



THE UNITED REPUBLIC OF TANZANIA

THE NATIONAL ECONOMIC EMPOWERMENT POLICY

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THE NATIONAL ECONOMIC EMPOWERMENT POLICY

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THE NATIONAL ECONOMIC EMPOWERMENT POLICY

1.0 INTRODUCTION

1.1. Pre–Independence Era

Due to historical reasons, the majority of the citizens of Tanzania were denied opportunities to participate fully in economic activities. This was done purposely with the objective of facilitating colonial rule. Most of the citizens had no choice but to engage in the informal sector while the formal economy was largely in the hands of colonial rulers and settlers. The colonial government employed a number of tactics to facilitate settlers and a few natives to take command of economic activities in the formal economy. These included selective lending; limiting access to education; confiscation of land, and unfair business licensing. Some of these measures can now be used to empower Tanzanians to become major players in the economy.

1.2. Post Independence Era and after the Arusha Declaration

When the country became independent in 1961, political power was attained but the economy remained mostly in the hands of settlers and a few citizens. This was a source of political disenchantment and was one of the major factors behind the Arusha Declaration of 1967. The Declaration was an important strategy to ensure that the majority of Tanzanians, through the state, take command of the economy. To this end, state enterprises were established to engage in the production of goods and provision of services. Capital investments and operating costs of state enterprises came from the Government and the Government continued to support them even when they incurred losses.

1.3. Decentralisation of Government

- (i) Prior and after Independence, there existed institutions which facilitated local participation in economic activities. These included Cooperative Societies and Local Government Authorities. The Cooperative Societies were directly involved in production, extending farm inputs on credit, extension services and marketing of agricultural produce such as cotton and coffee. As regards Local Government Authorities, by virtue of their closeness to the local communities, they proved to be instrumental in ensuring effective participation of their members in productive activities. In the same spirit, in 1973, the Government established the

Small Industries Development Organisation (SIDO) to promote the development of small scale industries in the country.

(ii) In 1972, the Local Government Authorities were disbanded due to various reasons and were replaced by Regional Administrations. The Administrations operated as executive arms of the Central Government and were more dependent and accountable to the Central Government than they were to the Local Constituencies. In 1976, Cooperative Societies were transformed into Cooperative Unions which were under a national apex body (*Washirika*), affiliated to the ruling party. In this way, the catalytic role of the Cooperative Societies and the Local Government Authorities in facilitating the participation of the majority of Tanzanians in economic activities was greatly undermined. Measures undertaken in 1982 by the Government to re-establish Local Government Authorities and in 1984 to bring back Cooperative Societies were a realisation of past mistakes, when the institutions were Government-run rather than by the people themselves. The National Economic Empowerment Policy thus recognises the central role of Local Government Authorities and Cooperative Societies, in facilitating and fostering the participation of Tanzanians in economic activities.

(iii) Over the years, SIDO has made an invaluable contribution in promoting and facilitating the development of small industries in the country, through training of local entrepreneurs, provision of business and technical advice, and concessional lending to local entrepreneurs. Its contribution to economic development would have been even more significant if it operated under the guidance of a clearly defined policy on economic empowerment. Since its establishment, SIDO has faced financial constraints that have made it difficult for the institution to effectively meet its mandate. Furthermore, it took some time for SIDO to adapt to a new competitive environment. The Government efforts to strengthen SIDO and SIDO's own initiatives to restructure and streamline its set up and functions are in line with the objectives of the National Economic Empowerment Policy.

1.4. Privatisation of State Enterprises

Tanzania adopted the privatisation policy in 1992 after recognising that state enterprises were becoming an unbearable burden and the Government was unable to sustain them. However, due to lack of adequate skills, entrepreneurship and capital, participation of the majority of the citizens of Tanzania in the privatisation process has been rather limited. Despite the establishment of the privatisation trust fund by the Government there were no arrangements in place that would help Tanzanians to buy shares in privatised companies; the absence of an Economic Empowerment Policy was amongst the reasons for the stalemet. In this regard, the Government has resolved to put in place an Economic Empowerment Policy that will serve as a roadmap for the participation of the majority of the citizens of Tanzania in all sectors of the economy.

