption of import duty** on projects capital goods including establishment facilities for investment by 90%.

- **Reduced VAT** on projects capital goods including Deemed capital goods to 10%
INCENTIVES UNDER THE TIA, 1997

- Non tax incentives
- Unconditional transferability through any authorized dealer bank in freely convertible currency of ;-  
  - net profit  
  - loan payment (servicing a foreign loan)  
  - royalties, fees and charges in respect of any technology transfer agreement  
  - payment of emoluments and other benefits to foreign personnel  
- Automatic immigration quota of up to 5 expatriates at the initial stage of the projects  
- Assistance to obtain land for investment
INCENTIVES UNDER THE TIA, 1997

- **Strategic investor status**
  In addition to existing investment incentives a potential investor may apply for strategic investor status to seek additional investment incentives.
TREND OF REGISTERED INVESTMENTS
TREND OF PROJECTS REGISTERED WITH TIC FROM 2005 TO 2011

Number of Projects

Source: TIC data
OWNERSHIP OF PROJECTS REGISTERED BY TIC 1990 - 2011

Source: Tanzania Investment Centre, 2011
TEN LEADING COUNTRIES THAT HAVE INVESTED IN TANZANIA

(BY VALUE MILLION US$ ) 1990 –2011

Source: TIC Database
FDI INFLOWS TO TANZANIA FROM 2006 - 2011

FDI Inflows

CONTRIBUTION OF FDI TO THE ECONOMY  
(A CASE OF TELECOMMUNICATION INDUSTRY)

- Employment creation (direct and indirect)  
  Selling cell phones, airtime, charging, making calls, money transfer, etc.

- Improved services  
  e.g. Mobile telephone penetration to the villages  
  Mobile telephone banking services to the villages

- Tax revenue to the government
- Technology transfer
## Total Number of Mobile Phone Users

<table>
<thead>
<tr>
<th>Service provider</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>VODACOM</td>
<td>8,670,536</td>
<td>10,278,081</td>
</tr>
<tr>
<td>TIGO</td>
<td>4,477,510</td>
<td>5,263,330</td>
</tr>
<tr>
<td>AIRTEL</td>
<td>6,021,091</td>
<td>6,834,301</td>
</tr>
<tr>
<td>ZANTEL MOBILE</td>
<td>1,700,528</td>
<td>1,374,057</td>
</tr>
<tr>
<td>SASATEL</td>
<td>24,827</td>
<td>7,461</td>
</tr>
<tr>
<td>TTCL MOBILE</td>
<td>86,965</td>
<td>220,932</td>
</tr>
<tr>
<td>BENSON</td>
<td>2,396</td>
<td>1,708</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>20,983,853</strong></td>
<td><strong>23,979,870</strong></td>
</tr>
</tbody>
</table>

Source: Hali ya Uchumi wa Taifa katika Mwaka 2011
## Projected Number of New Jobs Created

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Livestock</td>
<td>9,071</td>
<td>8,584</td>
<td>15,114</td>
<td>5,169</td>
<td>8,968</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>1,754</td>
<td>554</td>
<td>88</td>
<td>100</td>
<td>313</td>
</tr>
<tr>
<td>Tourism</td>
<td>9,145</td>
<td>17,822</td>
<td>7,302</td>
<td>5,452</td>
<td>9,349</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17,906</td>
<td>26,451</td>
<td>14,143</td>
<td>14,327</td>
<td>19,779</td>
</tr>
<tr>
<td>Petroleum &amp; Mining</td>
<td>221</td>
<td>58</td>
<td>0</td>
<td>0</td>
<td>191</td>
</tr>
<tr>
<td>Commercial Building</td>
<td>28,592</td>
<td>10,214</td>
<td>3,360</td>
<td>5,078</td>
<td>16,493</td>
</tr>
<tr>
<td>Transportation</td>
<td>10,220</td>
<td>7,265</td>
<td>5,659</td>
<td>7,197</td>
<td>15,336</td>
</tr>
<tr>
<td>Services</td>
<td>754</td>
<td>3,699</td>
<td>814</td>
<td>4,717</td>
<td>9,62</td>
</tr>
<tr>
<td>Computer</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>43</td>
<td>72</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>1,930</td>
<td>1,095</td>
<td>665</td>
<td>86</td>
<td>843</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>21,503</td>
<td>2,878</td>
<td>40</td>
<td>529</td>
<td>503</td>
</tr>
<tr>
<td>Energy</td>
<td>1,714</td>
<td>357</td>
<td>240</td>
<td>45</td>
<td>120</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1,023</td>
<td>2,660</td>
<td>6,597</td>
<td>412</td>
<td>2,239</td>
</tr>
<tr>
<td>Economic Infrastructure</td>
<td>0</td>
<td>27,739</td>
<td>1,495</td>
<td>22</td>
<td>3,543</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>125</td>
<td>145</td>
<td>1,098</td>
<td>463</td>
<td>390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103,958</strong></td>
<td><strong>109,521</strong></td>
<td><strong>56,615</strong></td>
<td><strong>43,640.0</strong></td>
<td><strong>79,101</strong></td>
</tr>
</tbody>
</table>

Source: TIC database
CHALLENGES

- Despite of attracting more FDI than our neighbours in the region, we still have some few challenges which we are working on in order to attract and retain more investors. Some of the challenges are such as:
  - Lack of adequate power supply
  - Poor infrastructure especially (feeder roads)
  - Lack of designated areas for investment (such as farming land, industrial plots), where potential investors may acquire for investment.
  - Negative image of Africa by western Media
**Efforts to Address the Challenges**

- Attracting investors in the Energy sector is among the priorities of the government plan.
- Effort to establish a land bank is on going. TIC is working with other stakeholders in this area.
- A new PPP legislation is in place. This legislation will help to attract investors in the infrastructure sector such as road construction (e.g., toll road).
- Awareness creation is on going through our Embassies abroad and also through other organizations such as TIC, TTB, TANTRADE etc.
C O N C L U S I O N

Foreign Direct Investment (FDI) has contributed to the economic development of Tanzania in different ways. We expect to get more contribution when we will be able to attract more big investors.
THANK YOU FOR YOUR ATTENTION

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