OPENING REMARKS BY THE PRESIDENT OF THE UNITED REPUBLIC OF TANZANIA, HIS EXCELLENCY BENJAMIN WILLIAM MKAPA, AT THE INAUGURAL MEETING OF THE LOCAL INVESTORS’ ROUND-TABLE, ROYAL PALM HOTEL, DAR ES SALAAM, 20 JUNE 2002

Honourable Dr. Abdallah O. Kigoda, MP,
Minister of State, Planning and Privatisation;
Mr. Reginald Mengi,
Chairman of IPP;
Distinguished Round-Table Participants;
Distinguished Guests;
Ladies and Gentlemen.

I thank you all for accepting my invitation to participate in this Local Investors’ Round-Table, which is an innovative mechanism to further pursue and strengthen the avenues for interaction and dialogue between the Government and the private sector on policies and strategies to bolster private sector investment in the country. I, therefore, welcome your presence here, which is a clear indicator of the kind of relationship that we must continue to forge and sustain. The development of our economy and our country, and success in the national war on poverty, all depend on this relationship. And, I believe that those of you in this room are not the type of people who are not content with their own success, unless others are also manifestly failures. We believe in a win-win situation for all Tanzanians.

Ladies and Gentlemen,

I am sure you will bear witness that the Third Phase Government has taken relations between itself and the Private Sector to new and unprecedented heights. I have committed myself, and my Government, to not just develop a supportive relationship, but a working partnership. And partnership implies shared vision, shared goals, shared strategies and a willingness to share the pleasure of success, as well as the pain of failure. Partnership implies actually working together towards that common goal; it also implies shared responsibilities. It does not pit one side against the other. It is a recognition that we are on the same team; we win together or we lose together.

So I have called you here to cement that partnership; to underline the fact that we need and depend on each other. And this is an important component of the wider “Smart Partnership” we must build among all stakeholders in our country. In the last 40 years, we have built a united nation. Now the time has come not only to foster unity, but also to turn our nation into “Tanzania Incorporated”—one people with one business and development goal.

And, you in this room are key to that process. Having operated in Tanzania for some time, you have valuable accumulated experience—individually and collectively—that can and should inform the formulation of policies and strategies to promote investment and growth. We need a credible forward-looking strategy to attract higher levels of local and foreign investment that will create the competitive production, jobs and incomes to take our country to higher levels of growth and development.
Some of you will also be aware that next month I will be convening a similar round-table for foreign investors. The benefit of your individual and collective experience will be an important backdrop to that round-table. For, we cannot attract foreign investors if the existing climate for private investment is not conducive even to our own local investors. As it is said: Charity begins at home. This is, therefore, an important setting from which to examine the landscape while exploring opportunities for broader economic participation, which should include developing strategic alliances with foreign investors.

**Addressing Private Sector Concerns**

Ladies and Gentlemen,

From a business point of view, the Government and the private sector have a lot in common. For my government, business does not exist for its own sake: ultimately, we encourage trade and investment to improve living standards, and provide employment and other opportunities for self-development. It is in our interest, and that of the nation as a whole, that our private sector should grow and thrive. The government has to create the necessary environment for this. And, in this regard, a lot has been done.

But judging from the background documentation for this round-table meeting and, indeed, that of similar past meetings, it would seem that the Government has not done much to address the major problems that confront the private sector in Tanzania. I am of the view that this is a case of the glass being seen as half-empty, rather than as half-full. I also believe that in the emerging environment of increasingly competitive global markets, our mutual interests can best be served by acknowledging the “half-full” part of the glass, while focusing on filling the “empty” part. Even so, please allow me to place on record, very briefly, the contents of the half-full glass.

**Utilities and Transport**

In the energy sector, significant measures have been undertaken to improve management at TANESCO. Electricity tariff rates were adjusted effective 1st April 2002, resulting in a significant reduction of the tariff rates for the business sector of about 17 percent. Meanwhile, coherent steps are being taken in the context of a master plan for the electricity sub-sector, to ensure that Tanzania has access to reliable sources of electricity, through the tapping of the country’s own natural resources, and through regional inter-connection to the national power grid. In brief, the problems of reliability of power, and high cost of energy, are being addressed firmly.

In the telecommunications sector, the TTCL has been privatised with a commitment to efficient and expanded services. In addition, a number of cellular phone companies have been licensed. The heightened competition among the key operators in this sector has contributed to increasingly more competitive tariffs.

In the transport sector, the management of the Tanzania Railway Corporation (TRC) will soon be entrusted to a private concessionaire; cargo handling at the port of Dar es Salaam has been entrusted to a private firm; the Tanzania Harbours Authority (THA) has restructured wharfage rates in favour of the export sector; air transport is being liberalised and has been facilitated by tax proposals in the Budget under discussion in Parliament. Further institutional
and other initiatives are underway to strengthen cross-country road links, and also to improve rural road transport.

