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REGIONAL INTEGRATION AND POVERTY: THE CASE OF TANZANIA

By

Josaphat Kweka and Phillip Mboya

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ABSTRACT

This report examines the direct and indirect effects of regional integration on poverty in Tanzania through trade, investment or development cooperation. Comparisons of trade and investment flows pre and post regional integration show the potential impact on trade and investment flows, while an examination of the poverty focus of regional integration is conducted by examining the distribution of intra regional exports and investment for Tanzania in the sectors with most direct potential for poverty reduction, particularly agriculture. Key stakeholders of regional integration such as firms and institutions were interviewed to supplement information from the secondary sources.

Findings show regional integration has increased intra-regional trade but not FDI in Tanzania. Regional Integration may have reduced poverty through increased exports of agriculture products. Regional blocs (SADC and EAC) have not been a significant source of FDI to Tanzania, and generally, the efficacy of FDI in poverty reduction has been limited partly by its concentration on sectors that have less linkage to the rest of the economy (especially FDI in the mining sector). Regional integration can also address poverty reduction through Regional cooperation on development projects/programs, which we find to be significant but limited in scope.

Overall, the limited impact of Regional Integration on poverty can be explained, among others, by the infancy of the integration process. In addition, since poverty in Tanzania is basically a rural phenomenon, the unfavourable economic conditions of the rural sector (lack of functioning markets, low level of skills and reliance on subsistence agriculture with constrained tradable crops) limit the benefit of Regional integration to the poor. Nevertheless, realisation of the potential for Regional integration to reduce poverty will depend much on how the above conditions are addressed (including measures to increase economy-wide competitiveness) more than the efforts to hasten the integration progress. The private sector should be made conversant about the modalities and opportunities of regionalisation, including government's measures to support export entrepreneurship.

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ACRONYMS

ADB	=	African Development Bank
AIDS	=	Acquired Immune Deficiency Syndrome
AGOA	=	Africa Growth and Opportunity Act
AHSN	=	Animal Health Surveillance Network
CBI	=	Cross Border Initiative
CCIA	=	COMESA Common Investment Area
CGE	=	Computable General Equilibrium
COMESA	=	Common Market for Eastern and Central Africa
CUTS	=	Consumer Unity and Trust Society
CTI	=	Confederation of Tanzania Industries
DfID	=	Department for International Development (UK)
DFIs	=	Development Finance Institutions
DRC	=	Democratic Republic of Congo
EAC	=	East African Community
EAIDSNet	=	East African Integrated Disease Surveillance Network
EBA	=	Everything But Arms
EEZ	=	Exclusive Economic Zone
EPA	=	Economic Partnership Agreement
ESIPP	=	EU/SADC Investment Promotion Programme
EU	=	European Union
FAO	=	Food and Agriculture Organisation
FDI	=	Foreign Direct Investment
FTA	=	Free Trade Area
HIV	=	Human Immunodeficiency Virus
ICD	=	Inter-Congolese Dialogue
ICM	=	Integrated Committee of Ministers
IMF	=	International Monetary Fund
IUU	=	Illegal Unregulated and Unreported fishing
MERCOSUR	=	Common Market of South America
MNE	=	Multinational Enterprise
MTS	=	Multilateral Trading Systems
NEPRU	=	Namibian Economic Research Unit
ODI	=	Overseas Development Institute
OECD	=	Organisation for Economic Cooperation and Development
PNER	=	Primary School Net Enrolment Rate.
PRSP	=	Poverty Reduction Strategy Paper
PTA	=	Preferential Trade Area
RI	=	Regional Integration
RIA	=	Regional Integration Arrangements
RIFF	=	Regional Integration Facilitation Forum
RTAs	=	Regional Trade Arrangements
SADC	=	South African Development Community
SDF	=	SADC Development Fund
SIDO	=	Small Industries Development Organisation
SMEs	=	Small and Medium scale Enterprises
SSA	=	Sub-Saharan Africa
TADs	=	Trans-boundary Animal Diseases

TCCIA	=	Tanzania Chamber of Commerce Industry and Agriculture
TRIMS	=	Trade Related Investment Measures
URT	=	United Republic of Tanzania
WB	=	World Bank

1.0 INTRODUCTION [1] [2]

One of the critical challenges facing Tanzania is how to enhance the country's economic competitiveness and increase the share of Tanzania in global trade in order to achieve the poverty reduction targets. Among the various strategies adopted to surmount this challenge, Tanzania has joined several regional economic groupings including the East African Community (EAC), the Southern African Development Community (SADC), the Common Market for Eastern and Central African States (COMESA)[3] and the Cross Border Initiative (CBI)[4]. But Tanzania is not alone in adopting this strategy. Many countries of the world have grouped together to form, expand or strengthen various regional integration arrangements (RIAs) in the last decade. In addition, the efficacy of RIAs in revamping integration of the developing countries in the global economy and subsequently their impact in reducing poverty have become important subjects of analysis in the last decade. Many recognise that regional integration forms an important part of the strategy for developing countries to achieve a 'smooth and gradual' integration into the world economy (Kennes, W, 1997). An ensuing analytical question is whether and how Regional Integration Arrangements (RIAs) have affected poverty in a low income country such as Tanzania?

The literature admits that the precise pathways through which formation of regional groupings affect poverty are rather indirect - through trade, investment, and other regional socio-economic cooperation. A theoretical framework mapping these links is proposed by Te Velde, Page and Morrissey (2004). The empirical literature has tended to address each channel separately; research on the investment channel, for instance, has examined how the investment and trade related provisions in the RIA affects poverty (see Te Velde and Fahnbulleh, 2003), the impact of Regional Integration (RI) on FDI (Te Velde and Bezemer, 2004; Bende-Nabende, 2003), and the impact of trade on poverty (Winters, 2000). The literature for Tanzania is limited. A few existing studies concern the impact of regional integration on Tanzanian economy more generally and trade in particular without a focus on poverty (see Musonda, 2000, 2004). Others have examined the impact of trade

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1 This study provides a country case study for Tanzania as part of a project that examines the linkages between Regional Integration and Poverty. We are grateful to the financial resources from ODI, and the information from the interviewed firms and institutions that made this study possible. The project "Regional Integration and Poverty" is funded by the UK DFID. The UK Department for International Development (DFID) supports policies, programmes and projects to promote international development. DFID provided funds for this study (an EC-PREP project on Regional Integration and Poverty) as part of that objective. The views and opinions expressed are those of the authors alone.

2 Authors are respectively Research Fellow and Consultant at the Economic and Social Research Foundation (ESRF), Dar es Salaam, Tanzania.

3 Tanzania withdrew from COMESA in 2000.

4 CBI changed its name in 2000 to Regional Integration Investment Facilitation Forum.

on poverty (see Booth and Kweka, 2004), or the impact of investment on the economy (see for example Madete, 2000; Mboya, 2003; Mashindano, 2004) without reference to RI processes. The study by Wanga and Matambalya (2001) examines the impact of RI on poverty in SADC economies with a minor focus on Trade and investment provisions.

This study examines regional integration and poverty in Tanzania. In particular, the objective of the study is to assess how Regional Integration has affected poverty in Tanzania following the following links:

- RI can affect poverty through increased volume and poverty focus of trade
- RI can affect poverty through increased volume and poverty focus of investment
- RI can affect poverty through other routes.

The regions covered include EAC and SADC, but where possible also other relevant RI efforts[5]. Since the study focuses on the trade and investment provisions of RIAs in which Tanzania is a member, it is in no way a comprehensive assessment of the link between regional integration and poverty. In addition, Tanzania has implemented a number of policy reforms aimed at improving the trade and investment regime independent of regional integration process (see Appendix 1 and 2).

The report is organised as follows. The theoretical framework and methodology used for this study is summarized in Section 2 (see Te Velde, Page and Morrissey, 2004). Section 3 describes the status of regional integration processes by identifying the challenges and prospects of RIAs for Tanzania, namely the EAC, SADC, COMESA and others (e.g. CBI and Multilateral initiatives). Section 4 examines the investment links between Regional Integration and Poverty, while section 5 examines the trade links. Through a survey of sampled firms, section 5 also provides industry perspectives on the efficacy of intra regional trade and investment in poverty reduction. Other routes through which RI affects poverty are examined in Section 6 paying attention to the various socio-economic programmes implemented in a regional context. Finally section 7 concludes.

[5] In some aspects of this analysis, we also cover COMESA for comparison purposes although Tanzania withdrew as a member in 2000. This is important for two reasons. First, Tanzania has stayed in COMESA for many years to warrant examination of its effectiveness in poverty reduction. Second, some members of EAC and SADC are also members of COMESA, which will have inherent impact on the analysis; and finally, analysts still argue for Tanzania to reconsider its decision to withdraw.

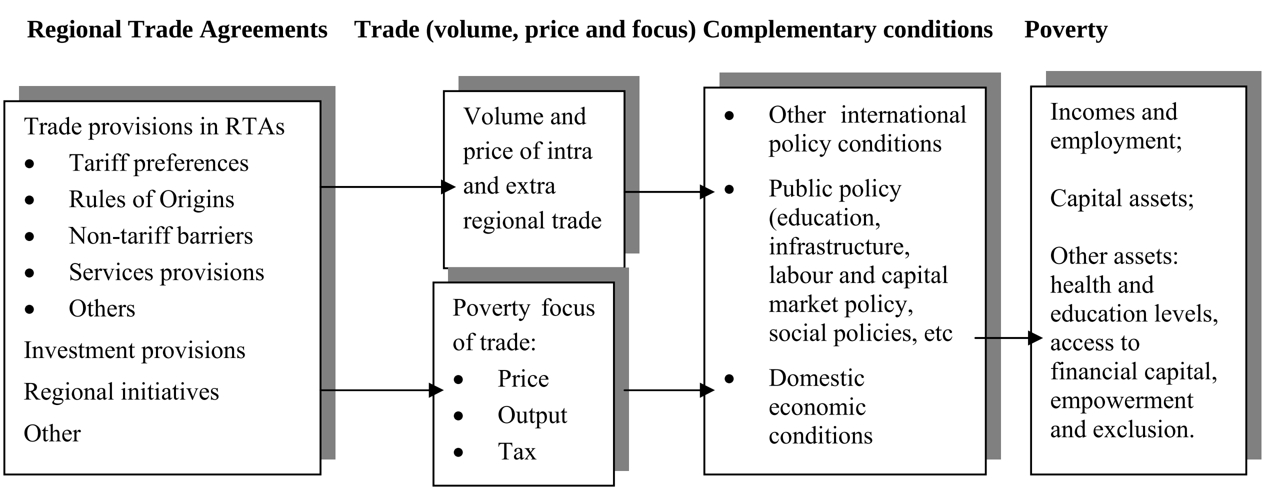
2.0 ANALYTICAL FRAMEWORK AND METHODOLOGY

2.1 The Analytical Framework

There are both analytical and methodological challenges in examining the impact of RI on poverty for a low-income country such as Tanzania. First, regional integration is still in formative stages in most aspects so there is a lack of evidence. For instance, the Custom Union (CU) as part of the RI process is only less than a year old in EAC and not yet fully operational, while SADC plans to establish an FTA in 2008. Second, low-income countries often suffer from a serious lack of reliable data to perform meaningful analysis. Third, members of a RIA may choose to cooperate on other aspects of social importance, which are eventually difficult to measure. For instance, Tanzania's objective in joining SADC was less based on economic integration than on socio-political cooperation compared to COMESA or EAC. Finally, there are many factors other than RI that affect development or poverty reduction, such as change in social norms or behaviours for example, or increased effectiveness of institutions and endowment of natural resources. These factors impair a credible analysis of how RI has affected poverty in the context of Tanzania. Therefore, the analytical framework (adopted from the background paper by Te Velde *et al*, 2004 for this study) will be applied with caution.

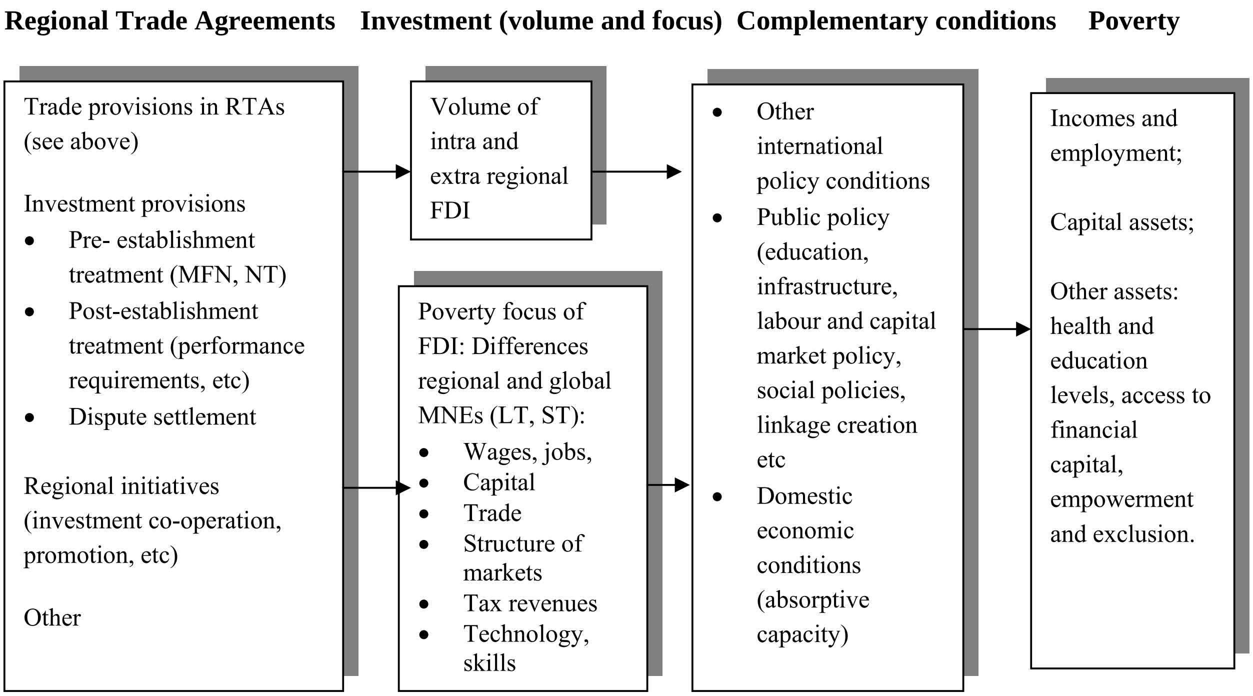
The first set of links between RI and poverty (shown in Figure 1) are through trade. Regional Trade Agreements (RTAs) include certain provisions that may affect the volume, price and "poverty focus" of trade. This may in turn affect different characteristics of poverty though with intermediation by complementary conditions including public policies. For a country member of a particular RTA, we should be asking a number of questions to unravel the effects of RTAs on poverty through trade.

Figure 2.1: Regional integration and poverty via trade



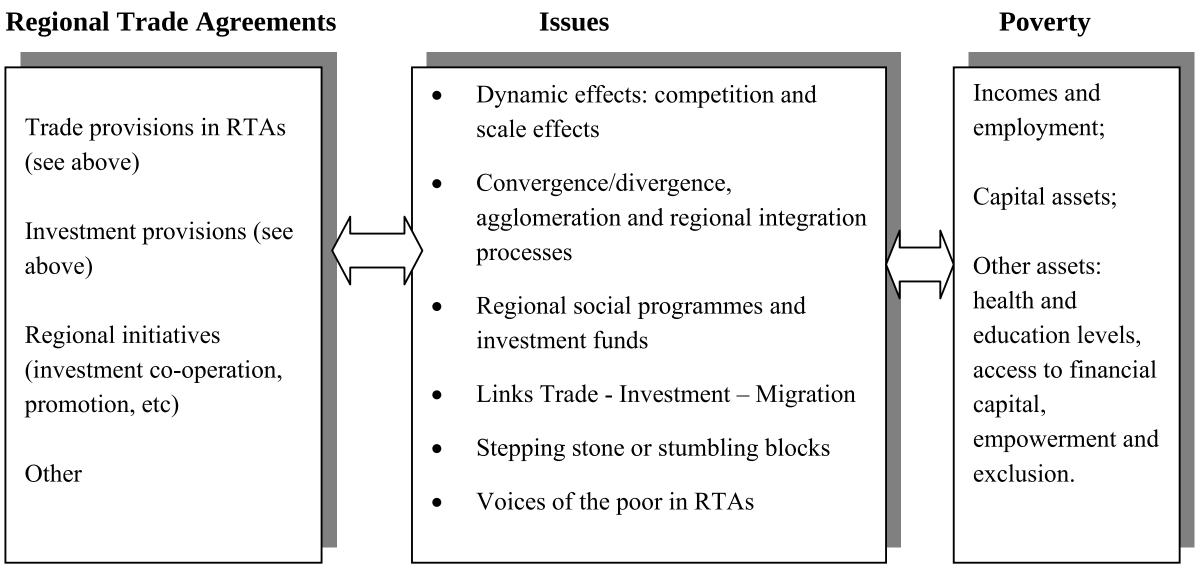
The second set of links (covered in Figure 2) between RI and poverty is through foreign direct investment. RTAs include certain provisions that may affect the volume, and "poverty focus" of investment. This may affect different characteristics of poverty, but again intermediated through complementary conditions including public policies. For a member of a particular RTA we should be asking a number of questions to unravel the effects of RTAs on poverty through investment.

Figure 2.2: Regional integration and poverty via investment



The third set of links can be termed "other" links and relate to non-trade and non-FDI issues in RTAs that may affect poverty or trade and FDI issues that affect regional integration processes.

