

Tanzania

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Tanzania	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	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:	US Dept of State Money Laundering assessment Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>coffee, sisal, tea, cotton, pyrethrum (insecticide made from chrysanthemums), cashew nuts, tobacco, cloves, corn, wheat, cassava (tapioca), bananas, fruits, vegetables; cattle, sheep, goats</p> <p>Industries:</p> <p>agricultural processing (sugar, beer, cigarettes, sisal twine); mining (diamonds, gold, and iron), salt, soda ash; cement, oil refining, shoes, apparel, wood products, fertilizer</p> <p>Exports - commodities:</p> <p>gold, coffee, cashew nuts, manufactures, cotton</p> <p>Exports - partners:</p> <p>India 14.1%, China 11%, Japan 6.1%, Germany 5%, UAE 4.9% (2012)</p> <p>Imports - commodities:</p> <p>consumer goods, machinery and transportation equipment, industrial raw materials, crude oil</p> <p>Imports - partners:</p> <p>China 21.1%, India 16.1%, Kenya 6.6%, South Africa 5.6%, UAE 4.8% (2012)</p>	

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.

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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 impediments 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 authorities 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 investigation 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 metals 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, front 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 in the United Republic of Tanzania. However, in 1998 Tanzania was subject to terrorist 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 entities 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 was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

While Tanzania is not a regional financial center, its location at the crossroads of southern, central, and eastern Africa makes it a prime location for smuggling activities that generate illicit revenue, including the trafficking of narcotics, arms, and humans. The major profit-generating crimes in Tanzania include drug trafficking, wildlife trafficking, corruption, smuggling of precious metals and stones, theft, and robbery. With only a minority of the population engaged in the regulated financial sector, money laundering is more likely to occur in the unregulated financial sector. Mobile banking services continue to expand rapidly, however, opening up formerly underserved rural areas to formal banking but also creating new vulnerabilities in the financial sector. In 2013 the central bank estimated the equivalent of \$650 million was transferred each month through such mobile transfers.

Criminals have been known to use front companies, hawaladars, and currency exchanges to launder funds. Real estate and used car businesses appear to be involved in money laundering. The use of front companies to launder money appears to be common on the

island of Zanzibar. Officials indicate money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry. Bulk cash smuggling is also a problem. Tanzanian officials made several arrests of wildlife traffickers in 2015 – including a Chinese national accused of smuggling 706 elephant tusks over 10 years – and they allege traffickers use front companies, such as investment organizations and restaurants, as cover for trafficking operations.

In 2014, the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) issued a proposed rule naming Tanzania’s FBME Bank Ltd. as a financial institution of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. According to FinCEN, FBME demonstrated a “willingness to service the global criminal element.” It had systemic failures in its AML controls that attracted high-risk shell companies, and it performed a large volume of transactions with little or no transparency. Simultaneously, FinCEN also issued a notice proposing U.S. financial institutions be prohibited from opening or maintaining correspondent account relationships with FBME. Shortly after FinCEN announced the proposed rule, the Tanzanian Central Bank took over management of FBME Bank. In July 2015, FinCEN finalized the ruling against FBME; however, in August 2015 FBME challenged the final rule and in November 2015 a U.S. court blocked the Final Rule from taking effect. In November 2015, the court granted the Government’s motion for voluntary remand, and FinCEN re-opened the Final Rule to solicit additional comments in connection with the rulemaking.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Commercial and specialized banks, cash dealers, accountants, dealers in art and precious metals and stones, customs officials, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 46: June 2013 - March 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Commercial and specialized banks, cash dealers, accountants, realtors, dealers in art and precious metals and stones, casinos and gaming operators, regulators, customs officials, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015
Convictions: 1 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years the Government of Tanzania has taken some positive steps to strengthen its response to money laundering. Weaknesses remain, however, in AML/CFT-related supervision of the financial sector. Additionally, the country has yet to provide for the confiscation of property; has not issued regulations to implement measures to detect the cross-border movement of cash and bearer negotiable instruments; and has not yet clarified how it is capturing data on searches, seizures, confiscation, forfeiture, prosecutions, and convictions related to ML/TF cases.

The financial intelligence unit (FIU) has 17 staff members, including several analysts; however, weaknesses in FIU capacity remain. The staff would benefit from additional training, as would the financial sector.

There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. A lack of enforceable requirements to ensure customer due diligence (CDD); a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions; and ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements, continue to be issues. The FIU reported that CDD and reporting requirements are hard to implement because of the lack of a national identification system.

Currency transaction reporting was introduced in Tanzanian law in 2012, but authorities have made limited progress on implementation. There are issues surrounding the determination of a threshold amount for reporting; therefore, no reporting is taking place. Similarly, cross-border currency declaration requirements have not been implemented.