1.5. Target Group

The National Economic Empowerment Policy is intended to address all economic empowerment needs of the individual citizens of Tanzania and local companies in which Tanzania citizens hold not less than fifty percent of the shares. The Policy takes on board farmers, livestock keepers, fishermen, employees, traders as well as other groups of individuals in various economic activities. The Policy puts in place the general guidelines for the formulation of strategies to be used by respective sectors depending on the prevailing circumstances. In this respect, each sector is enjoined to come up with concrete implementation strategies.

2.0 PRESENT SITUATION AND CHALLENGES

2.1 Present Situation

The participation of the majority of the citizens of Tanzania in the modern economy continues to be limited. In the context of the National Economic Empowerment Policy, to a large extent that the economy still remains in the hands of foreigners and a few Tanzanians. This is contrary to the objective of promoting a broad-based economic growth that ensures the prosperity of all Tanzanians. Politically, the lack of opportunity of the majority of Tanzanians to participate effectively in the formal economy has been a source of concern to the way the economy is managed. Reasons that have restricted their effective participation include: lack of capital; limited entrepreneurship and experience in managing business; and lack of credit. The absence of a policy on economic empowerment has also been a contributory factor.

2.2 Challenges

In their endeavours to fully participate in the economy, most of the citizens of Tanzania generally face the following constraints:-

- (i) Unavailability of capital;
- (ii) Lack of knowledge and experience, which is further aggravated by limited education and training, inhibitive customs and traditions and an inappropriate mindset towards development;
- (iii) Problems associated with procedures and implementation of the privatisation policy;
- (iv) Lack of reliable markets and inability to penetrate competitive markets;
- (v) Limited cooperation, weak cooperatives and lack of common voice in pursuing common goals and overcoming problems in the sectors of the country's economy.
- (vi) Other constraints include:
 - a) Weaknesses in the tax regime, the legal and regulatory framework and public services delivery; and
 - b) Deficiencies in economic, social and administrative infrastructure.

The National Economic Empowerment Policy aims at addressing these constraints so as to create a more conducive environment for various groups of Tanzanians to participate fully in economic activities.

3.0 VISION, MISSION AND OBJECTIVES

3.1 Vision

The Empowerment of the citizens of Tanzania is among the goals set in the Tanzania Vision 2025. It is envisaged that, by the year 2025, a large segment of the national economy will be owned by Tanzanians. This process will embrace all Tanzanians by availing equal opportunities to all groups to develop themselves, particularly the poor. In addition, a more favourable business environment will be created to foster a strong economy that is capable of competing effectively in a globalised world market.

3.2 Mission

- (i) The National Economic Empowerment Policy takes into account the private sector development policy objectives, the need to create more opportunities for the private sector as well as setting out rules and regulations on competition and fair economic participation in a market-oriented economy. Measures and strategies to be adopted will also recognise the contribution of the informal sector and undertake to improve it;
- (ii) The Policy focuses 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. It will also devise deliberate strategies to empower players who are already on the ground to improve their performance. Furthermore, it will specify economic activities which are reserved for the citizens and those which may be owned jointly by foreigners and Tanzanians; and
- (iii) The Policy will enhance Tanzania's capacity to compete in the local market, the East African Community, SADC, and other economic groupings as well as in the world market. Furthermore, it will facilitate the improvement of the quality of locally made products, reduce the cost of production and raise the skills level used in productive activities. Where large investment projects are established opportunity for spin off activities will

be created. The responsibility of implementing the Policy will involve all the stakeholders including the private sector and the Government. Its success will require observance of principles of good governance, efficiency in public service delivery, as well as a proper mindset towards empowerment.