Figure 2.3: Regional integration and poverty: non-trade and non-investment routes



2.2 Methodology

In general, due to the limitations identified above, analyses and evidence provided for the link between RI and Poverty use a number of approaches; (i) use of both secondary and primary data and information; (ii) interviews with key stakeholders in RIAs (e.g. firms and institutions) and (iii) information from literature and related studies on Tanzania.

Secondary data from published and national sources were used to examine both the performance and poverty-focus of intra and extra regional Investment and Trade. Where data are available, correlations of FDI with poverty and trade with poverty indicators are made to examine the impact of RI. Disaggregation of the RI effect is constrained by the limited availability of data, necessitating the use of total (intra and extra regional) figures to indicate potential impact. This may not be problematic given the fact that most RI investment and trade provisions are a long way from being effectively operational. Therefore the general impacts are likely to be good proxies for regional impacts. Secondary information from documents was used to identify other routes through which RI affects poverty in Tanzania. Primary data was collected from a sample of 30 firms in 3 regions surveyed to investigate trade and FDI impact and prospects for Tanzania. We consider this important to "hear from horse's mouth" and evaluate, using semi-structured questionnaires, investors confidence and opinions on RI and its efficacy for reducing poverty.

We also interviewed a number of stakeholders to obtain a qualitative assessment of how RI affects poverty in Tanzania. Interviews were held with investors and with a number of institutions managing the RI process for Tanzania. These included government departments, the Tanzania Investment Centre, the EAC secretariat and the SADC coordinating officer. Others include the Bank of Tanzania, beneficiaries and managers of regional socio-economic projects (e.g. NGOs and Fisheries department of Lake Victoria, East African Development Bank - EADB). Private sector apex bodies were also interviewed for similar purposes, such as the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) and the Confederation of Tanzania Industries (CTI).

As noted before, there are a number of studies in Tanzania that address different and partial aspects of the analytical framework. The three approaches of the methodology are interdependent in modelling the link between RI and poverty in the circumstances of Tanzania. For instance, stakeholders provided secondary data for analysis while the literature also reports evidence from survey data.

3.0 REGIONAL INTEGRATION AND POVERTY REDUCTION CHALLENGE FOR TANZANIA

As a background to the subsequent sections, this section describes the current status and challenges of various Regional Integration Arrangements and highlights the Poverty Reduction Strategy (PRS) for Tanzania. A description of RIAs will show their variation in terms of focus, integration process and challenges for poverty reduction. More importantly, and subject to the available information, we will identify for each RIA, any trade, investment or other provisions that have implications for poverty reduction. In highlighting the poverty reduction challenge for Tanzania, we firstly review the macroeconomic performance of the economy to assess the potential of growth of trade and investment to reduce poverty in Tanzania.

3.1 Performance of the Economy

Tanzania depends substantially on the agriculture sector for export earnings and employment. The economy is characterised by a large traditional rural sector and a small modern urban sector. Agriculture is the primary economic activity, accounting for about and 50% of export earnings. The manufacturing sector is small. Infrastructure, particularly the transport sector, is still underdeveloped. Exports comprise of a few cash crops, notably coffee, cotton and cashew nuts, but in the recent years tourism and mining have become the largest earner of foreign exchange. The level of government spending as a proportion of GDP has been high, albeit growing at a slower rate in recent years. Donor financing assumed greater importance after adoption of economic reforms in 1986. The servicing of foreign debt absorbs an increasing share of current revenue, which relies heavily on indirect taxes.

Examination of the post reform economic performance in Tanzania shows three interesting facts. First, economic growth improved significantly since the adoption of economic reforms. In recent years, the economy has been growing at about 5% per year in 2002. Second, and related to the first, there is an impressive macroeconomic stability illustrated by a significant reduction in the inflation rate to single digit levels since 2000. Finally, although the government has put in place an elaborate policy framework for poverty reduction (Poverty Reduction Strategy Paper – PRSP), the above macroeconomic achievements have not resulted in the expected reduction in poverty levels.

According to the various poverty reduction strategy review reports, there has been little progress achieved in poverty reduction, though the prospects for a substantial decline in poverty are still considered feasible. Currently, the government has reviewed its poverty reduction strategy to emphasise the growth and employment aspects of the PRSP. Private investment has increased following reforms, compensating for a reduction in public investment. The revival of economic growth was also accompanied by substantive changes in the structure of the economy. For instance, services and mineral exports have been responsible for most of the increased growth in exports. The share of merchandise exports declined from over 70% to about 54% respectively.

3.2 Overlapping Membership of Trade Agreements

It is a policy choice for a country to join a particular RIA. Tanzania is party to several trade agreements both at the regional and multilateral level (see Tables 3.1 and 3.2). Multiplicity of membership raises the problem of coordination and commitment for individual country in terms of adequacy and efficiency of human and financial resources. For a poor country such as Tanzania with inadequate resources and human capacity and inefficient institutions, this is considered a daunting challenge, which limits the effectiveness and implementation of agreed protocols (Musonda, 2004).

However, it is important to note that RIAs are different in focus, so that Tanzania might have different reasons for joining or leaving different regional trade arrangements and hence may decide to speed up the integration process of one while slowing on another (variable geometry argument) based on a perceived cost-benefit analysis. Objectives of different RIAs range from purely market/economic integration to socio-political cooperation agreements. The market integration model is based on Viner's (1950) custom union theory associated at increasing trade flows amongst member states. The theory predicts two possible outcomes of eliminating trade barriers in a regional context: *trade creation* (increased trade flow from efficient producers in the region) and *trade diversion* (increased trade flow from inefficient producers in the region). The development integration model of RIAs follows a conscious intervention by member states to pursue certain benefits of cooperation. This is particularly relevant when there are barriers to realising economic benefits to trade and investment. The model includes the common provision of regional public goods such as regional infrastructure and other public utilities. However, one of the criticisms of development integration model is that the need for flexibility may entrench backwardness since there are no specific time frames or quantifiable benchmarks for the achievement of targets.

Tanzania withdrew membership from COMESA in 2000 because the government perceived fewer benefits in it compared with EAC and SADC, and believed that the agendas of these organisations were incompatible with COMESA. The fact that Tanzania's leading trade partners are members of EAC (Kenya) and recently SADC (South Africa) make it unlikely that Tanzania can benefit significantly from COMESA. We corroborate this argument in section 5 by noting the marginal level of trade to

COMESA members that are not in SADC or EAC. The desire to further promote an economic relationship with South Africa was another deciding factor[6]. However, the private sector in Tanzania still believes that COMESA is beneficial to Tanzania and has opened the debate whether the country should reinstate her membership. Part of the problem is that there are no efforts by authorities to disseminate information about private sector opportunities available in the SADC market. The motives for forming SADC, however, were also about socio-political cooperation (e.g. the then liberation struggle for independence in Zimbabwe and the fight against Apartheid policies in South Africa). In all cases Tanzania has been a committed member in advocating the fraternity objective of SADC states.

Table 3.1: Overlapping Membership of Selected Trade Agreements

Country	WTO	COMESA	SADC	SACU	IOC	EAC	RIFF
Angola	*	*	*				
Botswana	*		*	*			
Burundi	*	*					*
Comoros					*		
DRC	*	*	*				
Djibouti	*	*					
Egypt	*	*					
Eritrea			*				
Ethiopia			*				
Kenya	*	*				*	*
Lesotho	*		*	*			
Madagascar	*	*			*		
Malawi	*	*	*				*
Mauritius	*	*	*		*		*
Mozambique	*		*				
Namibia	*	*	*	*			*
Rwanda	*	*					*
Seychelles		*	*		*		*
South Africa	*		*	*			
Sudan		*					
Swaziland	*	*	*	*			*
Tanzania	*****		*****			*****	*****
Uganda	*	*				*	*
Zambia	*	*	*			*	*
Zimbabwe	*	*	*				*

Source: Various documents from the reference list.

* Membership

6 South Africa has been one of the significant sources of Tanzania's FDI in the recent years (See Kabelwa, 2004).

3.3 Trade, Investment and other Provisions in RIAs

Table 3.2 gives a snapshot summary of the status of various Regional and Multilateral Agreements in which Tanzania is involved. Below we describe and discuss each in turn.

Table 3.2: Summary of International Trade Agreements for Tanzania

No.	Agreements	Membership for Tanzania (year)	Nature of Agreements	Current Status
1	COMESA	▪ 1995-endorsed ▪ 2000-withdrew	Started with FTA and now in progress to establish Custom Union	Working towards a Custom Union
2	SADC	▪ 1992 signed the declaration and treaty ▪ 1996-adopt SADC protocol in Trade	Establish a Free Trade Area in SADC region between 2008 to 2012	Preparing for implementation of various protocols
3	EAC	▪ 1999-signed the treaty ▪ 2000-ratified by the parliament	Regional trade Integration with Custom Union as the entry point	Custom Union signed in March, 2004. EALA unanimously approved the Custom Management Bill in December 2004.
4	Cross-Border Initiative (now RIFF)	▪ 1999-signed ▪ 2002 changed into Regional Investment Facilitation Forum	Facilitating forum to remove tariff and non-tariff barriers across the countries	Not active. Donors have withdrawn their support in December 2003.
5	ACP-EU Cooperation	▪ 1975- First Lome Convention ▪ Eligible for EBA initiative ▪ 2000-Cotonou Agreement	Reciprocal EPAs compatible with WTO regulations may be negotiated EBA provides duty free access to the EU market for Tanzania	Still on the preparation process
6	AGOA (extension of US GSP)	▪ July 2002, eligible	Bilateral, conditional upon meeting all the criteria by the US	Tanzania has qualified in all the criteria
7	WTO	▪ 1995	Multilateral rules in various issues	Tanzania like other LDCs benefits from SDT options
8	Indian Ocean RIM	▪ March 1995	Regional cooperation to strengthen trade and business cooperation among the members	Is not a very active inter-regional cooperation
9	NEPAD Initiatives	▪ July 2001	Try to implement what is agreed within AU	Tanzania has not been an active participant
10	Bilateral Initiatives	▪ There are more than twenty bilateral treaties	Most of them are technical or cultural cooperation	Most of them are not active

Source: Various documents from the reference list

3.3.1 The East African Community (EAC)

One of the greatest achievements of the new EAC is the establishment of the Custom Union. The Protocol was signed on 2nd March 2004, and the East African Legislative Assembly (EALA) unanimously approved the EAC Custom Management Bill in December 2004 (*Daily News*, December 17, 2004). In addition, the integration process in EAC has succeeded in putting in place a strong institutional base and programmes which determine the effectiveness of this RIA. The EAC institutional framework was taken from the old EAC with a few changes (see Musonda, 2004:82). The Treaty establishing the new EAC was signed in 1999 and in 2000 the community came into force again after its collapse in 1977. The failure of the old EAC was due to different political and economic ideologies among members, a change of the government in Uganda (1971), a sustained perception of unequal sharing of benefits and a compensation mechanism inadequate to address this situation. The main objective of the community is the development of policies and programmes aimed at widening and deepening co-operation among its members in various fields of development.

Having achieved a strong institutional base upon which to implement the integration agreement, the community must still meet several challenges before becoming a fully operational RIA. First, the EAC needs to maintain political will towards implementation of the entire treaty. Second, EAC should ensure agreement on implementing a transfer mechanism that allows less developed members to catch up with the richer ones. Third, identification of alternative sources of revenue to compensate for the immediate but short-term losses arising from the elimination of intra-regional tariffs. And finally, securing of adequate sources of funding for the regional secretariat to implement the various programmes identified in its development strategy. The second and third challenges are particularly important for Tanzania and Uganda whose duties on imports from Kenya are relatively substantial. This is why it is important to examine trade and investment provisions that may have serious implications for the efficacy of RI on poverty reduction.

The EAC has formed a committee on Trade, Industry and Investment to undertake various initiatives relating to trade and investment. Such initiatives have culminated into the establishment of a Protocol for the East African Custom Union. The objectives of the customs union are to (i) further liberalise intra-regional trade in goods on the basis of mutually beneficial trade arrangements among partner states; (ii) promote efficiency in production within the community; (iii) enhance domestic, cross border and foreign investment in the region and (iv) promote economic development and diversification by supporting the industrialisation process (for detailed description, see www.eac.int.).

Trade and Investment Provisions
The Protocol for establishing a Custom Union provides for the elimination of all internal tariffs; the establishment of a three band common external tariff with a minimum rate of *[0]* % (for capital goods), a middle rate of *[10]* % (for intermediate goods) and a maximum rate of *[25]* % (for final consumption goods) on all products imported into the community. The protocol also includes immediate removal of all existing non-tariff barriers to imports from other partner states and the adoption of the East African Community Rules of Origin. Other provisions include national treatment, anti-dumping measures, subsidies, countervailing and safeguard measures, competition, restrictions and prohibitions to trade and re-exportation of goods.

Under the CU, Kenya will reduce its internal tariffs to zero on all products upon the coming into force of the Protocol, whereas Tanzania and Uganda will gradually remove the internal tariffs for a small list of products deemed to be sensitive by the partner states over a period of five years. Tanzania has included over 800 goods on the sensitive list and Uganda 149 goods. Thus the majority of the products will be duty free from the first year because in the case of Tanzania, the residual products whose duty is to be phased out gradually accounts for only 15% of the total Kenya's exports to Tanzania. Trade between Uganda and Tanzania will be duty free on the coming into force of the Protocol. The products whose duties will be phased out gradually are those that are deemed to have a great revenue impact/loss and serious industrial development consequences.

There are two issues of immediate concern for Tanzania and other partner states. First, as the Protocol is signed, agreement on which goods fall within the CET books and which fall outside the CET bands (sensitive) is yet to be reached. The products which are within the CET and for which agreement is yet to be reached include palm oil, tyres, paper and paper products, iron and aluminium products and motor vehicles, etc. There is also a list of products considered sensitive from both sides for which each country still maintains high tariffs (textile products e.g. *Kitenge*). Secondly, there is an issue of dual membership. This issue is likely to remain unresolved for some time as a broad integration vision of the three schemes (SADC, EAC and COMESA) is not yet feasible and may be complicated further by the differing rules of origin. Another important investment provision under the EAC is the model investment code that is being developed (but not yet agreed) for the EAC as described in Box 3.1.

Box 3.1
The EAC Model Investment Code (2002)

The EAC Model Investment code – 2002 (herein after "the code") is in advanced stage of preparation after the consultant (see Ruhindi, F 2002) completed the drafting and a workshop to discuss it in 2002. The code is now going through the usual process of adoption and ratification within the regional and national bureaucracy. The Code is composed of four parts. The first is the preliminary part highlighting on the title, interpretation and scope of the code. The second part is a more substantive section of the code, and it deals with the rights to establish and benefit an enterprise from the code and other operational investment incentives procedures. Part three describes the rationale and objectives for establishing a regional investment promotion agency. Part four covers the establishment, operation and incentives for the special economic zones. Finally, part five contains miscellaneous clauses/issues and regulation of the code. From a region trying to hasten its integration process for growth and poverty reduction, the code is a very welcome idea, although reading the code; one comes to a conclusion that its content and structure is not of any substantive difference with the Tanzanian investment policy/code.

The code outlines some key benefits of establishing the regional investment code/agency as being: improving the investment climate in the region by advocating policies and regulations that are favorable to foreign investment; harmonizing national investment policies/agencies in order to achieve the regional development goals; and finally, the code is envisaged to provide the international best practices in investment promotion and practices that will enhance increased flow and impact of foreign investment in the region. Establishment of the regional investment agency and code do not replace but rather complements the respective national code/agency. It should also be noted that the investment code is not intended to be a legal instrument, rather a guiding document for a particular member state that, in turn, may want to incorporate into their national investment policies or laws. In the interim before harmonization of investment policies and laws is made, investors are obliged to access their respective incentive packages from their national investment agencies.

The code provides for national treatment and non-discrimination, and avail the facilitative services of investment agency of a partner state to any eligible investors. Eligible investors for the investment incentive certificates are only those meeting the minimum thresh-hold; and those intending to invest in the allowable areas/sectors (see section 5(5) and section 8 of part (I). The investment laws of the respective partner states cover the minimum thresh-holds for portfolio investment for foreign and local investment.

Furthermore, the code includes several investment provisions relating to eligibility and granting of incentive certificates, incorporation and registration of investment, transfer and retention of funds, compensation in case of expropriation and settlement of dispute etc. The investment is allowed to employ only four or less foreigners but can employ more if deemed necessary and approved by the immigration department. Other incentives for investors include a uniform corporation tax of 30%, exemption on import duty for all machinery and raw materials, duty draw back for all exporters, 100% deduction allowance on training, research and mineral exploration expenditures and loss carried forward to be offset against future taxable profits. The code also provides for establishment of (and conditions thereof) special economic zones including the export processing zone, free trade zone, technology parks and tourism centers and virtual zones. The special economic zones are given specific fiscal and non-fiscal incentives according to specific investment activities. These are shown in Annexure I of the code.

In addition, the EAC has provided for cooperation and development of capital markets of the three member countries. Capital market development is one of the important strategies for achieving higher rates of investment in general, and one of the factors behind attracting FDI. As part of the broader cooperation in financial and monetary sectors, efforts to develop capital markets in the regional blocks have been made in the EAC as discussed in its development strategy. This includes harmonisation of regulatory and legislative framework, promotion of cross-border listings, and development of a regional rating system for securities. For instance, the Ugandan Capital Markets Authority allowed East African Breweries to cross list on the Uganda Securities Exchange in addition to its initial listing on the Kenyan Stock Exchange (Musonda, 2004:101). One of the benefits expected from this cooperation is to enable companies in the member countries to diversify their funding sources for investment. Savers would also benefit from a variety of investment opportunities. The East Africa Securities and Regulatory Authority (EASRA) that is comprised of capital market authorities for Kenya, Tanzania and Uganda has emerged. However, of the three capital market authorities, the Kenyan market is most advanced – and is likely to take the lead in the integration process (Masinde and Kibua, 2004).