Although Tanzania enacted its Money Laundering Act in 2006, Tanzanian prosecutors did not begin to try money laundering cases until 2009. Local media report that this was after public attorneys received training in foreign countries on trying money laundering cases. According to the Office of the Director of Public Prosecution, 32 money laundering cases have been brought to court since the money laundering law was passed. Of these, five resulted in convictions, five were acquittals, and 22 are still pending. What is clear, however, is that the Government of Tanzania should train police and customs services to recognize and investigate financial crimes, and its prosecutors and judicial officials to try, hear, and ultimately convict criminals and criminal organizations engaging in money laundering and terrorist financing activities.

Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement, and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime, especially in Zanzibar. The Government of Tanzania should continue to focus its efforts on implementing its AML law and building its capacity to identify, freeze, and seize assets. Customs and the FIU should be given the resources to implement the cross-border currency

declaration requirements. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through exploitation of the money and value transfer services used in the region. The FIU should improve the training for new staff, inform institutions of their reporting and record keeping responsibilities, and train the financial sector to identify suspicious transactions. The FIU additionally should focus on non-traditional banking mechanisms, such as use of front companies, hawaladars, Chinese “flying money” remittance systems, currency exchanges, and mobile banking to launder funds.

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 2016:

Tanzania is a significant transit country for illicit drugs, most notably heroin originating in Afghanistan and cocaine from South America, with a growing domestic user population. Tanzanian drug trafficking organizations and courier networks operate globally with cells throughout Africa, Asia, Australia, Europe, North America, and South America. These Tanzanian 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 dhows, small oceangoing vessels, across the Indian Ocean to the Tanzanian coastline. Once the heroin arrives in Tanzania, it is distributed to retail markets and user populations throughout Africa, Asia, Europe, and North America. South American cocaine is brought into Tanzania by commercial air couriers arriving on international flights to Dar es Salaam for further distribution to other African locations and Europe. Precursor chemicals obtained primarily from sources in Asia are brought through Tanzanian ports, and used to produce methamphetamine and psychotropic substances in clandestine labs within Tanzania 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 foreign law enforcement partners to include those from the United States. In March 2015, to address perceived flaws in previous anti-drug legislation, Tanzania's Parliament passed the Drug Control and Enforcement Act, which established a Drug Control and Enforcement Authority and other government agencies to coordinate anti-drug use and trafficking efforts.

Extradition between Tanzania and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty. There is no mutual legal assistance treaty in force between Tanzania and the United States, though mutual legal assistance can be provided on a reciprocal basis through letters of request.

There were several successes targeting illicit drug trafficking organizations operating in and through Tanzania in 2015, including two convictions against significant traffickers. In November, a Tanzania court convicted Chukwudi Okechukwu, who was arrested in 2011 for smuggling cocaine with a street value of approximately \$1.4 million. In September, Fred William Chonde was convicted for trafficking 180 kilograms of heroin in 2011.

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.

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US State Dept Trafficking in Persons Report 2013 (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. The incidence of internal trafficking is higher than that of transnational trafficking, and is usually facilitated by family members, friends, or intermediaries who offer assistance with education or finding lucrative employment in urban areas. The exploitation of young girls in domestic servitude continues to be Tanzania's largest human trafficking problem, though cases of child trafficking for commercial sexual exploitation are increasing along the Kenya-Tanzania border. Girls are exploited in sex trafficking in tourist areas within the country. Boys are subjected to forced labor, primarily on farms, but also in mines, in the informal commercial sector, in the sex trade, and possibly on small fishing boats. Smaller numbers of Tanzanian children and adults are trafficked—often by other Tanzanians—into conditions of domestic servitude, other forms of forced labor, and sex trafficking in other countries, including Mozambique, Ethiopia, South Africa, Uganda, Yemen, Oman, the United Arab Emirates, Saudi Arabia, the United Kingdom, the United States, France, and possibly other African, Middle Eastern, and European countries. Trafficking victims from other countries—typically children from Burundi and Kenya, as well as adults from Bangladesh, Nepal, Yemen, and India—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 voluntarily migrate through Tanzania before being forced into domestic service and prostitution in South Africa, Europe, and the Middle East.

