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PRIME MINISTER'S OFFICE

ECONOMIC EMPOWERMENT IMPLEMENTATION REPORT

2005 -2015

NATIONAL ECONOMIC EMPOWERMENT COUNCIL

MARCH, 2016

TABLE OF CONTENTS

ACRONYMS	4
STATEMENT FROM THE CHAIRMAN	6
FOREWORD FROM THE EXECUTIVE SECRETARY	9
EXECUTIVE SUMMMARY	11
1.0. BACKGROUND	13
2.0. NATIONAL ECONOMIC EMPOWERMENT POLICY IMPLEMENTATION STATUS.....	15
2.1. ACCELERATING ECONOMIC GROWTH AND CREATING AN ENABLING INVESTMENT ENVIRONMENT	15
2.1.1. Ensuring stable macroeconomic balance	16
2.1.2. Ensuring peace and social stability	16
2.1.3. Improving infrastructural facilities.....	17
2.1.4. Encouraging business partnerships	18
2.1.5. Work in collaboration with grassroots institutions.....	18
2.2. SUPPORTIVE LEGAL AND REGULATORY FRAMEWORK AND PUBLIC SERVICE DELIVERY	19
2.2.1. Review and Formulation of Laws, Rules and Regulations	19
2.2.2. Other efforts geared towards improving the business environment.....	21
2.3. INVESTMENT CAPITAL.....	21
2.3.1. Strengthening and Improving Sources of Savings.....	21
2.3.2. Encouraging Banks to Extend Credit.....	25
2.4. RAISING SKILLS AND KNOWLEDGE LEVELS	28
2.4.1. Facilitating the Enhancement of Skills	28
2.4.2. Entrepreneurship Education - Formal and Non-formal	30
2.4.3. Expanding Customer-driven (demand-driven) Training Programs	32
2.4.4. Sensitizing and Creating Awareness on Economic Empowerment Issues	32

2.4.5.	Establishing an Institution that Overseas Entrepreneurship Skills Enhancement Initiatives	32
2.5.	ECONOMIC INFRASTRUCTURE	34
2.5.1.	Networks	36
2.6.	PRIVATISATION.....	37
2.7.	STRENGTHENING MARKETS, NETWORKS AND PARTNERSHIPS.....	38
2.7.1.	Establishment of Capital Market Authority (CMSA)	38
2.7.2.	Strengthening markets, networks and partnerships	38
2.7.3.	Establishment of the Agricultural Marketing Policy	38
2.7.4.	Local Participation in Procurement.....	39
2.7.5.	Establishing Export Processing Zones (EPZs) and Special Economic Zones (SEZs).....	40
2.7.6.	Curbing the Dumping Problem	40
2.7.7.	Promotion of Domestic Markets for Local Products.....	41
2.8.	DEVELOPING AND STRENGTHENING COOPERATIVES.....	44
2.8.1.	Scale up of Cooperatives in Tanzania.....	45
2.8.2.	Training management teams and members of cooperatives.....	46
2.8.3.	Ensuring good governance and management of cooperatives	46
2.9.	LAND UTILIZATION	46

ACRONYMS

AQRB	Architectural and Quantity Surveyors Registration Board
BRELLA	Business Registration and Licensing Agency
BRN	Big Results Now
KACU	Kahama Cooperative Union
KCBL	Kilimanjaro Cooperative Bank Limited
KCU	Kagera Cooperative Union
KDCU	Karagwe District Cooperative Union
KFCB	Kagera Farmers Cooperative Bank
FCC	Fair Competition Commission
MDAs	Ministries, Independent Departments and Executive Agencies
MKUKUTA	Mkakati wa Kupunguza Umaskini na Kukuza Uchumi Tanzania
MKUZA	Mkakati wa Kupunguza Umaskini na Kukuza Uchumi Zanzibar
MUST	Mbeya Institute of Science & Technology
NBC	National Bank of Commerce
NEEC	National Economic Empowerment Council
NEEP	National Economic Empowerment Policy
NMB	National Microfinance Bank
LGAs	Local Government Authorities
GDP	Gross Domestic Product
USD	United States Dollar
SACCOS	Savings and Credit Cooperative Societies
SME	Small and Medium Enterprises
SIDO	Small Industries Development Agency
TBS	Tanzania Bureau of Statistics

TANESCO	Tanzania Electricity Supply Company
TANICA	Tanganyika Instant Coffee Company Limited
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TCRA	Tanzania Communication Regulatory Authority
TFC	Tanzania Federation of Cooperatives
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
VICOBA –FETA	Village Community Bank Federation of Tanzania

STATEMENT FROM THE CHAIRMAN

Tanzania has recorded significant economic achievements during the past two decades. The national income grew at the rate of 7% for the past 10 years with Tanzania being among 10 African countries and among 20 countries with fast growing economies in the world. GDP grew from 14.1trillion in 2005 to 79.4 trillion in 2014. Average per capita income grew from TZS 441, 030 in 2005 to TZS 1,724,416 in 2014. Furthermore, foreign sales grew from US D 1.67 in 2005 to US D 8.76 in 2014 resulting into increased country's capacity to import goods from foreign countries for more than 4 months.



Peace and stability has also prevailed in the past 10 years whereby property crime rates were reduced from 53,268 in 2005 to 43,808 in 2014 thus enabling Tanzanians to participate actively in various activities including income generation.

Significant efforts have been made to improve the business environment in order to create adequate opportunities for effective participation of the majority of the citizens in the economy.

This performance notwithstanding, many Tanzanians are still unable to fully utilize the available and emerging opportunities in business undertakings due to various reasons including difficulties in capital acquisition due to participation in informal businesses, high interest rates instituted by financial institutions, inadequate entrepreneurial skills and adherence to products standards.

It is imperative that economic empowerment initiatives to enable the majority of Tanzanians to participate more effectively in economic activities should go hand-in-hand with the growth process, involving and benefiting all Tanzanians by raising their incomes and improving their living standards.

The country continues to implement various Policies and Programmes such as MKUKUTA I&II; and the Millennium Development Goals (MDGs); among others. All these initiatives are the roadmap towards realisation of Tanzania's Development Vision 2025 which aspires to achieve high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness.

Since independence, many economic empowerment initiatives have been undertaken by both the Public and the Private sector, for the purpose of achieving higher rates of economic growth. Despite all these initiatives, the participation of Tanzanian citizens in meaningful economic activities has remained very minimal. The National Economic Empowerment Policy was developed by the Government in February, 2004 to address this challenge. The main purpose of the Policy is to address all economic empowerment needs of the individual citizens of Tanzania and local companies in which Tanzania citizens hold more than fifty percent of shares. The Policy targets various economic groups such as farmers, livestock keepers, fishermen, employees, traders as well as other groups involved in various economic activities.

The National Economic Empowerment Council (NEEC) was established with the responsibility of planning, designing, coordinating, facilitating, supervising and monitoring implementation of the Policy. This noble mandate can be effectively accomplished through a Strategic Framework for engaging all key players from both the public and the private sector in the implementation process in accordance with the nine pillars of the Policy. It is against this background that NEEC was required to design and develop the National Multisectoral Strategic Framework for Economic Empowerment (NMSFEE), which is essentially a reference tool for engaging key actors in the implementation of the Policy. The NMSFEE spells out the roles and responsibilities of all key players, and requires each sector to come up with concrete implementation strategies.

I strongly urge all actors mentioned in the NMSFEE to continue to play their part and revise their Strategic Plans in order to incorporate the activities stipulated in the document, and allocate sufficient resources for their implementation. This will facilitate implementation of economic empowerment activities without duplication of efforts. All implementers of the policy should prepare and submit progress reports to NEEC, which will assist the Council to prepare the National Economic Empowerment report in a timely manner. This measure will provide a comprehensive National picture by bridging the information gap arising from numerous and scattered economic empowerment initiatives.

I take this opportunity to express my sincere gratitude to NEEC for providing leadership in unveiling the National Economic Empowerment report. I commend the contribution of public and private stakeholders in the implementation of the National Economic Empowerment Policy. The unveiling of this document marks a new era with a detailed implementation status of the National Economic Empowerment Policy which clearly outlines how each sector in the economic empowerment process contributed to the achievement of the intended objective of empowering the majority of Tanzanians economically.

My sincere appreciation goes to NEEC secretariat for timely coordination and preparation of this report. This report is shared with the general public to enable them to witness the implementation of National Economic Empowerment Policy as undertaken by various sectors across the entire economy.

Omari M. Issa

November, 2015

FOREWORD FROM THE EXECUTIVE SECRETARY



The National Economic Empowerment Council is under the Prime Minister's Office and has been established by the National Economic Empowerment Act No. 16 of 2004. The primary objective of the Council among other things is to effectively implement the National Economic Empowerment Policy of 2004 (NEEP, 2004). It has been envisaged that proper implementation of NEEP, 2004 requires involvement of multi-stakeholders. This is because economic empowerment has a cross cutting nature from the fact that it is supposed to be implemented not only by the diverse sectors from the public institutions but also private sectors, development partners, Non Governmental Organizations (NGO), Community Based Organizations (CBO), Faith Based Organization (FBO), Civil Societies Organization (CSO) and as well as individuals. Therefore, the specific role of the government through NEEC is to coordinate, facilitate, provide leadership, monitor and evaluate all economic empowerment initiatives done by all the players in Tanzania.

In order to provide leadership and coordinate all economic empowerment initiatives in a more effective way as it has been authorized, NEEC has decided to come up with the approach of compiling the status report on implementation of the NEEP, 2004. Also, Preparation of this report is an implementation of the Act No 16 of 2004 that established the Council. Section 36(2)(b) of the Act requires the Council to furnish the Minister with a consolidated report with regard to the functions, affairs, activities and provide a statement of a progress achieved towards realization of economic empowerment. In responding to this directive the Council decided to embark on the furnishing of the first policy implementation report not only for the Minister but also for other stakeholders of economic empowerment. It is expected that this annual policy implementation report will be furnished annually. This is due to the fact that stakeholders are required to be informed on the status of implementation of the Policy regularly.

The National Economic Empowerment status report to all stakeholders is a document that is being produced to disclose economic empowerment information to the general public. The report compiles and coordinates implementation of the economic empowerment initiatives which have been done by various stakeholders. It has an objective of reporting annual implementation of the nine Pillars which have been highlighted in the National Economic Empowerment Policy of 2004. Generally, all pillars have a focus of ensuring that the majority of the citizens of Tanzania have access to opportunities to participate effectively in economic activities in all sectors of the economy. The reporting style also complies with the Monitoring, Evaluation and Reporting Framework for economic empowerment which was developed by NEEC, Prime Ministers' Office and Ministry of Finance. However, there are some significant achievements which have been mentioned as progress of the policy even though they have not been mentioned in the NEEP, 2004.

You may note that 2014/15 is the first status report on implementation of the National Economic Empowerment Policy of 2004. It is expected that this report will be prepared on an annual basis. The aim is to inform the general public on how the NEEP, 2004 has been implemented in that particular year. Through the reports it will be easier to notice how we are fairing in terms of empowering citizens economically. Definitely it can be a platform that can be used to monitor and evaluate various initiatives that have been allocated funds and rearrange priorities. Also, efforts of various stakeholders in implementing the NEEP, 2004 will be realized. In other words the reports are intending to communicate to the public on how the economic empowerment initiatives accelerate economic growth. Therefore, I am, hereby, calling upon all players of economic empowerment to cooperate in this noble assignment by availing not only accurate information but also at the right time.

I wish you all the best in reading the 20014/15 National Economic Empowerment Implementation Report.

Beng'i Issa
November, 2015

EXECUTIVE SUMMMARY

The Government of Tanzania in collaboration with various development partners and stakeholders has implemented various programmes aiming at empowering Tanzanians economically. Such efforts include formulation of policies, strategies and programmes that have helped in improving the infrastructure, systems as well as lives of individuals. One of such policies is the NEEP which was established in 2004 and followed by the enactment of the National Economic Empowerment Act, 2004.

This report documents the progress made by the Government in collaboration with different stakeholders and partners in implementing various interventions that aimed at enabling Tanzanians to improve their living standards through utilization of the available economic opportunities. The NEEP nine Pillars implementation status has been detailed in chapter two. These Pillars include acceleration of economic growth and creating an enabling environment; creating supportive legal and regulatory framework and public service delivery; investment capital; raising skills and knowledge levels; improving the economic infrastructure; ensuring that privatisation efforts are realised; strengthening markets, networks and partnerships; developing and strengthening cooperatives; and ensuring optima usage of land.