In the case of Tanzania, the Capital Market and Securities Authority (CMSA) was established under the Capital Markets and Securities Act of 1994 as a regulatory body of the stock and securities exchange. The Dar es Salaam stock exchange (DSE) is expanding, but the number of listing and share transactions is expanding at a slow rate. So far only 6 Business establishments are listed by the CMSA in the DSE. Out of these, only two are flexible and can sell shares to foreign investors; the remaining four are already above the ceiling (65% or more) for foreign ownership (Mashindano, 2004:13)[7]. Nevertheless, the CMSA has succeeded in educating and engaging the public on the importance of trading shares in the stock exchange.

[7] The rules governing capital markets in Tanzania allow foreigners to buy purchase shares at the DSE with certain restrictions. For example, foreigners can only purchase shares if the company is less than 65% foreign owned. The objective is to protect the Tanzanian capital account from financial instability that is hazardous to the economy. However, the 65% foreign ownership restriction is considered too high to provide opportunity of financial liberalisation to Tanzanians, but also limit the extent of supply response from foreigners, as the prevailing demand for stocks is probably too low.

Table 3.3. provides a summary of the status of major projects under the EAC

Table 3.3: Summary of Major Projects/Programmes under the EAC

S/N	Elements to be contained in the Protocol	Current Status	Remarks/Further work envisaged
1	The elimination of internal tariffs and other charges	In December 2003, the relevant Permanent Secretaries re-aligned the list of category B products in line with the proposed EAC CET. Tanzania substituted the proposed special trading arrangement for tea with tariffs.	With the arrangements earlier reached, there are no outstanding issues in this area.
2	Establishment of EAC Common External Tariff	Extra-ordinary meeting of heads of state of 20 June 2003 approved the EAC CET as: 0%, 10%, and 25%. The partner states have categorized and classified products within the CET structure albeit there being some outstanding matters including: unresolved tariff lines within the EAC–CET, proposed EAC–CET tariff splits, criteria for selection of sensitive products on the basis of impact on public revenue, issue of sensitive products, national measure to be applied to the sensitive products already adopted by the council.	More than 95% of the work has been completed. The HLTF meeting and that of the permanent secretaries of the week of 2nd February 2004 are expected to address the outstanding matters.
3	Simplification and harmonization of trade documentation and procedures	-Customs documentations to be used once the Protocol on an EAC customs union comes into force, have been simplified and harmonized. -Much of the work on simplification and harmonization of customs procedures has been concluded. Pending work include review of other customs forms such as the F-series and P-series, review of registers, financial procedures, reporting and returns, procedures for customs preventive services, Cross border transfer of duty paid goods and all other customs procedures, harmonization of the different computer systems (ASYCUDA and BOFIN)	Remaining work shall be addressed within the context of the on going drafting of EAC common customs law. However, the outstanding work not substantive and cannot therefore hinder conclusion of the Protocol
4	Harmonization of commodity description and coding system	Work on the EAC commodity description and coding system has been completed and draft EAC customs Nomenclature has been produced	Outstanding work is in respect of developing explanatory notes to the customs nomenclature. This will be undertaken following finalization of categorization of imports
5	Harmonization of exempting regime	A matrix of harmonized EAC exempting regimes and a text of the proposed harmonized exemption regime for the EAC have been produced. However, consensus has not been reached in respect of harmonization of the Armed Forces and Non governmental organizations	Consultations in respect of outstanding exemptions are ongoing
6	Establishment of EAC rules of origin	At their meeting of 27-28 November 2003, the sectoral council on legal and judicial affairs approved the annexure on the EAC rules of origin. The annexure was adopted by the Council at its 6th meeting. Following the adoption by the council work on the EAC rules of origin has been successfully adopted.	Work on the EAC Rules of Origin including drafting of the users notes has been completed.

S/N	Elements to be contained in the Protocol	Current Status	Remarks/Further work envisaged
7	Harmonization of Duty Drawback and other export promotion schemes	Harmonization of Duty Drawback and other export promotion schemes has been completed. Drafts regulations have been developed in respect of: - Duty Drawback scheme - Duty/Value added tax remission scheme - Refund and remission of duty and taxes - Manufacturing under bond (MUB) and - Export processing zones (EPZs) The draft regulations on export promotion schemes have been referred to the Working Group on the EAC common customs law for incorporation.	The Working Group is expected to incorporate the draft regulations in the EAC common customs law.
8	Ant-dumping practices and subsidies and countervailing measures	The (ant-dumping measures) regulation have been drafted and considered by the sectoral committee on the legal and judicial affairs and are awaiting consideration and adoption by the sectoral council in the legal and judicial affairs.	Work on the regulations has been completed and they await adoption by the sectoral council on legal and judicial affairs
9	Application of the principle of asymmetry	The principle of asymmetry has been applied in the modalities and programme for elimination of internal tariffs and other charges of equivalent effect. Final study report on the application of the principle was completed and presented to the Permanent Secretaries on implementation of Article 75(7) of the Treaty	The final study report on application of the principle of asymmetry has been completed and considered by the Permanent Secretaries.
10	Elimination of non-tariff barriers to trade	Article 75(5) of the Treaty provides for removal by partner states of all the existing non-tariff barriers on the importation into their territory of goods originating from the other partner states and thereafter to refrain from imposing any further non tariff barriers.	The secretariat is formulating a mechanism for monitoring removal of non-tariff barriers. The draft proposal has been submitted to the trade/industry committee in March 2004.
11	Customs cooperation	The relevant text with respect to customs cooperation has been included in the draft protocol.	This matter is completed
12	Re-exportation of goods	The relevant text with respect to re-exportation of goods has been included in the draft protocol.	This matter is completed
13	Security and other restrictions to trade	The relevant text with respect to security and other restrictions has been included in the draft protocol.	This matter is completed
14	Formulation of EAC competition policy and law.	The EAC competition policy and law have been completed. The enactment of the EAC competition law by the East African legislative assembly was envisaged by 15 May 2004	The EAC competition law is pending enactment.
15	Formulation of legal, institutional and administrative structure of an EAC customs union	The council at its 6th meeting approved an institutional and administrative structure for the EAC customs union. The preparation and adoption of EAC Custom Law is in an advanced stage of completion by the EAC working Group on Custom Law.	Outstanding work is the on-going work on the EAC common customs law.
16	Preparation of a draft protocol on the establishment of an EAC customs union	Except articles 12(2) and 15(4) awaiting consultation by the summit and council respectively, the draft protocol No 5 has been completed and approved by the council for signature by the Heads of State	Outstanding work relate to articles 12(2) and 15(4), which await further consultation.

Source: EAC Secretariat - Report of the Council, 2004)

3.3.2 South African Development Community (SADC)

Trade and Investment Provisions

As part of its objective, SADC encourages intra-SADC cross-border flow of investment to bring about diversification and industrialisation in the region. More importantly, SADC intends to establish a fully-fledged Free Trade Area (FTA) by the year 2012. The implementation of tariff elimination schedules, rules of origin and dispute settlement mechanism have now begun.

The SADC trade protocol came into effect in 2000 and is aimed at removing tariff and non-tariff trade barriers within eight years. Up to now, eleven SADC countries have been implementing the Protocol through their tariff cut schedules and special agreements for various sectors. By 2001, about 47% of goods traded in the region were at zero tariffs. Preparations are underway to carry out a mid-term review of the implementation of the Protocol. An agreement has been reached on rules of origin for most products. These rules have been designed to encourage regional manufacturers to make use of regional raw materials and to boost investments in processing and manufacturing industries. Substantial work has been done to harmonise documentation and procedures in the areas of customs cooperation. The Integrated Committee of Ministers (ICM) developed and approved a code of conduct for customs officials with the aim of improving the performance and efficiency of customs border clearance system and reducing transaction costs for traders. In line with this, a lot has been done to ensure that regional products are competitive and comply with internationally accepted standards, quality assertion, and accreditation. Substantial work has also been done on the harmonisation of sanitary and phytosanitary measures that will enhance intra-SADC trade in agricultural products. Non-tariff barriers have been removed except for a few barriers related to administrative systems, which are also being dealt with.

The member states are implementing macroeconomic policies that encourage the development of a sound investment climate, enhance savings, and stimulate investment flows, technology transfer and innovation in the region. Efforts are being made to ensure that national investment acts and guidelines facilitate foreign direct investment in the region and that investment policies promote free movement of capital in the SADC region. Emphasis has also been put on mobilising domestic investment resources. In this respect, a network of Development Finance Institutions (DFIs) has been created to mobilise resources for financing development projects in the region. A feasibility study is underway for the establishment of a SADC Development Fund (SDF) for mobilising both domestic and international resources for investment in the region. This fund will play a catalytic role as a promoter and thus raise confidence levels among other potential investors in the region. The EU/SADC Investment Promotion Programme (ESIPP), worth

Euro 18 million, has been established in order to improve the overall investment climate in the region. The programme will carry out sector studies and organise face-to-face fora at which the project promoters from SADC will meet potential investors from the EU and other third countries. This programme is expected to substantially improve the investment climate in the region. On December 2004, agreement on the Mtwara Development Corridor was signed by Presidents of four of the SADC countries, namely Tanzania, Malawi, Zambia and Mozambique. This is a multi-billion-dollar regional project aimed at enhancing economic cooperation and developing jointly the cross-border resources and infrastructure of the four countries. Investment projects identified for the Mtwara Development Corridor are at advanced stages of preparation.

The key challenge facing SADC is to establish a free trade area within a reasonable time frame given the problem of overlapping membership of SADC countries in other different regional bodies, and the conflicting obligations arising thereof. Conducting trade according to more than one regional provision can prove difficult and may mean choosing one out of a number of conflicting sets of rules of origin. The other challenge is to formulate new policies and strategies that will target vulnerable groups, especially the poor, to ensure that they benefit from regional policies. The 14 member countries are expected to sign a free-trade area agreement by 2008 and implement the Custom Union Protocol by 2010 and the Common Market in 2012 (SADC secretariat, 2004).

The EU-EPA challenge

The countries in the African Caribbean and Pacific (ACP) group will negotiate Economic Partnership Agreements with the EU in several regions. All the countries that are members of both COMESA and SADC have already chosen to negotiate with the EU as ESA[8]. SADC has lagged and been overtaken by events. The fact that COMESA members have chosen ESA would suggest that SADC is fragile. And, given that COMESA is relatively more experienced in market integration than SADC, it may benefit trade-wise more readily with the EU compared to SADC Botswana, Namibia, Lesotho, and Swaziland do not need to negotiate anything because they are implicitly bound by the South African EU agreement, so it is Tanzania, Angola, and Mozambique that will effectively constitute the SADC-EU EPA, but Mozambique may join SACU leaving Tanzania desperate if it actually wants to negotiate an EPA. The SADC secretariat is taking a lead in the preparation for negotiations about how SADC can improve its access to the EU market.

[8] There are 16 countries forming the ESA group namely: Burundi, Comoros, DR Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, and Zimbabwe.

3.3.3 Common Market for East and Southern Africa (COMESA)

The Treaty establishing COMESA was signed in 1993 and ratified in 1994. It is progressing to a Free Trade Area (FTA) in 2000 through annual reduction in tariffs. The region's main objectives are to cooperate in exploiting member countries' natural and human resources and maintain peace and security for the common good of all their people. COMESA objectives are to remove the structural and institutional weaknesses in the member states by pooling their resources together in order to sustain their development efforts either individually or collectively. The member countries are as shown in Table 3.1. Tanzania withdrew her membership in 2000 for reasons discussed earlier. However, there has been mixed opinion regarding the government's decision to withdraw from COMESA. Some members of the business community are against this decision while others find no reason to complain in the absence of supporting evidence as to whether the membership was beneficial to the country. It is however unlikely that the government will rejoin the body. There are also opinions that the debate on rejoining COMESA is heated by a few industrialists with particular interests in COMESA, but this was difficult to corroborate by this study.

Trade and Investment Provisions
To expand trade and investment opportunities, nine members of COMESA (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe) launched the COMESA Free Trade Area (FTA) on 31 October 2000. These countries are trading on quota-free and duty-free terms for all goods originating from their territories, but continue to impose their own national tariffs on goods imported from the rest of the world. Meanwhile, COMESA is working to establish the COMESA Common Investment Area (CCIA) in order to attract greater and sustainable levels of investment. This objective is expected to be achieved by creating an international competitive investment area that allows for free movement of capital, labour, goods and services across borders of Member States. CCIA is expected to enhance the operations in the Free Trade Area and thus increase intra-COMESA trade. More details in relation to COMESA trade and investment arrangement are not relevant for this study since such arrangements commenced after Tanzania had withdrawn her membership.

3.3.4 Regional Integration Facilitation Forum (RIFF)

RIFF (formerly known as Cross-Border Initiative) is a programme for stimulating cross-border trade and investment amongst countries of the Eastern, Central and Southern African regions, with the objective of accelerating the process of trade liberalisation and curbing food insecurity. The programme was funded by the African Development Bank (ADB), The World Bank (WB), International Monetary Fund (IMF), and the European Union (EU). The sponsors awarded financial incentives to the CBI members whose tariff and non-tariff barriers have performed above the agreed targets. The donors withdrew their support since December 2003 coinciding with the change of name to Regional Integration Facilitation Forum (RIFF).

RIFF was signed in 1999 and aimed at reducing import duties and statutory exemptions. According to the assessment conducted for the IMF by Jose Fajgenbaum and others (see Fajgenbaum *et al*, 1999), the CBI initiative that started in 1993 had made tremendous (but uneven) achievement in trade liberalisation (reducing tariffs and none-tariff barriers) as at the end of 1998, although none of the members had fully eliminated the intra-regional tariff. In 1993, about 93% of the CBI countries had a very restrictive trade regime but in 1999, only 43% had maintained a restrictive trade regime, 36% (compared to 22% for non-CBI) had established an open regime and 21% were moderate.

Almost all member countries have eliminated the state trade monopoly and harmonised road transit charges (as part of trade facilitation targets). Progress was made also in the area of investment deregulation by instituting one-stop investment centres in almost all countries. With the exception of a few countries, most of the investment codes included some form of tariff exemptions. Little or no progress was evident in the area of agreement on double taxation, labour mobility and tariff exemptions. While its objectives are laudable, RIFF seems much weaker in terms of policy influence than the regional integration efforts of the EAC and SADC.

3.3.5 Multilateral trade and investment provisions

Tanzania as a Least Developed Country receives numerous trade preferences in the current Multilateral Trade System (MTS) under WTO in the form of GSP. In addition, Tanzania benefits from specific bilateral initiatives notably by the US (the familiar AGOA programme is an extension of GSP into products such as textiles and clothing) and the EU (under EBA, and recently EPAs). Our coverage of these initiatives is relatively limited given the focus of the study to the specific RIAs mentioned above. However, three points are particularly worth noting. First, the traditional focus of the MTS on trade issues has altered to include other issues including investment issues such as trade related investment measures (TRIMs), which may affect the ability to attract inward FDI to developing countries. Second, although Tanzania has qualified for many of the trade preferences at the multilateral level, the performance in terms of access to these markets for Tanzanian exports has been dismal. The problem does not lie only in the obvious low productive capacity of the economy and inefficiency of market and supporting institutions, but also on the policy response. For instance, despite all the opportunities offered under successive EU arrangements, Tanzania's total exports to the EU declined over the 1990s. The new EU-ACP partnership under the familiar Cotonou Agreement entails much longer-term cooperation with each other through the EPAs. EPAs can include trade and investment provision in addition to development assistance, but Tanzania does not seem abreast of the opportunities. How much of a problem EPA is depends on how much Tanzania wants to be in an EPA. Purely from the point of view of access to the EU market, the permanent privileges it enjoys as a Least Developed Country under the EBA initiative means that it does not need to sign an EPA.

3.4 Poverty Reduction Challenge for Tanzania

Tanzania is one of the poorest countries in the world with about 36% of its population without sufficient income to meet their basic human needs. Income and non-income indicators shown in Table 3.4 portrays evidence of the depth of poverty. The table indicates that Tanzania is poorer than the average developing country in terms of under five-mortality rate, maternal mortality, literacy rate, primary school enrolment, average life expectancy, doctor patient ratio etc.

Table 3.4: Comparison of Poverty between Tanzania and developing countries.

Indicators	Unit	Tanzania	Developing Countries
GDP per Capita	US$	270	970
Population below poverty line	Per cent	51.1	n.a
Under-five mortality rate	Per 1000 live births	165	88
Maternal mortality	Per 1000,000	530	384
Literacy rate	Per cent	76	85.5
Primary school enrolment	Per cent	63	77
Secondary school enrolment	Per cent	6	35-47
Doctor-patient ratio	Patients per doctor	23000	5767
Severe malnutrition	Per cent	29	30
Average life expectancy	Years	44	63.3
Families with water supply at home	Per cent	11	70
People living in temporary settlements	Per cent	60-70	30-60

Source: World Bank, World Development Indicators, 2003

The 2000/01 Household Budget Survey reveals that (i) 19% of the total population cannot meet basic food requirements; (ii) 87% of all poor people live in the rural areas; (iii) 51% of the poor people were in the households whose head had not attained primary education; (iv) Households that depend on subsistence agriculture have high levels of poverty; (v) High level of poverty is in the households with larger number of members and whose heads have neither fulfilled economic activities nor followed primary education; (vi) Low proportion of students from poor families attend primary school; (vii) Declining poor people's access to health services especially after the introduction of a cost sharing system; (viii) Much long distance to water sources for the poorest people of whom 54% depend on unprotected water sources.

