Tanzania

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Tanzania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

coffee, sisal, tea, cotton, pyrethrum (insecticide made from chrysanthemums), cashew nuts, tobacco, cloves, corn, wheat, cassava (tapioca), bananas, fruits, vegetables; cattle, sheep, goats

Industries:

agricultural processing (sugar, beer, cigarettes, sisal twine); mining (diamonds, gold, and iron), salt, soda ash; cement, oil refining, shoes, apparel, wood products, fertilizer

Exports - commodities:

gold, coffee, cashew nuts, manufactures, cotton

Exports - partners:

India 14.1%, China 11%, Japan 6.1%, Germany 5%, UAE 4.9% (2012)

Imports - commodities:

consumer goods, machinery and transportation equipment, industrial raw materials, crude oil

Imports - partners:

China 21.1%, India 16.1%, Kenya 6.6%, South Africa 5.6%, UAE 4.8% (2012)

Investment Restrictions:

There are no laws or regulations that limit or prohibit foreign investment, participation, or control, and firms generally do not restrict foreign participation.

There are no efforts to restrict foreign participation in industry standards-setting consortia or organizations. Associations representing the tourism, telecommunications, and mining industries are composed of, and often led by, foreigners.

Land ownership remains restrictive in Tanzania. Under the Land Act of 1999, all land in Tanzania belongs to the state. Procedures for obtaining a lease or certificate of occupancy can be complex and lengthy, both for citizens and foreign investors.

Contents

Section 1 - Background

Shortly after achieving independence from Britain in the early 1960s, Tanganyika and Zanzibar merged to form the nation of Tanzania in 1964. One-party rule ended in 1995 with the first democratic elections held in the country since the 1970s. Zanzibar's semi-autonomous status and popular opposition led to two contentious elections since 1995, which the ruling party won despite international observers' claims of voting irregularities. The formation of a government of national unity between Zanzibar's two leading parties succeeded in minimizing electoral tension in 2010.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Tanzania is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 27 June 2014

The FATF welcomes Tanzania's significant progress in improving its AML/CFT regime and notes that Tanzania has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2010. Tanzania is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Tanzania will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Tanzania was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Tanzania was deemed Compliant for 2 and Largely Compliant for 1 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2009):

The geographical position of The United Republic of Tanzania makes it a strategic gateway into East and Central Africa for legitimate and illicit trade. Dar es Salaam is a major sea port that serves Mainland Tanzania. In addition, a large number of land - locked countries such as Malawi, Zambia, Burundi, Rwanda, Uganda and the Eastern part of the Democratic Republic of Congo depend on Dar es Salaam for movement of goods.

The United Republic of Tanzania acknowledges that money laundering, terrorist financing and corruption remain serious impedimen ts to attain national development objectives. According to the figures provided by the authorities in the United Republic of Tanzania, theft and robbery are the most reported cases. Corruption related cases are also quite high. As at 30 September 2008, 768 corruption cases were reported out of which 360 cases were prosecuted and 30 convictions were secured. Illicit trafficking in narcotic drugs and psychotropic substance is also of growing importance, however, no figures were provided by the authoritie s to indicate the prevalence of the crime in the United Republic. The other crimes that occur quite frequently are murder and rape. As at the date of the onsite visit no money laundering prosecution had taken place although 5 cases were still under inve stigation by the police.

During the onsite visit, various authorities raised concerns regarding increasing general fraud level in Tanzania: customs fraud, smuggling of goods especially counterfeit ones, financial sector fraud, and smuggling of precious met als are some of the prime examples named by the authorities. The authorities indicated that most of these illegal activities showed attributes of organised crime in nature.

Under - valuing of assets for lesser tax liability, foreign currency exchanges, fro nt businesses, physical transportation of cash and other monetary instruments, financial fraud, electronic transfers, and buying of high - value goods such as motor vehicles are common methods and techniques used to launder proceeds.

Although real estate is becoming a rising business, real estate agents remain unregulated. The authorities have expressed concern regarding real estate being misused for laundering by criminals purchasing property.

There have been no reported cases with regard to terrorist financing i n the United Republic of Tanzania. However, in 1998 Tanzania was subject to terrorists act with the bombing of the US Embassy in Dar es Salaam. Twelve people were killed by the terrorist attacks. The UNSCR 1267 lists of designated persons and entiti es are circulated to banks and financial institutions by the Bank of Tanzania . The list is also sent to home affairs and the Attorney General's Office. According to the authorities, no request has been made under UNSCR 1373.

US Department of State Money Laundering assessment (INCSR)

Tanzania is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

OVERVIEW

While Tanzania is not a regional financial center, it is vulnerable to money laundering schemes and cross-border currency movements, which exploit the country's unregulated financial sector. In response, the Government of Tanzania created a special court to address economic crimes and implemented regulations addressing cross-border currency movement and other issues. In June 2017, Tanzania's central bank revised the rules for operating retail foreign exchange bureaus, aiming to strengthen licensing and supervision to curb loopholes for money laundering. In May 2017, the Tanzanian Central Bank revoked the business license of FBME Bank Ltd. and placed it under liquidation. FBME Bank had been designated a financial institution of "primary money laundering concern" by FinCEN and, in April 2017, was barred from accessing the U.S. financial system.

The Government of Tanzania should continue to train, increase awareness of, and allocate resources to key financial sector, law enforcement, and judicial stakeholders.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Money laundering in Tanzania involves the proceeds from drug trafficking, wildlife trafficking, corruption, and smuggling of precious metals and stones. A large portion of the population is still engaged in the unregulated financial sector, where money laundering is more likely to occur. Mobile banking services continue to expand rapidly, which opens formerly underserved rural areas to formal banking but also creates new vulnerabilities. Criminals use front companies, hawaladars, and currency exchanges to launder funds, particularly on the island of Zanzibar. Officials indicate additional money laundering schemes in Zanzibar often involve foreign investment in the tourist industry. Real estate and used car businesses also appear to be involved in money laundering.

KEY AML LAWS AND REGULATIONS

Tanzania's main AML legislation includes the Anti-Money Laundering Act, Cap. 423 of 2006; Anti-Money Laundering (Amendment) Act, 2012; Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009; and Written Laws (Miscellaneous Amendment) Act No. 12 of 2011. Main regulations in this area include Anti-Money Laundering Regulations, 2012; Anti-Money Laundering and Proceeds of Crime Regulations, 2015; and the Anti-Money Laundering (Cross- Border Declaration of Currency and Bearer Negotiable Instruments) Regulations, 2016. The Bank of Tanzania also issues directives to financial institutions that conduct retail foreign exchange dealings, including exchange bureaus, to counter money laundering and enhance supervision. Tanzania has KYC and STR regulations.

Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Tanzania is a member of the ESAAMLG, a FATF-style regional body.

AML DEFICIENCIES

In recent years, the government has taken steps to strengthen its response to money laundering. For example, the authorities amended Section 60 of the Economic and Organized Crime Control Act (Cap. 200) to provide for the confiscation of property. Weaknesses remain, however, in supervision of the financial sector. Further, the country has yet to establish a database of mutual legal assistance (MLA) statistics or put in place procedures to ensure MLA requests are properly executed, though substantial steps have been taken this year to improve MLA procedures. Similarly, Tanzania still lacks legislation to allow for the confiscation, freezing, or seizure of certain assets in response to a MLA request.

Tanzania has a limited capacity to implement the existing money laundering laws and to supervise the banking sector. Furthermore, authorities still have failed to address problems related to non-conviction-based forfeiture. Other ongoing issues include a focus mainly on the formal banking sector rather than full coverage of DNFBPs and ineffective provisions pertaining to record-keeping.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although Tanzania enacted its Money Laundering Act in 2006, Tanzanian prosecutors only began to try money laundering cases in 2009. By September 2017, a total of 28 cases had been brought to court, with six of those tried in 2017. Three cases were concluded to date in

2017, resulting in two convictions and one acquittal. The court also ordered forfeiture of assets in three cases in 2017.

Tanzania should increase the awareness of money laundering issues in the financial, law enforcement, and judicial sectors and allocate the necessary human, technical, and financial resources to implement its AML regime, especially in Zanzibar. The FIU should be given the resources to improve its capacity to implement all facets of its mandate. Tanzania should improve coordination and follow-up by police and customs officials investigating financial crimes, and by prosecutors and judicial officials trying, hearing, and, if warranted, convicting criminals and criminal organizations engaging in money laundering activities. Tanzania should engage with stakeholders to develop its capacity in strategic analysis to apply a risk-based approach, including typologies identification. The FIU should focus more on non-traditional banking mechanisms used to launder funds, such as the use of front companies, hawaladars, Chinese "flying money" remittance systems, currency exchanges, and mobile banking.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Tanzania does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

EU White list of Equivalent Jurisdictions

Tanzania is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Tanzania is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017:

Tanzania is a significant transit country for illicit drugs, most notably heroin originating in Southwest Asia and cocaine from South America, with a growing domestic user population. Tanzania-based drug trafficking organizations and courier networks operate globally with cells throughout Africa, Asia, Australia, Europe, North America, and South America. These drug trafficking organizations play a prominent role in the Southwest Asian heroin trade. Tanzania also produces cannabis both for domestic consumption and international distribution.

Tanzania's geographical location, coupled with high levels of corruption and porous borders, present considerable challenges to supply reduction strategies. Traffickers exploit Tanzania's 854 mile coastline along the Indian Ocean. There is inadequate security at Tanzanian seaports, specifically those in Dar es Salaam's Kinondoni District and the Tanga Region in the north. Southwest Asian heroin is transported in multi-hundred kilogram quantities by small oceangoing vessels across the Indian Ocean to the Tanzanian coastline. After heroin arrives in Tanzania, it is distributed to retail markets and user populations throughout Africa, Asia, Europe, and North America. South American cocaine is trafficked into Tanzania by commercial air couriers arriving on international flights to Dar es Salaam for further international distribution. Precursor chemicals obtained primarily from Asia are brought through Tanzanian ports, and used to produce methamphetamine and psychotropic substances in clandestine labs within the country to supply domestic and international markets.