The Government of Tanzania does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government convicted four international labor traffickers and continued to refer identified child trafficking victims to NGOs to receive care. In one successful case, it awarded four adult victims financial compensation from fines imposed upon a convicted trafficker. However, it failed to adequately punish offenders with sentences commensurate to the seriousness of the crimes committed, and there were reports that Tanzanian diplomats failed to assist Tanzanian citizens exploited abroad. Insufficient overall efforts to protect victims limited the government's ability to pursue successful law enforcement action against traffickers, and

front-line officials' inability to distinguish between trafficking and smuggling led to some victims being punished. The government did not provide services or referrals for any adult victims of trafficking. The government's anti-trafficking committee and anti-trafficking secretariat, which were established at the close of the previous reporting period, took few actions during the year to implement the national action plan; the promise of the coordinating bodies and action plan had gone unrealized. The government did not provide evidence of continued anti-trafficking training for new police officers or a coordinated public awareness campaign about the dangers of trafficking. For a fourth year, it failed to allocate funding to the victims' assistance fund established by the 2008 anti-trafficking act. The Government of Tanzania did not demonstrate evidence of overall increasing efforts to combat trafficking since the previous reporting period; therefore, Tanzania is placed on Tier 2 Watch List.

Recommendations for Tanzania: Increase efforts to enforce the 2008 Anti-Trafficking in Persons Act by prosecuting and convicting trafficking offenses, and applying stringent penalties—including jail time, as appropriate—to convicted trafficking offenders; implement the act's victim protection and prevention provisions, including by allocating resources to the victim assistance fund; establish policies and procedures for government officials to identify and interview potential trafficking victims—including adults—among vulnerable groups proactively and transfer them, as appropriate, to local organizations providing care; begin compiling trafficking-specific law enforcement and victim protection data at the national level; provide training to judges, prosecutors, and police to clarify the difference between human trafficking and alien smuggling; allocate a budget for the anti-trafficking committee and anti-trafficking secretariat to implement the national action plan; provide additional training to law enforcement authorities on the detection and methods of investigating human trafficking crimes; and institute standard operating procedures for trafficking victim identification and victim care provision for labor officials and diplomatic personnel working at Tanzanian missions overseas.

US State Dept Terrorism Report 2015

Overview: In 2015, Tanzania's security services were involved in investigations and active operations against alleged violent extremists who conducted numerous attacks on police and police installations. Security services made multiple arrests of alleged violent extremists and officials were prosecuting these cases at year's end. Tanzania's National Counterterrorism Center (NCTC) reported concerns over escalating radicalism and inadequate border security. While Tanzanian government officials have expressed support for the efforts of the Global Coalition to Counter ISIL, Tanzania is not a coalition partner.

2015 Terrorist Incidents: In July, an al-Shabaab attack on the Stakishari police station near the Dar es Salaam airport resulted in the deaths of seven people. Press reports indicated that four police officers, two civilians, and one attacker were killed. The assailants stole a number of weapons from the police station during the attack.

In several other instances, police on patrol and police stations have been attacked. During these incidents, attackers stole weapons from police stations and injured or killed police officers.

Several IEDs were found in Zanzibar after the October 25 elections. No serious injuries were reported, and authorities were able to conduct a controlled detonation on two of the devices. The explosives were not publicly linked to any specific group, although the motivation was widely believed to be political.

Legislation, Law Enforcement, and Border Security: Tanzania's counterterrorism legal framework is governed by the Prevention of Terrorism Act of 2002. The implementing regulations for the Act were published in 2012. The only major effort to strengthen criminal justice institutions undertaken in 2015 was the National Counterterrorism Strategy process, which remained under discussion at year's end.

Tanzanian officials continued interagency coordination efforts in 2015, and the government sought to use investigative forensic techniques to detect, investigate, and fully prosecute suspected terrorists. NCTC is an interagency unit composed of officers from the Intelligence, Police, Defense, Immigration, and Prison sectors who worked collectively on counterterrorism issues. The organization lacks specialized equipment and basic infrastructure, especially for border security, and NCTC officers need training on intelligence analysis and crime scene investigation. The Tanzania Intelligence and Security Service worked in conjunction with the police and other security services on investigations. Once an investigation is completed, the case goes 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. Notable among these activities was the Department of State's second-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 problems of corruption; the lack of a dedicated border security unit in the Tanzania Police Force; and vast, porous borders. All major airports and border crossings used the PISCES border management system. 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. There were several media reports of Tanzanians engaging in violence as foreign terrorist fighters, particularly with regard to al-Shaabab operations in Kenya and Somalia. 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.

In February, police and military units worked collaboratively to corner suspects of a police attack near the town of Tanga, which is located close to the Kenyan border. Security services engaged in a days-long siege, but some suspects eventually escaped.

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.

Countering the Financing of Terrorism: Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group, a Financial Action Task Force (FATF)-style regional body. Its financial intelligence unit is a member of the Egmont Group. There were no known prosecutions or asset freezes related to counterterrorism finance in 2015. Tanzania continued to work in accordance with the 2014 implementing regulations that assigned specific responsibilities to various government entities to implement the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime.