As a response to this situation, the government of Tanzania embarked on a National Poverty Eradication Strategy in 1998 aimed at providing a framework to guide poverty eradication initiatives. Goals were set to reduce absolute poverty by half by 2010 and to completely eradicate absolute poverty by 2025. Subsequently, the formulation of the PRSP[9] involved broad based participation by civil society and private sector in all of its operational steps. Tanzania's first Poverty Reduction Strategy Paper (PRSP) was finalised in 2000 and since then, a series of poverty reduction initiatives have been made. Progress on poverty reduction initiatives is updated on an annual basis in the PRS progress reports. The third PRS progress report notes that divergent efforts have been made to improve delivery of social services such as education, health and water but argues that greater attention has to be paid to quality and equity issues in the delivery of these services (URT, 2004). The private sector (in growth issues and trade) has become the subject of attention due to its critical role in poverty reduction. As a result, the new PRS framework (2004) is called the '*National Strategy for Growth and Reduction of Poverty – NSGR*' *(*in Swahili*, MKUKUTA)*[10]. Since increased trade and investment is considered key for Tanzania's effort to achieve the growth rate needed for poverty reduction, regional integration assumes an important role in the poverty reduction strategy because RI is expected to increase intra-regional trade and investment. It is against this background that we assess, in the next two sections, the extent to which RI has affected poverty in Tanzania via trade and investment channels.

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[9] Poverty Reduction Strategy Papers are to provide the basis for assistance from the World Bank and the IMF as well as debt relief under the HIPC initiative. PRSPs are country-driven, comprehensive in scope, partnership-oriented, and participatory. A country only needs to write a PRSP every three years. Changes are made to the content of a PRSP using an Annual Progress Report.

[10] As part of the first PRS, a number of sectors have been identified as key. These include, education, health, agriculture, infrastructure (rural roads), water, Judiciary and cross cutting issues (governance, HIV/AIDS, environment and Gender).

4.0 REGIONAL INTEGRATION AND POVERTY REDUCTION THROUGH FDI IN TANZANIA

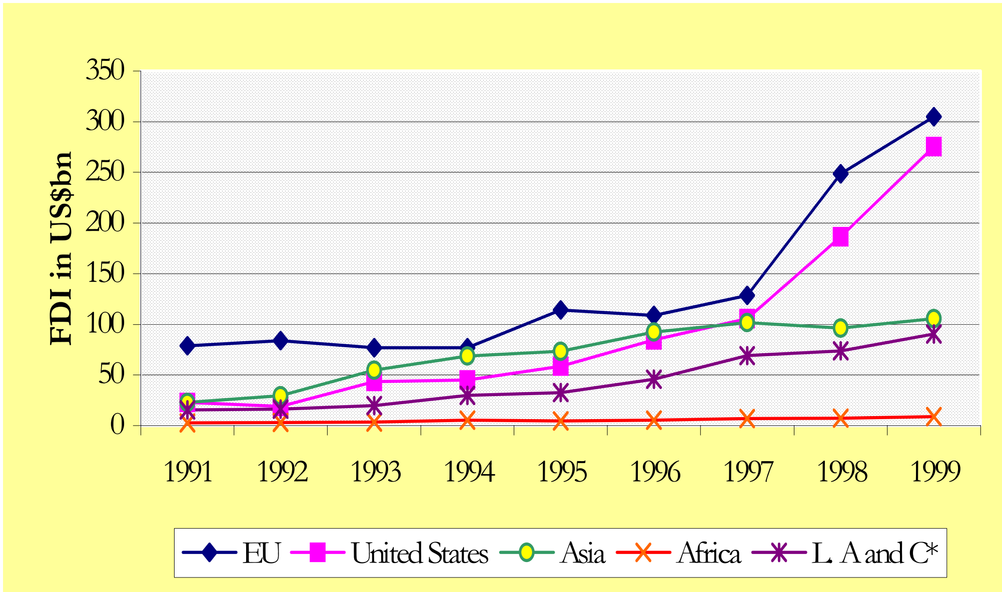
The literature offers little guidance on how and whether regionalisation increases FDI in developing countries (see Te Velde and Bezemer, 2004; OECD, 2001; Hartzenberg, 2000; Collier and Pattillio, 2000). However, for a country such as Tanzania, the answer to this question may be complicated further by the fact that most RIAs in Sub-Sahara African countries are at an infant stage of implementation, thus limiting a quantitative analysis. The issue for this study is whether the investment provisions in the RIA are conducive to an environment favourable to attracting FDI, even when it is extra-regional. And if so, to what extent is this FDI poverty reducing? We address these questions first by examining the performance of FDI flows to Tanzania both intra and extra regionally. We then discuss the poverty focus of FDI flows by examining the sectoral and regional (sub-national) distribution of FDI to determine the extent to which key sectors for poverty reduction (e.g. agriculture, health, education, and manufacturing) have received increased FDI. In addition, we correlate indices of FDI flows to the poverty (e.g. Human Development) index to examine the potential relationship between the two variables.

4.1 Global and Africa Trend of FDI Inflow

Trends in global FDI flows (see Figure 4.1) show a small share of FDI going to Africa, whereas the EU, USA and Japan have been the focal points for FDI. During the 1980s, approximately 81% of FDI outflows originated from EU, USA and Japan, while 71% was destined to the same regions (UNCTAD, 2002). The attractiveness of Africa as a location for FDI has been unfavourable because the continent is often associated with factors that discourage FDI– e.g. civil unrest, deadly diseases and economic disorders. This raises the challenge for African countries to support regional initiatives that can tame such negative factors and also encourage intra regional FDI in Africa. Most African countries have formed regional groupings and, sometimes as part of structural reforms, liberalised their investment and trade regimes in the last two decades in order to attract more FDI. However, the direction of FDI flows has been determined more by the growth potential and level of productivity of the host economies than by the liberalisation agenda.

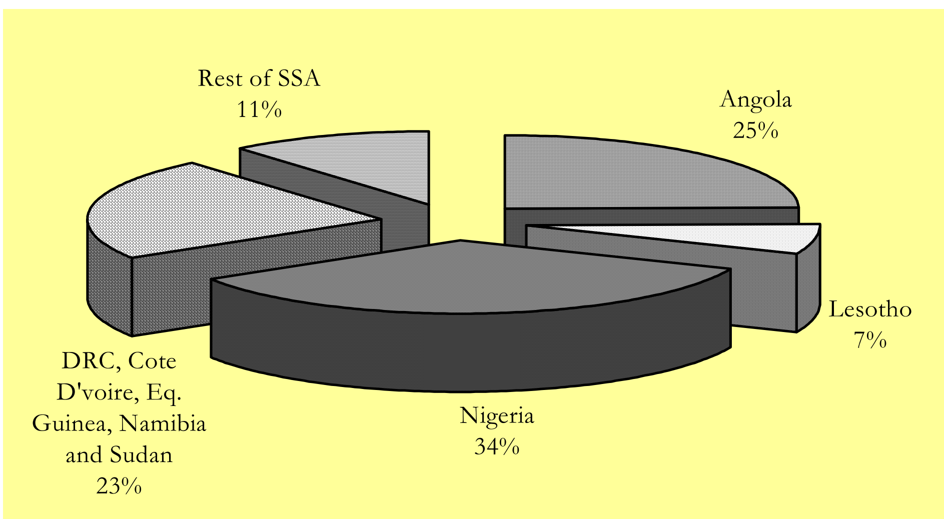
While Africa's share of global FDI has been minimal, the pattern of FDI flows has been unevenly distributed across African countries where oil-rich countries (Angola and Nigeria) have been in the lead (see Fig 4.2). FDI in Africa has traditionally concentrated in the primary sector but of late, the manufacturing and service sectors are becoming key sectors for FDI inflows.

Figure 4.1: Global FDI inflow by major regions



* L. A and C - Latin America and Caribbean
Source: Data from UNCTAD, various years.

Figure 4.2: Composition of FDI in Sub–Saharan Africa

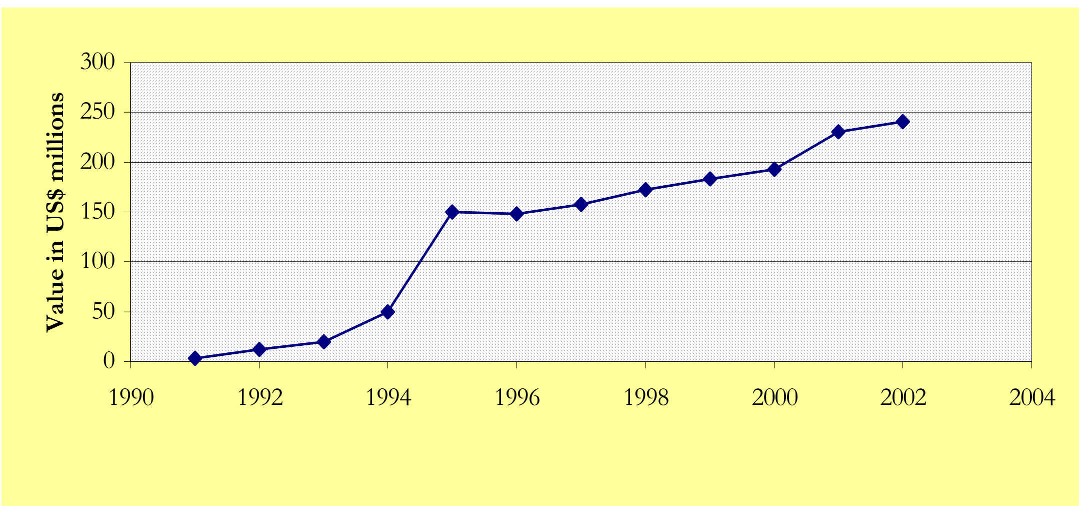


Source: UNCTAD, 2001

4.2 Trend of FDI Inflow to Tanzania

Tanzania is quickly becoming an FDI front-runner in Africa with FDI inflow increasing from less than US$ 2 million in 1992 to about US$ 250 million in 2002 (see Fig 4.3) attributable to comprehensive national reform policies implemented (UNCTAD, 2002). The stock of FDI in 1995-2000 amounted to US$1 billion compared to less than US$ 2 million during 1986-1992. Tanzania's share of FDI inflows into LDCs doubled from 2.7% in 1991-1995 to 5.3% in 1996-1999 and more than doubled in the case of Sub-Sahara African countries from 1.5% to 3.3% respectively. Aware of the benefits associated with FDI, the government has made concerted efforts to attract FDI since the mid 1980s. These efforts included economic liberalisation towards a market-oriented economy, the restoration of macroeconomic stability and implementation of various institutional reforms such as the establishment of the Tanzania Investment Centre (TIC)[11], Parastatal Sector Reforms Commission (PSRC) and Tanzania Revenue Authority, and formation of sector specific policies.

Figure 4.3: FDI inflows to Tanzania, 1991 – 2002



Source: Tanzania Investment Report, 2001 and The Economic Survey, 2002

In addition to the reform policy impact, regional integration efforts in EAC also contributed to the positive trend of FDI flows to the region, particularly for Uganda and Tanzania. Parallel with the impressive performance of Tanzania, the three East African countries increased their total FDI inflows 10 times from less than $50 m in 1985 to over

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11 Established in 1997, TIC is a primary agency of the government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the government on investment related matters. It is a 'one stop facilitative center for all investors' engaged in the business of marketing Tanzania as an investment destination.

US$ 500 million in 2002. Comparison of the three countries show that from 1970 to 1991, the region received a total of US$ 270 million FDI inflows, with 90% to Kenya, 10% to Tanzania and hardly any for Uganda[12]. The picture changed completely during the 1990s so that by 2000, total FDI inflows to the three countries amounted to US$500 million, half of this went to Uganda, and 40% to Tanzania and Kenya attracted only 10%.

4.2.1 FDI Distribution by Country of Origin

We can report on data on the FDI distribution by country of origin, by sector and region for Tanzania. Table 4.1 shows FDI flows by country of origin. The leading countries that have invested in Tanzania for the period 1998 – 2001 are the United Kingdom, Ghana and South Africa. It is widely believed that the dominance of UK as a source of FDI inflows into Tanzania is for historical reasons. Of late, the mining sector has become an important source of FDI attraction as it has drawn in new investors from Ghana, South Africa, Australia, Canada and USA.

As is shown in Table 4.1, the top six countries account for 63% of FDI inflows to Tanzania. South Africa and Kenya are the only two African countries that are important sources of FDI inflows to Tanzania accounting for 13% and 3% of total FDI respectively. This indicates that the two countries are most well positioned to take advantage of trade investment provisions in the SADC and EAC respectively.

4.2.2 Distribution by Sector

Table 4.2 indicates that most FDI in Tanzania has gone to the mining and quarrying sector (about 31%), followed by manufacturing (20.3%), wholesale & retail trade, catering & accommodation services (14.8%) and transport, storage & communication (11%). These four sectors alone accounted for about 77% of total FDI inflows at the end of 2001. The agriculture sector received a low share of 7.7% of the total FDI inflows in spite of its accorded importance in the economy and poverty reduction (as the largest employer and source of export revenue).

[12] Anecdotal evidence shows that some Kenyan firms (which used to supply/export to Tanzania) have decided to establish plants in Dar es Salaam to take advantage of the market but also the fiscal incentive offered to FDI; and especially as the avenues for corruption in importing have been shut.

Table 4.1: FDI inflows by Country of Origin, 1998 – 2001 (US$ million, except **)

ORIGIN	1998*	1999	2000	2001	Total	% of Total**
EAC						
Kenya	53.7	21.1	6.5	12.5	93.8	3.2
Uganda	0.4	1.8	0.4	0	2.6	0.1
Sub-Total	*54.1*	*22.9*	*6.9*	*12.5*	*96.4*	*3.3*
SADC						
South Africa	32.4	44.3	133.5	174.5	384.7	13.2
Mauritius	70.4	16.5	4.6	3.7	95.3	3.3
Swaziland	0.2	8	1.2	2.8	12.2	0.4
Malawi	10.5	1.1	0	0	11.6	0.4
Zambia	8.6	0.6	0	0	9.2	0.3
Sub-Total	*122.1*	*70.5*	*139.3*	*181*	*513*	*17.6*
America and Australia						
Canada	96.7	78.9	0	20.6	196.2	6.8
USA	122.2	24	27.6	27.6	201.4	6.9
Australia	106.3	48.5	4	3.9	162.7	5.6
Sub-Total	*325.2*	*151.4*	*31.6*	*52.1*	*560.3*	*19.3*
Europe						
United Kingdom	313.8	30.7	24.4	82.2	451.2	15.5
France	30.2	13.1	2.3	2.2	47.8	1.6
Switzerland	28.3	9	30.8	23.8	91.9	3.2
Germany	35.1	8.5	12.2	1.2	56.9	2.0
Denmark	24	6.3	0.4	0.1	30.8	1.1
Norway	31.5	5.5	1.6	4.6	43.2	1.5
Netherlands	106.4	5.5	1.7	58.5	172.2	5.9
Italy	68.1	3.5	1.5	1.2	74.3	2.6
Sweden	24.5	3.5	4.1	5.4	37.5	1.3
Luxembourg	16.5	0.6	0	2.4	19.4	0.7
Japan	6.5	0.4	16.8	0	23.7	0.8
Isle of Man	13	0.1	0	1.6	14.7	0.5
Sub-Total	*697.9*	*86.7*	*95.8*	*183.2*	*1063.6*	*36.7*
Rest of Africa and World						
Ghana	265.1	162.7	0	1.5	429.3	14.8
Lebanon	1	6.4	0	0.9	8.3	0.3
Saudi Arabia	4.1	6.1	0	0	10.2	0.4
Bermuda	61.2	5.3	0	0	66.5	2.3
Foreign-Not Specified	3.7	4.1	0.2	1.3	9.3	0.3
Malaysia	40.5	3.7	0.1	1	45.4	1.6
Panama	1	2.4	0	5	8.4	0.3
China	9.9	0.8	1.9	1.5	14.2	0.5
United Arab Emirates	2.2	0.6	2.2	0.3	5.4	0.2
India	4.7	0.5	1.5	1.8	8.5	0.3
Sub-Total	*393.4*	*192.6*	*5.9*	*13.3*	*605.5*	*21.0*
Grand Total	**1592.7**	**524.1**	**279.5**	**442.1**	**2838.8**	**97.9**

* 1998 represent FDI stock, and the subsequent years are flows.
** Total does not add because of rounding-off errors and the fact that our calculation omitted countries with insignificant value of FDI to Tanzania.
Source: Tanzania Investment Report & TIC (2002)

Examination of the key sectors for growth (namely agriculture, manufacturing and services) and the priority sectors for poverty reduction shows that the types of FDI inflows to Tanzania are not well poverty focused. For instance, the mining sector has lower sectoral linkages and multiplier effects compared to the cash crop sector such as cotton or a service sector such as tourism (Kweka, Morrissey and Blake, 2003). The revealed structure of FDI inflows is more a testimony of FDI preferences and opportunities available in the high concentration sectors than promotion efforts in such sectors. In addition, social sectors identified as key for poverty reduction (in the first PRS) have attracted a small share of total FDI. This implies that the direct impact of FDI on poverty in Tanzania is limited. The small share of FDI in the agriculture sector in total FDI is also attributed to the adverse conditions in the agriculture sector (including adverse weather conditions, low prices of agriculture products in the world market, insufficient domestic markets and other supply side and institutional bottlenecks).

There have been insufficient policy efforts to establish an environment that encourages FDI to the agriculture sector. The government needs to take deliberate efforts to attract more FDI to the agriculture sector as a way of enhancing its efforts to alleviate poverty by among other things, expediting land ownership reforms and addressing the infrastructure and other supply side bottlenecks to rural enterprises.