Progress has been made in various sectors at different levels since the establishment of the Policy. For instance, the economy grew at a rate of 7% in 2014 with a per capita income of USD 1,038¹ coupled with improved investment environment. Generally from 2006 to 2014 GDP grew at an average rate of 6.4%. Infrastructural facilities have been improved to a greater extent whereby roads, telecommunications and service delivery systems have been improved. Business partnerships have improved attracting FDI totalling \$ 2.142bn in 2014, up from \$2.131bn in 2013. A guideline to form the NMSFEE implementation committees from the village to regional level as well as sectoral ministries as a way of ensuring effective implementation of NEEP has been developed and shared with stakeholders.

Significant efforts have been made to improve the tax system, the tax regime in Tanzania in order to create adequate opportunities for effective participation of the majority of the citizens in the economy. Public service delivery has been reformed to match effectively with the demand of the entire population of Tanzanian citizens.

Tanzanians have been encouraged to establish joint venture schemes in order to pull their resources together in raising capital for their projects. The Government has also

sensitized and encouraged Tanzanians to establish and join SACCOS and VICOBA and supported them to access loans with reasonable conditions from financial institutions through various guarantee schemes whereby currently a total of 6 Empowerment Funds owned by the Government and 8 owned by the Private sector have provided guarantee to loans amounting to more than TZS 1,352 billion to more than 255,511 beneficiaries. Also direct loans amounting to more than TZS 86.67 billion have been provided to more than 615,632 Tanzanian entrepreneurs, farmers and fishers.

Sensitization on the establishment of Savings Credit Cooperative Societies (SACCOS) led to their increase from 5,832 in 2005/2006 to 7,888 in March 2015 comprising of 3,865 SACCOS, 2 cooperative banks, 48 cooperative unions and 3,973 other cooperative societies (AMCOS, livestock keepers, fishers, industries, miners, consumers and housing) with about 2,390 members and a capital of more than TZS 451 billion in 2015. More than 23,000 VICOBA with more than 700,000 members have been established having savings of more than TZS 86 billion. Out of the total number of VICOBA known by the Government, 11% have formal registration from relevant authorities while 9% have opened Bank accounts. 34% of VICOBA existing in the country are supported by programmes funded by Development Partners such as Plan International, World Vision, CARE International, Norwegian Church Aid and others while 66% of VICOBA existing in Tanzania have been established and are owned by members.

1.0. BACKGROUND

The National Economic Empowerment Policy was formulated in 2004 with the aim of addressing various constraints that limit Tanzanians to participate fully and effectively in economic activities. This Policy is in tandem with the Vision 2025 which envisages that by the year 2025 a large segment of the national economy will be owned by Tanzanians. The Policy embraces all Tanzanians by availing equal opportunities to all groups to develop themselves. It takes into account the private sector development policy objectives, fair economic participation in a market-oriented economy and informal sector contribution. Focus is made on areas that have high potential to generate quick results especially those which directly impact on the lives of individuals with entrepreneurial capability in agriculture, livestock keeping, fishing, forestry, building and construction, trade, tourism, mining, manufacturing and transportation. The responsibility of implementing the Policy will involve all the stakeholders including the private sector and the Government.

Given this scenario, the primary objective of this Policy is to provide general guidelines which will ensure that the majority of the citizens of Tanzania have access to opportunities to participate effectively in economic activities in all sectors of the economy. In this regard, sector policies are required to give preferential treatment to nationals where necessary so as to enhance their bargaining position and opportunities

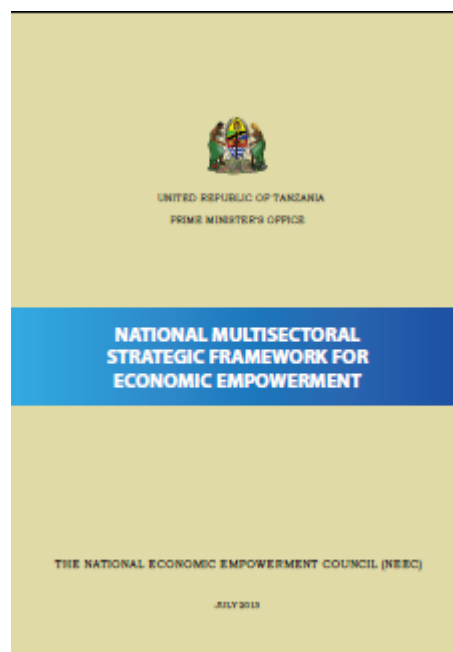
In order to enforce implementation of this Policy, the National Economic Empowerment Act of 2004 was enacted by the Parliament. As provided by the Act, the National Economic Empowerment Council (NEEC) was established in 2005 to supervise, coordinate, monitor and evaluate implementation of all economic activities.

As observed, the scope of the Policy is wide and complex. It involves various stakeholders that include Ministries, Departments, Government Agencies (MDAs), Local Government Authorities, Non Governmental Organizations (NGOs) and private sector. In view of its complexity, implementation of the Policy requires a well structured and flexible plan that is capable of accommodating all the stakeholders and of adapting to changing implementation environments so as to ensure achievements of the Policy objectives.

In order to guide and gauge implementation of the Policy, NEEC formulated the National Multisectoral Strategic Framework for Economic Empowerment (NMSFEE) which synchronizes the roles of all the stakeholders of economic empowerment in Tanzania including specific activities to be undertaken, expected outcomes, modality and mechanism of collaboration and outcome indicators for monitoring and evaluation.

This Framework was developed based on the nine pillars outlined in the Policy. These are: acceleration of economic growth and creation of an enabling investment environment; improvement of legal and regulatory framework and public service delivery; facilitating availability of investment capital; facilitating and raising skills and knowledge levels of citizens; improving economic infrastructure such as roads, power and telecommunication networks; designing strategies to enable Tanzanians to effectively participate in privatization; enabling Tanzanian goods to compete in local as well as foreign markets; strengthening and facilitating the development of cooperatives; and ensuring that land

is used in enhancing effective participation of citizens in economic activities.



The objective of this report is to give a picture of the extent to which implementation of the Policy has so far been implemented. The report is intended to give room to the stakeholders to assess their position in implementing the Policy and make necessary adjustments that will fast track efforts in achieving the objectives of the Policy.

2.0. NATIONAL ECONOMIC EMPOWERMENT POLICY IMPLEMENTATION STATUS

This status report takes into stock the contribution of various stakeholders as regards to empowering Tanzanians economically since 2005 to date. It consists of nine pillars and strategies that guide economic empowerment actors in their efforts to empower Tanzanians economically. These pillars are accelerating economic growth and creating an enabling investment environment; creating a supportive legal and regulatory framework and public service delivery; availability of investment capital; raising entrepreneurial skills and knowledge levels; improving economic infrastructure, privatisation, strengthening markets, networks and partnerships, developing and strengthening cooperatives and effective utilization of land in economic activities. Several achievements have been realised since the inception of the Policy although there are still some challenges that have hindered achievement of better results as anticipated.

2.1. ACCELERATING ECONOMIC GROWTH AND CREATING AN ENABLING INVESTMENT ENVIRONMENT

In order to create an enabling investment environment for accelerated economic growth and empowerment of Tanzanian citizens, a number of strategies cum actions have been implemented. This involves several key institutions by their mandate and functional role in the government, the economy and the social sectors. In the first place, a framework of multi sectoral cooperation and implementation known as National Multi Sectoral Strategic Framework for Economic Empowerment (NMSFEE) has been prepared for the MDAs, LGAs and non-governmental institutions. NEEC prepared this document as a guideline to implementers in the country on planning, monitoring, result measurement and evaluation of economic empowerment initiatives. It elaborates the roles and responsibilities of all sectors, institutions, and organizations and individuals engaged in economic empowerment process, provides the structure of coordination and calls for establishment of coordination committees of empowerment from the village up to the national level as well as guiding monitoring and evaluation of economic empowerment interventions. The guidelines have been shared with various stakeholders including PMO-RALG who approved them and thus will issue a Circular to all LGAs that will facilitate the operationalisation of empowerment desks.

There is steady increase in economic growth with the growth rate in 2014 recorded at 7% with a per capita income of USD 1,038² coupled with improved investment environment. Generally from 2006 to 2014 GDP grew at an average rate of 6.4% despite the growth rate being below the target of 8% as stipulated in the Vision 2025. Tanzania's

²Economic Survey Report 2015

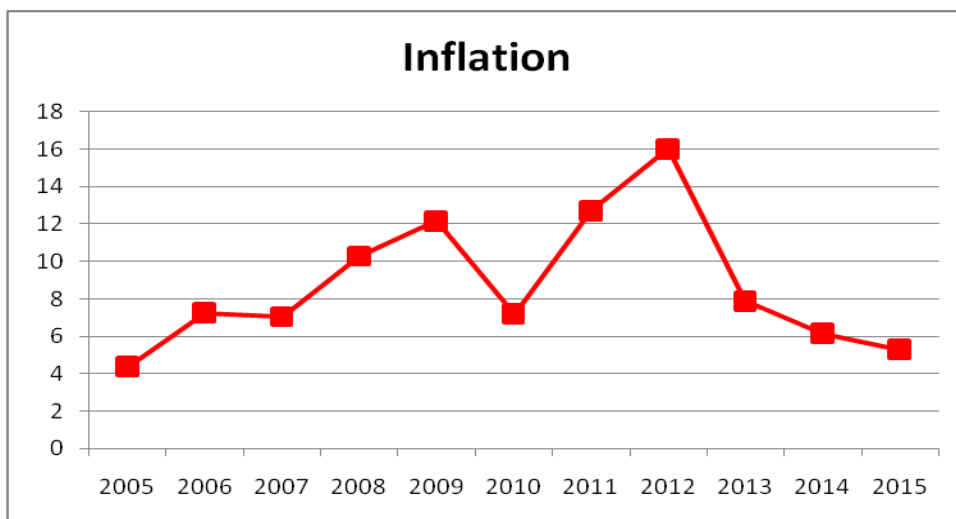
growth record has been outstanding and ranked among the top 20 fastest growing worlds' economies and had been above the sub-Saharan average growth rate of 5.2%. More efforts are required to attain USD 3,000 per capita income target as stipulated in Tanzania Development Vision 2025. In the cost of doing business report Tanzania has been rated in the position of 131 out of 189 economies in the world in 2015. The objective in this regard is to achieve economic empowerment initiatives that will allow majority of Tanzanians to participate more effectively for improved livelihoods.

2.1.1. Ensuring stable macroeconomic balance

The enabling environment for investment and economic growth is sustained macroeconomic stability through implementation of policies that ensure macroeconomic stability.

Inflation rate remained at single digit in 2014 at an average of 6.1% compared to 7.9% in 2013. However monthly inflation has been fluctuating on monthly basis. Accordingly, low level of inflation rate, conducive balance of payments, high rate of economic growth, and rational fiscal and monetary policies should be ensured and sustained to create an investment enabling environment.

Graph1: Average inflation rates between 2005 -2015



Source: Related Data from the International Monetary Fund

2.1.2 Ensuring peace and social stability

Peace and social stability ensure that people and their properties are safe. This is an important component of an enabling investment environment. The Government has continued to ensure peace and social stability through the state instruments as provided in the Constitution of the United Republic of Tanzania. This has been achieved through

curbing crime, high level observance of laws and regulations that ensure peace and stability as enforced by effective and adequate police services, and a fair judiciary system in Tanzania. For instance, crime rates have been reduced significantly from 53,268 in 2005 to 43,808 in 2014 contributing to peace and stability in the country.

2.1.3 Improving infrastructural facilities

Improvement of the current infrastructure facilities in Tanzania has been a continuous process as a strategic means of economic empowerment. The Government and Local Authorities have channelled more resources to the development of infrastructure year-by-year. A total of 3,591.75km road networks have been constructed at tarmac level and six large bridges in the past ten years (2005-2014). A total of 393km of regional roads at tarmac level constructed and 6,636km of roads network at gravel level maintained.

National Fibre Optic Cable has been deployed in all the regions countrywide to enhance information and communication technology accessibility in supporting and reducing cost of doing business. For instance about 7,560 km of National Fibre Optic Cable have been installed in all cities and regions except in Simiyu which is a newly established region. Instalment of the National Optic Cable has improved internet speed and reduced connection charges. For instance, internet charges dropped from TZS 36,000/Gigabyte in 2005 to an average of TZS 9,000/Gigabyte in 2014 while telephone charges have dropped from Tshs. 115 in 2005 to

Tshs. 34.92 in 2014. The improvements resulted into increased number of mobile phone subscribers from 2.96 million in 2005 to 28 million in 2014 while internet users have increased from 1.6 to 9.3 in 2014. The improvements have also enabled about 12.3 million Tanzanians to benefit from mobile money transfers with transactions valued at Tshs. 28 trillion (TCRA, 2014).