The Tanzanian Drug Control Commission, the Tanzania Intelligence and Security Service, and the Tanzanian Police Service's Anti-Narcotics Unit each contribute to their government's fight against illicit drug trafficking. These agencies also work jointly with U.S. and other international law enforcement partners. Extradition between Tanzania and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty. There is no bilateral mutual legal assistance treaty in force between Tanzania and the United States. However, the United States and Tanzania are parties to various multilateral conventions that contain provisions for mutual legal assistance, and mutual legal assistance can be provided on a reciprocal basis through letters of request.

In 2016, local media reported a number of significant drug-related arrests but did not release the names of implicated individuals. In April, an arrest occurred in Bariadi, Simiyu in connection with 2.5 metric tons (MT) of cannabis and five hectares (ha) of cannabis cultivation. In September, local media reported arrests in Tarime, Mara in connection with 30 ha of cultivated cannabis. Local media also reported a March arrest in Arusha involving 3 kg of cocaine and heroin and a May arrest in Shinyanga involving 1.82 MT of cannabis.

The Government of Tanzania does not encourage or facilitate the illicit production or trafficking of illicit narcotics or other controlled substances as a matter of policy. However, corruption remains an enormous barrier to effective narcotics enforcement. Drug traffickers use their considerable financial resources to influence politicians, law enforcement officers, and others in positions of power.

The United States seeks to promote improved interdiction operations and limit the corrosive effects of drug-related corruption in Tanzanian institutions through law enforcement cooperation and by encouraging a strong Tanzanian government commitment to narcotics interdiction and criminal justice capacity building.

US State Dept Trafficking in Persons Report 2016 (introduction):

Tanzania is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Tanzania is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Internal trafficking is more prevalent than transnational trafficking and characteristically facilitated by victims' family members, friends, or intermediaries offering assistance with education or securing employment in urban areas. Impoverished children from the rural interior remain most vulnerable to trafficking. Girls are exploited in domestic servitude throughout the country and sex trafficking particularly in tourist hubs and along the border with Kenya. Boys are subjected to forced labor on farms—including as cattle herders and occasionally as hunters—and in mines and quarries, the informal commercial sector, and on fishing vessels operating on the high seas, as well as in sex trafficking. Some unscrupulous individuals manipulate the traditional practice of child fostering—in which poor children are entrusted into the care of wealthier relatives or respected community members—to subject children to domestic servitude and other forms of exploitative labor. Previous media reports indicate Tanzanian children with physical disabilities are transported to Kenya for forced begging and girls are subjected to sex trafficking in China. Tanzanian nationals are sometimes subjected to forced labor, including domestic servitude, and sex trafficking in other African countries, the Middle East, Europe, and the United States. Trafficking victims from other countries—particularly children from Burundi and Kenya, as well as adults from India, Nepal, and Yemen—are forced to work in Tanzania's agricultural, mining, and domestic service sectors; some are also subjected to sex trafficking. Citizens of neighboring countries may transit Tanzania before being forced into domestic service or prostitution in South Africa, Europe, and the Middle East.

The Government of Tanzania does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government allocated a sufficient budget to its anti-trafficking committee for the second consecutive year and closed 70 recruitment agencies suspected of fraudulently recruiting Tanzanians for employment in the Middle East. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Tanzania is placed on Tier 2 Watch List for the fourth consecutive year. Per the Trafficking Victims Protection Act, Tanzania was granted a waiver from an otherwise required downgrade to Tier 3 because its government has devoted sufficient resources to a written plan that, if implemented, would constitute significant efforts to meet the minimum standards. While the government updated its national action plan to incorporate implementing regulations for the 2008 anti-trafficking law, it did not widely apply the implementing regulations for the 2008 anti-trafficking law to overhaul its victim protection capabilities. The government has not allocated funding to its victims' assistance fund since its creation in 2008. The government obtained one conviction and sentenced the trafficker to an unprecedented one-year prison term; however, reforms to mandate stringent jail sentences for trafficking crimes in lieu of fines did not progress during the year and law enforcement efforts remained disproportionate to the prevalence of the crime.

US State Dept Terrorism Report 2016

Overview: In 2016, there were terrorist attacks on a variety of targets, including police stations, universities, and mosques in Tanzania. Tanzanian security services were involved in investigations and active operations against alleged terrorists. Security services made multiple arrests of alleged terrorists and officials were prosecuting these cases at year's end. Tanzania's legislature amended its Prevention of Terrorism Act, but problems remain, especially with insufficient sentencing guidelines. Tanzania's National Counterterrorism Center (NCTC) increased engagement with the international community on countering violent extremism (CVE). Tanzanians in the past have joined the ranks of al-Shabaab. While Tanzanian government officials have expressed support for the efforts of the Global Coalition to Defeat ISIS, Tanzania is not a coalition partner.

There were several media reports of Tanzanians engaging in violence as foreign terrorist fighters, particularly with regard to al-Shabaab operations in Kenya and Somalia. There were also reports of Tanzanians publicly pledging allegiance to ISIS on social media.

Legislation, Law Enforcement, and Border Security: The Prevention of Terrorism Act of 2002 provides Tanzania's counterterrorism legal framework. Part II of the Act defines certain terrorism offenses, but does not provide sentencing guidelines for all crimes. In May 2016, Tanzania's legislature passed an amendment to the Act – *The Written Laws (Miscellaneous Amendment) (No. 2) Act, 2016, § 55* (adding a new section to the Prevention of Terrorism Act - *§ 11A*). The amendment imposed significant sentences for terrorism crimes, such as providing material support, but does not impose specific sentences for others, such as membership in a terrorist organization or committing a terrorist act. As a result, those convicted for serious terrorism offenses could receive varying and minimal sentences. Additionally, Tanzania has yet to designate ISIS as a terrorist organization under Tanzania law. The government was in the process of developing a national counterterrorism strategy process at year's end.

Tanzanian officials continued interagency coordination efforts in 2016, and the government sought to use investigative forensic techniques to detect, investigate, and fully prosecute suspected terrorists.

Tanzania's NCTC is an interagency unit composed of officers from the intelligence, police, defense, immigration, and prison sectors who work collectively on counterterrorism issues. The organization lacked specialized equipment and basic infrastructure, especially for border security, and NCTC officers lacked training on intelligence analysis and crime scene investigation.

The Tanzania Intelligence and Security Service work in conjunction with the police and other security services on investigations. Once an investigation is completed, cases go to the Director of Public Prosecutions before being brought to court. Government agencies have demonstrated an ability to coordinate in a crisis, but lack the ability to implement a comprehensive plan of action on counterterrorism that formalizes interagency cooperation.

Tanzanian law enforcement officials participated in the Department of State's Antiterrorism Assistance (ATA) program to strengthen capacity in the areas of crisis response, border operations, and counterterrorism investigations. This included a mentorship component for the Tanzanian Police Force on investigations and training on forensic lab techniques and equipment. ATA also provided Terrorist Crime Scene Investigation courses to help build the TPF/Criminal Investigations Division's (CID) capacity to investigate, arrest, and contribute to the successful prosecution of al-Shabaab operatives and facilitators and other terrorists.

Notable among capacity building activities was the Department of State's third-annual East Africa Joint Operations Capstone exercise, a month-long training series hosted in Kenya for Kenyan, Tanzanian, and Ugandan law enforcement personnel. The exercise culminated in a large-scale simulation of a response to a terrorist incident, including a cross-border pursuit that also focused on community engagement and human rights-related issues.

Border security in Tanzania remained a challenge for a variety of reasons, including corruption; the lack of a dedicated border security unit in the Tanzania Police Force; and vast, porous borders. Tanzanian authorities continued to process travelers using the U.S.-provided Personal Identification Secure Comparison and Evaluation System (PISCES) border management system at major ports of entry. Tanzania's NCTC and Immigration Service generally worked to ensure that all border posts had updated terrorist watchlists, although smaller border posts often must check passports against paper copies of the list.

Tanzanian authorities liaised with Kenyan counterparts to share information and discussed how to more effectively counter violent extremist recruitment efforts and track returned foreign terrorist fighters. Tanzania was constrained from greater action on counterterrorism efforts by a lack of financial resources, capacity, and interagency cooperation, as well as having no national counterterrorism strategy.

On multiple occasions, authorities arrested individuals on charges of terrorist activities for running makeshift training camps out of residential compounds and teaching children physical combat techniques. The most notable of these incidents occurred in October in Bagamoyo and in November in the Kilongoni-Vikinfu area, 19 miles outside of Dar es Salaam.

Countering the Financing of Terrorism: Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force-style regional body. The Tanzanian Financial Intelligence Unit is a member of the Egmont Group of Financial Intelligence Units; it continued to follow regulations passed in 2014 to implement the UNSC ISIL (Da'esh) and al-Qa'ida sanctions regime. In 2016, there were no known prosecutions or asset freezes related to counterterrorist finance, and investigatory and prosecutorial capacity remained weak. The recently enacted "The Written Laws (Miscellaneous Amendments) Act 2016," calls for the establishment of The Corruptions and Economic Crimes Division of the High Court, however, and could potentially lead to faster money laundering and terrorist financing case adjudication.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	36
World Governance Indicator – Control of Corruption	35

Corruption is pervasive throughout Tanzanian society and is a serious problem across all sectors of the economy. The most affected sectors are government procurement, land administration, taxation and customs. Petty corruption in dealings with traffic, customs and immigration officers deters investment. Corruption is criminalized under the Prevention and Combating of Corruption Act (PCCA), which covers attempted corruption, extortion, passive and active bribery, money laundering and bribery of a foreign official. A range of legislations cover other corruption offences, but anti-corruption laws are applied inconsistently and are poorly enforced. Gift-giving and the use of facilitation payments for the purpose of inducing corrupt behavior are illegal under the PCCA. However, companies should note these practices can be commonly encountered when doing business in Tanzania. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by Global Security

Political Climate

Tanzania consists of a union between the mainland (former Tanganyika) and the semi-autonomous island of Zanzibar. Whereas mainland Tanzania has relatively free and fair elections and separation of powers, the government on Zanzibar has been criticised for lacking democratic legitimacy. Tanzania has held multiparty elections since 1995, which the Chama Cha Mapinduzi (CCM) party have overwhelmingly won. Current President Jakaya Kikwete won a landslide victory for CCM in December 2005 with more than 80% of the vote and was re-elected for the second term in October 2010 with 61% of the votes. In recent years, Tanzania has achieved relative macroeconomic stability and strong economic growth, mainly because of robust activity in construction and mining. However, the country still suffers from poor infrastructure, limited market competition and high inflation. Furthermore, the country is highly dependent on foreign donors for revenues, which accounts for more than half of the national budget.