Countering Violent Extremism: The current focal point of NCTC's countering violent extremism strategy is its community policing program. Through this initiative, which has been active in many perceived radicalization hot spots for several years, officials believe they are building better relations with key communities and have been better able to detect threats tied to radicalization. In addition, police enforced laws against spreading messages advocating violence by confiscating cassettes containing violent extremist messaging that are sold on the streets. NCTC would also like to implement community awareness programs with a counter-radicalization focus, but it lacked the funds to develop such an initiative.

Tanzania's nascent efforts at counter-messaging included outreach to religious leaders to encourage moderate voices and to discourage guest preachers who might seek to spread extremist ideologies in houses of worship. Some sectors of the government have discussed the need for a counterterrorism public relations campaign, although such an effort was not funded or implemented in 2015.

International and Regional Cooperation: Tanzania is a member of the AU, the Southern African Development Community, and the East African Community, all of which implemented counterterrorism initiatives. In addition, Tanzania participated in counterterrorism training programs sponsored by the Intergovernmental Authority on Development even although Tanzania is not a full member of the group. Tanzania is an active member of the Partnership for Regional East Africa Counterterrorism and participated in the Global Counterterrorism Forum.

Tanzania's NCTC coordinated with partner organizations although the East African Police Chiefs' Organization and the Southern African Police Chiefs' Organization. Police officials also worked closely with INTERPOL. Tanzania had close relations with police and counterterrorism officials in Kenya and Uganda, although they would benefit from better mechanisms to share information electronically.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	32
World Governance Indicator – Control of Corruption	25

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, however, it has achieved high overall growth rates based on gold production and tourism. Tanzania has largely completed its transition to a liberalized 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. The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania's aging economic infrastructure, including rail and port infrastructure that are important trade links for inland countries. Recent banking reforms have helped increase private-sector growth and investment, and the government has increased spending on agriculture to 7% of its budget. 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. 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. Continued donor assistance and solid macroeconomic policies supported a positive growth rate, despite the world recession. In 2008, Tanzania received the world's largest Millennium Challenge Compact grant, worth \$698 million, and in December 2012 the Millennium Challenge Corporation selected Tanzania for a second Compact. Dar es Salaam used fiscal stimulus and loosened monetary policy to ease the impact of the global recession. GDP growth in 2009-13 was a respectable 6-7% per year due to high gold prices and increased production.

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)

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).

Openness to, and restrictions upon, foreign investment

The Government of Tanzania (GOT) generally has a favorable attitude toward foreign direct investment (FDI) and has had considerable success in attracting FDI. In 2012, FDI into Tanzania rose to over USD 1.1 billion, the highest in East Africa. The legacy of socialist policies endures in certain sectors, however, and some officials remain suspicious of foreign investors and free competition. There are no laws or regulations that limit or prohibit foreign investment, participation, or control, and firms generally do not restrict foreign participation.

The Tanzania Investment Centre (TIC) is the primary agency of the GOT to coordinate, promote and facilitate investment in Tanzania. Established by the Tanzanian Investment Act of 1997, TIC is a one stop facilitative centre for all investors, and has the authority to manage Public Private Partnerships (PPPs) under the 2010 PPP legislation that sets a framework for Build-Operate-Transfer arrangements with private companies. Registering with TIC is not mandatory, but offers incentives for joint ventures with Tanzanians and wholly owned foreign projects above USD \$300,000. The review process takes up to 10 days and involves multiple GOT agencies, which are required by law to coordinate fully with TIC in facilitating foreign investment, but in practice can create bureaucratic delays.

TIC does not have specific criteria for screening or approving projects, and 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. Approved projects receive TIC certificates of incentive and are allowed 100% foreign ownership; 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 Agency (ZIPA). TIC promotes investment and trade opportunities in agriculture, mining, tourism, telecommunications, financial services, energy, and transportation infrastructure. However, investment tax incentives can be unpredictable; in 2010 capital goods tax exemptions were reinstated, and agricultural equipment imports were given generous exemptions.

TIC continues to improve investment facilitation services through provision of joint venture opportunities between local and foreign investors, and information dissemination. Despite a number of improvements in recent years, some investment challenges remain. In 2010, a new legislation required foreign-owned telecommunications firms to list on the Dar es Salaam Stock Exchange (DSE) within 3 years. This legislation also 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. Foreign investors generally receive national treatment but the Tourism Act of 2008 bars foreign companies from engaging in mountain guiding activities and only Tanzanian citizens can operate travel agencies and car rental services and engage in tour guiding.