In 2014, 2.36m people, 240 villages, gained access to clean safe water as a result of strengthening and refining the existing rural water component of the National Water Sector Development Programme, which was put in place to improve the state of Tanzanians water supply and sanitation.

30% of Tanzanians entire population has access to electricity facilitated by the rural electrification project which focuses on fast tracking lighting the rural community to stimulate small and medium enterprises development. An additional 193,420 households

were connected to electricity in 2014. The Ministry of Energy and Minerals is committed to collaborate with key stakeholders especially the private sector to unlock the full potential of Tanzania's energy sector.

2.1.4 Encouraging business partnerships

One of the strategies to empower Tanzanians economically is strategic business partnership between well established investors and Tanzanians. The country outperformed its regional peers by attracting FDI totalling \$ 2.142bn in 2014, from \$2.131bn in 2013. Between 2005 and 2014, TIC registered 7,159 projects valued at \$ 74,274m and generated 869,635 jobs. In 2014 a total of 698 projects registered under TIC valued at Tshs 86,146m. Out of the total projects registered, 159 were through joint ventures between locals and foreign investors. The Government has streamlined the business investment environment by establishing a one stop centre under TIC for all investors. This mechanism enhances and reduces business registration processes and all start-up activities. The centre has all government officials responsible with registrations and business permits under one roof. Government institutions involved in investment facilitation are Ministry of labour and employment, Immigration and TRA.

2.1.5 Work in collaboration with grassroots institutions

In the last ten years there have been many efforts by the Civil Society Organizations, groups of people, companies and SACCOS to form and work with grass root organizations. Among the activities involved were business development services, savings and credit facilitation and capacity building. Many of the beneficiaries of the envisaged economic empowerment are found at the grass root level where the respective authorities are village governments, Ward Development Committees, and the LGAs. In order to ensure effective participation and implementation, NEEC has prepared a guideline to guide the formation of the committees from the village to regional level as well as sectoral ministries. The committees will be established after comprehensive sensitization of the National Economic Empowerment Policy to respective stakeholders. This implies that NEEC will establish empowerment committees and a network of coordinating units at regional, district, ward and village level. The committees will be responsible for producing progress reports on economic empowerment and submission to NEEC.

2.2. SUPPORTIVE LEGAL AND REGULATORY FRAMEWORK AND PUBLIC SERVICE DELIVERY

2.2.1. Review and Formulation of Laws, Rules and Regulations

Various efforts have been made as regards to review and formulation of laws, rules and policies relating to ease of doing business in Tanzania. The establishment of Tanzania National Business Council (TNBC) as a platform to engage dialogue between public and private sector in the country spearheaded significant reforms on the improvement of business environment. Various reforms have been undertaken including ;tax incentives, business licensing, financial reforms and employment and labour relations just to mention a few. The Government also reviewed and enacted various laws, policies and regulations to facilitate economic empowerment of Tanzanians. These include the following among others:

The Cooperative Societies Act, 2013	National Environment Act, 1983 (Act No.19 of 1983)
Public Procurement Act, 2011	Patent Act, 1987 (Act No.1 of 1987)
Electronic and Postal Communications Act, 2010	Trade and Services Marks Act, 1987 (Act No.2 of 1987)
Capital Markets and Securities Act, 1994	Companies Act, Cap.212
Commodity Exchange Market Act, 2015	Business Names (Registration) Act Cap. 213
National Youth Development Policy 2007	Public Corporations Act, 1992 (Act No.2 of 1992)
The SMEs Development Policy 2003	Arbitration Act, Cap. 15 Law of Contract Act, Cap 433
Microfinance Policy 2000	Business Activities Registration Act (2005)
Local Content Policy for Oil and Gas Industry, 2014	Export Processing Zones Act, 2002 and Amendments (2006)
Petroleum (Exploration and Production) Act, 1980 (Act No.27 of 1980)	Special Economic Zones Act, 2006
The Mining Policy and Act	The Land Act, 1999 (No. 4 of 1999),
	The Village Land Act, 1999 (No. 5 of 1999).

There also been significant efforts to improve the tax system, the tax regime in Tanzania to create adequate opportunities for effective participation of the majority of the citizens

in the economy. There has been extension of tax incentives to large, medium and small scale investors whereby currently the incentives are granted to both local and foreign investors provided that they are registered by Tanzania Investment Centre (TIC) and/or Tanzania Revenue Authority (TRA). Tax incentives are mainly in the form of enhanced capital deductions and allowances. They mainly cover the lead and priority sectors including agriculture, agro-based industries, mining, tourism, petroleum and gas and economic infrastructure (road, railways, air and sea transport, port facilities, telecommunication, banking & insurance).

Various tax laws administered by TRA in granting tax exemptions have been reviewed with the aim of controlling and instituting measures to improve supervision. Such laws include the following:

The Value Added Tax Act, CAP148	The Vocational Education and Training Act, CAP 82
The Income Tax Act, CAP 332	Road Traffic Act, CAP 168
The Excise (Management & Tariff) Act, CAP 147	The East African Community Customs Management Act, 2004
The Road and Fuel Tolls Act Cap 220	The Tanzania Investment Act, CAP 38

There are many evidences on positive changes realized as a result of review of taxes administered by TRA in granting tax exemptions but this report sites only few examples as indicated below:

- a. Special relief of 100% which has been granted to domestic textile manufacturers using *locally produced cotton*;
- b. Individual income tax has been reduced from 14% to 13% for employees;
- c. Withholding taxes, and excise management and tariffs for various products;
- d. All goods processed and manufactured in the areas designated as Export Processing Zones (EPZ) are exempted from import duty on raw materials;
- e. All factories registered to manufacture goods under bond for export purpose are exempted from import duty and other taxes on inputs used to manufacture those goods;
- f. In order to encourage export of locally produced goods from Tanzania all exports are zero rated under the VAT law, and
- g. The law provides exemption of withholding tax chargeable by foreign banks on interests payable to strategic investors as defined by Tanzania Investment Act. This is one of the measures devised to encourage investment in the country.

However, together with all these efforts Tanzania is still not doing well as regards to promotion of a supportive environment for investment. As regards to the cost of doing

business Tanzania was ranked at **139** out of **189** countries in the World (World Bank 2015). More efforts are still needed in order to improve the business environment so that investors can comfortably run their businesses and pay taxes as per Government requirement.

2.2.2. Other efforts geared towards improving the business environment

The Government through Big Results Now (BRN) Program intends to resolve various challenges that hinder efforts to improve the business environment by focusing on curbing corruption; access to land and security tenure; contract reinforcement; law and order; labor law & skill set; multiplicity of levies and fees as well as the associated charges.

So far, efforts to improve the business environment led to increase in number of investments in the country to 7,159 valued at US \$ 154.274 between 2005 and 2014. Out of the total investments 49.38% are owned by local investors, 23.41% are owned by foreign investors while about 27.18 % are owned by Tanzanians in collaboration with foreign investors. All these investments have provided employment to 16,000 Tanzanians and increased Government revenue (TIC, 2015).

According to UNCTAD 2015 investment report, Tanzania outperformed its counterparts in East Africa as regards to attracting investors whereby foreign investments realised US \$ 2.142 which is equivalent to 31.5% of total foreign investments in the region.

2.3. INVESTMENT CAPITAL

In order to address this area the Policy identifies three key strategies to be used. These include: strengthening and improving sources of savings; strategies to encourage banks to extend credit and strategies to enhance creditworthiness of Tanzanians. The position of application of these strategies is provided below:-

2.3.1. Strengthening and Improving Sources of Savings

This strategy focuses in four key areas for the purpose of strengthening sources of savings and capital for the majority of the citizens of Tanzania. The following are achievements:

(i) Joint venture schemes

The Government encourages joint ventures between local firms and foreign investors; this also facilitates access to land, which otherwise foreigners cannot own. Many foreign firms have recently partnered with the National Development Corporation, Tanzania Petroleum Development Corporation, and the National Housing Corporation, in energy, biofuels, and real estate ventures.

The National Development Corporation has partnered with Sichuan Hongda Group (SHG) of China to implement the Mchuchuma and Liganga projects. The projects involve establishment of coal mines of 3.0 mt/y, coal power station 600MW, iron ore mine 1.5 mt/y, and iron and steel plant to produce 1.0 million steel products. The project is expected to create 8,000 jobs. However, the project has not started due to infrastructural challenges that delayed transportation of equipments.

Tanzania Petroleum Development Corporation has partnered with Tanzania LNG, the consortium of British Gas (United Kingdom), ExxonMobil (USA), Statoil (Norway), Pavilion (Singapore) and Ophir Energy (Australia) to implement the project of extraction of natural gas in southern of Tanzania. The consortium has divided blocks, one and four to British Gas, Ophir Energy and Pavilion, while block two to Statoil and ExxonMobil. The coalition of five companies involves the process of extracting natural gas and turning it into liquid form (frozen) for exportation. The project is estimated to cost about \$30 billion. It will take at least 8 years before the production starts.



(ii) Joint savings and capital

Sensitization on the establishment of Savings Credit Cooperative Societies (SACCOS) led to their increase from 3,425 in 2006, with 570,743 members to 3,865 in June 2015 with 919,992 members. However in 2013 Tanzania had a total of 5,468 SACCOS which were later disqualified as a results of verification by the Tanzania Commission for Cooperatives Development (TCDC). Participation of Tanzanians in SACCOS has improved their living conditions such that some of them have expanded their businesses; increased acreage for their agricultural production; purchased various working facilities like transport and farm equipments; built better houses and paid school fees for their children.

Tanzanian communities today, in urban and remote rural areas, have many ‘informal financial groups’ (IFGs), usually of several different types. These are delivering financial services and hence increase of financial inclusion to millions of Tanzanian households. By December 2015 there were about 100,000 such groups with 2.2 million members (79% women & 21% men) who have accumulated capital of about TZS 1.2 trillion. About 11.1 million Tanzanians have been indirectly impacted by these groups through participation of relatives and family members. However, out of 100,000 groups known,

only 3,000 (3%) do operate bank accounts while the remaining store their money in boxes posing very high security risks. Most of youth (65%) aged 22-40 years participate and acquire capital from these groups while Tanzanians aged 41-60 years (30%) and older people aged 60 years and above (5%) accumulate savings and acquire loans through these groups. The Government is planning to encourage the design and implementation of projects that focus on developing IFGs for youth and led by youth. Proper assistance to poor Tanzanians who are involved in the IFGs activities to move into the informal/formal sectors by diagnosing their main capacity gaps and designing more inclusive IFG information systems and retail tools is essential.

For instance as a result of Government efforts in strengthening the operations of these groups, an umbrella organization for VICOBA in Tanzania (VICOBA-FETA) was established in 2013 and currently has 14 member organizations that promote VICOBA activities at grass root level. The founding members for the federation are VICOBA Sustainable Development Agency (VSDA), Social and Economic Development Initiatives of Tanzania. (SEDIT), Umoja Youth Aids Control

and Community Development (UYACODE) and Sustainable Environment and Livelihood Limited Sustainable Environment and Livelihood Limited (SELL) and they have enrolled other 10 members to date.



TAMFI is an umbrella organization for microfinance institutions operating in Tanzania, which was established in 2001. TAMFI is devoted to strengthening the microfinance sector by promoting cooperation and collaboration among its members. It provides financial services to the unbanked or the excluded with special focus on “unsecured loans”. It is comprised of 99 members from Financial NGOs, Private and Public Companies e.g. UTT Microfinance, Networks of Informal Microfinance Providers, Savings and Credit Cooperatives, Commercial Banks, Community Banks, Microfinance Support Institutions comprising professional service providers in business development, accounting, audit law and technology

(iii) Pension schemes for investment and/or buy shares

Pension Funds have also played critical role of empowering Tanzanians through relieved loans and special schemes for poor citizens. NSSF for example has embarked into different schemes such as farmers, fishermen, small miners, entrepreneurs and informal sector. GEPF has a scheme for informal sector and PSPF has a scheme for informal

sector and entrepreneurs. All Pension Funds in totality have reached a total of 256,602 citizens in terms of loans and other benefits. These benefits have reached people in the agriculture and businesses sectors through individuals and SACCOS. A Total of 100 billion shillings were given through different schemes.

Some of the pension schemes have started utilizing part of their pension contribution to improve the creditworthiness of their members. Currently Government Employees Provident Fund (GEPF) offers housing loans through mortgage arrangements.

The Public Service Pension Fund (PSPF) from 2010 to 2014 started to provide soft loans to their members for investing in various economic activities. Also PSPF issues housing loans (50% of their contribution) to members with 5 years to attain retirement age. To date 6,011 members have received 172.4 billion as housing loans. From March 2014 to December 2014 soft loans amounting to 13.9 billion was given to 3,338 pensioners.