Corruption is a large problem and a major public issue in Tanzania. Although the law penalises official corruption and the government has increasingly begun to investigate offenders, officials still continue to engage in corrupt practices with impunity, according to the US Department of State 2011. In its 2010 report on Corruption in Local Government Elections, the Prevention and Combating of Corruption Bureau (PCCB) stated that corruption can be found within nearly all political parties, and that the local elections were marred by cases of intimidation and takrima, a prohibited practice where politicians give voters food, drinks and gifts during election campaigns. In July 2009, President Kikwete estimated that one-third of the state budget is lost annually due to corruption among public officials, especially in relation to public contracting. The current fight against corruption in Tanzania dates back to the establishment of the Presidential Commission of Inquiry Against Corruption (the Warioba Commission) in 1996, whose highly regarded Warioba Report helped to open up public discussion on how to fight corruption in the country. Following the report, the government has been increasingly held to account by the Parliament, the opposition and civil society groups and several corrupt high level officials have been removed. It has also led to the creation of public anti-corruption legislation, a national strategy plan and an anti-corruption agency, the PCCB. Despite these initiatives, both grand and petty corruption remain a big problem in Tanzania. Few politicians have made public declarations of their assets, although they are required to do so, and it is difficult to access those declarations that have been made. According to Freedom House 2011 and Global Integrity 2010, while most civil servants are appointed based on merit, loyalty to the ruling party and to the President do also influence the hiring process, especially at higher levels of the civil service. According to Transparency International's Global Corruption Barometer 2010-2011, 64% of the surveyed Tanzanians perceive the level of corruption as having increased in the past three years, and 47% consider the government's efforts to fight corruption as 'ineffective', while 32% consider it as 'effective'. Nevertheless, despite a political environment rife with corruption, business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 reveal that the level of public trust in politicians represents a competitive advantage for the country. Despite the recent increase in focus on corruption in Tanzania, several sources point to a lack of political will as an obstacle in the fight against corruption.

President Kikwete has pledged to continue the on-going fight against corruption at all levels of government. However, the integrity of his government and its commitment to the issue have been seriously questioned given the extent of corruption within the country and corruption scandals involving ministers and leading members of the CCM. The most prominent scandal involved Tanzania's Central Bank (BoT); an independent international audit revealed that more than USD 131 million from the BoT External Payment Arrears (EPA) account had been improperly paid to 22 local companies between 2005 and 2006, many of them allegedly fictitious. As a result of the scandal, the former governor of the Central Bank was dismissed; the former BoT director of personnel and administration was found guilty of abuse of office and sentenced to two years in prison in 2010. Another scandal, according to several sources published in 2008, including the International Herald Tribune, led the former Prime Minister, Edward Lowassa, and two other ministers to resign in February 2008, due to their involvement in granting a large contract to an American-based company, Richmond Development Company, in which they had a personal interest. As a consequence of these scandals involving members of government, the entire Cabinet was dissolved and new members appointed with Mizengo Peter Pinda being appointed Prime Minister. The corruption scandals have raised doubts about the effectiveness of the country's legislation and the government's willingness to pursue high-level corruption. Nevertheless, according to a 2011 news article by Bloomberg, in April 2011, the central committee of Tanzania's ruling CCM urged its members linked to corruption scandals to resign to help improve the party's image among voters. As a result, a number of the committee's members resigned. In July 2011, a senior MP from the ruling party stepped down, both as a member of parliament and as a member of CCM's national executive committee, amid accusations of corruption. There have been growing calls for him and his two close confidants, former Prime Minister Edward

Lowassa and former minister Andrew Chenge, to resign from the party following widespread corruption allegations against them, according to a 2011 article by Reuters.

Business and Corruption

Corruption remains a major concern for foreign companies and investors in Tanzania, according to the assessment by the US Department of State 2012. As stated in the report, corruption is economy-wide, and measures to combat it are applied impartially to foreign and domestic investors. It is particularly petty corruption that has been identified by foreign companies as an obstacle to investment. This perception is supported by the World Economic Forum Global Competitiveness Report 2012-2013, in which, business executives have identified corruption as one of the most problematic factors for conducting business in Tanzania, only preceded by access to financing. According to the report, companies consider the occurrence of irregular payments and bribes in Tanzania as common. In addition, companies behave unethically in interactions with public officials, politicians and other companies to the point that their behaviour constitutes a competitive disadvantage for the country.

According to Transparency International Global Corruption Report 2009, the informal sector amounts to more than 50% of Tanzania's economy and in the 2009 Policy Brief on Business Environment, published by the NGOs' Twawesa and Policy Forum, the procedures for registering a company in Tanzania are described as non-transparent, time-consuming and arbitrarily applied, thus discouraging companies from entering the formal sector. Ministers and high-level officials can exercise a significant amount of discretion, and well-connected companies may obtain unfair advantages. In the World Economic Forum Global Competitiveness Report 2012-2013, the surveyed companies also identify the favouritism of government officials in rewarding contracts to well-connected companies and individuals, and the ethical behaviour of companies operating in Tanzania as competitive disadvantages.

One of the main problems regarding business corruption is the lack of enforcement of the various anti-corruption initiatives. Business-relevant areas in which corruption persists include government procurement, licensing, privatisation, taxation, ports, and customs clearance, according to the US Department of State 2011. The report cites traffic police, the revenue authority and immigration officials as being very prone to corruption. Public procurement is an area of business activity where foreign companies are very likely to encounter corruption as pointed out by several sources, including the US Commercial Guide 2011 and a June 2011 Background Paper. To best reduce the risk of extortion and demands for bribes in the procurement process, foreign investors considering bidding on public tenders are advised to use a specialised due diligence tool on public procurement. Foreign investors considering establishing themselves in Tanzania are generally advised to consult with experienced attorneys, to develop, implement and strengthen integrity systems, and to carry out extensive due diligence before committing funds and when already doing business in the country.

Regulatory Environment

Since the late 1990s, the government has improved the country's investment climate significantly with assistance from international donors. Markets have been liberalised and a number of public companies have been privatised with the participation of foreign investors.

Tax-free export processing zones (EPZs) have been established and the country's membership to the East African Community provides for low tariff trade of some products between member countries. In 2006, Tanzania had the highest inflows of foreign direct investment in East Africa. Nevertheless, Tanzania's regulatory environment still suffers from inefficiency, and companies investing in the country often face inconsistent application of regulations, as illustrated by Global Integrity 2010. Thus, cumbersome bureaucracy is a major constraint on business operations in Tanzania, presenting opportunities for rent-seeking and encouraging corruption. This perception is further corroborated by the US Department of State 2011, according to which, regulation and bureaucracy in Tanzania are not always transparent or consistent and are subject to corruption. According to the US Commercial Guide 2011, investors find corruption and poor governance to be constraining factors for business growth in Tanzania. Among the main obstacles mentioned are a regulatory environment that encourages rent-seeking, including complex business licensing and with overlapping regulatory mandates, ad-hoc tax exemptions and a corruptible legal system. In order to minimise corruption and bureaucratic obstacles companies are recommended to work with local lawyers and by insisting that contracts and offers be made in writing.

Companies surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 perceive government administrative requirements to be quite burdensome. Inefficient government bureaucracy is not ranked by companies to be among the greatest constraints on business operations in Tanzania. Commercial regulations can be inconsistent, and the lack of transparency increases start-up and overall operational costs. According to the World Bank & IFC Doing Business 2013, Tanzania performs particularly poorly when it comes to dealing with construction permits and registering property, with slower and more costly procedures than the regional average for Sub-Saharan Africa. Dealing with these business activities requires a company to spend a substantial amount of time preparing numerous documents and business activities in which companies may encounter demands for bribes or facilitation payments by corrupt officials. On the other hand, starting a company in Tanzania is considerably faster and cheaper than the regional average, which according to the World Bank & IFC Doing Business 2013, requires entrepreneurs to go through 9 procedures over an average of 26 days, at a cost of approximately 28% of GNI per capita.

The US Department of State 2011 reports that the Tanzanian government is modernising the procedures governing business licensing in order to improve the investment climate, and a positive step towards circumventing the regulatory burden faced by companies investing in Tanzania has been the establishment of the Tanzanian Investment Centre (TIC) - see 'Public Anti-Corruption Initiatives' in the Initiatives section. Commercial disputes over regulatory issues can be very difficult to settle due to the high levels of corruption within local courts. Arbitration is normally used in cases of commercial disputes, but companies should note that local arbitration is reportedly ineffective. For that reason companies are advised to use the International Centre for the Settlement of Investment Disputes (ICSID) or the World Bank Multilateral Investment Guarantee Agency (MIGA) of which Tanzania is a member. Tanzania has also signed the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Access the Lexadin World Law Guide for a collection of legislation in Tanzania.

Section 3 - Economy

Tanzania is one of the world's poorest economies in terms of per capita income, but has achieved high growth rates based on its vast natural resource wealth and tourism. GDP growth in 2009-15 was an impressive 6-7% per year. Dar es Salaam used fiscal stimulus measures and easier monetary policies to lessen the impact of the global recession. Tanzania has largely completed its transition to a market economy, though the government retains a presence in sectors such as telecommunications, banking, energy, and mining.

The economy depends on agriculture, which accounts for more than one-quarter of GDP, provides 85% of exports, and employs about 80% of the work force; agriculture accounts for 7% of government expenditures. All land in Tanzania is owned by the government, which can lease land for up to 99 years. Proposed reforms to allow for land ownership, particularly foreign land ownership, remain unpopular.

