



# 4<sup>TH</sup> ANNUAL SADC INDUSTRIALISATION WEEK

# Local Economic Development and content legislation

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## OUTLINE

- Economic facts
- Country Plans
- Policy Objectives
- Economic Empowerment Pillars
- Local Content in Tanzania
- Inclusive economy in Tanzania
- Entrepreneurship
- Cooperatives and groups
- Access to finance
- Women and Youth Empowerment

## Tanzania Economic facts

- Has sustained high economic growth over the last decade, averaging 6–7% a year.
- While the poverty rate in the country has declined to 26.4%,
- Inflation remains low and stable at 3%
- Non-performing loans have declined to 9.7%
- It is the second country in the world for using mobile money services, led to increase of access to finance to 65%

## Country Plans

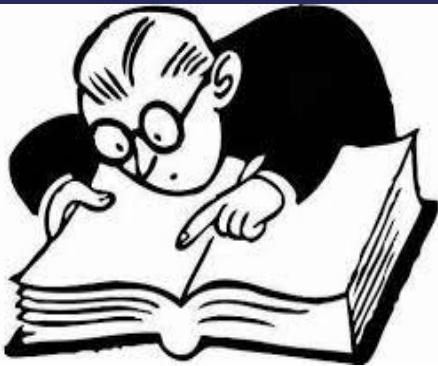
- Towards the year 2025 it is envisioned that Tanzania will have graduated from a least developed country to a middle income country.
- The economy will be transformed from a low productivity agricultural economy to a semi-industrialized modernized and productive agriculture.
- Tanzania's Second Five-Year Development Plan and Zanzibar's Third Strategy for Growth and Reduction of Poverty, has three focus areas:
  - enhance productivity and accelerate equitable and sustainable growth,
  - boost human capital and social inclusion, and
  - modernize and improve the efficiency of public institutions.

## Policy objectives

- Enable Tanzanians to participate in economic activities for economic growth
- Involve and benefit Tanzanians - raising incomes and improving living standards
- Create opportunities for private sector
- Establish a framework for implementation
- Ensure economic empowerment along the growth process
- Creating favorable business environment
- Increase entrepreneurial capabilities to compete in the local, regional and global market.
- Facilitate business partnerships, improving networking btn Tanzanians and large investors

## Economic Empowerment Pillars

- Raising Skills and Knowledge Levels (Entrepreneurship)
- Accelerating Economic Growth & Enabling Investment Environment
- Investment Capital
- Privatisation
- Cooperatives
- Legal, Regulatory Framework and Public Service Delivery
- Economic Infrastructure
- Markets
- Land



# Local Content in Tanzania

- Value added to the country as a result of FDIs
  - ◆ Participation of local citizens and businesses through labour, technology, goods, services, capital and research capability.
  - ◆ **LOCAL BUSINESS** – business registered in Tanzania with the Tanzanians ownership of 51% shares and management positions of not less than 51% held by Tanzanians.
  - ◆ **LOCAL GOODS & SERVICE** – Goods produced and Services rendered in Tanzania

## Main focus - Local content

Local workforce development  
(employment & training)

Investment in suppliers'  
development (local procurement)

Link with Investors

Skills, technology transfer  
and research capability

Strategic community  
investments

**Added value brought to a host nation**



# Legislation for Local Content

- Oil and gas (petroleum) 2015
- Mining (2017)
- Insurance (2009)
- Multi-sector LC is underdevelopment
- Public procurement(2016)
- Microfinance (2018)
- Public Private Partnership 2018
- Tourism (2018)

## Local Content achievements

| AREA   | Employment | contracts | Community engagement                  | Capital share | Joint venture |
|--|------------|-----------|---------------------------------------|---------------|---------------|
| Infrastructure development projects; roads, bridges, airport | 90%        | 75%       | Training, community roads, water dams | -             | 14%           |
| Oil and gas  | 90%        | 70%       |                                       | 25%           | 25%           |
| Minerals   | 80%        | 71%       | HIV and AIDS                          | 16%           | 25%           |
| Insurance  | 99%        | -         | -                                     | 33%           | -             |
| Financial setor  | 99%        | -         | -                                     | 20%           | -             |
| Shipping agencies  | -          | -         | -                                     | 60%           | -             |



## Inclusive Economy

**Tanzania was the 1<sup>st</sup> African country for inclusive economy in 2018**

- Infrastructure development
  - Roads
  - Communications
  - Rural electricity
- Social services
  - Education
  - Health services
- Corruption
- Entrepreneurship
- Mobile money operations

## Entrepreneurship in Tanzania

- Estimated to have 3 mn entrepreneurs
- Women account for 57%
- Mostly self employed, as only 20% creates employment for others
- Only 10% uses Business Development Services
- Main challenges;
  - Access to capital
  - Limited uses of technology and innovation
  - Related skills, including research
  - Networking
- There are 46 innovation hubs in Tanzania, 45% are in DSM
- The Main challenge is lack of skills and networking.

## Cooperatives

- There are 11,331 cooperatives societies in Tanzania
- 50% are for savings and credit.
- Others are for specific purpose i.e. agriculture, small industries, irrigation, services e.t.c.
- 4mn people are involved in cooperatives activities
- Capital injected is tshs 78 bn equivalent to 36 mn USD
- The main challenge is poor leadership and integrity.

## Community Financial Groups

- This involves about 16% of Tanzanians, which is about 10 mn people (FinScope 2017)
- There are about 200,000 financial groups of about 5 to 30 people in the country
- All groups have an estimated capital of Tshs 3 trn equivalent to USD 1.3 bn
- Banks and financial institutions have special products for groups.
- The main challenge is skills and microfinance law is new.

## Access to finance

- There are 54 banks in Tanzania
- Formal access to finance is 17%
- However, through mobile money operations 65% are accessing
- FinScope revealed that 86% of Tanzanian adults in rural areas have a financial access point within a 5km radius.
- There are 45 empowerment funds, not deposit taking;
  - 13 issues direct credit
  - 10 guarantee loans
  - 19 provides grants for specific empowerment (electricity, water, roads, safety nets, communication e.t.c.)
  - 3 increases bank liquidity (alternative energy, agriculture and cheap housing)
- Access to finance is still low and not enough innovation by banks and financial institutions



## Youth economic empowerment

- Tanzania is implementing youth skills development program
  - The program reaches 20,000 youth in Tanzania
  - Vocational skills
  - Agricultural skills (Green houses - construction and horticultural skills)
  - Business skills (entrepreneurship, marketing etc.)
- There is specific youth dedicated fund for loans to youth
- Youth fund provides about 3 milion USD per year to youth country wide
- The challenge; large population of youth are unemployed

## Women economic empowerment

- Tanzania is implementing women empowerment in public procurement (30%)
- Different women associations have been formed in Tanzania
- Specific programs for capacity strengthening of women
- UN is implementing women empowerment program in the western part of Tanzania (market infrastructure devt, special market and facilities for women etc.)
- There is a dedicated fund for women loans, provided loans of Tshs 36 bn equivalent to USD 16 mn
- Women empowerment is needed to fast track development in our country.

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