The NEEC has entered into an agreement with NSSF to facilitate youth involved in BODABODA in Tanzania to form their own SACCOS, the target has been set to establish one SACCOS per region for BODABODA. The youth in BODABODA will also benefit by registering with the NSSF scheme and hence receive health and invalidity benefit. NSSF will provide

motorcycle loans to youth who will be in need, the loans will be issued under the NEEC credit guarantee.



(iv) Funds for Concessionary Terms

In order to address the challenges of access to capital the Government of Tanzania has established various empowerment funds under different ministries in order to facilitate capital needs and enhance credit services to Tanzanians. The Empowerment Funds work through banking system, whereby, the funds act as collateral for poor people with no physical collateral required. These Funds are Mwananchi Empowerment Fund (MEF), Youth Development Fund (YDF), Women Development Fund (WDF), J.K Fund, National Entrepreneurs Development Fund (NEDF), Small Entrepreneurs Loan Facility Microfinance (SELF MF), Agricultural Input Trust Fund (AGITF), Contractors Assistance Fund (CAF), Tanzania Forest Fund (TFF); Presidential Trust Fund (PTF); ECGS; SME-CGS; Women in Informal Sector Revolving Fund; TASAF and Rural Electrification Fund (REF). These Funds have so far impacted the lives of more than

850,000 Tanzanians with a total of TZS 966 billion. Most of the loans disbursed to beneficiaries were through Savings and Credit Societies (SACCOS) and Cooperative Unions via Commercial, Community Banks like CRDB, NMB, Tanzania Postal Bank, Akiba Commercial Bank, Meru Community Bank, Mwanga Community Bank, SCULT, PRIDE and others.

Progress reports from the Funds reveal that credits provided to beneficiaries have impacted beneficiaries in different ways including poverty reduction at household and community level, as indicated by Mr Deus Lukas hereunder a beneficiary of one of the Empowerment Funds below:



Mr. Deus Lukas



Deus' milling Machine



Deus' grain store at milling machine

Mr. Deus Lukas is a member of Mwanza SACCOS Limited. Mwanza SACCOS accessed loans from SELF project and disbursed them to its members Mr. Deus being one of them. Mr. Deus Lukas used the loan to purchase a milling machine and purchased the second milling machine after 3 years using the accumulated profit. Mr. Deus acknowledges that, before acquiring the machines he was just a broker but now he owns a business which has employed 11 (6men 5 women) workers who also earn income by working for him. He and his family also live a better life than before living in their own life and he has managed to send his four children to better schools.

2.3.2. Encouraging Banks to Extend Credit

Currently, only about 30-40 percent of all deposits held by the banks in the country are used to extend loans. International financial institutions also have funds that could be borrowed provided that they are used to finance projects that meet the set conditions. The following measures have been encouraged through banks to extend more loans to finance investment projects in the country:-

a. Establishment of Credit Reference Bureaus

The Bank of Tanzania established the Credit Reference Bureau Regulations in 2012. The first reference bureau in Tanzania was established in 2013 and the second reference

bureau has been approved in May 2015. These are part of the initiatives to strengthen Tanzanians credit worthiness. The credit reference bureaus help in reducing credit risks among Commercial Banks and other lending institutions by providing borrowers' credit history. Two credit reference bureaus which are providing borrowers' credit history to banks and financial institutions have been registered so far. These are Credit Info Tanzania limited and Dun & Bradstreet. Some banks have started to use the services of these institutions which will assist to limit loan defaults, lower interest rates and increase access to credit in future. However, the use of these credit reference bureaus by lending institutions is still limited.

b. Identity Cards for Citizens

The Government established the National Identity Authority (NIDA), which is envisaged to bring a lot of changes economically and socially in the Government operations. NIDA has established a system, which brings in all the necessary information and statistics regarding people in Tanzania for proper planning and other strategic issues for development. The system brings in changes for efficiency and effectiveness of public institutions in delivering services.

Since 2012 the Government has been in the process of issuing national identity cards through the National Identification Authority (NIDA). By March 2015 over 6.1 million people had been registered by NIDA and out of the registered Tanzanians 1.7 million have already received their national identity cards. NIDA has completed the registration process in Zanzibar, Dar es Salaam, Coast, Lindi, Morogoro, Mtwara and Tanga regions. Stakeholders meetings on use of national IDs as official documents of identifying residents in the country have already been held. National identity cards are one of the means for the banks to know their customers and thereby reduce the costs associated with collection of borrowers' background information, hence reducing lending costs.

c. Enhancing Creditworthiness of the Citizens of Tanzania

The Government devised various measures which aimed at facilitating Tanzanians to overcome different constraints towards active participation in economic activities. Such constraints are lack of know-how and experience in designing and managing projects in a manner that can enable them to maximise profit thereby enhancing their capability to pay back loans, lack of collateral and reluctance of banks and financial institutions to lend to borrowers with start up projects. To alleviate this problem, the Government established guarantee funds and promoted establishment of economic groups such as SACCOS, VSLAs, VICOBA, community banks and others to facilitate citizens to acquire capital through such means. The Government also formulated the National Microfinance Policy of 2000 whose review is in its final stages.

d. Private Sector

Formation of the Tanzania Private Sector Foundation (TPSF) has helped in setting up a good coordinating mechanism for the private sector. The private sector is so diverse in terms of the sectors involved; hence TPSF has played a good role in this aspect. The Government has been working very close with the TPSF. TPSF has been used as a link and mode of disseminating information to its stakeholders. TPSF has been used for the programmes that are implemented through the Government to reach out private sector institutions. The programme of strengthening private sector was implemented and has increased involvement of vegetable farmers from 700 to 3000 in Arusha and Kilimanjaro regions. Warehouses were built through this programme in the areas of Mbuguni, Kibosho, and Kibong'oto. A Total of 3000 farmers benefited as a results of these warehouses. 250 Grapes farmers in Dodoma and mangoes farmers in Tengeru were facilitated in learning modern farming.

The Public Private Partnership Act was passed by the Parliament in 2014, this new Act ammended the Act of 2010 in order to facilitate effectiveness and efficiency of the PPP projects approval process and its implementation. It will involve establishing a strong unit under the Prime Minister's Office and Public Private Partnership Technical Committee, establishment of PPP Facilitation Fund and development of regulations in order to have an efficient procurement system for PPP investors.

In collaboration with the Tanzania Private Sector Foundation (TPSF) the Government implemented a Tanzania Business Development Scheme (TBDS) through Matching Grants Programme. Also the Government supported higher learning institutions to establish Innovation Applied Research Scheme which enabled 1,728 companies to be registered and among them 786 companies received grants amounting to Tshs. 7.8 billion for establishing and expanding economic projects, 50% of those companies are owned by women.

SMEs National Baseline Survey report of 2012 pointed out that there are about 3,000,000 SMEs in Tanzania. It is estimated that 57% of the households in Tanzania had a member who was operating an SME in Tanzania, this shows how important this sector is in economic contribution of the country. The survey also shows that about 9% of the SMEs cease to operate after few years of starting, this has been due to

various factors, including working capital, high competition, markets etc. It is estimated that 72 percent of the SMEs owners did not receive any training before or even after starting business. More than 55% of the SMEs are involved in trade and only 14 % are involved in manufacturing. It is estimated that about half of the SMEs operate from homesteads.



During the period from 2005 to 2015, the Tanzania Investment Centre registered a total of 7,857 investment projects valued at USD 86,146 million and employed 869,635 people. Among the registered projects, 33 were in agriculture with a value of USD 214.11 million and employed 13,373 people. From the tourism sector a total of 109 projects worth USD 294.72 million were registered and offered employment to 5,436 people. Out of the projects registered, 328 belonged to local investors, 159 were in joint venture between local and foreign investors and 211 projects belonged to foreign investors.

2.4. RAISING SKILLS AND KNOWLEDGE LEVELS

The National Economic Empowerment Policy recognizes that low level of skills, education and lack of resources limit effective participation of many Tanzanians in economic activities. Low level of education is amongst the reasons why some Tanzanians continue to embrace inhibitive customs and traditions that are inimical to development.

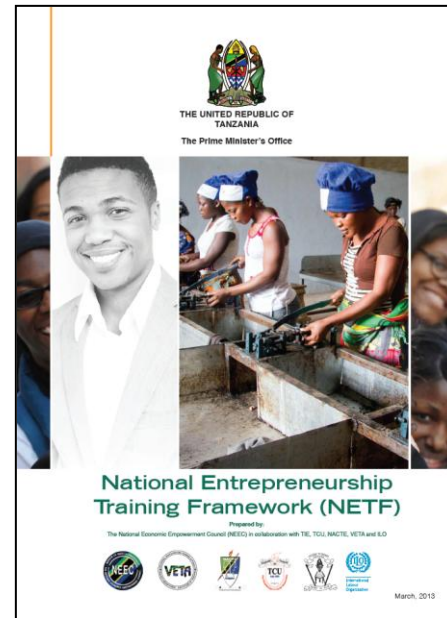
Various achievements have been realised in raising skills and knowledge levels as indicated below:

2.4.1. Facilitating the Enhancement of Skills

The Government through the National Economic Empowerment Council and other stakeholders have developed the National Entrepreneurship Training Framework which was launched in June 2015. The objectives of this Framework is to provide a minimum of learning outcome, methods, guidelines for the quality of facilitators and assessment techniques to be used in entrepreneurship training so that the efforts contribute effectively towards empowering Tanzanians in terms of attitudes, knowledge and skills. An inventory of business development services providers will be carried out and a strategy to ensure that services in project design and appraisal are available in every district, will be developed.

Establishment of the National Entrepreneurship Training Framework (NETF) has brought together education regulators,

curricula developers, business development service providers and entrepreneurship trainers in ensuring the trainings they regulate/offer adhere to customer demand driven through entrepreneurship education. The stakeholders include Ministry of Education and Vocational Training (MoEVT), Tanzania Institute of Education (TIE), Vocational Education and Training Authority (VETA), National Council for Technical Education (NACTE), Tanzania Commission for Universities (TCU), and other trainers.



However VETA has already reviewed their curriculum to address demand driven training and also have introduced entrepreneurship subjects in their curriculum. As part of its efforts to ensure provision of demand driven training, VETA has introduced the Competence Based Education and Training (CBET) approach. This is a standards-based training system whereby trainees are required to demonstrate attainment of pre-determined levels of competence under given conditions in order to be judged as having successfully completed training.

The Government has also established a number of other strategies and programmes with the aim of promoting skills development in Tanzania. Such initiatives include but not limited to: The Education and Training Policy (2014); National Employment Policy (2008); National Small and Medium Enterprises (SME) Policy; and the National Sustainable Industrial Development Policy (1996 -2020).

Currently TPSF on the other hand, is working with the higher learning Institutions to design courses for work efficiency. As a result, most of the institutions have come up with changes in their syllabuses in order for the students to be able to use modern technology in terms of working tools. Some of the courses include use of the modern technology of equipment for operating ships by using *simulators*, this has been done by the Marine Institute in Dar es Salaam and University Computing Centre has been instrumental in the introduction of video conferencing in different institutions within the government and non-governmental organizations. This technology has enabled international conferencing without moving and travelling to different countries. *National Institute of Transport-NIT* has been able to obtain new efficient machines, which are able

to measure efficiency of vehicles. The programme also enables students to use modern technology in learning how to service and maintain new modern vehicles.

TPSF has been coordinating and facilitating training of preservation of food in different areas including Product Development in the Institute of TEMDO in Arusha including twelve industries participants in preserving farm produces.

2.4.2. Entrepreneurship Education - Formal and Non-formal

In order to ensure that education system create a foundation for entrepreneurship development, the Ministry of Education and Vocational Training under the support of International Labour Organization (ILO) have piloted mainstreaming of entrepreneurship education in education curricula from pre-primary to teachers college levels.

As part of this process a country-wide scoping study on status of entrepreneurship education in Tanzania was conducted between August and December, 2011 followed by a series of discussions which resulted to curricula review by mainstreaming of entrepreneurship issues in selected subjects.

In November, 2012 Entrepreneurship Issues were mainstreamed in the selected subjects' syllabuses for Primary Education, O-level of Secondary Education, A-Level Secondary Education, Teacher Training Colleges and Non- Formal Education (Adult Education). Selected subjects were those found to be studied by all students and pupils in our schools so as to provide the opportunity for all of them to access the knowledge. The selected subjects were "Stadi za kazi, and Haiba na Michezo" for primary school, Civics for ordinary level of secondary education and General Studies for advanced level of secondary education and teachers colleges. In January, 2013 the pilot implementation was done for primary and secondary schools in eight regions, two districts in each region, four primary and four secondary schools in each district.