Table 4.2: Distribution of FDI inflows by Sector, 1998 – 2001 (US$ million)

Sector	1998*	1999	2000	2001	Total	% of total
Mining and Quarrying	568.2	293.6	9.5	37.7	908.95	30.9
Manufacturing	407.1	94.0	47.0	48.5	596.57	20.3
Wholesale & Retail trade, catering & accommodation services	251.5	64.7	58.8	58.4	433.34	14.8
Construction	93.02	28.1	5.9	6.2	133.22	4.5
Agriculture, hunting, forestry and fishing	105.34	23.1	50.4	47.5	226.43	7.7
Transport, storage & communication	47.7	15.6	100.7	158.1	322.07	11.0
Financing, insurance, real estate, and business services	132.5	14.9	3.5	8.9	159.84	5.4
Community, social and personal services	1.4	2.1	3.5	1.8	8.79	0.3
Utilities	35.36	0.0	0.2	83.0	118.56	4.0
Others	29.36	0.0	0.0	0.0	29.36	1.0
Total	**1671.48**	**536.2**	**279.4**	**450.1**	**2,937.12**	**100.0**

*Figures for 1998 are FDI in Stock

Source: Tanzania Investment Report, 2001 & TIC

4.2.3 Distribution by Region

The regional distribution of FDI in Tanzania is also highly skewed in favour of a few regions, namely Dar es Salaam, Mwanza, Shinyanga, Arusha and Morogoro (see Table 4.3). By the end of 2001, these five regions accounted for about 87% of FDI inflows to the country. During this period, Dar es Salaam alone accounted for 53%. However, this is not a surprising observation, since most of the privatised manufacturing companies are located in Dar es Salaam while most mining activities are concentrated in Mwanza, Arusha and Shinyanga. Also, Dar es Salaam is more advantaged than other regions due to its being the main commercial centre, its diverse social structure and more advanced economic infrastructure which is more conducive for business activities compared to other areas in Tanzania. Other regions that have attracted substantial amounts of FDI are Arusha, Morogoro, Kilimanjaro, Mara and Iringa regions while Pwani, Dodoma and Ruvuma have the lowest concentrations of FDI. These are the regions with poorer infrastructure and least endowed with natural resources. Unfortunately, there are little if any production and economic linkages between the regions with most FDI and those with the least FDI. Government efforts to attract FDI into the country should go concomitant to the improvement of the rural infrastructure and productive utilities. However, little FDI involvement in agriculture seems typical of a general 'LDC' experience rather than a special experience of Tanzania.

Table 4.3: Stock and flow of FDI by Region, 1998 – 2001 (US$ million)

Region	1998*	1999	2000	2001	Total	% of Total
Dar es Salaam	649.8	358.2	175.0	343.0	1526	52.69
Shinyanga	111.2	84.5	0.0	24.2	219.9	7.59
Arusha	159.2	23.6	17.1	12.7	212.6	7.34
Mwanza	327.4	21.4	5.0	15.5	369.3	12.75
Kilimanjaro	25.3	13.9	42.4	12.4	94	3.25
Morogoro	119.3	12.0	31.9	30.7	193.9	6.69
Mara	66.7	11.5	1.2	0.0	79.4	3.25
Tanga	50.3	5.8	0.7	9.5	66.3	2.29
Iringa	88.9	4.7	0.1	0.5	94.2	3.25
Mbeya	10.9	0.3	0.0	0.1	11.3	0.39
Pwani	1.9	0.1	0.3	0.1	2.4	0.18
Dodoma	5.3	0.0	0.0	0.0	5.3	0.18
Tabora	21.7	0.0	0.0	0.0	21.7	0.75
Ruvuma	0.0	0.0	0.0	0.0	0	0.00

*Figures for 1998 are FDI in Stock; *Source*: Tanzania Investment Report, 2001 & TIC

4.3 The Impact of FDI on Poverty

We have observed that the flow of FDI to Tanzania has been growing rapidly, especially in the late 1990s. The stock of FDI as a percentage of GDP grew from 2% in 1990 to 36% in 2002. Also, the share of FDI inflow to total capital formation increased from 0.5% in 1991 to 13% in 2002. The overall impact of FDI performance on poverty reduction has however been limited due to its concentration on a few sectors and regions and the fact that these sectors have low linkages with or multiplier effects on the rest of the economy (see Kweka, *et al* 2003). For instance, while agricultural projects accounted for only 5% of the total value of investment approved by the TIC between 1999 and 2000, they were the most efficient projects in creating employment (which is estimated to be 37% - see Figure 5). This is not to imply that FDI going to other sectors is not important for poverty reduction. In fact, FDI into manufacturing sector has huge prospects of reducing poverty through the creation of employment and backward linkages into other sectors of the economy. The later impact will spur entrepreneurship and increase the employment multiplier in the economy. In general, sectors differ in the extent to which an additional investment will reduce poverty directly depending on the linkage effect with the rest of sectors (especially agriculture) and employment generation capacity.

While FDI can have much potential for reducing poverty, it is the actual conditions in a particular sector/economy that will determine the eventual outcome. In this case, the poverty challenge (mostly a rural phenomenon) and existing conditions in the rural agricultural sectors (unfavourable business environment, unskilled labour force) in Tanzania does not permit a significant impact of FDI on poverty reduction.

Anecdotal evidence finds that some Kenyan firms have established in Tanzania as a result of regional integration. More importantly, given South Africa's accession into the SADC bloc, Tanzania has witnessed a lot of South African investments in Tanzania with measured economic benefits such as skills, employment, technology, tax revenue, trade and entrepreneurship. A study by George Kabelwa (2004) found out that South African companies have a significant potential to improve the country's low technological base, thereby contributing to entrepreneurship and industrial development.

There is also a spatial aspect of the FDI-poverty nexus. Regions with a better investment climate because of infrastructure and natural resource endowment have performed better in terms of trade and investment, and are also less poverty stricken. As mentioned earlier, the distribution of FDI in Tanzania is skewed towards a few regions with Dar es Salaam and Mwanza attracting the highest level of FDI inflows (above US$ 500m each in 1999, about 57% of total FDI inflows in 1999), leaving only 43% for the remaining regions. With this kind of distribution, a very small section of the country has benefited directly from the improved performance in FDI inflows. Column three of Table 4.4 reflects regional achievements in three dimensions of human development: long and healthy life, knowledge and decent standard of living. It is interesting to note that the regions with relatively higher concentration of FDI also have highest performance in terms of HDI. However, although Mwanza and Shinyanga are among the worst HDI performers, the two regions have rich mineral deposits (gold) and are among the top five with the highest stock of FDI. This implies that FDI inflows to the mining sector have so far had a limited impact on poverty reduction.

Table 4.4: Regional Distributions of FDI, Trade and Poverty

Region	FDI	HDI	CC exports
Arusha	◙◙◙	¤¤¤	◊◊
Coast	◙	¤¤	-
Dar es Salaam	◙◙◙◙	¤¤¤	-
Dodoma	◙	¤¤	-
Iringa	◙◙	¤¤¤	◊◊
Kagera	◙	¤	◊◊◊
Kigoma	◙	¤¤	-
Kilimanjaro	◙	¤¤¤	◊◊◊
Lindi	◙	¤	-
Mafia	◙	¤¤	-
Mara	◙◙◙	¤¤	-
Mbeya	◙	¤¤¤	◊◊
Morogoro	◙◙◙	¤¤	-
Mtwara	◙	¤¤	◊◊◊
Mwanza	◙◙◙◙	¤	◊◊◊
Pemba	◙	¤¤	-
Rukwa	◙	¤	-
Ruvuma	◙	¤¤	◊
Shinyanga	◙◙◙	¤	◊◊
Singida	◙	¤¤	-
Tabora	◙◙	¤¤	◊
Tanga	◙◙	¤¤	◊◊
Zanzibar	◙	¤¤	-

<u>**Key**</u>

FDI =Foreign Direct Investment
◙◙◙◙ $501m and above
◙◙◙ $101m - 500m
◙◙ $11m - 100m
◙ $0m - 10m

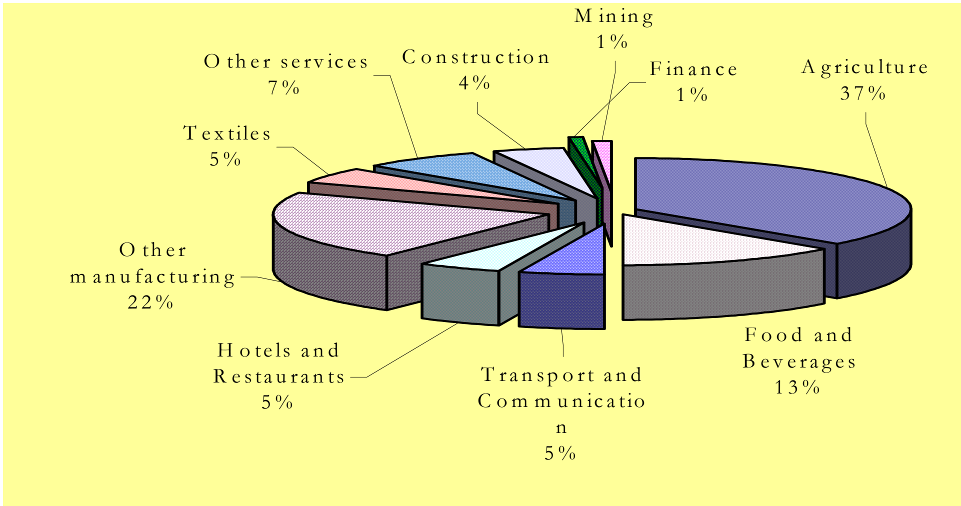
HDI= Human Development Index
¤¤¤ High HDI
¤¤ Medium HDI
¤ Low HDI
- Missing Data

CC exports = share of cash crops available
◊◊◊ 50%-100%
◊◊ 10% -50%
◊ Below 10%
- No cash crop for export

Source:FDI – Tanzania Investment Report, 2001; HDI – Poverty and Human Development Report, 2002; CC – Mkenda (2003)

The important role of domestic investment is acknowledged but not analysed here. One question is whether regional integration increases FDI inflows to a member country such as Tanzania, another question which we address here is whether FDI will affect poverty reduction generally.

Figure 4.4: Employment of approved FDI in Tanzania by sector, 1999 – 2000



Source: Tanzania Investment Centre (Various years)

Figure 4.5: FDI Share of GDP and primary school enrolment rate, 1990 – 2002

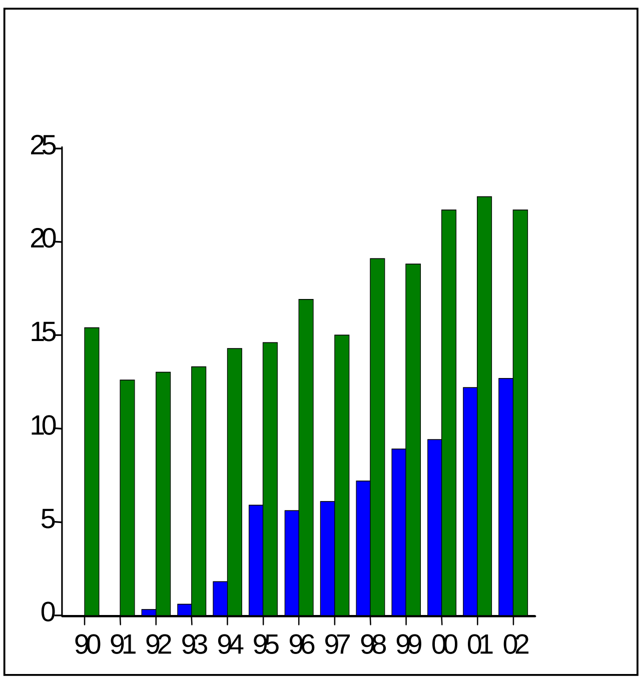
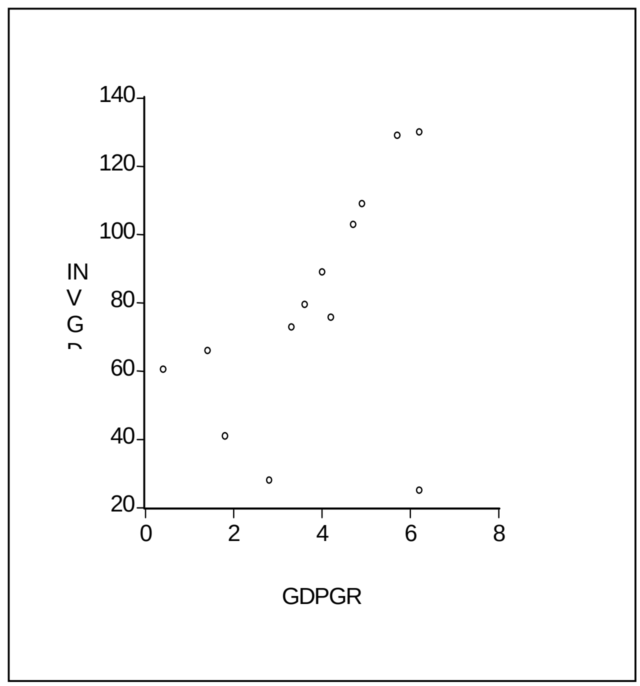


Figure 4.6: GDP growth and investment share of GDP, 1990 – 2002



As shown in figure 4.5, we observe a clear correlation between the FDI share of GDP and the primary school enrolment rate suggesting a possible positive impact of FDI on poverty. Similarly, using figure 4.6 one notes a positive relationship between investment and GDP growth signifying a positive association between investment and growth (or vice versa).

5.0 REGIONAL INTEGRATION AND POVERTY REDUCTION THROUGH TRADE IN TANZANIA

One of the key benefits and expectations of a RIA is to increase trade performance of the participating member countries. The literature has tended to examine whether RI is trade creating or diverting or estimate the impact of RI on the economy of the member country, particularly the implications for the loss of government revenue. In contrast, our focus will be to assess the efficacy of regional trade on poverty reduction in Tanzania.

Given the various trade provisions (such as those under customs union for EAC, the Trade Protocol for SADC and other Trade Preferences), the first question we investigate is whether Regional Integration has led to increased trade performance for Tanzania. Regional markets are considered important remedies for the LDC's failure to achieve significant market access in the global economy because market access conditions are expected to be easier because of lower transport costs due to proximity of market, favourable rules of origin and joint promotional measures for investment and trade. In addition, regional markets may be considered useful stepping-stones to gaining competitiveness needed for LDCs to access global market. Secondly, we aim to assess the poverty focus of regional trade so as to estimate the extent to which regionalisation has or will contribute to poverty reduction. This is analysed by examining the trend and share of agriculture exports to regional markets given the importance of the agriculture sector in poverty reduction and the multiplier effects it has on the economy. Thirdly, the impact of trade on poverty reduction is examined by linking trade performance to a set of poverty indicators over time (to demonstrate the likely effect of regionalisation) and by regions. Finally, we discuss the factors limiting the poverty-focus of trade and the stumbling blocks for poor to benefit from increased trade performance.

5.1 Regional Trade Performance in Tanzania

Examination of the trend and structure of Tanzania's trade performance in the last decade shows three interesting features. First, total exports have been increasing, especially due to the rising share of non-traditional exports (mainly exports of minerals, fish and tourism services). Second, imports have grown faster (with a negative trade balance) although at a decreasing rate in the recent years signifying potential for improvement in the trade balance. Finally and more importantly, trade (export in particular) to the regional markets is picking up fast with the progress in regional integration. Clearly this indicates better prospects for some of Tanzania's non-traditional exports to the regional markets, a favourable change to a trade regime that is dominated by the traditional export of agriculture raw materials to the traditional markets.

For instance, total exports to the regional markets increased to US$ 125 million in 2002 from US$ 43 million in 1995; over the same period, the regional share of total exports increased to 14% from 6% of total exports. This reveals Tanzania's exports to the regional markets are growing faster than that of extra-regional exports (see Figure 5.1). Notable variation in the performance of Tanzania's exports among regional blocs exists as can be seen in Figure 5.2.

The rise in export performance indicates that certain export products have increased in value and/or volume as a result of regional integration. For instance, most of the informal cross border trade in cereals and other agricultural/food crops has been formalised following the lifting of the ban to export food crops in 1999, and 'opening up' of the borders as part of the process of regional integration. Both SADC and EAC have accounted for over 80% of Tanzania's regional exports, and almost all of Tanzania's regional imports. Figure 5.2 demonstrates two striking features of Tanzania's regional trade. First, after netting out the overlapping membership with SADC and EAC, COMESA's trade with Tanzania has been insignificant and in favour of EAC and SADC since Tanzania's withdrawal in 2000. Clearly the regional trade provisions have affected trade performance with the region. Secondly, although the pace of trade integration is faster in EAC, the SADC share of Tanzania's trade is peaking faster, mainly due to the entrance of South Africa in the region in 1994. The two points clearly show that Tanzania does not lose as much as feared by withdrawing from COMESA as long as the SADC and EAC blocs exist. A follow-up question (not analysed here) is whether trade provisions in COMESA are necessarily better/more effective than those of EAC or SADC.