The financial sector in Tanzania has expanded in recent years and foreign-owned banks account for about 48% of the banking industry's total assets. Competition among foreign commercial banks has resulted in significant improvements in the efficiency and quality of financial services, though interest rates are still relatively high, reflecting high fraud risk. Recent banking reforms have helped increase private-sector growth and investment.

The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania's aging infrastructure, including rail and port, that provide important trade links for inland countries. In 2013, Tanzania completed the world's largest Millennium Challenge Compact grant, worth $698 million, and, in December 2014, the Millennium Challenge Corporation selected Tanzania for a second Compact.

In late 2014, a highly publicized scandal in the energy sector involving senior Tanzanian officials resulted in international donors freezing nearly $500 million in direct budget support to the government. The Tanzanian shilling weakened in 2015 because of lower gold prices, election-related political risk, and outflows from emerging market currencies generally.

Agriculture - products:

coffee, sisal, tea, cotton, pyrethrum (insecticide made from chrysanthemums), cashew nuts, tobacco, cloves, corn, wheat, cassava (manioc, tapioca), bananas, fruits, vegetables; cattle, sheep, goats

Industries:

agricultural processing (sugar, beer, cigarettes, sisal twine); mining (diamonds, gold, and iron), salt, soda ash; cement, oil refining, shoes, apparel, wood products, fertilizer

Exports - commodities:

gold, coffee, cashew nuts, manufactures, cotton

Exports - partners:

India 21.4%, China 8.1%, Japan 5.1%, Kenya 4.6%, Belgium 4.3% (2015)

Imports - commodities:

consumer goods, machinery and transportation equipment, industrial raw materials, crude oil

Imports - partners:

China 34.6%, India 13.5%, South Africa 4.7%, UAE 4.4%, Kenya 4.1% (2015)

Banking

The Tanzanian banking sector was liberalized in June 1999 and is now increasingly competitive. Local state-owned banks have been privatized, though the government maintains minority shares in CRDB Bank, National Bank of Commerce (NBC) and National Microfinance Bank (NMB), among others. Currently, about 30 local and foreign private commercial banks are registered with the central bank (Bank of Tanzania) and are operating. International banks include CitiBank/Citigroup, Standard Chartered Bank, Barclays Bank and Stanbic Bank. Ecobank of West Africa entered the market in 2010. The influx of foreign banks has helped to improve the availability of financial services and the quality and pricing of existing services, either directly as providers of such services or indirectly through competitive pressures on domestic banks. The central Bank of Tanzania (BOT) increased capital requirements from $3m to $10m in 2010 to consolidate and better capitalize the banking sector.

Interest rates vary from 6% for large, multinational corporations to 25% for personal loans, with an average of 14%, while deposit rates remain around 1%. High interest rates in part reflect risk associated with consumer credit fraud; hence the Tanzania Bankers Association, in partnership with the BOT, has commenced information sharing for the development of a national credit reference bureau. (The Tanzania Revenue Authority is rolling out a "smart" drivers' license, but tenders for a national ID card have stalled.) Commercial banks invest more money in Tanzanian treasury bills than in any other sector, though the central bank was able to lower rates from 12% to 5% in 2010 to reduce competition with private borrowing.

Stock Exchange

Tanzania embarked on a liberalization program in the early nineties. Major privatization success stories included Tanzania Breweries Limited (TBL), Tanzania Cigarette Company (TCC), Tanga Cement Limited (SIMBA), Tanzania Tea Packers Limited (TATEPA) and Swissport Tanzania Limited (formerly known as the Dar es Salaam Airport Handling Company-DAHACO), all of which feature foreign investment and are listed on the Dar es Salaam Stock Exchange (DSE).

Section 4 - Investment Climate

Executive Summary

Tanzania has sustained an average rate of 6-7% economic growth since the late 1990s due to a relatively stable political environment, reasonable macroeconomic policies, structural reforms, and a resiliency from external shocks and debt relief.

The IMF projects the economy will continue to grow around 7% in the medium-term as both public and private investment accelerates and lower inflation boosts consumption. Inflation has continued to decline due to crop production, lower food prices, and lower oil prices. Despite these efforts, widespread poverty persists with 43.5% of Tanzania's population living below the extreme poverty line of $1.25 per day (in 2005 PPP exchange rate). Tanzania's 6-7% average annual GDP growth has been hardly perceptible among Tanzania's predominantly rural (70%) population. Inclusive, broad-based growth is stymied by slow growth in labor intensive sectors (agriculture employs 77% of Tanzania but has grown at just 4% per year over the past decade) and a high and steady population growth rate.

The Tanzanian government continues to pursue economic policies to reduce poverty, encourage good governance, and protect workers' rights. These include some steps to encourage private sector-led growth. In February 2013, former President Jakaya Kikwete launched the Big Results Now (BRN) initiative to focus attention on six priority areas, including energy and agriculture. After a meeting of the National Business Council in November 2013, the GOT added a seventh area on a "business enabling environment" to the BRN list. Meetings were held in March 2014 to determine key issues to address to improve the investment climate. The economic direction of Tanzania following the November 2015 inauguration of new President John Magufuli, however, is less clear and more time is needed to determine what steps the new government will take to encourage private sector growth.

Best prospects in Tanzania include the energy and mining sector, given the country's deposits of coal, natural gas, and uranium. Tanzania's services sector is also growing strongly, driven by telecommunications, banking, and trade. Untapped potential in the tourism sector can only be utilized with increased infrastructure investment. Corruption, especially in government procurement, privatization, taxation, and customs clearance, remains a major concern for donors and foreign investors. U.S. businessmen have identified petty corruption, particularly among customs and immigration agents and traffic police, as an obstacle to investment.

Tanzania held its fifth multi-party general elections on October 25, 2015. The ruling Chama Cha Mapinduzi (CCM) party faced its most serious competition in the multi-party era. In mainland Tanzania, the CCM party candidate John Pombe Magufuli won the presidential election with 58% of the vote. In Zanzibar, the October election was controversially annulled, and a re-run election was held on March 20, 2016. CCM swept the re-run amidst an opposition boycott, in a poll that was widely criticized for failing to adhere to principles of a free and inclusive election. A special session of Parliament rewrote the constitution in 2015 and presented a draft for a public referendum, scheduled for April 30, 2015 although the process was subsequently postponed indefinitely.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	117 of 168	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	139 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	117 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	USD 570,000,000	bea.gov/international/factsheet/factsheet.cfm?Area=443
World Bank GNI per capita	2014	USD 46,375,438,923	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard and Operations

The Millennium Challenge Corporation (MCC), a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of $4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

In 2007, MCC awarded a $698 million grant to the Government of Tanzania. A second compact was under development since 2013. In March 2016, however, the MCC Board suspended the process due to concerns related to democratic governance.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Tanzania (GOT) generally has a favorable attitude toward foreign direct investment (FDI) and has had success in attracting FDI historically. The 2015 World Investment Report of UN Conference on Trade and Development's (UNCTAD) reported that Tanzania attracted $2.142 billion of FDI inflows in 2014, a 14.5% increase from the previous year, accumulating FDI stock of $14.86 billion, the highest in the East Africa region.

In recent years, the government has sought to attract investment in both productive and extractive sectors, including agriculture with the Kilimo Kwanza (agriculture first) strategy and the development of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), and mining, with both sectors eligible for 100% capital expenditure deductions.

The Tanzania Investment Center (TIC), established by the Tanzanian Investment Act of 1997, was created to be "the primary agency of the government to coordinate, encourage, promote, and facilitate investment in Tanzania". The agency acts as a one stop facilitative center for investors, helping to obtain permits, licenses, visas, and land access among other support. Registering with TIC is not mandatory, but offers incentives for joint ventures with Tanzanians and wholly owned foreign projects investing a minimum of $500,000.

TIC-approved projects receive TIC certificates of incentives which include VAT and import duty exemptions and 100% repatriation of profits, dividends, and capital after tax. Similar incentives are offered to investors in semi-autonomous Zanzibar through the Zanzibar Investment Promotion Authority (ZIPA). TIC promotes investment and trade opportunities in agriculture, mining, tourism, telecommunications, financial services, energy, and transportation infrastructure. The Tanzania Investment Regulations distinguish "strategic investors," eligible for additional incentives, stating that such investors may be selected by the government based on a number of criteria including the size of the investment and its impact on the national economy, significant job creation potential, and the introduction of new technology, among others. According to TIC, a minimum investment of $50 million is required for joint ventures with Tanzanians and wholly owned foreign projects to receive "strategic investor" status. However, investment incentives can be unpredictable; in 2015 the government moved to limit the scope of incentives by creating a new investment threshold of $300 million for a foreign investor to qualify as a "special strategic investor."

American investors have commented that while the business climate has generally improved over the past decade, in certain sectors the legacy of socialist attitudes has not fully dissipated, sometimes resulting in suspicion of foreign investors and slow decision making.

Other Investment Policy Reviews

The Organization for Economic Cooperation and Development (OECD) Investment Policy Review of Tanzania published in 2013 came up with four key policy recommendations: (i) rationalize investor rights and obligations and make them easily accessible, (ii) increase land tenure security for agricultural investors, (iii) enhance private investment in public infrastructure, and (iv) better promote and facilitate investment for both domestic and foreign firms. The Review is the result of a self-assessment undertaken by a national task force composed of government agencies, the private sector, and civil society.

The World Trade Organization (WTO) also published a Trade Policy Review in 2013, but the report covers all of the East African Community (Burundi, Kenya, Rwanda, Tanzania, and Uganda). The main areas for improvement revolve around the five member countries implementing the common external tariff (CET) and their inability to harmonize trade, export, and tax policies.