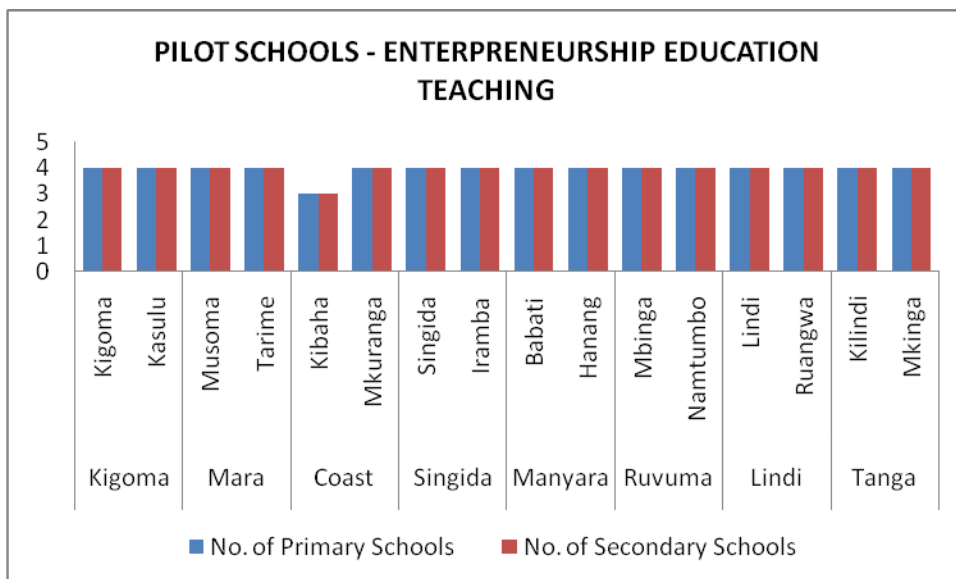
As a result of the first phase review of the pilot implementation it was established that since the introduction of Entrepreneurship Education in eight pilot regions there had been a number of achievements. These included:

- i. 144 teachers were trained and 126 schools (63 primary and 63 secondary) were reached;
- ii. 27,892 pupils/students (13600 females and 14292 males) were reached;
- iii. Entrepreneurship carrier subjects (Stadi za kazi and Haiba na Michezo for primary school, Civics for ordinary level of secondary education and General Studies for advanced level of secondary education) were valued by pupils/students more than before;
- iv. Trained teachers shared the knowledge with their colleagues when they returned from training;

- v. Entrepreneurial activities/projects (piggery, poultry, trees nurseries, food crops farming, artisanship) were established in schools and enabled schools to earn some funds for covering miscellaneous expenses, others were able to introduce lunch in schools;
- vi. Entrepreneurship Clubs were introduced in schools; and
- vii. Talents were raised amongst students/pupils.

The First phase pilot of entrepreneurship teaching in schools which started effectively from January, 2013 involved eight regions of Coast, Lindi, Tanga, Manyara, Kigoma, Mara, Singida and Ruvuma as described in the table below:

Chart 1: Pilot school, districts and regions that implemented entrepreneurship education teaching in 2013



In the second phase the program was rolled out in all districts of the pilot regions where 100 primary schools and 100 secondary schools were involved in using entrepreneurship mainstreamed curricula. Therefore, a total of 326 schools, of which 163 primary schools and 163 secondary schools in eight regions are teaching entrepreneurship.

Entrepreneurship skills are now imparted in teachers training colleges with the aim of enhancing teachers to be able to use them in improving their lives and to transfer the skills to their pupils when they are in services.

The Vocational Education and Training Authority introduced entrepreneurship skills in their centres countrywide. The aim was to tie entrepreneurship education to technical/vocational education, to develop innovation in young people and to develop

their skills to identify, create, initiate and successfully manage personal, community, business and work opportunities of which involves owning an enterprise.

2.4.3. Expanding Customer-driven (demand-driven) Training Programs

NEEC is currently facilitating Young Graduate Training Programme. In order to effectively prepare graduates to address the unemployment challenge NEEC partnered with the University of Dar es Salaam Entrepreneurship Centre (UDEC) and the Cambridge Development International to conduct the Young Graduate Entrepreneurship Clinic (YGEC) aiming at empowering young graduates with relevant knowledge, information; skills and capabilities so as to enable them identify available entrepreneurship opportunities and utilize them. About sixty three young graduates participated in the entrepreneurship training and were facilitated to develop business plans to support their funds requisition from financial institutions. Six youths that were overall winners in business plans development were provided with start-up capital of ten, eight and six million TZS respectively to enable them start and expand their businesses thus raise income.

2.4.4. Sensitizing and Creating Awareness on Economic Empowerment Issues

Economic empowerment awareness has improved the situation in the last ten years, as one may notice the involvement of the formal and informal microfinance activities. Involvement of players in these areas has improved entrepreneurship culture in the country.

NEEC in collaboration with the Tanzania National Business Council (TNBC) organized Economic Empowerment Dialogue in all the regions and districts of Tanzania Mainland and a National Economic Empowerment Dialogue under the chairmanship of the President of the United Republic of Tanzania, His Excellency, Dr. Jakaya Mrisho Kikwete. The dialogues enabled the regions to identify potential economic empowerment opportunities in their respective areas and prioritized them accordingly. Furthermore, roles and responsibilities of each stakeholder were defined and timeframe for implementation were agreed upon. The exercise led to prioritization of Kilimo Kwanza in the Regional development programmes.

2.4.5. Establishing an Institution that Overseas Entrepreneurship Skills Enhancement Initiatives

There is no government led organization that oversees entrepreneurship, however, mainstreaming of entrepreneurship into all education curricula serves as the most appropriate and efficient way of ensuring entrepreneurship in Tanzania is well

implemented in the country. The framework serves as a tool for informal and formal education.

i. Tanzania Entrepreneurship Competitiveness Centre

Establishment of Tanzania Entrepreneurship Competitiveness Centre (TECC) in 2013 is one of the important achievements towards promotion of entrepreneurship skills to the citizens of Tanzania. TECC was established as a trustee by the government, academia and private sector. TECC is currently managing the Kijana Jiajiri Program under the support of Youth Business International (YBI) of United Kingdom and coordination of NEEC. The program aims at promoting youth owned and managed enterprises in Tanzania and is currently operating in Lindi, Mtwara and Dar es Salaam as pilot regions whereby it will spread to other regions of the country after successful completion of the pilot phase. The program supported entrepreneurship skills training to 252 youths in the pilot regions. The participating youths will be linked to business mentors and will be linked to financial institutions in order to access capital.

ii. Small Industries Development

Establishment of the Small Industries Development Organisation (SIDO) has promoted the development of small scale industries in the country. SIDO has facilitated economic empowerment through training of local entrepreneurs and incubation processes of developing emerging entrepreneurs, provision of business and technical advice, and concessional lending to local entrepreneurs. For example SIDO incubators programme has reached total of 157 youth and purchase of 2,572 working tools and equipment. Total of 253 Small scale businesses enterprises were established. Total of 50,862 businessmen were trained in business and vocational skills. Total of 6,041 small-scale industries were established in the rural areas in the last 3 years. New business ventures established were 83,441; which created total of 208,602 employments.

iii. Science and Technology

The Commission for Science and Technology (COSTECH) has been incubating youth through incubators program and has reached a total of 857 youths with skills in information technology. Youth with promising business ideas have been incubated and trained in business management, financial management, entrepreneurship and marketing as well as provided with tools and equipments to improve their businesses. One of the success stories on COSTECH incubation program is MAXIMALIPO, a special program designed to facilitate the linkage of telecommunication and banking system to various services like tax collection (TRA), electricity, water utilities, TV subscription and others.

MAXIMALIPO has created jobs to about 10,000 youths in the country to date.

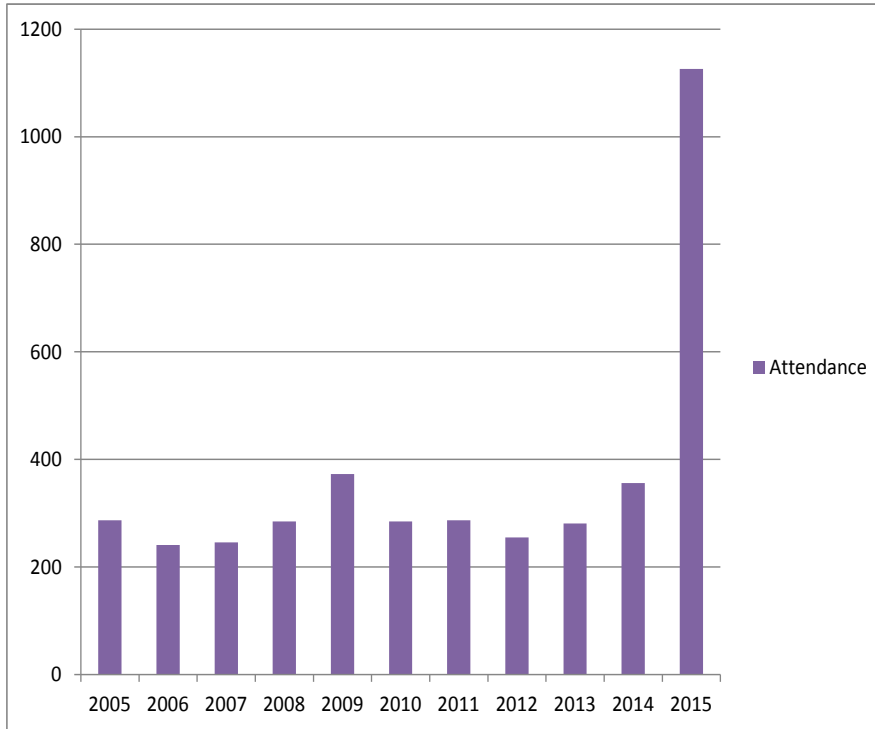
2.5. ECONOMIC INFRASTRUCTURE

Economic infrastructure in the context of economic empowerment, refers to putting in place systems and frameworks that can enable majority of Tanzanian citizens to effectively participate in production, communication, transportation, handling of commodities and other economic activities at lower costs and timely. Economic infrastructure includes roads, railways, airports, power, warehouses, telecommunication networks etc. In order to empower Tanzanian citizens sustainably the modernization of economic infrastructure has been identified among the priority areas to be effectively coordinated by NEEC. This has been driven from the fact that the existing economic infrastructures are still inadequate to meet demand at affordable and competitive costs. As far as this annual report is concerned the following strategies have been monitored and evaluated to measure the extent at which the implementation have been done:-

2.5.1 Encouraged training in administration and management for the purpose of building expertise to manage various infrastructure projects by designing specific courses and enrolling more students in the same. The courses are required to address roads and highway engineering design and maintenance, Telecommunications, Geomatics, electricity, mechatronics, architecture etc. Higher learning institutions and Universities which offer courses which focus in design, consultancy and support to economic infrastructures include UDSM, SUA, MUST, Nelson Mandela-AIST, DIT, St. Joseph Institute of Technology, Ardhi University, Dodoma University, Arusha Technical College, etc. The professional boards that monitor code of conduct of personnel responsible for economic infrastructure are very active and they have scaled up quality and capacity of the professionals and assignments undertaken. These include Engineering Registration Board, AQRB and CRB. Quality of works depends on the existence of these boards. For example up to 2015 Engineering Registration Board has registered a total of 13,918 engineers compared to 5,766 in the year 2005. Also consulting firms have increased from 0 in 2005 to 263 in 2015. By June 2015, AQRB had registered 3,493 Architects, 2,212 Quantity Surveyors, 1,643 Architectural Firms and 710 Quantity Surveying Firms.

2.5.2 Sustainable Structured Training Program (SSTP) has been introduced in order to train local contractors in three different classes namely, Small Scale (class 6 & 7), Medium Scale contractors (Class 5, 4 & 3) and Large Scale (Class 1& 2). Statistics indicate that there is an increase in number of trained local contractors since 2005 to 2014 as shown in the table below:-

Chart 2: Attendance of local contractors to various training organized to build capacity in economic infrastructure related contracts



Source: CRB

2.5.3 Establishing an arrangement for contributing to the improvement of infrastructure in collaboration with the private sector associations. The government has formulated the National Public Private Partnership Policy of 2009 and its Act of 2010 which was amended in 2014. PPP Regulations were issued in 2011. The Public Procurement Act (PPA 2011) provides for PPP procurement for both solicited and unsolicited proposals. While this legal framework includes areas that need to be improved, it is a solid basis on which the PPP program can be launched and demonstrate projects developed. Since formulation of all these, government has done a lot to implement this arrangements such as:-

- i. TANROADS being the implementer on Infrastructure projects has been compelled to train its staff members for preparedness on delivery of projects under PPP arrangement. The scope of assignment includes and not limited to carrying out training on implementation of infrastructure projects under PPP arrangement for 30 TANROADS

staff covering all necessary stages of the typical PPP Project Lifecycle (technical, legal and financial issues arising at each stage etc.).