3.3 Objectives

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 will give preferential treatment to nationals where necessary so as to enhance their bargaining position and opportunities. Accordingly, the Policy focuses on:-

- (i) Creating a favourable business environment for investment and economic growth;
- (ii) Improving the tax system and its administration;
- (iii) Reviewing laws, rules and regulations from time to time to ensure that they meet the requirements of a market-oriented economy;
- (iv) Improving and simplifying licensing procedures;
- (v) Improving efficiency in public service delivery;
- (vi) Easing the availability of capital and enabling more Tanzanians to borrow;
- (vii) Raising skills and knowledge levels;
- (viii) Strengthening economic infrastructure and involving Tanzanians in infrastructure development;
- (ix) Creating an enabling environment for Tanzanians to participate more effectively in the privatisation of state enterprises;
- (x) Improving the capacity to produce goods of a high quality, provide better and reliable public services, support the establishing of appropriate marketing systems, including the use of government tendering system to assist Tanzanians to access markets.
- (xi) Encouraging and strengthening the development of cooperatives;
- (xii) Using land as a springboard to accelerate empowerment;
- (xiii) Establishing a sound institutional framework for managing and supervising the implementation of the National Economic Empowerment Policy.

4.0 THE NATIONAL ECONOMIC EMPOWERMENT POLICY

4.1 Accelerating Economic Growth and Creating an Enabling Investment Environment

4.1.1 Issue

Tanzania's economic growth rate is still low and the investment environment, which is a catalyst to a higher and sustainable growth, is also weak.

4.1.2 Statement

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 National Economic Empowerment Policy puts in place a favourable business environment that will facilitate an increase in investment and production for the domestic, the Africa region, and global markets.

4.1.3 Strategies

In order to raise the level of economic growth and improve the investment climate, the following measures will be implemented: -

- (i) Orienting sectoral policies towards enabling Tanzanians to participate effectively in the economy;
- (ii) Maintaining peace and social stability;
- (iii) Maintaining macro- economic stability;
- (iv) Improving infrastructure facilities and minimising the cost of doing business;
- (v) Facilitating business partnerships and improving networking between Tanzanians and well-established investors in order to ensure that Tanzanians benefit from the economic strengths of the large investors.

- (vi) Putting in place and implementing policies and strategies for increasing the sales of Tanzanian products in markets in the African region and global markets. This is in addition to speeding up the establishment of Export Processing Zones and Special Economic Zones; establishment of a Marketing Development Centre; and strengthening investment capacity of Tanzanians so that they are better able to compete in a liberalised market environment and attract joint venture business;
- (vii) Facilitating production of high quality products at competitive prices;
- (viii) Encouraging the use of modern technology in economic activities; and
- (ix) Forming economic empowerment committees comprising of stakeholders at different levels.

4.2 Legal and Regulatory Framework and Public Service Delivery

4.2.1 Tax Regime

4.2.1.1 Issue

Despite efforts to improve the tax system, the tax regime has not been able to create adequate opportunities for effective participation of the majority of the citizens of Tanzania in the economy.

4.2.1.2 Statement

Improve the tax system and its administration so as to encourage investments.

4.2.1.3 Strategies

The following measures will be undertaken to improve the tax system and its administration: -

- (i) Extending tax incentives available to large investors so as to enable Tanzanians to benefit from such incentives.
- (ii) Maintaining consultations with stakeholders with a view to improving the tax system and its administration.
- (iii) Utilizing the six percent of the development levy payable by companies solely for skills development;

- (iv) Extending tax relief to employers incurring training cost for their employees
- (v) Providing tax education to ensure that people are well-informed on tax regulations, types of taxes, tax rates and are able to assess individually their tax liabilities to the Government; and
- (vi) Revising and streamlining taxes and levies payable to the Central and Local Government Authorities to make the tax regime more investor-friendly.

4.2.2 Legal and Regulatory Framework

4.2.2.1 Issue

Some of the laws, rules and regulations that are in place are not in line with the spirit of the economic empowerment.

4.2.2.2 Statement

Reviewing and streamlining laws, rules and regulations to ensure that they are supportive of the National Economic Empowerment Policy.

4.2.2.3 Strategies

The following measures will be undertaken:-

- (i) Enacting a National Empowerment Law and rationalizing other laws to ensure that they support the economic empowerment initiatives; and
- (ii) Ensuring that the National Economic Empowerment Law provides for the establishment of institutions that will oversee the implementation of empowerment measures.

4.2.3 Licensing

4.2.3.1 Issue

Business licensing is undermined by the multiplicity, bureaucracy and disregard of licensing regulations.