The GOT to a degree, has responded to the call to reform and improve the investment climate. The National Business Council was successful in lobbying the government to include investment climate reform in the existing Big Results Now (BRN) initiative, a program aimed at reforming key sectors through public and private partnerships. Representatives from the public and private sector gathered for several weeks of meetings to determine a strategy for the new BRN priority focusing on a "business enabling environment." The following areas were identified as the most severe impediments to growth: regulations; access to land; taxation and fees; corruption; labor law and skill-set; and contract enforcement, law and order. Institutional reform recommendations include legislative and regulatory changes aimed at streamlining business registration and operations; enforcing property rights;

removing labor and product market rigidities; enhancing transparency; and reinforcing the rule of law. Tanzania is also in the process of legislating a National Private Sector Development Policy, which the government hopes to pass by the end of 2015.

Laws/Regulations of Foreign Direct Investment

There are no specific laws regulating general foreign direct investment (FDI) into Tanzania. The 2014 Capital Markets and Securities (Foreign Investors) Regulations set limitations on foreign investment in government bonds and publicly traded securities, though controversy has held up implementation of the Regulations.

In 2009, the GOT issued the Public-Private Partnership (PPP) Policy with the PPP Act and PPP Regulations released in 2010 and 2011, respectively. The arrangement covers all areas of investment including foreign investment, with an emphasis on infrastructure development within sectors focusing on construction of roads, rails, ports, airports, power generation and transmission, and agriculture. The Act was amended in 2014, and was signed and published in the Gazette in December 2014, and thus is now law. Previously, the PPP Act had a Coordination Unit under the Prime Minister's Office (PMO), which has been replaced under the Amendment by a PPP Centre (still under the PMO), though it should be noted that the PMO PPP Centre is not yet operational. Several PPPs under the Act are in process, but none have yet reached financial close.

Business Registration

According to Doing Business in Tanzania 2016, starting a business in Tanzania requires nine procedures. Globally, Tanzania stands at 129 in the ranking of 189 economies on the ease of starting a business. In Tanzania the Business Registration and Licensing Agency (BRELA) is responsible for business registration. BRELA issues certificates of compliance for foreign companies, certificates of incorporation for local companies, and certificates of registration for single proprietorship. Firms must then register their businesses with the Tanzania Revenue Authority (TRA), the National Social Security Fund (NSSF) or any of the other five social security schemes in Tanzania and, depending on their business activities; they should obtain business licenses with the Ministry of Industry and Trade or from the municipality. The Tanzania Investment Center (TIC) provides online registration services for business registration with BRELA, registration with the TRA and social security funds. (Simultaneous registration website - http://tiw.tic.co.tz/)

Investment promotion and facilitation in Tanzania is driven by the TIC, the Government's investment promotion agency, which falls under the overall responsibility of the Prime Minister's Office (PMO) and is supervised by the Minister of State for Investment and Empowerment. The agency deals with all enterprises whose minimum capital investment is not less than $500,000 if foreign owned or $100,000 if locally owned.

In the Tanzanian context, enterprises are categorized based on number of employees and capital directly employed in machinery. (Note, in the event an enterprise falls under more than one category, the level of investment will be the deciding factor.)

Type of Enterprise	Number of Employees	Working Capital (in TZS & US$)

Micro	1 – 4	0 -5 mill ($0 - $2,245)
Small	5 – 49	>5 – 200 mill (>$2,245 – $89,771)
Medium	50 – 99	>200 – 800 mill (>$89,771 – $359,083)
Large	100 and above	Above 800 mill (>$359,083)

As the result of discovering offshore gas, the Tanzanian government established a comprehensive policy and legal framework to guide operations in the oil and gas industry. As a result, the GOT approved the Local Content Policy (LCP) for the sector in May 2015 and key items were embedded in the Petroleum Act that was enacted in August 2015.

Subsequently, in recognition of the fact that the local content initiative cuts across all economic sectors, the government decided that LC development and management should take a multi-sector approach, rather than being confined to a single ministry or sector. The government directed the National Economic Empowerment Council (NEEC) to oversee the implementation of local empowerment initiatives in Tanzania. Initially, the LC development and management will be focused on selected sectors of the economy, starting with: Extractives; Energy; Construction; Transport; Agriculture, livestock and fisheries; Manufacturing and Production; Trade; public procurement; Science and Technology; Tourism; Financial (Banking and Insurance) and Environment.

The objective of the policy is to put local products, produced by local industries/organization and business, owned and operated by Tanzania in an advantageous position to exploit opportunities emanating from inbound foreign direct investments.

Industrial Promotion

Tanzania established export processing zones (EPZs) and special economic zones (SEZs) following the enactment of the Export Processing Act of 2002 and the Special Economic Zone Act of 2006. These economic zones are assigned geographical areas or industries designated to undertake specific economic activities with special regulations and infrastructure requirements. Industries in the EPZ requires the manufacturers to export 80% or more of the goods produced while SEZ has no specific condition for export, allowing manufacturers to sell part or all produced goods in the local markets.

The Export Processing Zones Authority (EPZA) oversees incentive packages awarded to businesses. Investment incentives in EPZs offers an exemption from corporate taxes for 10 years; an exemption from duties and taxes on capital goods and raw materials; an exemption on VAT for utility services and on construction materials; an exemption from withholding taxes on rent, dividends, and interests; and exemption from pre-shipment or destination inspection requirements. Investment in SEZs offers similar incentives excluding a 10 year exemption from corporate taxes. Currently there are six SEZ industrial parks and 52 stand-alone EPZ factories. Twenty regions have earmarked areas between 500 to 9,000 hectares specifically for EPZ/SEZ.

Limits on Foreign Control

Foreign investors generally receive domestic treatment in Tanzania but limits still exist in a number of sectors. TIC continues to improve investment facilitation services by providing joint venture opportunities between local and foreign investors. Despite improvements in recent years, investment challenges remain. The Tourism Act of 2008 bars foreign companies from engaging in mountain guiding activities and only Tanzanian citizens can operate travel agencies, car rental services, or engage in tour guide activities. The 2010 Mining Act gave the Minister of Energy and Minerals discretion to require foreign mining companies to give the government an ownership share in order to receive a Mining Development Agreement. The Electronic and Postal Communications Act of 2009 made it mandatory for telecommunications companies to list on the Dar es Salaam Stock Exchange (DSE). Though enforcement has not begun yet, the Ministry of Communication, Science, and Technology said in early 2015 that all such companies will be listed on the DSE by the end of the year. The law also requires at least 35% local ownership of a company. Telecommunications companies are opposed to the proposal, arguing that the poor performance of the DSE could undervalue their shares. There is concern that these types of laws could set a precedent that could deter foreign ownership in other sectors.

Currently, there is no limit on foreign investment in shares of companies listed on the DSE. There are restrictions, however, on investments in government bonds. More specifically, regulations permit only East African residents to invest in government bonds (note that prior 2014, only Tanzanian residents were permitted to invest and transact in DSE-listed government bonds). East Africans (excluding Tanzanian residents), however, are not allowed to sell government bonds bought in the primary market until after a one year lock-up period.

Privatization Program

Tanzania is still in the process of transitioning to a liberalized market economy, as the government retains a dominant presence in telecommunications, banking, energy, and mining. The GOT has sought foreign investors to manage formerly state-run companies in public-private partnerships, but successful privatizations have been rare. Though there is an official privatization program, bidding criteria are not always clear and transparent. In 2009-10 the government took back its control of formerly privatized Tanzania Railways Limited, General Tyre, and Kilimanjaro International Airport based on mismanagement.

Screening of FDI

TIC does not have specific criteria for screening projects but considers factors such as: foreign exchange generation, import substitution, employment creation, linkages to the local economy, technology transfer, and expansion of production of goods and services. Currently, TIC does not require companies to disclose proprietary information or meet standard fair competition practices in order to be approved. Projects with all required documents submitted are seldom rejected.

Competition Law

The GOT passed the Fair Competition Act of 2003 to “promote and protect effective competition in trade and commerce and to protect consumers from unfair and misleading market conduct.” The Fair Competition Commission (FCC), established under the Act, is an independent government body mandated to intervene, as necessary, to prevent significant market dominance, price fixing, and extortion of monopoly rent to the detriment of the consumer, and market instability in the country. The FCC deals with all issues of anti-competitive conduct and has the authority to restrict mergers and acquisitions if the outcome is likely to create dominance in the market or lead to uncompetitive behavior.

2. Conversion and Transfer Policies

Foreign Exchange

Tanzanian regulations permit unconditional transfers through any authorized bank in freely convertible currency of net profits, repayment of foreign loans, royalties, fees charged for foreign technology, and remittance of proceeds. The only official limit on transfers of foreign currency is on cash carried by individuals traveling abroad, which cannot exceed $10,000 over a period of 40 days. Shortages of foreign exchange occur rarely. Bureaucratic hurdles continue to cause delays in processing and effecting transfers; delays can range from days to weeks. Investors rarely use convertible instruments.

Remittance Policies

The Embassy is not aware of any recent complaints from investors regarding delays in remitting returns and there have been no remittance policy changes this year.

3. Expropriation and Compensation

The GOT may expropriate property after due process for the purpose of national interest. The Tanzanian Investment Law guarantees:

- Payment of fair, adequate, and prompt compensation.
- A right of access to the Court or a right to arbitration for the determination of the investor's interest or right and the amount of compensation.
- Any compensation shall be paid promptly and authorization for its repatriation in convertible currency, where applicable, shall be issued.

GOT authorities do not discriminate against U.S. investments, companies, or representatives in expropriation. Since 1985, the Government of Tanzania has not expropriated any foreign investments.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Tanzanian legal system is based on the English Common Law system. The first source of law is the Constitution of 1977 (although a new constitution, which was approved by a special Constituent Assembly, is awaiting a public referendum initially set for April 30, 2015 but postponed indefinitely); followed by statutes or acts of parliament; and case law, which are reported or unreported cases from the High Courts and Courts of Appeal and are used as precedents to guide the lower courts. The Court of Appeal of Tanzania, which handles all the appeals from Mainland Tanzania and Zanzibar, is the highest ranking court in the country, followed by the High Court of Tanzania, which handles all types of civil and criminal cases and commercial matters. There are three specialized divisions within the High Courts:

Commercial, Labor, and Land. The Labor and Land divisions have exclusive jurisdiction over their respective matters, while the Commercial division is without exclusive jurisdiction. The High Court of Tanzania and the District and Resident Magistrate Courts also have original jurisdiction in commercial cases subject to specified financial limitation.