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 manual and mainly handled 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. Rights of occupancy and derivative rights may be granted for periods up to 99 years and are renewable. The GOT's Better Regulation Unit (BRU) manages the implementation of the World Bank- supported Business Environment Strengthening for Tanzania (BEST) program. In 2007, the World Bank's "Doing Business" report listed Tanzania as among the top ten reformers. In 2012, however, Tanzania's ranking slipped substantially to its current ranking of 134 out of the 185 countries surveyed. In response to this decline, the GOT has consolidated key reform programs requiring inter-ministerial actions in the Prime Minister's Office.

The financial sector has continued to expand, with an increase in foreign-affiliated financial institutions and banks operating in Tanzania. As of 2012, the Bank of Tanzania listed a total of 32 commercial banks licensed and operating in Tanzania, over half of which are foreign-affiliated. The banking system showed a high concentration of total assets, 57% of which are held by four large banks. Foreign-owned banks in Tanzania account for about 48% of the banking industry's total assets. Competition among these foreign commercial banks has resulted in significant improvement in the efficiency and quality of financial services, though interest rates are still relatively high, reflecting a high risk of fraud. To mitigate this fraud risk, the GOT is in the process of implementing a national ID program, which would require all Tanzanian citizens to get a national ID card. The registration process for IDs began in early 2012 with the date for issuing IDs still to be announced.

The East African Community's (EAC) Customs Union came into force on January 1, 2010. In July 2010, the member states (Burundi, Kenya, Rwanda, Tanzania, and Uganda) enacted a Common Market Protocol to allow free movement of goods, people, and capital within the region. Although the EAC member countries continue to discuss economic integration and harmonize regulations, non-tariff barriers--such as the administration of duties and other taxes, and corruption--remain a problem. Tanzania is also a member of the Southern Africa Development Community and the Common Market for East and Southern Africa (COMESA).

Measure	Year	Index/Ranking
TI Corruption Index	2012	102/176
Heritage Economic Freedom	2012	57/100
World Bank Doing Business	2012	134/185
MCC Government Effectiveness	2013	80/100
MCC Rule of Law	2013	76/100
MCC Control of Corruption	2013	76/100
MCC Fiscal Policy	2013	13/100
MCC Trade Policy	2013	73/100
MCC Regulatory Quality	2013	75/100

MCC Business Start Up	2013	67/100
MCC Land Rights Access	2013	92/100
MCC Natural Resource Protection	2013	87/100

Conversion and Transfer Policies

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 USD \$10,000 over a period of forty 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. 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.

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.

Dispute Settlement

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 Arusha and Mwanza. The government intends to establish more branches in other regions including Mbeya, Tanga and Dodoma, in the coming years. Lack of court capacity remains an issue, and cases are currently backlogged 2 - 4 years. Tanzania recently moved to a computerized arbitration system aimed at solving business related disputes within a short period of time but backlogs remain.

Despite the legal mechanisms in place, foreign investors sometimes complain that the GOT "changes the goalposts" 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 a number of debts including those incurred in the energy sector.

According to the World Bank's Doing Business report it takes on average 3 years to close a business. The recovery rate for creditors on insolvent firms is only 21.9 U.S. cents on the dollar with judgments typically made in local currency.

Tanzania is a member of both the International Centre for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA). The 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. There is no specific legislation in Tanzania providing for enforcement under the 1958 New York Convention or for the enforcement of awards under the ICSID Convention.

Under Tanzanian regulations, disputes between a foreign investor and the Tanzanian Investment Centre 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 ICSID

--Arbitration within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the investor is a national 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

Performance Requirements and Incentives

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 to 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.

Tanzania has largely completed its transition to a liberalized market economy, though the government retains a presence in sectors such as 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 from formerly privatized Tanzania Railways Limited, General Tyre, and Kilimanjaro International Airport after expressing disappointment with the failure of the management companies to achieve desired goals.

TIC's Investment Code offers a package of investment benefits and incentives that are applied uniformly to both domestic and foreign investors without performance requirements. These include:

- Zero Custom Duty and deferred corporate tax and VAT on capital goods for investments in mining, infrastructure, road construction, bridges, railways, airports, electricity generation, agro-processing, telecommunications and water services.
- 100% capital allowance deduction in the years of income for the above mentioned types of investments.
- No remittance restrictions. The GOT does not restrict the right of a foreign investor 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; removal of the 5-year limit for carrying forward losses of investors.
- Customs Duty and VAT tax deferral on capital goods for priority sectors, including agro-processing and transport.

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 EPZ policies.

There are currently no requirements that all foreign investors buy from local sources, export a certain percentage of output, or only access foreign exchange in relation to exports. TIC guides foreign investors to specific locations through its land bank system. 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. U.S. and other foreign firms can and do participate in government/donor-funded research and development programs on a national treatment basis.