4.2.3.2 Statement

Ensuring that business licensing is used as a means for the coordination and monitoring economic activities rather than as a sources of revenue.

4.2.3.3 Strategies

In order to reduce the multiplicity of licences, red tape, high licence fees and disregard of licensing regulations the following strategies will be implemented: -

- (i) Educating Local Government Councils and licensing authorities to ensure that licences are issued in accordance with relevant laws;
- (ii) Reviewing by-laws made by Local Government Councils which are in conflict with business licensing regulations ;
- (iii) Issuing business licenses in accordance with the provisions of the governing laws without imposing extraneous conditions; and
- (iv) Streamlining licenses and assessing the possibility of establishing one-stop centres of licensing from the village to the national level.

4.2.4 Public Service Delivery

4.2.4.1 Issue

There are deficiencies in public service delivery

4.2.4.2 Statement

The Government will improve public service delivery in order to facilitate effective participation of the majority of the citizens of Tanzania in economic activities. Furthermore, public servants will be sensitized to have a positive attitude and a proper mindset in order to ensure an effective management of the economy in a globalised environment.

4.2.4.3 Strategies

The Government will improve the working environment for public servants through the following initiatives: -

- (i) Providing high-quality training and better working tools and facilities;
- (ii) Improving the remuneration and incentive packages for the public servants and facilitating their ability to invest; and.
- (iii) Conducting a study to determine the best way of enabling employees to invest their pensions before their retirement.

4.3 Investment Capital

4.3.1 Issue

Availability of capital for investment remains a major constraint due to the following reasons:-

- (i) Limited sources of savings due to low incomes as well as lack of a saving culture;
- (ii) Constraints that discourage banks from issuing credit such as high credit management costs caused partly by the lack of national identity cards and the absence of a credit information bureau where information concerning borrowers could be easily obtained; and
- (iii) Weaknesses that make most borrowers not creditworthy include lack of knowledge and experience in preparing bankable projects as well as lack of collateral and equity funds to start business.

4.3.2 Statement

The Government will put in place a sound institutional arrangement to facilitate availability of credit by improving sources of savings and removing barriers that discourage banks from lending at low interest rate and by improving the creditworthiness of Tanzanians.

4.3.3 Strategies

4.3.3.1 Strengthening and Improving Sources of Savings

The Government will direct its efforts in four key areas for the purpose of strengthening sources of savings and capital for the majority of the citizens of Tanzania:-

- (i) Encouraging Tanzanian citizens to establish joint venture schemes so as to pull their resources together in raising capital for their projects;
- (ii) Encouraging Tanzanian citizens to establish savings and credit associations through collaboration with various stakeholder organisations and the Tanzania Association of Microfinance Institutions (TAMFI) so as to create avenues for joint savings and capital that will be a source of loans to members. It is relatively easy for microfinance institutions to lend to their members because they are well known to them and they work in close proximity to their business establishments. Microfinance institutions may save as agents of large banks and in this way reduce the cost incurred by banks in establishing the credit risk of their borrowers which is one of the main reasons for denial of credit to potential borrowers and high interest rates charged by the banks;
- (iii) Conducting a study to determine measures that could be adopted to enable members of pension schemes to utilize part of their pension contribution to improve their creditworthiness to borrow for investment and/or buy shares in various companies; and
- (iv) Devising ways for the Central Government and Local Government Authorities to raise funds for improving infrastructure to facilitate investments in different parts of the country. One of the options is to issue long-term bonds through the stock exchange in order to raise money for development of essential infrastructure and establishing empowerment funds that would assist Tanzanians to obtain capital.