Apart from the formal systems of courts, there exist quasi-judicial bodies including the Tax Revenue Appeals Tribunal, which was established under the Tax Appeals Act, and the Fair Competition Tribunal, which was established under the Fair Competition Act. Notwithstanding the court and quasi-judicial bodies, Tanzania also has alternate dispute resolution procedures in the form of arbitration proceedings.

Judgments originating from countries whose courts are recognized under the Reciprocal Enforcement of Foreign Judgments Act (REFJA) are enforceable in Tanzania. To enforce a foreign judgment from a court in listed countries, the judgment holder has to make an application to the High Court of Tanzania to have the judgment registered. Countries currently listed in the REFJA include Botswana, Lesotho, Mauritius, Zambia, Seychelles, Somalia, Zimbabwe, Swaziland, the United Kingdom, and Sri Lanka.

The Judiciary in Tanzania was named as the third most corrupt institution, after the Tanzania Police Force and the Tanzania Revenue Authority (TRA), according to the 2015 Transparency International Global Corruption Barometer. The selection and appointment of judges in Tanzania is criticized for its non-transparent nature. The Judiciary Service Commission proposes a list of candidates to the president who then appoints them as judges. However, the criteria and process for identifying the candidates is unknown.

Bankruptcy

According to the 2016 World Bank's Ease of Doing Business report, it takes an average of three years to conclude bankruptcy proceedings in Tanzania. The recovery rate for creditors on insolvent firms was reported at 21 U.S. cents on the dollar, with judgments typically made in local currency.

Investment Disputes

Investment-related disputes in Tanzania can be protracted. The Commercial Court of Tanzania, established in 1999, is headquartered in Dar es Salaam and operates two sub-registries located in the cities of Arusha and Mwanza. The sub-registries, however, do not have resident judges. A judge from Dar es Salaam will conduct a one-week session every month at each of the sub-registries. The government intends to establish more branches in other regions including Mbeya, Tanga, and Dodoma in the coming years, though progress on this has stagnated. Court-annexed mediation is also a common feature of the commercial dispute resolution system in the country.

Despite the legal mechanisms in place, foreign investors sometimes complain that the GOT changes the general terms and conditions and does not honor agreements. Additionally, investors continue to face challenges receiving payment for services rendered for GOT projects. The GOT has acknowledged the problem as being affiliated with the current budget crisis, leading many government ministries to try to work with significantly reduced budgets. The GOT is engaging in a number of strategies to pay off arrears, including those incurred in the energy sector.

International Arbitration

Under Tanzanian regulations, disputes between a foreign investor and the Tanzanian Investment Center that are not settled through negotiations may be submitted to arbitration through one of several options:

- Arbitration based on the arbitration laws of Tanzania.
- Arbitration in accordance with the rules of procedures of the International Centre for Settlement of Investment Disputes (ICSID).
- Arbitration within the framework of any bilateral or multilateral agreement on investment protection to which the government and the country of the investor are parties.
- Arbitration in accordance with the World Bank's Multilateral Investment Guarantee Agency (MIGA), to which Tanzania is a signatory.
- Arbitration in accordance with any other international machinery for settlement of investment disputes agreed upon by the parties.

ICSID Convention and New York Convention

Tanzania is a member of both the International Centre for Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). ICSID was established under the auspices of the World Bank by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. MIGA is also World Bank-affiliated and issues guarantees against non-commercial risk to enterprises that invest in member countries. Tanzania is a signatory to the New York Convention on the Recognition and Enforcement of Arbitration Awards, though the Arbitration Act of Tanzania does not give force of law in Tanzania to the provisions of the conventions. An arbitration award will be recognized as binding once it is filed in a Tanzanian court and will be enforceable as if it were a decree of the court, subject to the provisions of the Arbitration Act of Tanzania.

There is concern over Tanzania’s commitment to upholding ICSID decisions after a case involving Standard Chartered Bank – Hong Kong and the Tanzania Electric Supply Company (TANESCO). On April 23, 2014, the Tanzanian High Court ordered both parties in on-going ICSID arbitration proceedings to refrain from “enforcing, complying with or operationalizing” a decision made by the Tribunal in ICSID proceedings from February 12, 2014. Some interpreted the ex-parte injunction as a clear breach of the provisions of the ICSID Convention and the actions of the High Court put Tanzania in violation of its international law obligations.

Duration of Dispute Resolution

A lack of court capacity remains an issue, with cases currently backlogged two to four years. Tanzania moved to a computerized arbitration system aimed at solving business related disputes within a short period of time, but backlogs remain.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The GOT uses the World Trade Organization's (WTO) Trade-related Investment Measures (TRIMs) to promote development objectives, encourage investments in line with national priorities, and attract and regulate foreign investment. Trade development instruments that Tanzania has adopted include Export Processing Zones (EPZs), Investment Code and Rules, and Export Development/Promotion and Export Facilitation. EPZs were established by the 2002 EPZ Act and are open to both domestic and foreign investors. The Export Processing Zones Authority (EPZA) is charged with designating suitable areas for the location of EPZs. The EPZA also oversees incentive packages such as exemptions from corporate tax and withholding taxes on rent, dividends and interest; remission of customs duty, value-added tax (VAT) and other taxes on raw materials and capital goods; and exemption from VAT on utilities, wharf charges, and levies imposed by local authorities.

Investment Incentives

The Tanzania Investment Center (TIC) offers a package of investment benefits and incentives to both domestic and foreign investors without performance requirements. A minimum capital investment of $300,000 if foreign owned or $100,000 if locally owned, however, is required. These incentives include:

- Discounts on customs duties, corporate taxes, and VAT paid on capital goods for investments in mining, infrastructure, road construction, bridges, railways, airports, electricity generation, agribusiness, telecommunications, and water services.
- 100% capital allowance deduction in the years of income for the above mentioned types of investments – though there is ambiguity as to how this is accomplished.
- No remittance restrictions. The GOT does not restrict the right of foreign investors to repatriate returns from an investment.
- Guarantees against nationalization and expropriation. Any dispute arising between the Government and investors can be settled through negotiations or submitted for arbitration.
- Allowing interest deduction on capital loans and removal of the five-year limit for carrying forward losses of investors.

Large investors which may require specific tax exemptions can negotiate incentives with GOT/TIC. This new category of 'Special Strategic Investment' projects was introduced last year with the following criteria:

- Investment of at least U$ 300M;
- Such amounts to flow through a local bank and utilizing local insurance;
- Project being able to directly employ at least 1,500 people including top management and
- Project should be able to generate foreign exchange by either exports or reducing dependence on items that are currently being imported

The Export Processing Zones Authority (EPZA) oversees Tanzania's Special Economic Zones (SEZs) and Export Processing Zones (EPZs). EPZA aims to attract investment by creating a healthy business environment through the development of strong industrial and commercial infrastructures and by offering investment incentives and facilitation services. Investment incentives offered for EPZs include:

- An exemption from corporate taxes for 10 years.
- An exemption from duties and taxes on capital goods and raw materials.
- An exemption on VAT for utility services and on construction materials.
- An exemption from withholding taxes on rent, dividends, and interests.
- Exemption from pre-shipment or destination inspection requirements.
- SEZs offer similar incentives, excluding the 10 year exemption from corporate taxes.

The Zanzibar Investment Promotion Agency (ZIPA) and the Zanzibar Free Economic Zones Authority (ZAFREZA) offer roughly equivalent incentives as those offered by the Mainland's TIC and EPZA policies.

Research and Development

U.S. and other foreign firms can and do participate in government and donor-funded research and development programs on a national basis.

Performance Requirements

Investors who utilize the services of EPZA and work specifically within an EPZ are required to export 80% of goods produced. There is no export requirement for SEZs.

Significant offshore gas discoveries have led to the introduction of a local content policy (LCP) by the Ministry of Energy and Minerals (MEM) in May 2015 and key items were embedded in the Petroleum Act that was enacted in August 2015. The current LCP only applies to the oil and gas sector and has five key focus areas: capacity building and technology transfer; participation of Tanzanians and Tanzanian- owned entities; procurement and usage of locally produced goods and services; fabrication and manufacturing in-country; and socio-economic responsibilities. In recognition of the fact that local content cuts across all sectors, the GOT decided that the local content development and management in Tanzania should take a broader approach and not be limited to activities overseen by individual ministries (e.g. MEM).

In March 2015, Parliament passed the Non-Citizens (Employment Regulation) Act which introduced tougher rules for employers who want to hire foreign workers. The Act gives the Labor Commissioner within the Ministry of Labor and Employment the power to approve or deny all work permit applications from foreigners. The Labor Commissioner must determine if "all possible efforts have been explored to obtain a local expert" before approving any application. In addition to other requirements, the Act requires employers to submit "succession plans" for their foreign employees, detailing how knowledge and skills would be transferred to local employees.

Data Storage

The government enacted the National Systems Payment Bill in April 2015, requiring all banks, both local and foreign, to have their computer servers physically located in Tanzania. The Act comes with continued government effort to better monitor financial transactions and control cybercrime.

6. Protection of Property Rights

Real Property

Land ownership remains restrictive in Tanzania. Under the Land Act of 1999, all land in Tanzania belongs to the state. Procedures for obtaining a lease or certificate of occupancy can be complex and lengthy, both for citizens and foreign investors. Less than 10% of land has been surveyed, and registration of title deeds is currently handled manually, mainly at the local level. Foreign investors may occupy land for investment purposes through a government-granted right of occupancy ("derivative rights" facilitated by TIC), or through sub-leases through a granted right of occupancy. Foreign investors can also partner with Tanzanian leaseholders to gain land access.

Under the Tanzania Investment Act 1997 and the Land Act of 1999, occupation of land by non-citizen investors is restricted to lands for investment purposes. Land can be leased for up to 99 years, but the law does not allow individual Tanzanians to sell land to foreigners. There are a number of opportunities for foreigners to lease land, including through TIC, which has designated specific plots of land (a land bank) to be made available to foreign investors. Foreign investors may also enter into joint ventures with Tanzanians, in which case the Tanzanian provides the use of the land (but retains ownership, i.e., the leasehold). The GOT plans to expand TIC's land bank and modernize its land titling and registration system, though both changes are long delayed in execution.