Figure 5.1: Growth of Regional and Non-Regional exports (1995-2002)

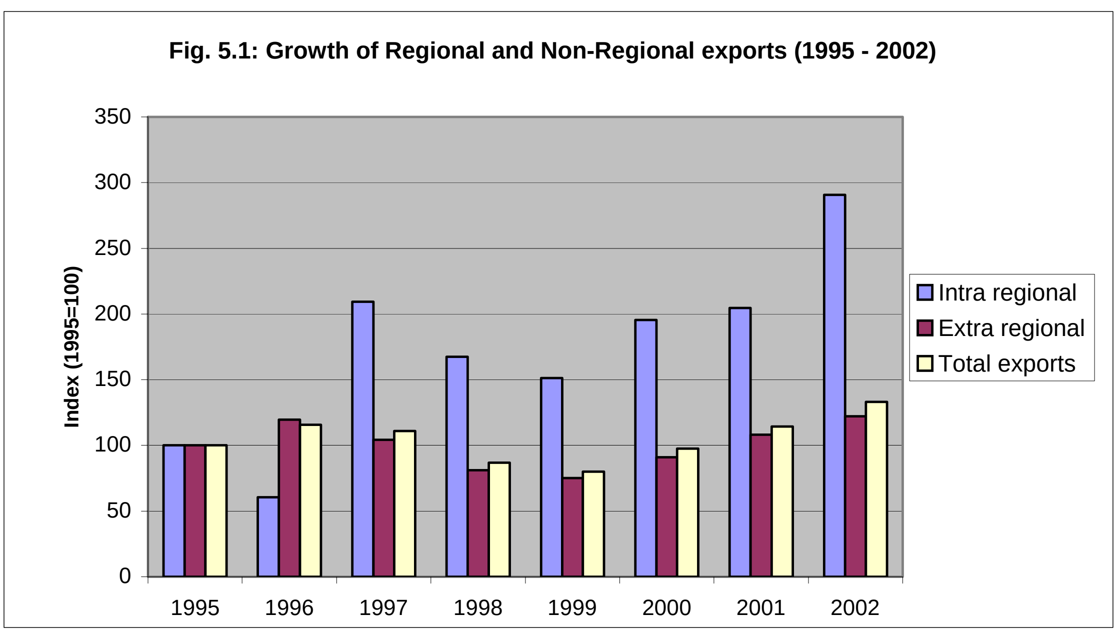
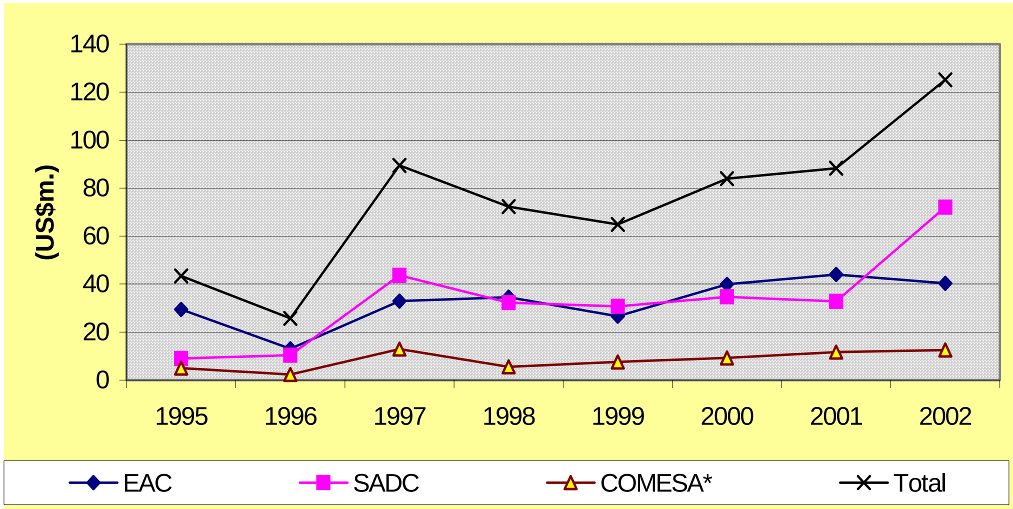
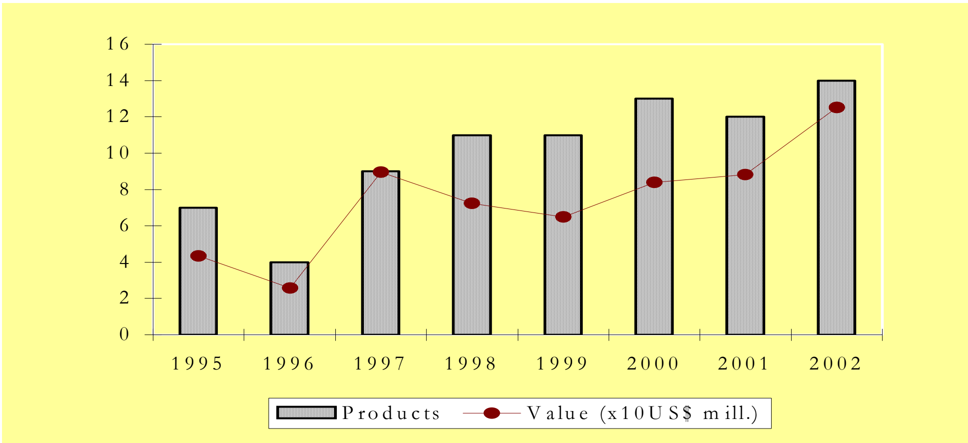


Figure 5.2: Tanzania's Exports by Regions (1995 – 2002)



Tanzania has also achieved a reasonable diversification of her exports. Figure 5.3 shows that the number of products exported by Tanzania to her regional markets has increased in parallel with the value of exports. The types of products range from natural resources (bee wax, honey, wild life), new cash crops (such as vanilla, spices, paprika and horticulture – cut flower) to manufacture and articles of art (textiles, electrical equipments) etc. For instance, the AGOA scheme has led to the establishment of new textile and garment mills. The main trading partners have been South Africa and Kenya for the SADC and EAC regional markets respectively. The two countries accounted for over 40% of all Tanzania’s exports to the three regions in 2002. Although the balance of payments between Tanzania and the other countries in the region have been generally unfavourable it has improved from a deficit of US$ 223 million in 1995 to US$ 67 million by June 2003.

Figure 5.3: Range and Value of products exported to the Regional Markets



Source: Author's computation using export data from Tanzania Revenue Authority (TRA)

Figure 5.4 shows that Tanzania's imports from the regional markets have increased slightly faster than imports from non-regional markets. Regional variation in terms of growth of imports to Tanzania is shown in Figure 5.5. The share of Tanzania's imports from COMESA, SADC and EAC in total imports has increased from 17% in 1995 to 18% in 2002 (appendix 4.2). Like regional exports, most regional imports come from South Africa and Kenya with the share of the two countries in total regional imports increasing from 70% in 1995 to over 90% in 2002. Imports from South Africa alone are almost half of the total regional imports for Tanzania. Unlike exports, the share of regional imports in total imports of agricultural products has stabilised at about 10% of total imports.

Figure 5.4: Growth of Regional and Non-Regional Imports (1995-2002

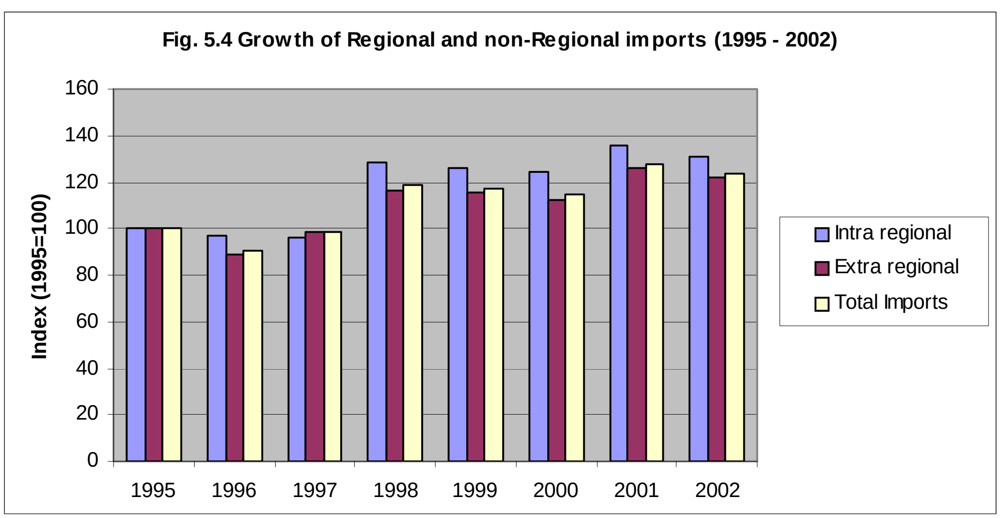
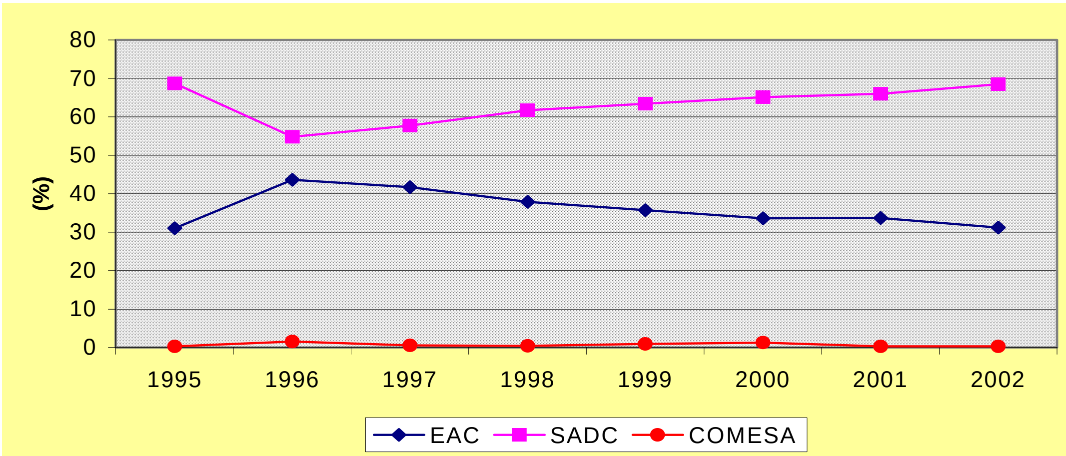


Figure 5.5: Tanzania's Imports from the Regional Market (% of regional imports)



5.2 Poverty Focus of Regional Trade

Regional integration can affect poverty if its provisions change the poverty focus of trade. One way to examine the poverty focus of trade (or investment) in regional integration is to discuss the share of the agriculture sector in regional trade. This is because of the role that this sector can play in poverty alleviation directly or indirectly through the high linkage it has with the rest of the economy. As noted earlier, emphasising trade in agriculture goods does not demean the importance of trade in other sectors such as manufacturing and services in alleviating poverty. Instead, we emphasise the two points. First, Tanzania's comparative advantage continues to exist in the agriculture sector, despite the country's notable failure to transform this comparative advantage into a competitive one (reasons for this failure is beyond the scope of this study). Associated with this failure is the slow (if any) strategic transformation of this sector for growth and poverty reduction. Second, poverty in Tanzania is basically a rural phenomenon. This has been especially so after the implementation of economic reforms and adoption of market economy that obliged the government to abandon most of the state led agriculture activities. Unfortunately, the expected takeover by the private sector has not been forthcoming given the little amount (and interest) of FDI in this sector. Given these two points, agriculture trade play an important role in reducing poverty relative to trade in other goods/sectors.

Tanzania's regional exports of agricultural and agro processed products (mainly food products) in total regional exports for Tanzania increased from 50% in 1995 to 60% in June 2003. Unlike most of her neighbours, Tanzania has low food shortages due to its diverse and favourable agro-ecological climates, contributing to positive trade balance as shown in Table 5.1. Figure 5.6 (see also Appendix 4.3) shows the share of the value of Agriculture/Agro-processed products in total exports distinguishing between exports to and outside regional markets. It is found that the share of the value of agriculture products in total intra-regional exports has been increasing, while that of extra regional and total exports has been declining steadily from 1999 onwards. This is a good sign that the process of regional integration bears significant potential for agricultural exports and hence increases in the welfare of those in the rural sector[13].

Figure 5.6: Share of Agriculture in the Value of Exports (1995-2002)

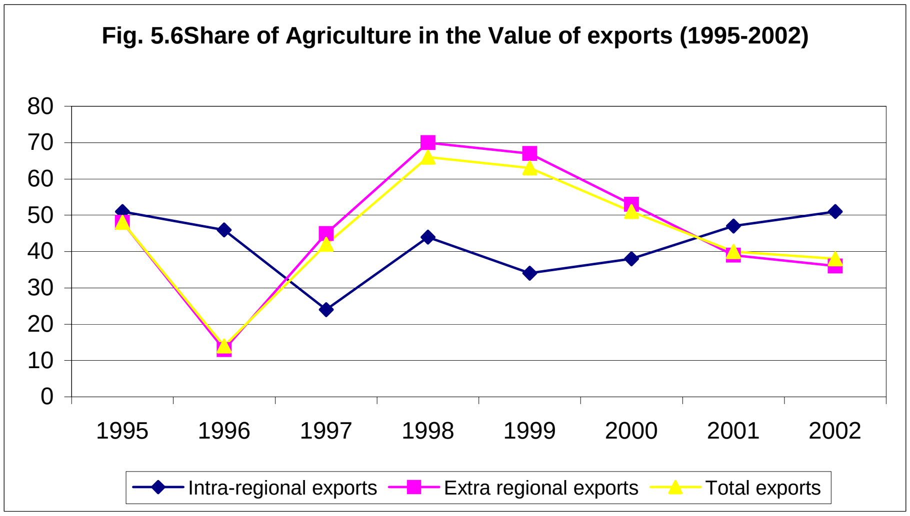


Figure 5.7 shows trends in the value of agricultural exports to the regional markets, while Figure 5.8 shows that the share of agriculture in total regional exports by region. Both the value and share of agricultural exports has been increasing consistently for the EAC market. Between 2001-2, the share of agriculture in total exports to the SADC region has increased sharply along side that of total (overall) exports, while total exports to EAC declined slightly. The sharp increase in the case of SADC market may reflect the impact of South Africa's imports of agro-raw materials from Tanzania, but more importantly the massive exports of cereals from Tanzania following the famine in the neighbouring SADC countries (especially DR Congo, Zambia and Malawi).

13 According to interviews conducted for this study with various stakeholders, there has been a significant increase in the export of food crops (including cereals) to the neighbouring countries of Kenya, Uganda, DR Congo, Zambia and Malawi. This positive move is a response to the government decision to lift the export ban for cereals/food products, but also to the regional trade agreements that alleviated most other non-tariff barriers to trade.

Figure 5.7: Exports of Agricultural products to the Regional Markets (US$ m.)

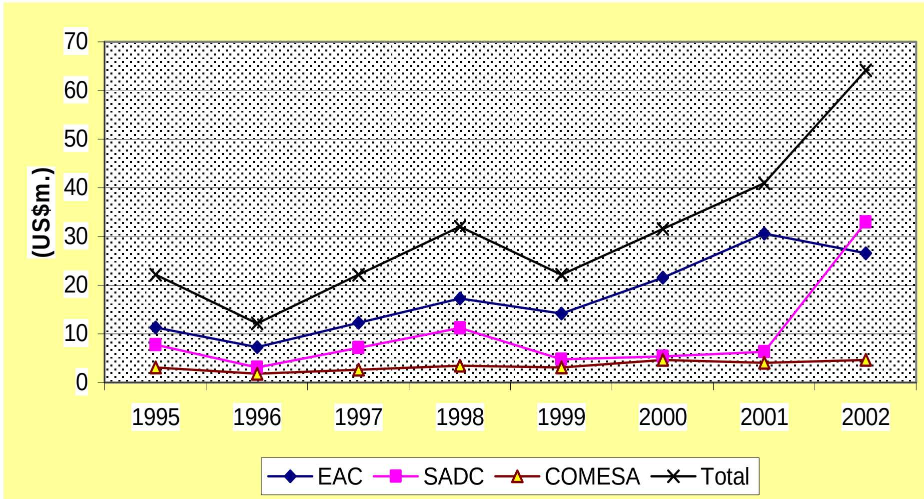
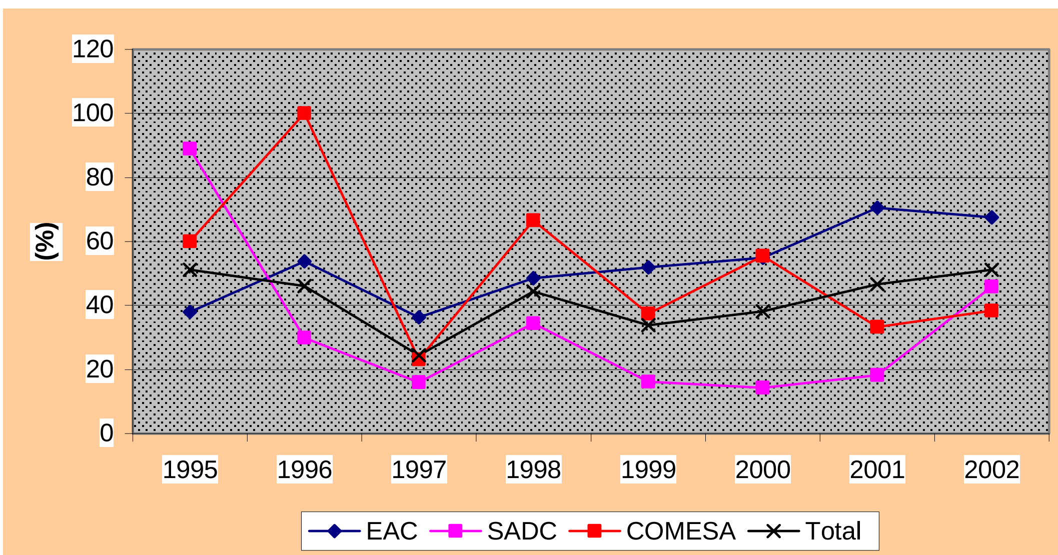


Figure 5.8: Share of Agriculture in total Regional Exports (%)



Source: Own computation based on Data from Customs Department.

Furthermore, regional trade bears significant potential for Tanzania to improve her trade account. Although the trade deficit has increased for total trade, that for regional trade has declined, particularly due to the positive trade balance in agriculture trade. Notably, the agricultural trade balance with regional markets improved from a deficit of US$ 5 million to a surplus of US$ 27 million. However, the trade balance with the main trading partners in the region (Kenya and South Africa) is still negative although the South African market shows greater prospects for increased exports compared to the Kenyan market. As shown in Table 5.1, most imports come from SADC especially from South Africa whose exports to Tanzania has markedly increased since South Africa's accession to SADC.