Right to Private Ownership and Establishment

Tanzanian regulations allow foreign and domestic private entities to establish and own business enterprises and engage in legal forms of remunerative activity. The Business Registration and Licensing Act established licensing regulations for business operations. It

provides the right to freely establish private entities, to own property both movable and immovable, and to acquire and dispose of property including interest in business enterprises and intellectual property. The Act stipulates that no business entity can enter into business activities in Tanzania before obtaining a business license through the Business Registration and Licensing Agency (BRELA). Registration fees and charges for foreign companies are significantly higher than for domestic companies. The government is now implementing the Business Activities Registration Act of 2007, which aims to reduce administrative barriers with one centralized licensing database.

Under the Tanzania Investment Act 1997 and the Land Act 1999, occupation of land by non-citizen investors is restricted to lands for investment purposes. Land in Tanzania is state property that can be leased for up to 99 years. The law does not allow individual Tanzanians to sell land to foreigners. Foreigners can only lease land in Tanzania through the Tanzania Investment Centre (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).

Protection of Property Rights

Tanzania's Fair Competition Commission (FCC) actively combats intellectual property rights (IPR) violations, but its impact is limited by inadequate legal penalties for counterfeiters. FCC is pursuing increase in penalties through changes to Tanzania's law, but considers the East African Community's draft Anti-Counterfeiting Act (ACA) as a possible faster route to achieve the same end.

Tanzania is one of the signatories to WTO and TRIPS agreements. The available IPR-related legal instruments in the country are governed by the following acts: The Fair Competition Act, 2003 (FCA); Merchandise Marks Act Regulations 2008 and Zanzibar Industrial Property Act 2008. Tanzania has made a big step to stamp out counterfeiting and piracy by amending its laws on the protection of IP rights to comply with international standards prescribed in the TRIPs Agreement and other international conventions. However, despite enacting a number of domestic laws on intellectual property rights protection, the sale of counterfeit goods, particularly in the entertainment and apparel sector remains common and widespread.

Secured interests in property, both movable and real, are recognized and enforced under different laws in Tanzania. There is no single comprehensive law to secure property rights. Though the Tanzania Investment Centre 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 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 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.

Transparency of the Regulatory System

The following laws were established to support GOT efforts to strengthen regulatory efforts:

The Energy and Water Utilities Regulatory Authority Act, 2001 (EWURA)

The functions of EWURA include: licensing, tariff review, monitoring performance and standards with regards to quality, safety, health and environment. EWURA is also responsible for promoting effective competition and economic efficiency, protecting the interests of consumers and promoting the availability of regulated services to all consumers including low income, rural and disadvantaged consumers in the regulated sectors.

The Surface and Marine Transport Regulatory Act, 2001 (SUMATRA)

SUMATRA is a multi-sector regulatory agency which was established by an [Act of Parliament \(No. 9\) of 2001](#) to regulate Rail, Road and Maritime transport services.

Tanzania Civil Aviation Regulatory Authority Act, 2003 (TCAA)

To ensure safety, security and regularity of civil aviation in Tanzania by providing effective oversight and efficient air navigation services while protecting the environment and safeguarding the interest of consumers and the public.

The Tanzania Communications Regulatory Authority Act, 2003 (TCRA)

The functions of TCRA include: issue, renew and cancel licenses; establish standards for regulated goods and regulated services; establish standards for the terms and conditions of supply of the regulated goods and services; regulate rates and charges; monitor the performance of the regulated sectors; and facilitate the resolution of complaints and disputes;

The Fair Competition Act, 2003 (FCA)

According to the Fair Competition Act, the FCC will work to develop and promote policies to enhance competition and consumer welfare and help to publicize consumer information and guidelines relating to the obligations of persons under the Act and the rights and remedies available to consumers under the Act.

Tanzania is implementing a taxpayer's charter that enables taxpayers to complain about problems or malpractice within the Tanzania Revenue Authority (TRA). The tax policy reform agenda includes abolition of nuisance taxes, harmonization of the regulatory framework, establishment of a clear incentive regime and gradual reduction in rate structure. The GOT has broadened tax incentives and incorporated them in the relevant tax laws to attract more investments.