**Fiscal and Monetary Initiatives**

Ladies and Gentlemen,

An integral component of the substantial progress that has been registered in the macroeconomic area over the past several years has been the sustained efforts to consolidate the fiscal situation and strengthen the financial system in ways that would support a more robust expansion of the private sector.

In the fiscal area, decisive steps have been taken to strengthen Government expenditure management, notably through:

- First, enhanced transparency and accountability, including avoiding forced borrowing from the private sector in the form of accumulation of domestic arrears;

- Secondly, increased allocation of budgetary resources to key social services and infrastructure, keeping in mind the long-term requirements of the private sector; and,

- Thirdly, far-reaching steps have also been taken to make our system of taxation investor-friendly. An avenue for appeal has been instituted for aggrieved taxpayers; a special unit has been established to facilitate the taxation of large taxpayers; and a comprehensive review of the Tanzania Revenue Authority (TRA) is underway, to identify reforms that would make this important institution even more taxpayer and investor friendly.

In the financial area, the primary focus of the Government’s efforts has been on establishing sound and competitive private banks, as well as provision of capital that would meet the needs of our investors, without jeopardizing the stability of Tanzania’s financial system. Notwithstanding the teething problems that have been encountered in this area, the Government is confident that we are building a robust financial sector, able to meet the needs of investors, and of Tanzanians in general, including those in Small and Medium Enterprises.

**Curtailing Transaction Costs and Bureaucracy**

Ladies and Gentlemen,

Since the establishment of the Tanzania Investment Centre (TIC) as a “one-stop-centre”, efforts have been made to strengthen the human and material resources of this key institution, in order to enable it to discharge its primary responsibility of supporting investors, both local and foreign. To reinforce the TIC, we have also instituted inter-ministerial fast-track avenues, under the oversight of the Prime Minister, to accelerate the resolution of special problems confronting our investors.

On my part, I have sought relentlessly to build open and effective channels of communication between Government and the private sector, including through sector-specific
investors’ forums; meetings of the Tanzania National Business Council (TNBC), meetings with Chief Executive Officers; participation in Smart Partnership meetings; and audiences with individual investors, big and small. Despite these efforts, I am acutely aware that the glass is only half-full. But I give you my commitment to work with you, within existing resources and possibilities, to do more to fill the glass as much as possible in order to enable you to be regionally and globally productive and competitive. Indeed, this is what has in essence inspired me to constitute and operationalise this round-table meeting.

**Looking Forward: What Must We Do to Succeed?**

Ladies and Gentlemen,

Let me reiterate that this round-table meeting is meant to allow us to talk to each other across the table, as partners with experience, ideas, and lessons to be shared.

I have noted from the background material that the private sector is drawing attention to the need for decisive action on twelve priority areas, namely:

- Insulating Tanzania from the negative publicity on Africa.
- Intensifying access to markets in the US and EU.
- Establishing a special financing scheme for local investors.
- Building national capacity for market intelligence.
- Special initiatives to bolster domestic savings.
- Establishing a land bank for investors.
- Intensifying the process of legal reform.
- Rationalising the system of central and local government taxation.
- Facilitating private sector involvement in road construction.
- Sensitising government officials and the public on matters of private investment.
- Developing more robust strategies for tourism and agriculture.
- Reducing bureaucratic delays on matters relating to investors.

I am eager to listen to your views on these areas, and in other fields of special interest to investors in the various sectors. In the afternoon session, we will need to focus more sharply on selected areas, where progress must be made quickly in order to realise maximum benefits from our collective efforts. In this connection, I would like to urge all of you to keep in mind during our deliberations the need for us, together, to agree on necessary follow-up steps, with clearly identified deliverables, according to a reasonable timetable.

We may very well not reach consensus on all the issues before us. And a consensus is not always desirable, for it is said that a consensus is a situation where everyone agrees to say
collectively what no one believes individually. And, neither should we end up like Frank in the following story:

Joe and Frank were in the office, and noticed that someone had put up a suggestion box with some 3x5 cards next to it. Both decided that this was a great idea, and each took a card to fill out.

Joe wrote, “The office workers should all be given raises!”

When he looked at Frank’s card, it said, “Can we all have raises, and keys to the executive washroom, and personal secretaries, and new company cars, and new coffee cups, and longer lunch breaks, and an extra three weeks vacation each year, and more holidays”.

Joe said, “Frank, that isn’t the right way of getting things changed around here…You shouldn’t put all of your begs in one ask-it.”

I hope at the end of the day we shall have identified some priorities on which, if we are all committed and focussed, progress can be made quickly. And with those opening remarks, let us get to work. I thank you for your kind attention.