On the other hand, the Roads Fund (RF) was established in 1998 with the purpose of providing adequate and stable flow of funds for maintenance of the entire classified road network in mainland Tanzania through road user charges. The Fund is administered by the Board to ensure the objectives of the Fund are realized. After collection of the funds and deducting its costs the Board disburses 70% to TANROADS and 30% to PMORALG. The Board enters into annual performance agreements with the road implementing agencies before it disburses funds. In 2013/2014 the Fund collected Tshs. 592.92 billion and in 2014/2015 the Board collected 524.01 billion.

2.5.1. Networks

a) Telecommunication:

By 2015 a total of 415 Wards in 81 Districts of 23 regions have accessed Telecommunication networks through Universal Communication Access Fund. This project has benefitted 1,268 Villages in a total area of 133,289 Km² which is around 14 % of total land area in Tanzania. After a completion of the project a total of 2 million Tanzanian citizen will have access to Telecommunication. Interconnection charges have been reduced from Tshs. 115 in the year 2012 to Tshs 34.94 from 1st March, 2013. This amount has decreased by 69.6%. Furthermore, interconnection charges is expected to go down to the tune of TShs. 27 by 2017.



b) Electricity

The aim of the Government is to make electricity not only available but also accessible for social-economic growth for all in Tanzania. The following has been done to make this statement a reality:-

- i) The Rural Energy Fund (REF) was established for facilitating supply of electricity in the rural areas. Up to 2014 the Fund had already supplied electricity in the districts of Kilolo, Uyui, Kilindi, Mkinga, Bahi, Kishapu, Longido and Rorya. Also 380 entrepreneurs received training in running renewable energy projects and preparation of business plans. The Fund has secured investors for the Sunda Falls projects in Tunduru, Ketewaka (Ludewa), Momba (Mbozi), Mpando (Njombe), Lingatunda (Songea Vijijini), Luganga (Iringa Vijijini) and Ruaha Mdogo (Mufindi). By 2015 a total of 5,336 villages out of 12,423 villages in Tanzania have been supplied with electricity which were done by REA.

- ii) The percentage of population supplied with electricity combining rural and urban altogether has increased tremendously from 10% to 40 % in 2015;
- iii) From 2013 the Government reduced the cost and issued new charges as follows:
- For service line within 30m and with one pole in rural areas the connection fee dropped by about 60% and 75% while in Urban areas the connection fee dropped by about 29% and 60%;
 - Southern regions (Lindi & Mtwara) –dwellers will pay USD 62 for both single and three phases.
 - TANESCO plans to increase its customers base to 1,500,000 by 2015;
 - TANESCO has set a target of 250,000 grid connections per annum and 30% access by 2015.

Through the Ministry of Energy and Minerals, the government signed a loan agreement in 2012 on financing the construction of the gas pipeline from Mtwara to Dar es Salaam at a cost of \$1.225bn. The 24-30 inch pipeline is largely complete, raising hope that the country will now produce enough electricity to meet the growing demand of industries.

2.6. PRIVATISATION

The Government designed various strategies that aimed at assisting Tanzanians to own property or purchase shares in state enterprises.

The establishment of Capital Markets and Securities Act of 1994 and its amendments over time facilitated establishment of DSE market, collective investment schemes such as UTT, joint venture schemes like NICO and others owned by the Private Sector e.g. Umande Unit Trust and others. These schemes have enabled Tanzanians to buy shares that are listed in DSE or through other means. The Government has been advocating for more privatized parastatal companies to float their shares so that the public can purchase.

On the other hand, EPOCA and Mining acts emphasize the telecoms and mining companies to make use of the Capital Markets in raising capital. EPOCA under section 26 (3) and (4), require network operators to issue shares to the public and subsequently list with the stock exchange.

Together with the positive strategies set by the Government, the change is still very slow. The companies have been reluctant in implementing the regulations thus making it difficult for Tanzanians to actively participate and benefit from the economy through these sectors. For instance, out of 350 Government shares available in companies working in different sectors, only 7 have listed at DSE. More efforts are needed to unlock such challenges. Also more efforts are needed in order to facilitate efficiency of the privatised organizations as well as enabling more Tanzanians to benefit from the reforms.

2.7. STRENGTHENING MARKETS, NETWORKS AND PARTNERSHIPS

2.7.1. Establishment of Capital Market Authority (CMSA)

The Capital Market Authority was established in 1994 to promote and regulate securities business in the country. It was established under Capital Markets and Securities Act of 1994. The regulatory functions of the CMSA consist of the maintaining surveillance over securities, to ensure orderly, fair and equitable dealings in securities, register, license, authorize or regulate stock exchanges, investment advisers, securities dealers and their agents/representatives. Its establishment and amendments over time facilitated the establishment of Dar es Salaam Stock Exchange (DSE) market, collective investment schemes such as Unit Trust of Tanzania, joint venture schemes like NICO and others owned by private sector e.g. Umande Unit Trust and others.

The Government has also put in place a mechanism which will ensure that Tanzanians are able to borrow for the purpose of investing in shares. For instance the Government has enabled Tanzanians to participate in the economy through purchasing of shares from NMB.

2.7.2. Strengthening markets, networks and partnerships

In order to encourage business partnerships the Government designed a special policy in 2010 to guide partnerships between the Public and Private sector (PPP) which among other things it aimed at creating an enabling environment for the private sector to collaborate with the Government in implementing economic and development projects. A total of 60 government officials have been trained on PPP management, policy and regulations. In 2014, TIC registered about 159 projects that are run through joint venture between local and foreigners.

Also, a special program on Agricultural Development in Southern Tanzania (SAGCOT) has led to agricultural investments in Kilombero and Rufiji valleys for rice and sugar cane production.

2.7.3. Establishment of the Agricultural Marketing Policy

In 2008 the Government established Agricultural Marketing Policy for implementing the goal of the National Development Vision 2025 which aims at attaining the sustainable economic growth by year 2025 through modernization, commercialization and utilization of natural resources in an overall sustainable manner. The Tanzania Trade Development Authority (TanTrade) was established by the Tanzania Trade Act of 2009 in order to implement the Trade Policy in the country, the National Export Development Strategy, the Trade Integration Strategy and the Agricultural Marketing Policy and other sectoral

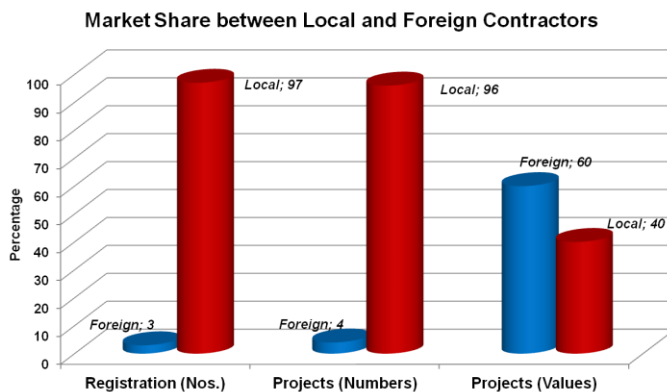
policies were all established in order to develop and promote Tanzania's internal and external trade.

2.7.4. Local Participation in Procurement

In order to increase participation of local persons or firms or associations of locals with foreign firms in Public Procurement, Section 54 of the PPA 2011 allows for application of national preference for financial evaluation of tender for certain goods manufactured, mined, extracted or grown in Tanzania; for works by Tanzanian Contractors or services by Tanzanian consultants or service providers or association of local and foreign firms.

Regulations 32 of Public Procurement Regulation G.N 446 of 2013 (PPR GN. 446 of 2013) provide for registration of bidders who wish to benefit from the preference scheme with the Public Procurement Regulatory Authority (PPRA). It has been established that the criteria for registration of contractors and consultants by Contractors Registration Board and Engineers Registration Board respectively comply with the requirement for registration for margin of preference. In this perspective all local contractors and consultants registered with both statutory bodies are eligible for national preference. Adherence to this regulation has increased participation and benefits among local contractors in big construction projects in Tanzania. The market share for local contractors has for instance increased from 5% in the 90 to 40% in 2015.

Chart 3: Market share between Local and Foreign Contractors



Source: CRB 2015

Pursuant to Sub Regulation 33(2) of PPR GN 446 of 2013, bidders who are citizens of Tanzania or associations between local and foreign firms, are granted a margin of preference if they meet the criteria given in section 54 of PPA, 2011, and are registered by the Authority pursuant to Regulation 32 or any other statutory body acceptable to the Authority.

The requirement for registration is to monitor and prevent the abuse in the use of the proposed preference scheme. The approved registration list is used by the Procuring Entities when applying the preference scheme. It is not used to limit participation of any firm in public Tenders. In this context, only tenderers who are registered with the Authority shall qualify for the preference scheme. Regulation 32 (6) of PPR GN. 446 of 2013 states that: *“A procuring entity shall, in granting a margin of preference or applying exclusive preference, use the Authority’s register of tenders to determine whether or not bidders are qualified for margin of preference or exclusive preference.”*

2.7.5. Establishing Export Processing Zones (EPZs) and Special Economic Zones (SEZs)

The government efforts of establishing Export Processing Zones and Special Economic Zones have attracted number of foreign direct investments in the country. Growth of 0.5 per cent in inflows helped Tanzania maintain its position as the leading destination for Foreign Direct Investment (FDI) in East Africa last year. Tanzania is the East Africa’s second largest economy according to the 2015 World Investment Report, natural gas discoveries account for the largest chunk of the FDI.

The country is, moreover, attracting massive investment in form of natural gas exploration, with latest data indicating that at least 55 trillion cubic feet have been found by various multi-nationals. Some FDI will go to electricity generation, mining and quarrying as well as manufacturing and services.

Tanzania out-performed its regional peers to attract FDI totaling \$2.142 billion in 2014, up from \$2.131 billion in 2013. It also settled comfortably as one of the top five FDI recipients among the Least Developed Countries. This amount is significantly higher than the very low level of \$640 million that was registered between 2005 and 2007, just before the 2008 global economic crisis.

2.7.6. Curbing the Dumping Problem

Dumping has been observed to be a growing problem in the domestic market in Tanzania. The Government has taken various measures to curb the problem, and is further determined to ensure that the domestic market and its consumers are protected from the hazards of dumping.

Establishment of Fair Competition Commission (FCC) has brought value in curbing dumping problem. This is a Public Institution established under the Fair Competition Act, No.8 of 2003 (FCA) with the aim of promoting and protecting effective competition in trade and commerce and protecting consumers from unfair and misleading market

conduct. Tanzania Food and Drug Authority was also established to protect and promote public health by ensuring quality, safety and effectiveness of food, drugs, cosmetics and medical devices.

FCC works in close collaboration other Government institutions responsible for setting and regulating standards of products from with and outside the country before they are circulated into the market. Such institutions include TBS and TFDA. As a result of the collaborative efforts there has been an increase in adherence to standards by manufacturing facilities whereby by 2015 a total of 7,877 product manufacturing facilities within and outside the country were inspected and out of which 7,938 complied with minimum Good Manufacturing Practices (GMP) standards thus were allowed to circulate on the Tanzania market and the control of products at 32 Official Ports of Entry has been improved by placing inspectors and mini laboratories for screening of products prior to entry into Tanzania.

2.7.7. Promotion of Domestic Markets for Local Products

It has been observed that goods produced in Tanzania are often unable to gain access to foreign markets because they are either produced in quantities that are inadequate to meet demand or they don't meet international quality standards. The inability is associated with high production costs, poor packaging, low purchasing power, lack of marketing skills and poor infrastructure. The domestic market is also not adequately developed; and market information is hardly available. Due to these hurdles local products have failed to find new or expand existing markets. In order to address these challenges the Government among other areas, focused on enhancement of quality and markets for local products to enable Tanzanians expand output and engage in profitable businesses. As a result, a number of positive results have been realized.

For instance, in the East African Community, Tanzania trade market share has increased to 26.10% by 2013 from 15.16% in 2005. The total trade worth was \$ 1,515m in 2013 from \$317.90m in 2005, making it second after Kenya in the East Africa common market protocol.