The private sector is represented through private associations such as the Confederation of Tanzania Industries (CTI), TIC, and the umbrella Tanzania Private Sector Federation, which provides grants and business training for small local businesses. The Tanzania National Business Council (made up of 50% government and 50% Private Sector representatives) is the lead dialogue institution where the government interacts with diverse stakeholder representatives from the private sector for discussions on strategic issues related to the investment process and business environment in Tanzania. The Council is chaired by the President of Tanzania. The President participates in several roundtables such as the local Investor's Round Table (LIRT), International Investor's Roundtable (IIRT) and the Chief Executive Officers (CEO) Roundtable on a periodic basis to discuss specific issues aimed at improving Tanzania's business competitiveness. Businesspeople complain, however, that the government is not sufficiently responsive to the private sector's concerns.

Bureaucratic procedures for licenses and permits continue to be burdensome and time-consuming. The GOT's "Road Map" to improve the investment climate seeks to reduce the number of construction permits and inspection procedures. The Tanzania Chamber of Commerce and Industry Association issues certificates of origin for companies exporting to the U.S. under AGOA. Proposed laws and regulations are sometimes published in draft form for public comment.

There are many opportunities to provide input as government officials are relatively accessible, especially to industry associations. The Tanzania Chamber of Minerals and Energy was heavily involved in the years-long dialogue process that led to the Mining Act of 2010. The Electronic Communications Act, however, which requires telecommunications firms to list on the DSE, was passed in early 2010 with little opportunity for stakeholder comment. Legal, regulatory, and accounting systems are transparent and consistent with international norms. 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.

The GOT established a Law Reform Commission (LRC) in 1980 to periodically review the legal and regulatory requirements relating to trade and investments and proposed appropriate reforms. The GOT is also modernizing the business-licensing regime to reduce impediments to investment. Under the Tanzania Investment Act, the Tanzania Investment Centre (TIC) has become a 'one-stop shop' that provides fast track assistance to obtain approvals and permits such as work permits, industrial licenses, and trading licenses from various ministries. The Business Activities Registration Act (BARA), enacted in February 2007, is implemented by the Business Registration and Licensing Agency (BRELA). BRELA intends to start a simplified and decentralized registration system which establishes a single national database for all registered businesses. The Tanzanian judicial system continues to function inefficiently and remains plagued with corruption. These factors increase the cost and difficulty of doing business in Tanzania, particularly with regard to dispute resolution. The GOT has begun a program to train judiciary officials and combat corruption in the regulatory system; challenges with the judiciary persist.

Efficient Capital Markets and Portfolio Investment

The banking system continues to be sound and stable. Although only 12% of the population participates in the formal banking sector, most banks are well capitalized and liquidity is well above the regulatory requirements, making the banking industry consistently profitable.

The Tanzanian Capital Markets and Securities Authority (CMSA) Act facilitates the free flow of capital and financial resources to support the product and factor markets. Foreign individuals or companies can invest in shares with foreign participation limit of 60 % of the aggregate value of the listed shares.

It is worth noting that despite meaningful progress, the country's capital account is not fully liberalized and foreign individuals or companies are not permitted to participate in the government securities market. This constraint on investment flows has consequences which negatively affect both the cost and availability of capital for all borrowers. Steps have been taken to address this issue and in Q4 2012 the GOT announced that EAC-based investors will be permitted to invest directly in domestic government securities in 2013 and international investors will be eligible in 2015.

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

Foreign investors can get credit in the local financial market, where credit is allocated on market terms. Recent bank lending rates ranged from 13 to 15 percent 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 financial sector in Tanzania has expanded in recent years, with a significant increase in the number of foreign-affiliated financial institutions and banks. Of the 32 commercial banks licensed and operating in Tanzania, more than half are foreign-affiliated banks. 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.

Profits, dividends, and capital can be readily repatriated. Several venture capital funds have been established to meet the demand for equity by growing businesses. 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. There is, however, no national credit database. The Tanzania Bankers Association recently agreed to share information and the central Bank of Tanzania will consolidate credit histories for release to authorized bureaus.

Tanzania restricts the free flow of investment in and out of the country and non-citizens cannot buy bonds and other debt securities in the domestic market. In addition, Tanzanians cannot sell or issue securities abroad, unless approved by the Capital Markets and Securities Authority. The Dar Es Salaam Stock Exchange forbids companies with more than 60 % foreign ownership from listing. Under the terms of the planned East African Community (EAC) monetary union, all EAC residents were expected to receive national treatment by 2012, however this has yet to be implemented.

Competition from State-Owned Enterprises (SOEs)

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, telecommunication, aviation, and port sectors. SOEs typically report to ministries and are led by a board possibly a presidential appointee but also composed of private leadership. SOEs are not subjected to hard budget constraints and Tanzania does not have a sovereign wealth fund. SOEs do not discriminate against or unfairly burden foreigners, though they do have access to sovereign credit guarantees. SOE financial results are audited by donors and accessed by the media. SOEs primarily work in industries that are nationalized are not competitive e.g. in aviation (Air Tanzania). With emerging potentials in the oil and gas sector, investors continue to monitor the potential increase of governmental influence on these economic activities.