4.3.3.2 Strategies to encourage Banks 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 Government intends to take the following measures to encourage banks to extend more loans to finance investment projects in the country:-

- (i) Establishing a credit reference bureau, in collaboration with the Bank of Tanzania and commercial banks with the intention of making it easier for banks to identify borrowers credit history;
- (ii) Establishing a special fund to be managed by a Credit Guarantee Agency whose responsibility will be to assist Tanzanian citizens to obtain loans from commercial banks for establishing medium and large scale projects and/or to extend capital to citizens who

wish to establish joint ventures with foreign parties. It is envisaged that the Credit Guarantee Agency will have sufficient capacity in project design and appraisal as well as the capacity to supervise the implementation of investment projects guaranteed by the Agency;

- (iii) Undertaking a study to determine incentives that may be used to encourage banks to establish long-term loan facilities for financing development projects;
- (iv) Reviewing various Funds that offer credit on concessionary terms to citizens of Tanzania with a view to improving them and involving commercial banks in their management. Besides, the Government will also establish a *Mwananchi Empowerment Fund* that will be managed by banks for the purpose of extending concessional credit on terms that will be agreed upon between the Government and the respective banks. In order to facilitate agricultural development, the Government will establish an Agricultural Finance Bank to ease availability of land to aspiring local investors and to extend loans to investors in agriculture and livestock;
- (v) Issuing identity cards to citizens with the intention of making it easy for the banks to know their customers thereby reducing costs associated with collection of information on borrowers background;
- (vi) Ensuring that regulations made under the Land Act, 1999 are adhered to so that land title deeds are used as collateral for bank loans. Furthermore, the Land Court will be strengthened to facilitate prompt settlement of land disputes whose delay has been one of the impediments for bank loans;
- (vii) Speeding up land surveying in urban and rural areas and improving procedures for issuing land title deeds so that land is used as an investment tool; and
- (viii) Ensuring that the legal framework for microfinance institutions passed in February, 2003 is effected without undue delays. Microfinance institutions registered under the new regime will be required to device mechanisms for extending micro credits on less stringent terms.

4.3.3.3 Strategies to Enhance Creditworthiness of the citizens of Tanzania

Most of the citizens of Tanzania are not creditworthy because of 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. On the other hand, banks are often reluctant to lend to borrowers who have bankable projects. The reluctance is caused by market uncertainties, quality standards and/or quantities of products required to be able to gain access to

international markets. The Government will assist Tanzanians to overcome these constraints through the following measures:-

- (i) Facilitating improvement of project preparation and design services that are offered by its institutions and private consulting firms and subsidising the costs which the citizens of Tanzania are required to pay for well prepared and bankable project proposals;
- (ii) Establishing units in the District and Town Councils that will deal with project design and appraisal for citizens of Tanzania in their respective areas;
- (iii) Improving the capacity of higher learning institutions in imparting skills and knowledge in project design and management. In addition, the Government will offer specialised training in project design, implementation and management at institutions that will be designated;
- (iv) Recognising that many Tanzanians are not creditworthy, because they are not known to the banks but well known to their respective microfinance institutions, the Government will strengthen these institutions so that they are in a better position to guarantee loans to their members; and
- (v) Advising private sector associations to encourage their members in establishing partnerships with foreign firms so that they may be able to use their business partners' technical, managerial and marketing skills to entice banks to lend. These associations will also be required to inculcate to their members a loan-repayment culture and to collaborate with banks in
- (vi) determining the creditworthiness of loan applicants.

4.4 Raising Skills and Knowledge Levels

4.4.1 Issue

A low level of skills, education and lack of resources, limit the effective participation of many Tanzanians in economic activities. A low level of education is amongst the reasons why some Tanzanians continue to embrace inhibitive customs and traditions that are inimical to development. Furthermore, the current education system is not conducive to entrepreneurship development.

4.4.2 Statement

The Government will revisit the education system with the objective of enhancing a scientific outlook to overcome inhibitive culture and traditions and to mould Tanzanians who are self-confident, innovative, and who strongly desire to conduct their business efficiently and effectively. In other words, the education system should create a foundation for entrepreneurship development. To this end, the education curricula will be tailored to ensure skills development in line with the demands of competitive markets.