Secured interests in property, both movable and real, are recognized and enforced under various laws in Tanzania. There is no single comprehensive law to secure property rights. Though TIC maintains a land bank, restrictions on foreign land ownership can significantly delay investments. Land not already processed for investment in the land bank has to go through a lengthy review and approval process by local-level authorities, as well as the Ministry of Lands, Housing, and Human Settlements Development and the President's Office, in order to be officially re-designated from “village land,” with customary rights of occupancy, to “general land,” which can be titled for investment and sale.

The Ministry of Lands, Housing, and Human Settlements Development handles registration of mortgages and rights of occupancies. The Office of the Registrar of Titles is responsible for issuing titles and registering mortgage deeds. Title deeds are recognized as a mortgage for securing loans from banks. Traditional Certificates of Occupancy for village land are still being piloted for use as collateral, and this is currently limited to groupings of village-level borrowers. The Registering Property rank in the World Bank’s 2016 Ease of Doing Business report indicates Tanzania has fallen one place from 132 in 2015 to 133 in 2016.

In February 2016, GOT inaugurated the Land Tenure Support Program (LTSP) to improve transparency and efficiency in the land sector, and to ensure current and future demands for land leads to beneficial and equitable outcomes for rural populations. The program would audit land ownership and usage in the country, targeting holdings that are 50 acres and above. Owners of land that is deemed uncultivated and serving no social or economic function could potentially have their title deed revoked. Any confiscated land parcels would be reallocated to a new owner with no land, and title deeds automatically expire after three years if the new owner fails to develop the allocated parcel.

Intellectual Property Rights

The Fair Competition Commission (FCC), housed in the Ministry of Industry and Trade, is charged with protecting property rights in Tanzania. The agency is responsive to requests for assistance from private companies, but lacks resources for comprehensive identification of counterfeits and nation-wide investigations.

The process for taking action against counterfeiters is as follows: the petitioner, who must be the owner of the brand or its legal representative, sends a letter requesting FCC action and pays an investigation fee of Tanzania shillings (Tsh) 3 million ($1,346); following a consultation with the petitioner, the FCC raids the suspected offender and confiscates all counterfeit goods. The offender can choose to sign a written confession and pay a fine which ranges from Tsh 200,000 ($90) to Tsh 8 million ($3,591), depending on the value of the confiscated goods. Alternatively, the case can be forwarded to the Director of Public Prosecution (DPP) for a court hearing. If the offender is found guilty and convicted, he may be sentenced to jail for a period ranging from 4-15 years, receive a fine of between Tsh 10-50 million ($4,489 - $22,443), or receive both a jail term and a fine. The confiscated goods are destroyed at the expense of the offender. The vast majority of offenders confess and pay the lower fine rather than engaging in the court process, which can drag on for years.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so companies should consider applying for trademark and patent protection in a quick manner. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at Mission:

Paul Strauss Robert J. Donovan
Economic Officer Senior Commercial Officer
U.S. Embassy U.S. Embassy
686 Old Bagamoyo Road 686 Old Bagamoyo Road
P.O. Box 9123 P.O. Box 9123
Dar es Salaam, Tanzania Dar es Salaam, Tanzania
Tel: +255 22 229-4521 Tel: +255 22 229-4243
Email: DRSCommercial@state.gov Email: RJ.Donovan@trade.gov

Country resources: Companies may wish to seek advice from local attorneys or IP consultants who are experts in Tanzanian law. A list of local lawyers is available at: http://tanzania.usembassy.gov/list_of_lawyers2.html.

7. Transparency of the Regulatory System

Tanzania is a member of UNCTAD's international network of transparent investment procedures [www.tic.co.tz]. Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time and legal bases justifying the procedures."

8. Efficient Capital Markets and Portfolio Investment

The Capital Markets and Securities Authority (CMSA) Act facilitates the free flow of capital and financial resources to support the capital market and securities industry in Tanzania. Tanzania restricts the free flow of investment in and out of the country. Tanzanians cannot sell or issue securities abroad, unless approved by the Capital Markets and Securities Authority. Previously, aggregate foreign ownership was limited to 60% of the aggregate value of any listed corporate security, with any individual entity limited to 5%. The 2014 amendment revoked the previous act and places no limits on foreign investment.

Despite progress, the country's capital account is not fully liberalized and only foreign individuals or companies from the other East Africa Community (EAC) nations (Burundi, Kenya, Rwanda, and Uganda) are permitted to participate in the government securities market. Even with this recent development allowing EAC participation, ownership of government securities is still limited to 40% of each security issued.

Money and Banking System, Hostile Takeovers

Although only 14% of the population participates in the formal banking sector, most banks are considered to be well capitalized and liquidity is above regulatory requirements, making the banking industry consistently profitable. By the end of 2015, the banking sector was composed of thirty six fully fledged commercial banks, six financial institutions and two financial leasing companies.

The banking sector is adequately capitalized and has limited reliance on foreign borrowing. Private sector companies have access to a variety of commercial credit instruments including documentary credits (letters of credit), overdrafts, term loans, and guarantees. Foreign investors can open accounts and make deposits in registered private commercial banks. Interest earned by non-residents or foreign investors from deposits in banks registered by the Bank of Tanzania (BOT) is exempt from income tax, in accordance with the Income Tax Act of 2004. Foreign exchange regulations have been eliminated to attract investors and simplify international transactions.

Foreign investors can get credit in the local financial market, where credit is allocated on market terms. Recent bank lending rates ranged from 15-18% for ordinary borrowers. Corporate borrowers can negotiate lower lending rates. Credit to the private sector continues to grow, though there are few local institutions large enough to finance significant deals such as infrastructure projects and power stations.

The Banking and Financial Institution Act of 2006 establishes a framework for a Credit Reference Bureau and permits banks and financial institutions to release information to licensed reference bureaus in accordance with regulations and allows credit reference bureaus to provide to any person, upon legitimate business request, a credit report. Currently, there are two private credit bureaus operating in Tanzania, Credit info Tanzania Limited and Dun & Bradstreet Credit Bureau Tanzania Limited.

There are no "cross-shareholding" or "stable shareholder" arrangements to restrict foreign investment through mergers and acquisitions. There are no measures designed to protect against foreign hostile takeovers.

9. Competition from State-Owned Enterprises

Public enterprises do not compete under the same terms and conditions as private enterprises because they have access to government subsidies and other benefits. SOEs are active in the power, communications, railway, telecommunications, aviation, and port sectors. SOEs typically report to ministries and are led by a board. Typically, a presidential appointee chairs the board but it is also composed of private sector representatives. SOEs are not subjected to hard budget constraints. SOEs do not discriminate against or unfairly burden foreigners, though they do have access to sovereign credit guarantees. With emerging potentials in the oil and gas sector, investors continue to monitor the potential increase of governmental influence on these economic activities.

OECD Guidelines on Corporate Governance of SOEs

The Government of Tanzania through its Treasury Registrar owns shares and interests in 214 public parastatals, companies and statutory corporations (See http://tro.go.tz/2014-12-17-09-13-44/commercial). Categories are as follows:

- Service oriented entities which receive government subvention – 142
- Service oriented entities which do not receive government subvention – 12
- Business oriented 100% owned by government – 16
- Business oriented majority share-holding owned by the government - 07
- Business oriented minority share-holding owned by the government - 31
- Social Security funds - 07

The SOEs are allocated under the relevant Government Minister depending upon the functions they perform. The senior management of SOEs reports to the Board of Directors appointed by the relevant Ministry. The Minister appoints board members to serve preset terms, the selection process is usually competitive and applicants, including from private sector, are interviewed for the positions.

The financial results of these entities are consolidated within the main financial statements of the GOT. Details such as the balance at the year-end (and for the previous year) of any operating funds within ministries, departments, and agencies are provided.

Sovereign Wealth Funds

Not applicable to Tanzania.

10. Responsible Business Conduct

Responsible business conduct (RBC) is generally practiced by large foreign firms in the banking, mining, oil and gas, and telecommunications sectors and is generally viewed favorably. Responsible conduct includes respecting human rights, environmental protection, labor relations and financial accountability. Most large foreign companies practice corporate social responsibility (CSR) and they typically pay for media coverage of their charitable activities.

The Tanzanian government does not usually factor in RBC policies or practices into procurement decisions, unless the law specifically necessitates otherwise. The government does enforce local laws, however, the media regularly reports on corruption cases where offenders avoid legal liability. There have also been reports where corporate entities in collaboration with local government security organs carry out controversial undertakings that may not be in the best interest of the local population.

Tanzania has guidelines on corporate governance for publicly listed companies. Tanzania also has accounting standards compatible with international accounting bodies. So far the government has not addressed any issues related to executive compensation standards.

There are no requirements for public disclosure of RBC-related policies, procedure or practices unless specifically required by law. Listed companies have to comply with listing conditions including releasing legally required information to shareholders and the general public.

Several local and foreign NGOs monitor and promote RBC issues in Tanzania, mostly in the extractive sector where foreign owned companies operate in remote areas and at time come into direct confrontation with the local population. Some of these foreign companies have engaged NGOs to mitigate violent conflict with the communities neighboring the extractive industries sites to avoid adversarial confrontations.

There are no specific requirements for local and foreign companies in Tanzania to comply with any foreign guidelines pertaining RBC, they are only required to comply with local laws and regulations. The government does not maintain any National Contact Point (NCP) for OECD for multinational enterprises.

The government participates in EITI and produces EITI Reports that disclose revenues from the extraction of its natural resources. Companies disclose what they have paid in taxes and other payments and the government discloses what it has received. These two sets of figures are compared and reconciled. The EITI Board suspended Tanzania on September 2, 2015 as a consequence of missing the deadline for the 2012/13 report on 30 June 2015. The Board lifted the suspension on December 17, 2015 after the delayed report was published.