SOEs are required to publish details of subsidies received for the current and previous years, the percentage of the government's holding and its value at cost for the current and previous years. Additional information available to the public includes subsidiaries (above 50%), associates (20-50%) and shareholdings of below 20%. The financial results of these entities are not consolidated within the main financial statements of GOT. Details such as the balance at the year-end (and for the previous year) of any funds operating within ministries, departments and agencies are also provided.

Political Violence

Tanzania has been one of the most politically stable countries in Africa. Since gaining independence, Tanzania has enjoyed a remarkable degree of peace and stability. Tanzania has held four national multi-party elections since 1995, the most recent in 2010. Elections on the mainland have been generally free of political violence. The 2010 elections in Zanzibar, held following changes to the constitution to mandate formation of a Government of National Unity, were the most peaceful since Zanzibar's entry into the union.

Tanzania's next general election is scheduled for 2015. Prior to the next election, the GOT hopes to complete a constitutional review process and hold a referendum on a new constitution in 2014. As this process continues, tensions remain high as public debate centres on a number of controversial issues including the status of the Union between mainland Tanzania and Zanzibar, land reform, and others.

Furthermore, 2012 experienced an increase in demonstrations by citizens regarding a variety of political causes, including Zanzibari independence. Although some of the demonstrations were marred by violence, a number of the demonstrations both on the mainland and in Zanzibar proceeded peacefully.

In addition to monitoring the political climate in the run up to the completion of the constitutional review and 2015 elections, 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.

Bilateral Investment Agreements

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 U.S. and EAC are seeking to expand trade and investment ties and dialogue with the private sector. In November 2007, the EAC member states signed an interim economic partnership agreement with the European Union; as of 2012 this still had not been finalized.

Foreign Trade Zones/Free Ports

The Economic Processing Zones Act of 2006 authorized the establishment of Special Economic Zones (SEZs) to encourage greenfield investments in the light industry, agro-processing industry and agriculture sectors. The GOT's Export Processing Zones Authority (EPZA) continues to promote Export Processing Zones (EPZ) to attract investments in agricultural value added processing, textiles and electronics. EPZA has earmarked 4000 hectares for export clusters, though on-site infrastructure and facilities are lacking. Six zones have already been developed; one is owned by the GOT and the rest by the private sector (85 companies are registered under EPZA to operate in two categories - infrastructure development and manufacturing). Tanzania Revenue Authority has an office in Mabibo EPZ complex to streamline tax and revenue procedures for participants and the GOT hopes to increase the presence of other GOT offices in additional EPZ areas. Investors in EPZs are eligible for various incentives including prime locations near ports and main roads, 10 year tax holidays, exemption on interest and dividend taxes for 10 years, duty free importation of capital goods, exemption on VAT for utilities and exemption of local tax levies.

EPZA made the following steps toward improving the investment climate:

- Streamlining bureaucratic procedures and requirements, the EPZA has reduced the amount of time required to register and license new investors from a reported maximum 7 days in 2010 to 2 to 3 days in 2012.
- The establishment of a One Stop Service Centre at Benjamin William Mkapa Special Economic Zone puts various procedures from different departments under one roof e.g., work permit and licensing applications.
- The EPZA has set aside additional land, equipped with infrastructure, for EPZ activities in Bagamoyo and Mkuranga. The authority has earmarked an additional 16 sites countrywide for development.

- Goods destined for EPZA registered companies have been accorded special treatment and exemptions and are treated as transit cargo. This results in faster clearance and lower clearance costs.
- Efforts are progressing to make Zanzibar's Malindi Port a free port. In addition, free economic zones have been established in three areas of Pemba and Zanzibar. The GOT intends to establish free trade zones in Tanga and Kigoma ports. Foreign owned firms have the same investment opportunities as host country entities in Foreign Trade Zones.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Some of the U.S. companies with large foreign direct investments in Tanzania include: Talktel Communications Ltd (USD \$145.5 million), Agrisol Energy Tanzania (USD \$83.77 million), Ameri-International of Louisiana inc. Ltd. (USD \$ 56.134 million), Thomson Safaris Ltd (USD \$30 million). Top country sources of FDI into Tanzania include the United Kingdom, Kenya, South Africa, India, China and the United States. According to TIC, the UK was the largest source of FDI in 2012. Foreign direct investment continues to grow, particularly in the sectors of telecommunications services; energy infrastructure; road construction; breweries; tourism and hotels; mining; and agriculture.

Tanzanians are currently restricted 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.

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, IFRC, 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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