In the global market, Tanzania exports earning increased from \$ 1,679.1m in 2005 to \$ 5,889.2m in 2012. Tanzania major exports are agriculture commodities with tobacco, coffee, cotton, cashew nuts, tea and cloves. Other exports include gold and manufactured goods. According to the Bank of Tanzania the value of export of goods and services amounted to USD 9,412.2 million in the year ending April 2015 compared with USD 8,556.5 million in the corresponding period 2014. The improved performance was mainly driven by manufactured goods, traditional exports, as well as travel receipts. Traditional exports value increased to USD 904.0 million in the year ending April 2015 from USD 852.1 million in the corresponding period in 2014.

The Government signed an agreement with GS1 Tanzania Limited that will enable honey producers and marketers in Tanzania improve quality of their products by assigning bar codes. The company will also deal with honey traceability which will improve the quality of honey and honey products in Tanzania thus facilitating products from Tanzania to fetch higher prices in local and international markets. The government is planning to expand GS1 services to various producers so that bar codes are used in order for the products to access expanded market.

The government also developed a program to control honey residues (Chemical Residue Monitoring Plan) whereby 172 honey samples were collected and examined. Results indicated that Tanzania's honey quality is improving and meets international market standards.

Furthermore, training on improved beekeeping techniques have been provided to 7,320 beekeepers from 330 groups residing in 921 villages from 30 districts. The training aimed at improving farmers' knowledge and skills on beekeeping and honey products quality and international market standards. 14, 076 bee hives have been distributed to farmers residing near forest reserves.

In order to improve agricultural products market prices, the Government established a Warehouse Receipt System which is mostly used by Cooperative Unions for storing food and cash crops in order to sell them later at higher prices. The system has enabled farmers to fetch better prices for their products as well as improve the quality of their products thus raising their income which in turn has contributed to poverty reduction. The stored grain can be used as collateral for credit at reasonable interest rates. For instance, the SACCOS in Arusha, Arusha, Manyara, Iringa, Mbeya, Rukwa and Ruvuma have been operating this system in collaboration with Agricultural Marketing Systems Development Programme (AMSDP). The benefits of the warehouse receipt system is also evidenced by one farmer Maimuna Omary Ikanga from Babati District in her statement hereunder.

"Before, I was harvesting my crop and selling it at a low price, which was all I could get," says Maimuna, who grows maize, peas, beans and sunflowers. "Now, if I store it, get a loan and wait for prices to go up, I can make a profit." IFAD (2009)



Maimuna Omary Ikanga weighs her maize in the Qash receipt system warehouse

The government is planning to accelerate the results, by introducing an effective strategy for enhancing quality of local products at competitive prices as well as improvement in exportation of quality products. Accordingly, the envisaged economic empowerment of Tanzanians should aim at instituting and implementing strategies for facilitating high quality products at competitive prices. In view of this, TBS and other quality-control institutions will continue to work very closely with SMEs in carrying out thorough assessments and grading and compare products accordingly. Also, the line ministries and sectors shall continue to carry out technology and product quality surveys for each product and disseminate information to the private sector by product type. The impact will be monitored by the expected increasing quality of local products as measured by their competitiveness through product quality surveys and regular assessments by TBS and other quality control authorities.

The Government through the Ministry of Industry and Trade and Ministry of Agriculture, Food Security and Cooperatives shall work to ensure that Tanzanian products access both domestic and international markets. These involve a number of strategic measures as already indicated in the National Economic Empowerment Policy. The Government also through TBS do undertake measures for quality control of commodities, services and environment of all descriptions and to promote standardization in industry and trade; approve, register and control the use of standard marks; assist industries in setting up and enforcing quality assurance and environmental management systems procedures and provide for the inspection, sampling and testing of locally manufactured and imported commodities with a view to determining whether the commodities comply with the provisions of the Tanzania and International standards.

2.7.8 Contribution of TFDA on Empowering Tanzanians Economically

TFDA has contributed significantly in empowering Tanzanians economically through implementation of regulatory functions on product evaluation and registration, laboratory analysis infrastructure, inspection and post-marketing surveillance in ensuring that Tanzanians access safe and effective products of acceptable quality. These efforts have resulted into the following achievements:

- i. Strong systems for regulation on food, medicines, cosmetics and medical devices coupled with shorter periods of products registration, premises inspection, laboratory analysis and post marketing surveillance;
- ii. Increased number of registered products from 2,357 in 2005 to 7,062 in 2015;
- iii. Introduction of Quality Management Systems (QMS) in 2005 followed by its successful implementation, enhanced TFDA overall management system that lead to attainment of ISO 9001:2008 certification for regulating food, medicines and medical devices which has in turn enabled products from Tanzania to be sold at the international market.

Chart 4: Compliance rate of the analyzed product samples between 2005-2015



Following TFDA achievements, a number of experts from other regulatory bodies in Africa visited the Authority to learn on its systems. These include Zambia, Botswana, Mozambique, Burundi, Nigeria, Cameroon, Ghana, Kenya, Ethiopia, Liberia, Rwanda, South Sudan and Uganda. Furthermore, under the East African Medicines Regulatory Harmonization Programme (2012-2016), TFDA is the lead agency in development and implementation of harmonized guidelines for evaluation and registration of medicinal products among East African Community (EAC) Partner States.

However, the good measures set by the Government cannot be sustained and bring better results if other institutions and sectors apart from the parent Ministries collaborate to achieve the objectives of the policy with regard to the development of markets, networking and partnerships in Tanzania.

2.8. DEVELOPING AND STRENGTHENING COOPERATIVES

The Government has achieved various developments with regards to cooperatives development through Cooperative Reform and Modernization Programme-CRMP). As a

result of cooperatives modernization and reform, the Tanzania Cooperatives Development Commission has been established in order to oversee and sensitize on cooperative development in the country in collaboration with PMO-RALG, sectoral ministries such as Energy and Minerals, Land, Housing and Settlement Development, Information, Youths, Culture and Sports, Natural resources and Tourism, Livestock and Fisheries development and others. Various strategies were designed and status on implementation of the same is indicated below:

2.8.1. Scale up of Cooperatives in Tanzania

Strengthening of cooperatives including formation of new ones and establishment of strong cooperative networks geared at improving markets of local products at both domestic and international level. As a result of various interventions geared at strengthening the cooperatives there has been an increase in number of Cooperative Societies from 5,832 in 2005/2006 to 7,888 in March 2015 comprising of 3,865 SACCOS, 2 cooperative banks, 48 cooperative unions and 3,973 other cooperative societies (AMCOS, livestock keepers, fishers, industries, miners, consumers and housing). The number of cooperatives members as at March 2015 stood at 2,390,593 while SACCO's members were 919,992 owning about TZS 534 billion as savings, shares and deposits as compared to TZS 451 billion in 2014.

The Government in collaboration with other stakeholders like NGOs and the Private Sector have facilitated the establishment of VICOBA of which 11 % of VICOBA have formal registration from relevant authorities while 9 % have opened Bank accounts. 34% of VICOBA existing in the country are supported by programmes funded by Development Partners such as Plan International, World Vision, CARE International, Norwegian Church Aid and others. 66% of VICOBA existing in Tanzania have been established and are owned by members.

There has been an increase in amount of loans provided to beneficiaries from 65.7 million in 2005/2006 to 893 million in 2013. Beneficiaries utilized the loans in improving their businesses, agricultural activities, small industries, animal husbandry, housing, paying school fees and purchase of scholastic materials for their children, purchase of working tools like farm inputs and catering for medical expenses.

Generally, cooperative societies have contributed to the well being of members and the communities at large through construction of secondary schools, payment of school fees to needy children, owning of shares in crop processing factories e.t.c. For instance, KDCU, KCU and TFC own 92 shares in TANICA an industry that adds value to coffee that is sold in external markets. Cooperative societies that produce coffee in Mbinga and Mbozi districts own 90% of shares in coffee curing factories. Cooperative societies in cotton producing areas own 25 cotton processing factories. Cooperative societies in Kilimanjaro region, Bukoba and

Muleba districts own KCBL and KFCB banks that serve farmers, businessmen and cooperative societies' members in their areas.

2.8.2. Training management teams and members of cooperatives

The Government through the Cooperatives Modernization Programme strengthened the management and supervision of SACCOS by developing regulations and guidelines on SACCOS operations, financial management, ICT use and audit. Training of 345 SACCOS leaders from Dar es Salaam, Mwanza, Mara, Kagera, Ruvuma, Iringa, Njombe, Mbeya, Mtwara and Coast regions on leadership skills, financial management, records keeping and internal audit, savings accumulation, loan management, entrepreneurship and risk management was conducted. Either, 119 cooperative officers and 59 SACCOS staff from Kilimanjaro, Dar es Salaam, Morogoro, Arusha, Dodoma, Mara, Mwanza, Kagera and Coast region were trained on SACCOS risk based supervision. The training has contributed to effectiveness, accountability and good governance practices in respective cooperative societies.

Capacity building interventions to SACCOS has also enabled six cooperative societies from Mbeya (CHUTCU), Singida (CETCU), Rukwa (LATCU), Shinyanga (KACU), Ruvuma (SONAMCU) and Tabora (WETCU) to get loans amounting to more than TZS 53 billion from CRDB and NMB Banks. The loans enabled the cooperative societies members purchase agricultural inputs to support tobacco production.

2.8.3. Ensuring good governance and management of cooperatives

Implementation of the measures to develop and strengthen cooperatives is expected to result into a network of cooperatives that are efficiently managed and governed, owned by members, and fully linked to market information and financial services in all the relevant sectors of the economy.

Contribution of cooperative societies in economic development has led to increased participation of various stakeholders such that organizations like NSSF, GEPF, LAPF, PSPF and PPF are issuing loans to their members through SACCOS. For instance NSSF is operating a 'Wakulima Scheme' whereby in collaboration with the government it has managed to register 39,000 members who are farmers. By August 2014 NSSF had disbursed TZS 40 billion as loans to SACCOS under Wakulima Scheme.

2.9. LAND UTILIZATION

The National Economic Empowerment Policy recognizes land as an important tool in empowering Tanzanian citizens to participate fully in economic activities. The aim is to enable them either to use land as an important tool to obtain shares or undertake other economic activities. Since, 2004 to 2015/16 the Government of the United Republic of Tanzania has implemented strategies laid down by the NEEP of 2004 specifically on land

issues. Basic infrastructure in areas suitable for agriculture have been developed so as to encourage Tanzanian citizens to undertake economic activities in those areas, especially targeting those who currently do not have access to land as follows:-

i. Land Formalization and Capital Acquisition

Sensitization and capacity building done to more than 480 Local Government Officials at the ward; 626 Officials at the village level and 428 technical staff in order to raise awareness to stakeholders on land formalization and mobilize their participation on the formalization process. Formalization of land through MKURABITA in urban areas has enabled owners to access loans from financial institutions amounting to Tsh 1,071,000,000/=. Likewise rural formalization of land has enabled 106 property owners to access Tsh. 2,800,000,000/= from financial institutions. Knowing the benefit of formalization, 700 owners of formalized businesses have accessed capital from financial institutions amounting to Tsh 1,105,300,000/=;



Technicians taking coordinates of the farm boundaries by using GPS

On the other hand, through the Ministry of Land, Housing and Human Settlements a total of 20,189 Certificate of Occupancy for Dar es Salaam, 3516 for South Western Zone and 680 for Central zone residents have been issued to citizens. As a result, in 2014/15 there has been an increasing number of financial institutions e.g. PSPF, NMB, CRDB, SIDO, Meru Community Bank and Agricultural Trusts Fund Bank accepting Certificates of Customary Right of Occupancy as collateral in accessing loan finance. About 4.9 billion TZS were given to Tanzanians as loans through this arrangement in 49 districts and 200 villages. Also, about 105,626 farms have been surveyed and 65,600 Certificate of Customary Right of Occupancy have been given to the land owners. Not only that but also, about 1,381 small scale farms around Ngalimila, Mpanga and Lukulilo have been surveyed and Certificates of Customary Right of

Occupancy have been provided to land owners to ensure ownership and access to loans from financial institutions;

Table 2: Number of formalized land in Cities, Municipal, District and Town Council

No	Council/Municipal/City	Surveyed plots	Right of Occupancy offered
1	Hananasif (Kinondoni)	1,432	560
2	Lugufu (Kigoma)	23	23
3	Njombe	1,003	650
4	Arusha	852	3
5	Morogoro	898	126
6	Kimara baruti (Kinondoni)	1,037	30
7	Tunduma	1,078	0
8	Iringa	749	69
9	Babati	1,019	0
10	Welezo (Zanzibar)	2,500	0
11	Jang'ombe	930	0
12	Limbani	500	0
Total		12,021	1461

The above table can be viewed in the figure below:

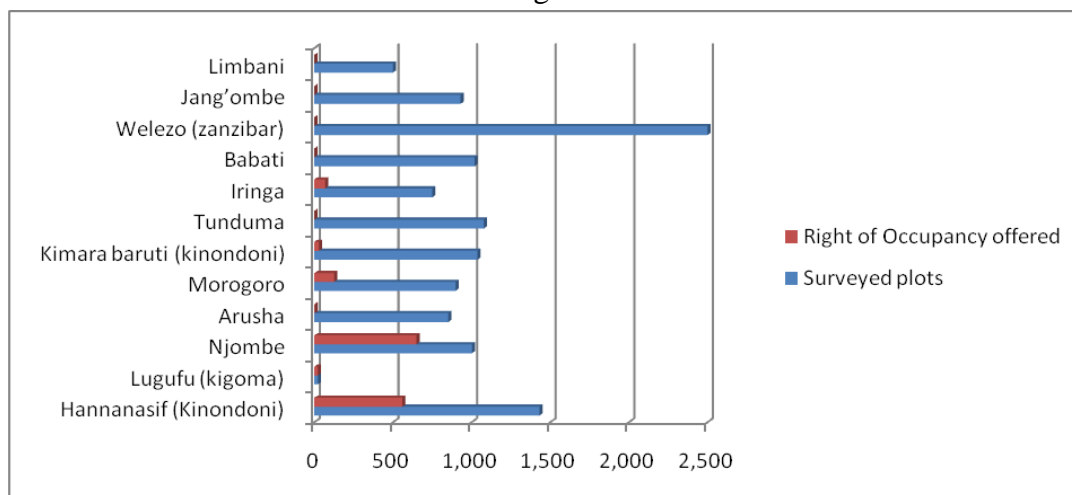
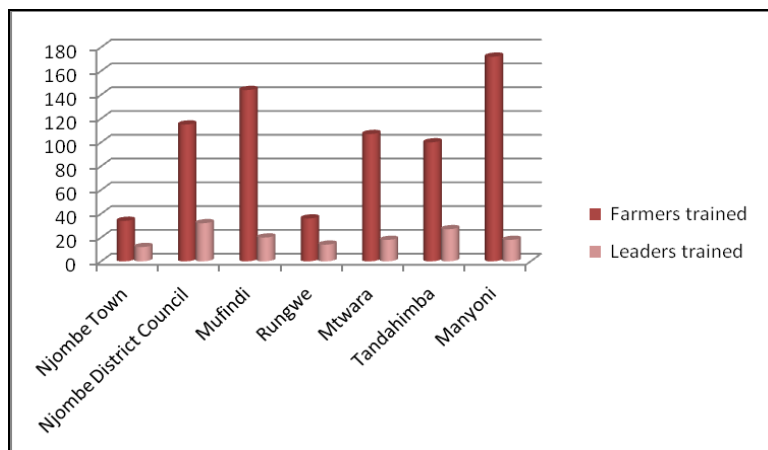


Chart 5: Farmers and leaders trained on the use of Certificate of Customary Right of Occupancy as collateral for loan finance



ii. Irrigation

- a) Irrigation potential is estimated to be 29.4 million ha, out of which 2.3 million ha of high potential, 4.8million ha medium potential and 22.3 million ha of low potential suitable for irrigation. Basing on this potentiality the government has priorities on irrigation in order to enable Tanzanian citizens to participate fully in Morden agriculture hence economic activities. There is an increase in area under Irrigation from 264,388 hectares in 2005/2006 to 450,392 in 2013/2014. This is an increase of 70.4%. During that period, paddy production has increased from an average of 4.0 tons to 8 tons per hectares compared to 1.8 ton per hectare before the improvement of the scheme;

The number of farmers who have benefited from Irrigation conducted through Agriculture Sector Development Program (ASDP) has increased from 313,786 in 2005 to 468,892 in 2014/15.

- b) Refurbishment of two schemes of Sakalilo in Sumbawanga and Signali in Kilombero has already started and 19 other schemes have been given funds to start rehabilitation. The schemes will increase the number of farmers accessing irrigation hence improve their agriculture settings including their livelihoods;

iii. Warehousing

Improvement of Collective Warehouse- Based Marketing Schemes (COWABAMA). This empowers farmers economically by ensuring that post harvest losses are appreciably minimized leading to increase in their harvests. To date assessment of 275 Warehouses

have been completed, and eight collective warehouse based marketing schemes have started operation. The government is also planning to rehabilitate 53 Warehouses of which 15 shall be in Iringa, 8 in Njombe, 15 in Songea and 10 in Mlele district;

iv. Land use farming

- a. In order to encourage farmers to be able to participate in effective utilization of their agricultural land by raising crops, the government decided to invest into the establishment of Plant Protection Laboratories (PPL). These were done in collaboration with the private sector. Labs will enable investigating plant health in order to diagnose pests, diseases and Soil analysis. Up to 2014/2015, there were 43 PPL with 64 experts in plant protection which have been established in Arusha, Kilimanjaro, Tanga, Pwani, Dar es salaam, Morogoro, Dodoma, Manyara and Iringa; and

- b. After it was revealed that farmers have insufficient knowledge and skills to solve problems around them resulting from not using land effectively, the Government decided to establish and rehabilitate 224 out of 319 Ward Agricultural Resource Centres- WARCs in 106 Councils and 20 Regions. WARC will be used to enable farmers get knowledge and skills relevant to their agriculture ecosystem. In so doing farmers are expected to utilize land in agricultural activities as from there they will have capability to manipulate agricultural activities as an earning venture. In addition, 105 Oxen Training Centres have been established to train Oxen in order to facilitate dissemination of Oxenization related technologies. A total of 31,640 farmers have benefited from this project.

v. Land for investment

The Government made efforts in making land available to large investors for the purpose of undertaking economic activities and where necessary to evacuate people from land in order to give room to large investors. Various achievements have been realised in this regard so far as indicated below:

Export Processing Zone Authority (EPZA) is an autonomous government agency that coordinates Export Process Zone and Special Economic Zone Schemes. EPZA have acquired land of 14,650 hectares in total in Bagamoyo, Mtwara and Kigoma. In this land Investors are required to develop infrastructure. Bagamoyo SEZ with 9000 ha is expected to host Port, Airport, Industrial parks, Free trade parks, Technological parks, Tourism Parks, Logistics Centres, Railway connectivity, Commercial area and Residential areas. Mtwara SEZ have an area of 2650 ha is expected to support the Southern Corridor (Mtwara Corridor) linking Mozambique, Malawi, Zambia and Congo. Mtwara is an

intergrated Centre with Free Port Area, Industrial parks, Technological parks, Tourism Parks and Logistics Centres. Kigoma have 3000 ha for investing in SEZ. There is a plan to establish Hotel, Banks, Hospitals, Schools, Warehouses, Commercial, Tourism and Industrial Parks. This is very potential for cross boarder trading with neighbouring countries;

- i. Twenty two hectares of land have been secured in Bagamoyo by the Bagamoyo Eco-Energy (BEE) and preparation of Land Use Master Plan for the same has already started. It is expected that employment opportunities will be created to people residing around the BEE and other places. It is also expected that BEE will contribute to the GDP through tax when it becomes operational;
- ii. Mkulazi farms have been sub divided into six farms and started a competitive bidding process to identify potential investors. There will have economic multiplier effect after the project becomes operational;
- iii. Ngalimila Plantation has been identified for planting Paddy and the respective area has already been surveyed for agricultural activities and Village Environmental Impact Assessment and Soil evaluation has already been done;
- iv. About 156 square kilometre of land have been allocated for iron extraction in Liganga Ludewa district. The project entails construction of an ore factory that will produce 1,000 tonnes of metal per year and generation of 600MW of electricity of which 250MW will be used in the factory and 350MW will be connected to the national grid.
- v. About 107 ha of land from the Capital Development Authority (CDA), Dodoma has been allocated for investment in the financial year 2014/15.

vi. Livestock development

- a. Increase of land for pastures to livestock keepers from 930, 279 hectares for 155 Villages in 24 Districts of 10 Regions in the year 2008 to 1,507, 806.39 for 589 in 80 Districts of 22 Regions in the year 2014. This is an increase of 62 %;
- b. Production of improved pasture seeds at Vikuge (Kibaha), Langwira (Mbarali), Mabuki (Misungwi), Buhuri (Tanga), Kizota (Dodoma-Manicipal), Kongwa, Mivumoni (Muheza) and Sao Hill (Mufindi) have increased tremendously from 15.7 tons 2005/2006 to 232.2 in 2013/14. This has lead to increase in Hay productions in government farms from 109,000 ballot in 2005/06 to 2,051,835 in the year 2013/14;

- c. Private producers of pastures have increased from six in 2005/2006 to 40 in the year 2013/14 lead to increase in Hay production from 69,100 ballots in 2005/2006 to 2,184,931 ballots in 2013/14;
- d. In the year 2005 to 2014, the National Ranch Company set aside 124 plots of which 96 plots have been given to local private investors which have improved infrastructure, pastures, staff quarters etc. To date there are about 36,820 cattle and goats and 8,612 sheep. Also, 400 local investors have been trained and advised to manage livestock more professionally;



Fattening cattle before being sold

- e) Construction of modern abattoirs at Ruvu area carrying capacity of 800 cattle and 400 goats and sheep daily. The construction of this infrastructure is half way. Also, milk processing plants have increased from 22 to 74. Processing capacity has increased per day from 56,580 liter in 2005 to 139,800 liters in 2014 which is an increase of 146%. Either, 22 milk collection centres have been constructed in Arusha, Mara, Tanga, Iringa, Manyara, Kilimanjaro, Morogoro, Rukwa, Kagera and Mwanza. Also, 3 milk cooling tanks have been distributed to Cooperative Societies in Siha, Njombe and Pongwe Tanga in order to increase collection and milk processing. It is expected that the above improvements will attract more livestock keepers to engage in animal husbandry thus will earn more income to improve their living standards.
- f) About 50 cattle troughs have been constructed in Kondoa, Bahi, Chamwino and Kiteto districts in order to improve water infrastructure for livestock. Also, about 14 livestock dams have been drilled in Bahi (1); Chamwino (1); Kondoa (5) and Kiteto (7) benefiting 36,734 families and 346,711 livestock.
- g) Marine reserve on coastal areas of Indian Ocean has been conserved to facilitate 31 micro projects worth TZS 154 million that will benefit about 1,863 villagers in Pangani, Tanga City, Muheza, Kinondoni, Ilala nad Temeke districts through mangrove

and other useful trees planting, manufacturing of sustainable cooking stoves, coastal clearance, toilets construction and soil conservation

3.0 CHALLENGES OF NEEP IMPLEMENTATION

Implementation of Economic Empowerment activities is not a smooth process; it needs a lot of sacrifices, commitments and collaborations. There are many challenges facing implementation of the policy, and they involve the following among many others.

(i) Effectiveness in Multisectoral Coordination, Monitoring and Evaluation (Compliance of all stakeholders)

Implementation of National Economic Empowerment Policy requires multi-institutional actions as it cuts across all sectors as per the nine pillars. This requires multisector collaborations and therefore a need for comprehensive frameworks for coordination and for monitoring and evaluation arises. Most of relevant stakeholders have not yet complied with the National Multisectoral Strategic Framework for Economic Empowerment (NMSFEE). The challenging task to NEEC is ensuring compliance of all sectors to the NMSFE.

(ii) Informal Business Operations/undertakings

Most of Tanzanians operations/undertakings are informal (have no registration, no business license, no separation of business and family affairs). This is one of disqualifications of these undertakings to most of financial institutions and banks in the case of loans. This is also a disqualification in accessing some of the formal markets.

(iii) Economic Empowerment Approach in Different Economic Levels

Citizens' economic activities differ in levels ranging from micro, small, medium and large. Empowerment approach differs from one level to another. Some of these undertakings need only policy and legal reform facilitation, others need market access facilitation, while there are those in need of training and others just need start up or sometimes expansion capital financing. Each of these cases has to be approached differently. Some of them can be facilitated to empower the others. The challenge here is how to have committed personnel who can translate requirements at each level and the same time to have other supportive resources to address identified requirements.

(iv) Change of Mindset

Cultural and customary practices constitute a challenge in many development initiatives. Implementation of National Economic Empowerment Policy is also constrained by such

practices. While the policy translates economic empowerment in nine pillars as described in this report, it is differently understood to the most citizens. Wherever you talk of economic empowerment it is mostly translated to financial loans or grants. It is therefore a role of the government and other stakeholders to emphasis on training, sensitization and awareness creation at all levels for successful implementation of economic empowerment activities.

(v) Unfriendly interest rates

Banks and FI s have been providing loans at higher interest rates that entrepreneurs cannot afford. They are also associated with unfavorable lending conditions which hinder individuals and SMEs to acquire loans to boost their businesses.

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