11. Political Violence

Since gaining independence, Tanzania has enjoyed a relatively high degree of peace and stability compared to its neighbors in the region. Tanzania has held five national multi-party elections since 1995, the most recent in 2015. Union government elections have been generally free of political violence. Elections on the semi-autonomous Zanzibar, however, have been marred by political violence several times since 1995.

The October 2015 general elections for the union government were conducted in a largely open and transparent atmosphere. The elections in Zanzibar, however, were controversially annulled, and a heavily criticized re-run election was held on March 20, 2016 despite an opposition boycott. During the intervening period, a series of explosions occurred in Zanzibar, and political parties and independent civil society organizations reported numerous but isolated instances of possibly election-related violence. In 2013the government of Tanzania launched a constitutional review process, although that process was ultimately postponed and had not yet been rescheduled. The constitutional reform process yielded tensions and public debate on a number of controversial issues including the status of the Union between mainland Tanzania and Zanzibar.

In addition to monitoring the political climate, foreign investors remain concerned about land tenure issues. Although the government owns all land in Tanzania and oversees the issuance of land leases of up to 99 years, many Tanzanian citizens feel that foreign investment has led to exploitation of Tanzanian resources. This has resulted in conflict between investors and residents in some areas. In Arusha, some of these conflicts have led to violence, prompting the GOT to emphasize its commitment to supporting foreign investment while also ensuring the intended benefit of the investments to Tanzanian citizens. In March 2015, Tanzania expressed interest in creating a task force to prepare the country to join potentially the Voluntary Principles Initiative on Security and Human Rights in the extractives industry, though no formal commitment has been made by the government.

12. Corruption

Tanzania has several laws and institutions designed to combat corruption and illicit practices. For example, the Prevention and Combating of Corruption Bureau (PCCB) is a law enforcement institution established and mandated by the Prevention and Combating of Corruption Act No. 11 of 2007 to prevent corruption, educate the society on the effects of this problem, and enforce the law against corruption. Another example is the Ethics Secretariat (ES) which is an independent department under President's office entrusted with powers to monitor the ethical conduct of public leaders. The ES was established to enforce standards of ethical behavior and conduct, by ensuring compliance with the Public Leadership Codes of Ethics Act 1995. President Magufuli who was sworn in last year in November has been aggressively pursuing dishonest and corrupt officials in the Government of Tanzania (GOT). Though some critics are skeptical as to how long the reforms will last, in light of the difficult task of tackling deeper structural issues that have allowed corruption to thrive for so long.

Companies/individuals seeking government tenders are required to submit a written commitment to uphold anti-bribery policies and abide by a compliance program. These steps are designed to ensure that company management complies with anti-bribery polices.

Corruption, however, remains a major concern for donors and foreign investors. While giving or receiving a bribe (including bribes to a foreign official) is a criminal offense in Tanzania, enforcement of laws, regulations, and penalties to combat corruption is largely ineffective. Corruption is endemic and measures to combat it are applied impartially to both foreign and domestic investors. Corruption persists in government procurement, privatization, taxation, and customs clearance. U.S. businessmen have identified petty corruption, particularly among customs and immigration agents and traffic police, as an obstacle to investment.

Transparency International (TI) has consistently rated Tanzania poorly for its perceived corrupt business practices. TI's 2015 Corruption Perception Index (CPI) placed Tanzania at 117 out of 168 countries surveyed, with a score of 30 for 2015. The score indicates the perceived level of public sector corruption on a scale of 0-100, where 0 means that the country is perceived as highly corrupt and 100 means it is perceived as clean. TI's 2015 Global Corruption Barometer (GCB) for Tanzania reported that the police are perceived as the most corrupt institution followed by the tax authority and the judiciary.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Tanzania is a party to the UN Convention Against Corruption but is not a signatory to the OECD Convention on Combating Bribery. In an effort to deal with corruption, the GOT put in place the National Anti-Corruption Strategy (NACS) and sector-specific action plans for all ministries, independent government departments, executive agencies, and local authorities. The Anti-Corruption Bill, commonly referred to as the Prevention and Combating of Corruption Bureau (PCCB) Act, became operational in 2007. The Act created the PCCB, the agency which is responsible for combating corruption alongside international, regional, and local watchdog organizations. Following a large scandal in the energy sector in late 2014, Parliament passed a resolution ordering review of the PCCB Act with the aim of ensuring the agency has all the necessary power to fight corruption. Overall, corruption-related court cases have progressed slowly and several other well-publicized scandals have yet to result in prosecutions. The President of Tanzania, John Magufuli announced that the Government is in the process of forming special courts and has directed the judiciary to fast-track the establishment of special courts to handle corruption and embezzlement cases.

Resources to Report Corruption

Government agency responsible for combating corruption:

The Director General
Prevention and Combating of Corruption Bureau
P.O. Box 4865
Dar es Salaam, Tanzania
Email: dgeneral@pccb.go.tz
Phone: +255 (0)22 215-0043
Website: http://www.pccb.go.tz

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Tanzania has bilateral investment treaties with 19 countries and seven other investment agreements with regional economic blocs. The country is also a signatory to global investment instruments such as the International Centre for Settlement of Investment Disputes (ICSID) convention, the New York Convention, and the UN Guiding Principles on Business and Human Rights.

Currently, the United States of America and Tanzania do not have bilateral investment or taxation agreements. Tanzania is a member of the East African Community (EAC), which signed a Trade and Investment Framework Agreement (TIFA) with the United States in July

2008. Under the U.S.-EAC Trade and Investment Partnership Initiative, the United States and EAC are seeking to expand trade and investment ties and dialogue with the private sector.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The Export Processing Zones Authority (EPZA) is the principal GOT authority for promoting investments in Tanzania's special economic zones. The authority was established under section 12 of the Export Processing Zones (Amendment) Act of 2006 and operates as an autonomous Government agency under the Ministry of Industries and Trade. EPZA is mandated to promote, register and facilitate economic zones in mainland Tanzania. There are two distinct investment schemes, Special Economic Zones (SEZ) and Export Processing Zones (EPZ), available for both local and foreign investors and providing for a wide range of investment operations within the zones or within the stand alone industrial parks. Under the EPZ scheme, the investor is required to export a minimum 80% of the production and the remaining 20% can be sold in the local market, while the SEZ scheme does not have such limitation pertaining export, the investor can sell 100% of the production in the local market.

EPZA is mandated by law to issue licenses which are synonymous with the business licenses issued by the Local Government Authorities (LGA). As a result, the investor would not require any other license except for highly regulated industries like food and drugs. As an investment promotion authority, EPZA provides guidance and comprehensive information about the establishment of SEZ and EPZ investments in Tanzania. The Authority facilitates investors in obtaining factory spaces or serviced land in or outside the existing industrial/commercial parks, company registration process, administrative procedures in getting tax incentives and obtaining local visa and labor permits. They do also assist investors in logistics related issue with the tax authorities at the port; provision of useful contacts of the key public and private organizations; identification of potential suppliers and partners for joint ventures as well as in post-investments support. These services are offered under the one stop service center at the EPZA office in Dar es Salaam.

Investors are categorized as developers, operators, SEZ users and EPZ users. They may invest in one or more areas including industrial parks, free trade zones, export processing zones, free port zones, tourist parks, technological parks, or any other areas as prescribed by the EPZA.

To meet the eligibility criteria to be an SEZ investor, the project/business should be a new investment and should be located in a special economic zone. The minimum capital requirement for foreign investors is $500,000 and for local investor the minimum capital requirement in $100,000. The SEZ investor enjoys several benefits including exemption from paying taxes and duties for machineries, equipment, heavy duty vehicles, building and construction and any other goods of capital nature to be used for the purpose of development of SEZ infrastructures. Similar benefits are also open to the investors in EPZ, however, the EPZ is exempted from paying corporate tax; withholding tax on rent, dividends and interest including all taxes imposed by local government for an initial period of 10 years and thereafter corporate tax shall be charged at the rate specified by Tanzanian law.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	$32,900	2014	$48.06 Bill	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	n/a	n/a	2014	$570 Mill	U.S. Bureau of Economic Analysis
Host country's FDI in the United States ($M USD, stock positions)	n/a	n/a	2014	$-3 mill	U.S. Bureau of Economic Analysis
Total inbound stock of FDI as % host GDP	n/a	n/a	2013	1.1%	U.S. FDI only (38.3% total FDI)

* Tanzania statistics gathered from the Tanzania National Bureau of Statistics, National Accounts of Tanzania Mainland 2001 - 2013.

Table 3: Sources and Destination of FDI

Top country sources of FDI into Tanzania include South Africa, the United Kingdom, Kenya, Canada, and China. According to TIC, the UK was the largest source of FDI in 2013, outside of Africa. FDI continues to grow, particularly in the sectors of telecommunications services, energy infrastructure, road construction, breweries, tourism / hotels, mining, and agriculture. The Bank of Tanzania restricts Tanzanians from investing abroad, while very few international firms (primarily Kenyan) list on the Dar es Salaam Stock Exchange. There is currently no information on Tanzanian FDI abroad (FDI outflows), as Tanzanians are legally barred from participating in foreign investment funds or offerings.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	12,741	100%	Total Outward	0	100%

South Africa	3,221	25%	n/a	0	0
United Kingdom	2,328	18%	n/a	0	0
Barbados	1,874	15%	n/a	0	0
Canada	1,333	10%	n/a	0	0
Kenya	622	5%	n/a	0	0
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

English common law; judicial review of legislative acts limited to matters of interpretation

International organization participation:

ACP, AfDB, AU, C, CD, EAC, EADB, EITI (candidate country), FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MONUSCO, NAM, OPCW, SADC, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNISFA, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There is no exchange control in Tanzania.

Treaty and non-treaty withholding tax rates

Double taxation treaties have been signed with Canada, Denmark, Finland, India, Italy, United Kingdom, Norway, Sweden, and Zambia. Tanzania is also in the process of negotiating treaties with several countries including Belgium, Burundi, Iran, Lebanon, Malaysia, Mauritius, Pakistan, Rwanda.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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