Table 5.1: Trade balance between Tanzania and Regional Members

Year Indicator	1995			2002		
	X	M	B	X	M	B
Total Trade	679	1340	-661	903	1658	-755
Extra Regional Trade	641	1114	-473	790	1362	-572
Intra Regional Trade	38	226	-188	113	296	-183
o/w Agriculture Products	19	24	-5	60	33	27
o/w South Africa (SADC)	0.5	97	-97	35	177	-142
o/w Kenya (EAC)	24	70	-46	16	90	-74

Note: X = exports; M = Imports; B = Trade Balance; o/w = Out of which
Source: Calculated from Tanzania Customs Data.

5.3 Relating Trade to Poverty Indicators

According to Table 4.4, there is a close association between the distribution of poverty by regions and distribution of cash crops (indicator of availability of tradable crops). Regions producing cash crops for export also have a lower level of poverty (higher HDI score) suggesting that trade in agriculture products is likely to be poverty reducing. Plots of trade and poverty indicators suggest a close positive relation. For instance, Figures 5.9 shows a positive link between the exports share of GDP and the primary school net enrolment rate (PSNER). The correlation between terms of trade and PSNER is positive albeit less significant. One may require additional econometric analysis to find out the causality between the two, but even for this "rough and ready" indicators it is clear that trade performance and poverty reduction are not contradictory in the case of Tanzania.

Figure 5.9: Export Share of GDP and primary school enrolment rate, 1990-2002

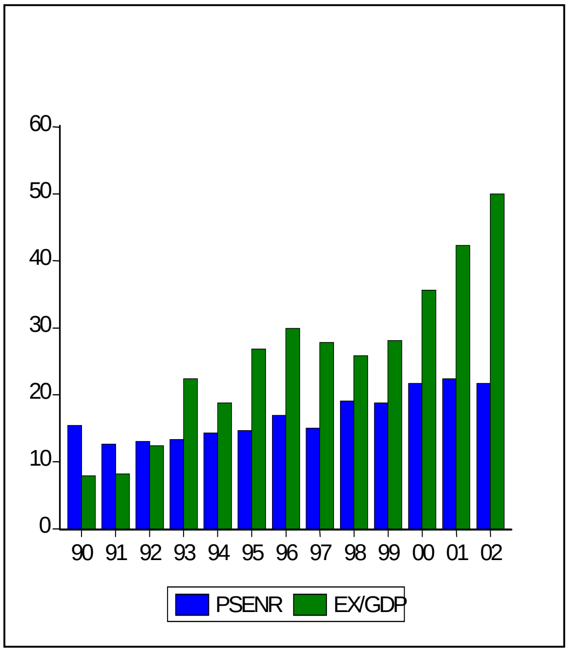
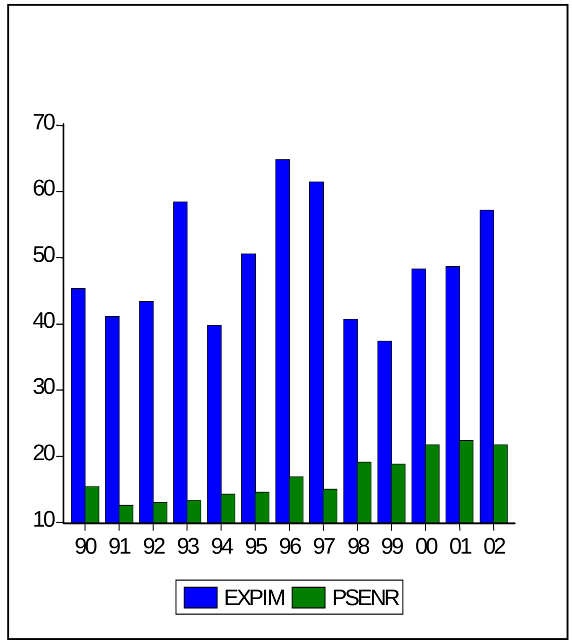


Figure 5.10: Export Import Ratio and investment share of GDP, 1990-2002



5.4 Constraints to Trade and Investment-Poverty Link

In a recent study by Booth and Kweka (2004) it was noted that the potential for trade-oriented economic development to reduce poverty in Tanzania is considerable, and that this potential is being seriously undermined. The study highlighted lack of competition in internal agriculture marketing and inadequate assets available to farmers as the most critical challenges for Tanzania's trade to reduce poverty:

"*…..the poverty profile and production structure of Tanzania create large opportunities for poverty to be reduced through trade-related economic growth. However, this would require rapid agricultural growth oriented towards exports, where the direct impacts and income multipliers would be particularly strong. That has not occurred: Tanzania's agricultural exports have performed very much worse in aggregate than those of Ethiopia, Kenya and Uganda – countries that that have a crop mix and natural environment comparable to Tanzania's. This helps to explain why rural poverty rates did not decline significantly during the 1990s, and sets a big challenge to policy makers who hope to do better for the country's poor in the present decade…*" Booth and Kweka, 2004:iv).

To get a better understanding of how firms are coping with a number of constraints to increased trade performance at a regional level and prospects for poverty reduction, we surveyed a few exporting and non-exporting firms to evaluate their prospects for increased regional trade. In this section we report the results of this survey. Although the number of interviewed firms is quite small by research standards, they revealed important information that will supplement our understanding of challenges limiting the poverty-impact of regional integration in Tanzania[14]. In addition, we considered it necessary to solicit industry perspectives on how Tanzania can effectively realise the benefits of regional integration, given the serious supply side constraints faced by the productive sectors. We therefore surveyed 30 firms to examine information on production, regional trade/market, employment, and training and skills development issues.

The sampled firms were equally sourced from the three major industrial regions of Tanzania (numbers in brackets), i.e. Dar es Salaam (10), Mwanza (11) and Arusha (9). As noted earlier in the introduction, these firms were carefully selected to target the production sectors that are considered key for growth (e.g. manufacturing and agriculture) and also have high (and a few that do no have) export potential to the regional markets. All sectors are privately owned, but varied to include foreign owned firms (19%), domestic firms (41%), and joint ventures (37%)[15]. Most firms fall between medium sized and large enterprises, covering manufacturing, agriculture and fishing sectors. Although we cannot state with certainty the differences in behaviour between regional and non-regional firms, we can make rather general conclusions about the domestic versus foreign firms[16].

Export Potential to the Regional Markets

Almost half of the interviewed firms also export to the regional markets of COMESA, EAC and SADC (in addition to exporting to abroad). About 30% export mainly to the regional market, 15% to Europe and America, 11% to Japan and Australia, 8% to Asia including India, 14% to the rest of the world while 22% sell mostly to the domestic market (see Fig. 5.11).

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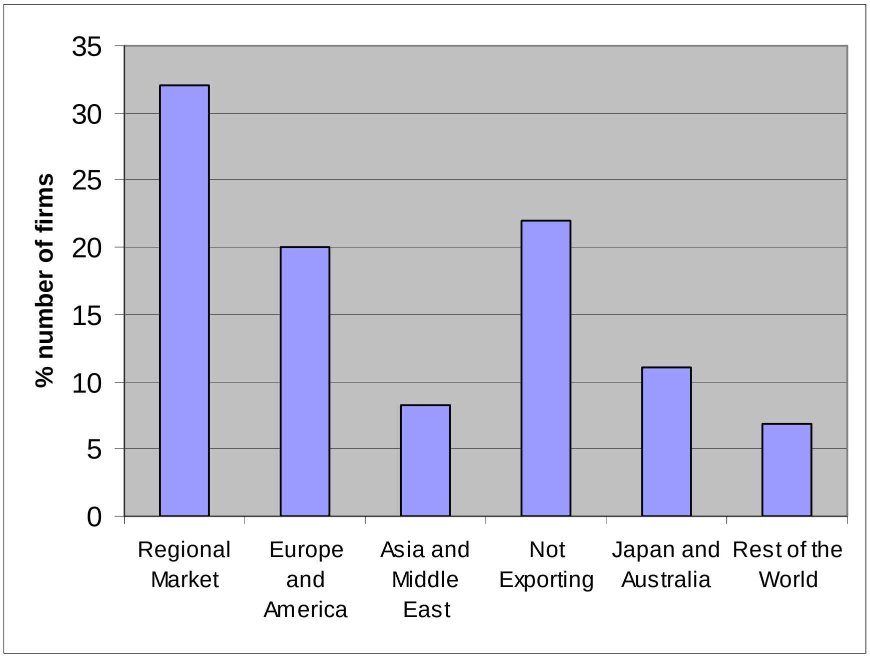
14 The information revealed by the interviewed firms is, in most cases and based on the recent World Bank-ESRF Investment Climate (RPED) Survey (see World Bank, 2004), consistent with the national average behaviour and concerns of Tanzanian manufacturing firms in the selected sub-sectors.

15 Throughout the text, the percentages may not add to 100 due to missing values.

16 Given our limited sample, it was not possible to distinguish between firms supplying in or originating from the regional markets from those supplying or originating from outside the regional markets. However, the important distinction in the context of Tanzania is between behaviours and type of constraints facing the exporting and non-exporting firms (see Figure 5.14).

Figure 5.11: Export Destination for the Selected firms



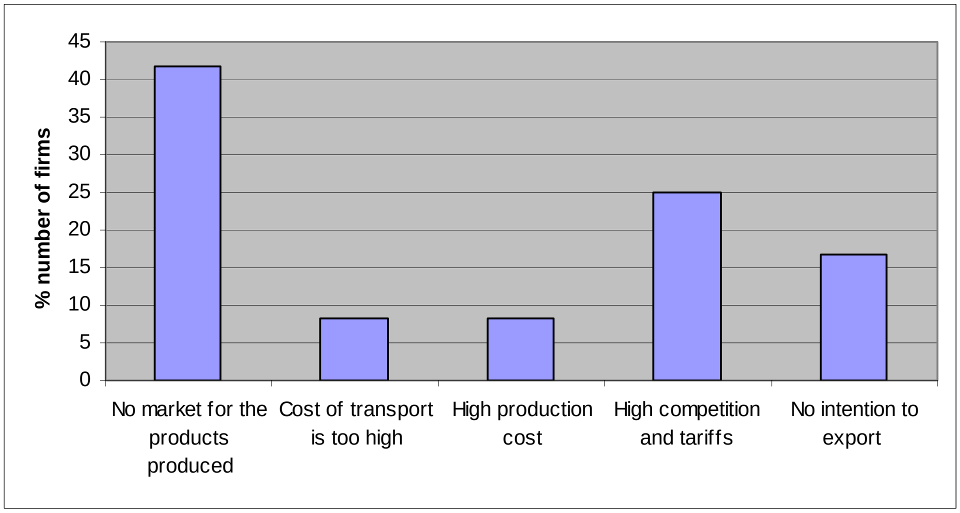
Source: Computed based on Data from Selected firms

Figure 5.12 reports the reasons why some of the firms do not export to the regional market. About 50% of the selected firms do not target this market because they think that the type of products they produce have no demand in the regional market (for instance fish fillets), and fear high competition and protective tariffs in the importing countries of the regions. This may suggest that firms have failed to diversify their production structure to exploit regional market due to a perception gap. For instance, although demand for fish fillet is small in the EAC/SADC, there could be a market for products such as sausages etc. Second, some firms seem unaware of regional trade policy changes. Finally, a number of non-exporting firms are implicitly lacking confidence or an entrepreneurship zeal to venture into regional export market. However, as shown in Figure 5.13, exporting to the regional market is not unfeasible. Close to 50% of the firms exporting to the region do not face any substantial barriers to exporting to the regional market. Clearly, this implies that, confidence building and entrepreneurship capacity building by the regional body can make a big difference, and should be one of the appropriate interventions to promote regional exports.

Given the infancy of regional integration, firms are yet to realise the impact of the trade reforms arising from regionalisation. Over 50% of the selected firms responded that they have not been affected in any way through the signing of the Custom Union for EAC, but most hope that it is likely to increase production if tariffs are harmonised. The only advantage cited by exporting firms in the regional market is the proximity to the market.

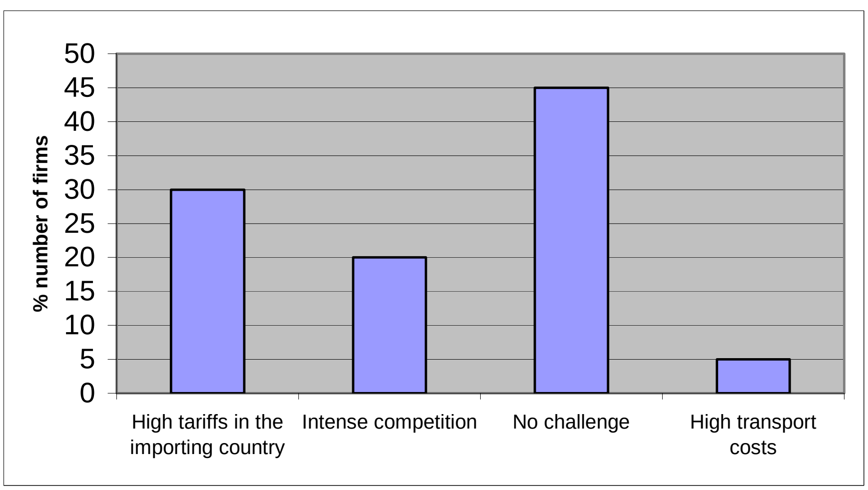
When asked whether Tanzanian products can compete with imports from the regional markets of EAC and SADC after fully-fledged integration, firms were ambivalent – 52% are affirmative and 48% sceptical. For the latter category, high production and energy costs (also see Musonda, 2000), bureaucracy in implementing trade agreements and infrastructure limitations were cited as most important factors (also see figure 5.14).

Figure 5.12: Reasons for not exporting in the Regional Market



Source: Own computation based on Data from Selected firms

Figure 5.13: Challenges faced by Firms in Exporting to the Regional Market



Source: Own computation based on Data from Selected firms

Foreign firms are relatively better placed to reap the trade opportunity of liberalisation compared to domestically oriented firms. Overall, only 45% of the selected firms regard regional integration as beneficial to increased export trade, while 55% (most of them domestic) are cynical about the trade benefit of regionalisation. Over 80% of the firms that regard regional integration as a trade opportunity are foreign and joint venture companies. This raises a challenge in that policy makers have not adequately encouraged the wider business community to realise the inherent opportunities in the regional integration. Perhaps there is an ingrained mindset that the business community regard export market outside their neighbours as more important (Amani *et al*, 2003).

Potential Impact from Regional FDI

One of the ways in which FDI can be useful for poverty reduction is through its impact on incomes by creating jobs directly and indirectly so by their spill-over effects on skill and technology transfer. We investigated the orientation in training, skill development and capacity for technology transfer of the interviewed firms. In general, the selected firms (almost all) were optimistic that they have sufficient capacity to absorb technology embodied in FDI. This reflects their quest for technology and skill acquisition as a means of enhancing quality and competitiveness. Associated with this quest, most firms (over 90%) offer regular training to their employees, most of which is done in-house (on the job training). Over time, firms have increasingly demanded skilled labour to support their adherence to quality and modern technology. As shown in Table 5.2, the number of skilled and unskilled workers declined between 1998-2001 but picked up in the later years while that of semi-skilled workers increased consistently throughout. Clearly, as trade liberalisation increases (with the process of regionalisation), firms strive to be more competitive although some (particularly domestic) firms find it a challenge to sustain their output levels and productivity.

To examine the trend in productivity of the selected regional exporting firms, we computed the output per labourer (volume of production/total number of employees) expressed as indices (1998=100) and shown in Table 5.3. The indices show that productivity increased by about 50% from 1998 to 2001 but declined in 2002 – 2003 owing to a faster increase in number of employees relative to output. Presumably, over the recent years, increase in competition from imports due to liberalisation has negatively affected the rate at which firms' output increases.