4.4.3 Strategies

Raising skills and knowledge of the citizens of Tanzania will require the following to be done by the Government: -

- (i) Facilitating the enhancement of skills, knowledge and experience as well as ability to cope with competition in both domestic and foreign markets;
- (ii) Putting in place incentives to encourage employers and private learning institutions to design special training programmes that will develop capacity of such institutions by utilizing funds from the skills development levy;
- (iii) Assisting learning institutions and companies to render material assistance that will encourage most Tanzanians to undertake technical training in institutions that meet their needs. This arrangement will help to strengthen existing learning institutions and promote the designing of training programmes that are consistent with the realisation of the National Economic Empowerment Policy. Where expertise can only be sourced from outside Tanzania, or where local experts are required to go abroad for further training, the cost sharing approach should apply with the objective of encouraging more citizens of Tanzania to enhance their technical skills;
- (iv) Revising school curricula in order to impart entrepreneurship skills to graduands and ensure that they are self-confident, innovative and motivated to work diligently; and
- (v) Establishing an institution that will oversee all empowerment initiatives for enhancing entrepreneurial capacity. The institution will prepare curricula that will be used by various training institutions in designing training programmes that are geared towards the attainment of the objectives of the National Economic Empowerment Policy.

4.5 Economic Infrastructure

4.5.1 Issue

Existing economic infrastructure such as roads, power and telecommunication networks are still inadequate to meet demand at affordable costs and which are competitive compared to those obtaining in neighbouring and other countries. It is further observed that in the development, maintenance and servicing of infrastructure, Tanzanian citizens have not been participating effectively.

4.5.2 Statement

The Government will set aside funds for the improvement of infrastructure and will also put in place a favourable environment in order to encourage the local private sector to invest in infrastructure development.

4.5.3 Strategies

In its quest to improve infrastructure and enhance economic growth and empower citizens of Tanzania the Government will take the following measures:-

- (i) Encouraging training in the fields of administration and management for the purpose of building expertise to manage various infrastructure projects;
- (ii) Continue extending training to local contractors and their workforce;
- (iii) Establishing a framework which will ensure that priority is given to local contractors and companies that will take part in undertaking infrastructure development as part of initiatives to enhance their capacity;
- (iv) Giving preference to foreign contractors who are willing to collaborate with local contractors through joint venture partnerships or sub-contracting. However, works that will require expertise that is not available in the country will be undertaken by foreign contractors whereas those for which expertise is available within the country will be given to local contractors;

- (v) Facilitating the availability of loans to local contractors to enable them purchase building machinery and equipment. A favourable environment will also be created to enable Tanzanians to establish companies that lease building machinery and equipment for infrastructure works;
- (vi) Encouraging the establishment of boards to oversee the implementation of infrastructure projects that will involve stakeholders from relevant sectors as well as ensuring local representation; and
- (vii) Establishing an arrangement for contributing to the improvement of infrastructure in collaboration with the private sector and their associations

Roads

An assessment will be undertaken to determine areas that require priority attention in road construction and improvement. In addition, the possibility of involving the Government, the private sector and individuals in employing labour based technology in roads construction will be explored.

Telecommunication Network

- (i) An assessment will be carried out to determine the reason for high telephone tariffs as compared to those obtaining in neighbouring countries. Results emanating from this assessment will be used in designing strategies to lower telephone tariffs to levels that are comparable with those in neighbouring countries or other countries with which Tanzania is competing; and
- (ii) In collaboration with the private sector, the Government will facilitate the improvement of telephone and internet network in rural areas to make communication available in these areas. In places where electricity is not available, possibilities of using wireless technology in extending telephone services to rural areas will be explored. Through sensitising the private sector and other stakeholders, information centres will be established in the districts and villages.

Electricity

- (i) The Government will devise strategies that will make it possible to lower electricity tariffs in order to reduce production costs;
- (ii) The Government will encourage the development of technologies for the production and use of alternative energy sources. Emphasis will be placed on the production of energy from resources that are renewable and readily available in the country such as coal, solar and wind; and
- (iii) The Government will give priority to rural electrification and it will establish a special fund to support it. Where necessary, the Fund will also be used to finance the development of other renewable sources of energy.

4.6 Privatisation

4.6.1 Issue

Tanzanian citizens have not been effectively involved in the privatisation process.

4.6.2 Statement

The Government will design strategies to be used to assist Tanzanians to own property or purchase shares in state enterprises.

4.6.3 Strategies

The Government will take measures which will ensure that Tanzanians are empowered and are able to purchase shares in the state enterprises that are being privatised. Such measures will include: -

- (i) Designing a mechanism to enable Tanzanians purchase shares in state enterprises;
- (ii) Putting in place a mechanism which will ensure that Tanzanians are able to borrow for the purpose of investing in shares or the Government to continue holding shares in state enterprises in trust until such a time that citizens of Tanzania are able to purchase them; and

- (iii) Contracting expertise from abroad to run large companies in cases where such expertise is lacking in the country. However, foreign experts will manage the companies for a specific short period while citizens of Tanzania are being groomed to replace them.

4.7 Markets

4.7.1 Issue

Because of globalisation, competition in both local and international markets has become stiff in recent years. Goods produced in Tanzania are often unable to gain access in foreign markets because they are either produced in quantities that are inadequate to meet demand or international quality standards. Other reasons include high production costs, poor packaging, lack of market information, failure to adequately develop local markets and failure to find new markets abroad beyond those currently available. Furthermore, subsidies that developed countries give to their producers and other tariff and non-tariff barriers imposed by developed countries to products originating from developing countries negate the principles of fair competition.

4.7.2 Statement

The Government will ensure that market information is made available to Tanzanian producers and it will develop local markets and improve access of Tanzanian products in neighbouring countries and in the global market. Tanzanian producers will be encouraged to produce goods that measure-up to international quality standards. The Government will also put in place anti-dumping measures and it will ensure that citizens of Tanzania benefit from government procurement.

4.7.3 Strategies

The following measures will be taken to ensure that Tanzanian products are able to compete in both local and international markets: -

- (i) Ensuring that local companies are given preferential treatment when the Government awards procurement tenders;
- (ii) Establishing a Marketing Development Centre that will undertake market research in both local and foreign markets. The Centre will collect, analyse, store and disseminate market and price information on a timely basis;

- (iii) Using private sector and business associations in disseminating market information;
- (iv) Promoting partnerships with reputable foreign firms as a means to penetrating global markets in areas where such firms are already established or may gain access through their experience;
- (v) Implementing measures outlined in the Export Development Strategy including the establishment of Export Processing Zones and Special Economic Zones where appropriate;
- (vi) Taking advantage of World Trade Organisation (WTO) agreements that allow developing countries to protect their economic activities by adopting anti-dumping measures; and
- (vii) Setting aside exclusive areas, in every sector, where economic activities will be undertaken by the citizens of Tanzania.

4.8 Cooperatives

4.8.1 Issue

- (i) Cooperatives are a base for marshalling a strong alliance and attaining common voice for ensuring success in any economic venture. In a market-oriented economy, members of the cooperatives require associations which are formed out of strong unity with the objective of pulling their resources together in order to cope with competition in the market; and
- (ii) Cooperatives are important instruments for economic empowerment of Tanzanian farmers, livestock keepers, traders, manufacturers, miners and other categories of individuals who would otherwise be unable to compete individually in the market. Despite the efforts geared towards strengthening and developing cooperatives, there still exist a number of weaknesses and these include: inadequate organisational structure that do not meet the needs of members; a low level of cooperatives education; lack of capital; lack of members' sense of ownership of their cooperatives; limited outreach; inability to compete in liberalised markets; poor leadership; thefts, and embezzlement and sabotage of properties of cooperatives.

4.8.2 Statement

The Government will strengthen and facilitate the development of cooperatives.

4.8.3 Strategies

In order to establish strong cooperatives, the following measures will be implemented:

- (i) Strengthening of primary cooperative societies and empowering members to own them;
- (ii) Strengthening cooperative societies' capital base;
- (iii) Improving leadership and administration, curbing theft, embezzlement and sabotage;
- (iv) Improving the organisational structure of cooperatives;
- (v) Strengthening Government institutions that are engaged in the development of cooperatives;
- (vi) Improving cooperative education and training among members, leaders and staff of cooperatives;
- (vii) Enhancing cooperative societies' capacity to compete in liberalised markets;
- (viii) Expanding cooperative societies' outreach;
- (ix) Strengthening market and price information systems; and
- (x) Undertaking periodic review of cooperatives laws.

4.9 Land

4.9.1 Issue

Land has not been utilised effectively in enhancing the participation of Tanzanian citizens in economic ventures.

4.9.2 Statement

The Government will use 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 activities that will raise their incomes.

4.9.3 Strategies

The following measures will be taken to ensure that land is used as means for enhancing effective participation of the citizens of Tanzania in economic activities:-

- (i) Developing basic infrastructure in areas suitable for agriculture so as to encourage Tanzanian citizens to undertake economic activities in those areas, especially targeting those who currently do not have access to land;
- (ii) 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, the Government will provide them with expert advice to enable them enter into sound, mutual and beneficial agreements with the investors;
- (iii) Designating areas and providing necessary infrastructure for the development of agriculture, livestock keeping, trade and other economic activities; and
- (iv) Ensuring that land is used to enable the citizens of Tanzania access loan finance.

5.0 IMPLEMENTATION ARRANGEMENTS

Implementation arrangements for the National Economic Empowerment Policy will take into consideration the following key issues: -

- (i) Putting in place an implementation framework that will embrace all sectors. The framework will facilitate designing, planning, monitoring and evaluation of various empowerment activities;
- (ii) Within the implementation framework, defining the functions and assigning responsibilities to players at all levels; and
- (iii) Establishing an enabling environment that takes into consideration participatory principles and by creating institutions and setting up special funds that will manage, supervise and facilitate implementation. The institutions will include:

a) National Economic Empowerment Council

The National Economic Empowerment Council will be the apex body and it will work under the Prime Minister's Office. It will be established by an Act of Parliament and charged with the responsibility of supervising, monitoring and coordinating all economic empowerment activities.

b) Tanzania Credit Guarantee Agency

In order to enable Tanzanians obtain collateral and access capital to finance their own projects or in joint ventures with foreigners, the Government will establish a Credit Guarantee Agency. The Agency will be responsible for appraising project proposals and, if found satisfactory, it will guarantee them for financing by either local or international banks and may extend loans to companies that will establish joint ventures with foreign firms. The Agency will, however, not be involved in the direct issuance of credit. In cases where the Agency guarantees a project for a bank loan, borrower's shares will be held by the Agency until the entire loan has been repaid.

c) Small Enterprises Development Agency

In order to build capacity to design, supervise and manage projects, the Government will extend the mandate of the Small Industries Development Organisation (SIDO) to execute this function. SIDO will be responsible for technical skills development in project implementation, product quality and market development for projects including those designed by SIDO. SIDO will be transformed into an agency that will be responsible for the development of Small and Medium scale Enterprises (SMEs).

d) Entrepreneurship Development Institute

The Government will establish an Entrepreneurship Development Institute (EDI) in order to enhance technical, marketing and trade development skills. The EDI will oversee all skills enhancement initiatives under the National Economic Empowerment Policy. However, this institute will not directly be involved in offering training but will develop curricula that will be used by various learning institutions. The institute will be under the management of one of the higher learning institutions such as the University of Dar es Salaam (UDSM), the Institute of Finance

Management (IFM), Mzumbe University or the College of Business Education (CBE).

e) Marketing Development Centre

In a bid to expand access to both domestic and foreign markets, the Government will establish a Marketing Development Centre (MDC). The MDC will be responsible for undertaking market research in foreign and domestic markets by doing data collection, analysis, custody and timely dissemination of market information.

f) Agricultural Finance Bank

The Government will establish an Agricultural Finance Bank (AFB) in order to facilitate agricultural development.

g) Establishment of Special Economic Empowerment Funds

- (i) The Government will establish and make use of various Funds to bring about effective implementation of the economic empowerment initiatives. These include: the Mwananchi Empowerment Fund; the Credit Guarantee Fund; the Privatisation Trust Fund; and the Rural Electrification Fund; and
- (ii) It is envisaged that these Funds, to be established after thorough studies and consultations, will support the implementation of economic empowerment initiatives. The Government will contribute to the Funds but it will not be directly involved in their management. Banks will be appointed by the Government to manage the Funds.