Table 5.2: Number of Employees in the sampled firms by Skill Levels (1998=100)

Year	Skilled	Semi-skilled	Unskilled
1998	100	100	100
1999	100	106	104
2000	106	117	94
2001	92	120	112
2002	196	218	170
2003	260	277	252

Source: Computed based on data from selected firms

Table 5.3: Productivity Index (Output per Worker, 1998=100)

Year	Production (Volume)	Total No. of employees	Productivity
1998	100	100	100
1999	114	104	110
2000	162	108	150
2001	168	116	145
2002	175	186	94
2003	185	264	70

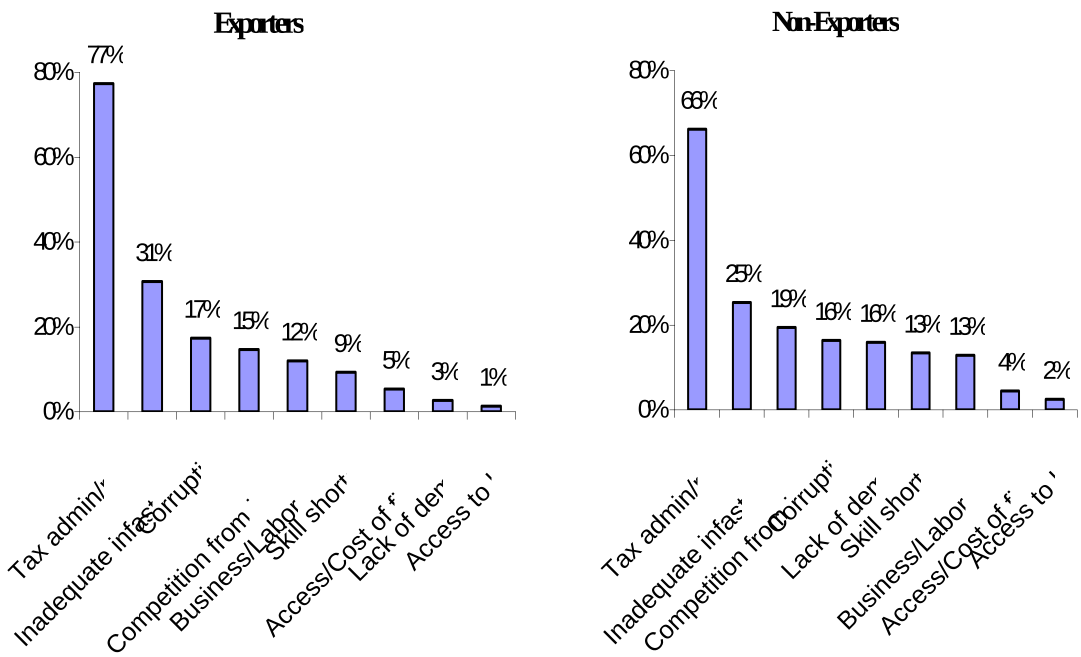
Source: Computed based on data from selected firms

Comparative strength of Tanzania as FDI destination

Information from various policy documents and interviews with a number of selected foreign firms suggests three main factors attract FDI to Tanzania relative to its peers in EAC and SADC. These are political stability, commitment to reforms and endowment of untapped natural resources. We asked the selected firms to identify the three most important factors motivating their investment in Tanzania. Over 40% of them consider political stability as a prime factor for their investment in Tanzania, while 45% considered trade opportunity (the various trade concessions available for Tanzania) as the second most important factor; and finally, 65% named incentives from TIC as the third most important factor. Only a few firms (less than 12%) think that the regional export market was a strategic reason for their investment in Tanzania. In addition, many firms in Tanzania are neither informed nor convinced that there are regional-specific incentives for attracting investment – compared to those from the investment centres such as TIC. 85 % of the firms reported that there is no incentive from either EAC or SADC to support their investment. Such scepticism may be expected since most of the incentives associated with regional integration (for instance flow of factors of production across the boundaries) are yet to be implemented.

Tanzania has probably one of the lowest productivity and competitiveness indicators in the region. It will be difficult to evaluate all the factors limiting productivity and competitiveness given the scope of this study. The World Bank Report (2004) on the Survey of Investment Climate Assessment for Tanzania shows a number of constraints faced by exporting (and non-exporting) firms in Tanzania (See Figure 5.14). The highest-ranked constraint is taxation, followed by inadequate infrastructure, corruption and competition from imports. Tanzanian enterprises pay a myriad of taxes – sometimes at exorbitant rates that discourage compliance and enforce rent-seeking behaviour. Although harmonisation of fiscal policies is being done within EAC, Tanzania has the highest VAT rate of 20% compared to 17% in Kenya and 16% in Uganda. In addition, local taxes by local government form another hurdle for exporters.

Figure 5.14: Constraints to exporters and non-exporters



6.0 OTHER REGIONAL COOPERATION FOR POVERTY REDUCTION

As noted in section 3, the focus and orientation of integration process of Regional Integration Arrangements may follow a market integration model or a development cooperation model or a combination of the two. In Africa (perhaps in the developing world in general) development cooperation has been a primary objective in many RIAs given their various development challenges other than trade integration. One such development challenge is poverty reduction. This section reviews the link between RI and poverty in Tanzania via development cooperation. Our concern is to identify regional cooperation programmes for EAC and SADC that are likely to have an important impact on poverty; and then evaluate their efficacy using case examples.

For the purpose of simplicity, we can categorise two ways in which development cooperation takes place: development programmes or projects, and development (management) policy on a particular issue/sector of common interest. The former demonstrates the need for the regional members to pull resources together to meet a particular development objective (e.g. provision of public goods such as infrastructure development). The latter includes the non-trade and non-investment regional policy. We will review some cases of regional development cooperation that have notable implication for poverty in both EAC and SADC. However, given the scattered nature of the various programmes/projects, it is not easy to access and evaluate all the regional projects/programmes. For instance, in the case of SADC, the organisation of most programmes is not centralised, but usually put under the custodianship of the relevant government ministry/department, which may not always be willing to share such information. In the case of EAC, many programmes are still in the pipeline and are yet to take place.

6.1 Socio-economic Programmes in EAC

Several non-trade/investment initiatives have been undertaken by the EAC that have important bearing on poverty reduction. Due to unforeseen circumstances in the regional organisations in Africa, many of the programs set by many RIAs were never followed by the member states, posing the challenge of lack of credibility (Musonda, 2004:61). One of the most successful projects is the East African Development Bank, which mobilises resources to finance various social economic projects in the region. Box 6 provides a case study to show how the East African Development Bank has strengthened trade and investment relations between the EAC member states and its potential for poverty reduction. As explained in Box 6, the bank has played an important role in long-term lending for productive sectors of the economy such as manufacturing, agriculture and energy development. This is particularly important for Tanzania where commercial lending in the rural sector is severely absent.

Box 6.1
The East African Development Bank (EADB)

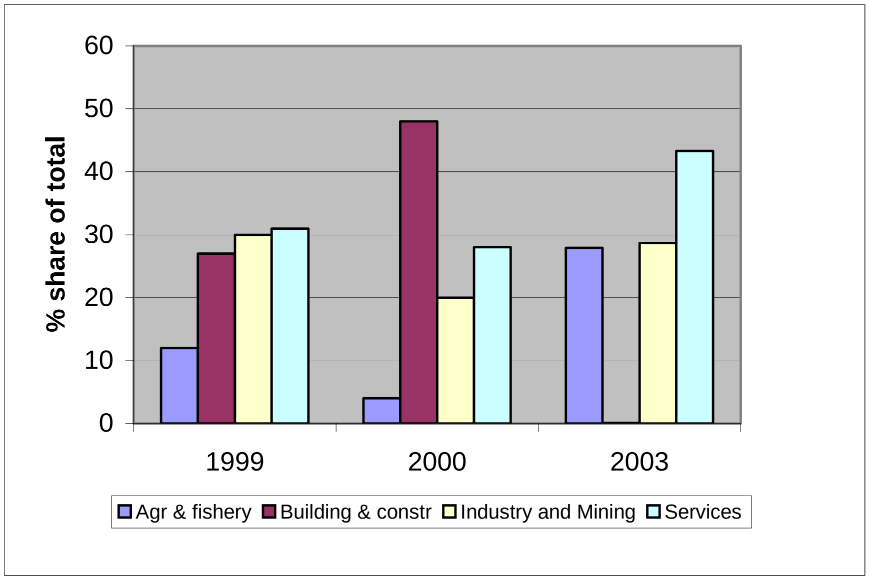
The EADB started operations in 1967 following the establishment of EAC. The bank did not collapse with the community in 1977 because the assets of the bank belonged to various shareholders. The ownership structure of EADB is as follows. EAC – 72.21%; FMO (Netherlands), – 10% DEG (German) – 2.7%. The supervision of credit allocation is controlled by the bank's management and is purely on a commercial basis. The main objective of the bank is to encourage industrial balance by advancing loans to key sectors of growth that are not attractive to lending by commercial banks. The bank's main focus is to finance projects that are regional in nature. The bank is currently involved in the regional energy and fishing projects. It has also started issuing bonds to the capital markets of the three member states.

The bank has the capacity to mobilise substantial amounts of resources from other partners and development banks to finance regional projects. The bank loans range from US$20,000 – US$10,000,000 and can be short term (less than two years), medium term (1-5 years) and long term (up to 25 years). Most loans have been directed to the manufacturing sector. The loans are awarded in accordance with the commercial viability of a specific project. The bank is comparatively well-placed to reduce poverty as it accords priority to value adding and agriculture-based projects, with a low interest rate (14%) compared to most commercial banks. However, a practice of extending relatively fewer loans to the agriculture sector emanates from the lack of collateral to support loan application. This lack of collateral is due to the practice, until recently, of not accepting land as collateral. The government addressed this constraint by amending the Land Act in 2002 to allow land to have a commercial value for investment. The governments of the three states have not provided a good environment conducive for bankers to extend credits to poor farmers. The bank is nevertheless trying to work with the Small Industry Development Organizations (SIDO) and micro-finance institutions to help farmers and SMEs get financing since these institutions have the infrastructure to reach the poor in the rural areas.

Source: EADB Annual Report, 2003.

The sectoral distribution of the approved projects (for 1999-2003) is shown in Figure 6.1. The share of agriculture has increased from 25% in 1999 to over 40% in 2003. Interviews with EADB officials confirmed their focus on agriculture and fishery (due to EAC's lake Victoria), which reflects the Bank and EAC's commitment to poverty reduction. Another important recipient of EADB loans is the services sector, notably the financial sector (a couple of banks) and tourism. Currently, the Bank does not lend to the construction companies. The share of the manufacturing sector has also increased over time.

Figure 6.1: EADB sector distribution of investment approvals



6.1.1 Lake Victoria Development Project

Lake Victoria is one of the biggest lakes in Africa covering an area of 68,800 sq. km. The lake is the most important source of livelihood for many people in EAC as it has the cleanest water for human consumption and is a source of *Nile perch*, one of the most popular fish in the world, hence an important source of export revenue for the EAC countries. In this sub-section, we describe Lake Victoria Development Projects as an important instrument for regional integration in EAC and examine its effectiveness in poverty reduction.

The lake is a source of food (fish), safe drinking water, means of transport (marine) and a good climate that enables the region to grow a variety of food and cash crops. As a shared resource, it is instrumental to the regional integration prospects of the EAC, but one with a number of managerial challenges. First, it presumes existence of capable regional institutions to oversee its utilisation and regulation. Second, it has some environmental effects that need to be alleviated/tamed. Thirdly, given the fact that the fish stock level is subject to depletion, the regional body will require substantial resources for ensuring sustainability of the benefits from the lake including investment in aqua culture, marine research and infrastructure. Finally, it requires harmonisation of social and economic policies and regulation for governing/promoting investments in the lake or exploitation of its downstream benefits. To obtain answers to these issues, the study team visited a couple of institutions and stakeholders responsible for the management of the Lake including the Lake Victoria Environmental Management Project – LVEMP (see Box 6.2).

Interviews and a review of documents indicate that most of the organisations involved in different aspects of the management of Lake Victoria have adopted a regional approach and as such, the existence of a shared resource has deepened further the need for regional cooperation and harmonisation of policies. This has increased the potential use of the Lake for poverty reduction that would otherwise have been difficult. However, although poverty reduction is identified as a key objective, a/ the? regional integration framework is not yet implemented sufficiently to benefit the poor. This is because most of the regional institutions are too infant and under resourced to implement poverty-reducing programmes. The LVEMP is geared towards regulating fishing methods to ensure a sustainable fishing stock. These tasks have resource implications that will be too difficult to meet by a single (poor) country such as Tanzania. Pooling resources and capacity at the regional level will reduce the burden of a single country and ensure sustainable use of the Lake. Conversely, the possibility for joint intervention in the management and exploitation of the Lake may be held back by the pace in which the integration process is taking place. For instance, while LVEMP has successfully gone through its first phase of operation, the EAC has not yet secured resources necessary to sustain the LVEMP despite the fact that it is scheduled to assume management responsibility for the organization.

Income-Generating Capacity of the Lake

Lake Victoria's role in poverty reduction can be analysed by examining the income and employment impact of artisan fishing. Interviews with various stakeholders revealed that there are some factors that limit the extent to which the Lake can be used as a tool for fighting poverty with or without the regional institutions. The artisan fishermen have a weak position in the fishing value-addition chain, they lack self-organisation and negotiation capacity which has limited the price of their produce. Large-scale fishermen have dominated some fishing sites often limiting any possible opportunity for artisan fishermen. Also, artisan fishermen have been victims of burglary and piracy in the Lake. Some of them have been caught in the interlocking contracts, while the fish processing factories supply nets and other fishing facilities on condition to sell their total catch to the factories at pre-set prices. Over-dependence on fishing as a sole source of income/employment is yet another setback. Factories have in the last 2 years been cutting jobs as a result of declining catch/fish stock. In total, the number of people employed in the fishing industry increased from 300,000 in 2000 to 500,000 in 2002 most of which include fishermen, traders and factory workers. The lake has also brought with it a number of regional NGOs that address the poverty reduction aspects although their collaboration is somewhat inconsistent and in some cases institutional conflicts exist, limiting the effects for the beneficiaries. For instance, there are notable conflicts between the LVEMP and some smaller watchdog type NGOs, especially *EcoVic*, both of which claim to be concerned with the common good's interests in the Lake and its sustainability.

Marine Transport in the Lake and Intra-regional Trade.

Lake Victoria offers an effective means of transporting cargo and passengers across the three countries. The main service provided by the Marine Company (MSCL) is to transport transit cargo between the three countries through Lake Victoria. This makes Lake Victoria and the MSCL strategic tools for enhancing intra-regional trade in East Africa. There is a tripartite cooperation between the railway companies in the three countries. The tripartite agreement is meant to allow the three countries to cooperate in transporting transit goods across the lake irrespective of whether the cargo originates in or is destined for the respective member country.

A few problems limit the significant role of marine transport in the Lake. These include (i) lack of adequate rail wagons compared to Kenya, denying Tanzania much business opportunity, (ii) increased competition from road transport, (iii) discrimination and undue nationalist attitude by Kenya against Tanzanian business people (for instance, Kenyan customs giving preferential duty rates to fellow Kenyan businesses) and finally, (iv) the soaring oil prices which have reduced competitiveness of Tanzania compared to Kenya. The EAC is keen to cooperate more effectively in infrastructure development and has vowed to maintain cooperation in marine environmental management through the LVEMP.

Performance of the Fishery Sector

Fishing in Lake Victoria is principally a private sector activity and a number of export-processing firms have been established around the Lake. These firms export processed fish largely to the EU, USA, Australia, Middle East, Central and Northern America. Tanzania has taken fishery more seriously than the other countries in the region and has therefore greater potential for poverty eradication (e.g. development of fish beach communities, fishery research and quality, sustainable fishing, export ban of traditional species for domestic consumption, ban of fish trolleys). Tanzania was also the first to go on List 1 of EU quality certification. The country's fish fillet is of high quality due to the adherence to international (EU) quality standards[17]. However, the government fishery department is concerned with growing fishing levels as this may compromise the sustainability of the fishing stock. Much of the current government efforts are directed towards seeking alternative value adding industry within the fishery sector to discourage over-reliance on fish exports and promote down stream benefits.

[17] Tanzania lost its market significantly in 1998 following an EU ban on imports of Nile Perch due to the occurrence of dead bodies in Lake Victoria in 1994, the outbreak of cholera in Uganda and the traces (in Spain) of salmonella in the fish fillet in 1997. After the lift of the fish export ban to EU in 2000, the export volume and value nearly doubled and this increased the fishing effort to nearly 100% of the 1999 level.

Fish Export Royalty

Tanzania is the only of the three EAC countries that charges a royalty on fish exports (20 $ cents). Coupled with higher petrol and power prices, this additional tax on exports has made Tanzanian fish fillet less competitive. An interview with the Fishery department reveals that the royalty was used to develop the fishing sector including the fish beach, fishery division, research, landing sites etc. So far there has been much improvement in these aspects. Firms complain of the size and multiplicity of taxes including the royalty issue because they hardly see any tangible benefit of the taxes they are paying. The collected tax is not restricted for expenditure in the local area only but also because some other benefits derived from such taxes are not easily visible or tangible to the firms.

6.1.2 Agriculture and Environmental Programs

A study to develop a comprehensive East African Agricultural and Rural Development Strategy has been undertaken by the EAC secretariat. A committee on Agriculture and Food security has been formed and has prepared reports on policy for Agriculture and Rural Development policy and Sanitary and Phytosanitary measures as well as guidelines for farm inputs. The report is due to be presented to the Council of Ministers in late 2004 for approval. Also a joint project for the control of trans-boundary livestock diseases and trade in livestock and livestock products is being developed by the secretariat. As a basis for these programmes, a Memorandum of Understanding on environmental management and co-operation was signed on 22 October 1998 by the three states. Subsequently, the development of a Protocol on Environment and Natural Resource Management has commenced. Currently, the Secretariat is facilitating study on the importation, manufacture, utilisation, disposal and re-cycling of polyethylene material in the region.

6.1.3 Social Affairs and Human Development Programs

Tanzania and Uganda are on the process of issuing national identity cards in order to enhance security control in the region and facilitate the implementation of decisions relating to free movement of people in the region. On gender issues, Regional Gender and Community Development Strategy and Programme have been developed. The East African integrated Disease Surveillance Network (EAIDSNet) will facilitate disease surveillance and collaboration in health research in communicable diseases. Funding has been secured from the Rockefeller Foundation to finance a three-year health project. In line with this, a regional programme for the control of cholera, yellow fever and HIV/AIDS have been developed.

Box 6.2

Lake Victoria Environmental Management Project (LVEMP)

The LVEMP was established in 1997 in Tanzania for the three countries as one of the projects to implement the 1992 Rio Conference supported by a grant from the World Bank and Global Environmental Facility (GEF) to the tune of $70 million for the three east African countries. Out of this, Kenya and Uganda are receiving US$24.3 and US$25.3 million respectively while Tanzania is receiving US$20.4 million.

The Philosophy of LVEMP is to avoid establishment of parallel institutions. One of the initial tasks of the project was to control the sea weed that posed a serious environmental problem to the Lake and which limited the use of the Lake (it makes water treatment too costly, limits penetration of light in the lake and obstructs movement in the water). The fishing aspect of the project addresses the regulation of fishing methods and guards against illegal fishing techniques. However, enforcement is still a challenging problem as there is a smaller workforce in Tanzania (193 people) compared to 611 employees in Kenya. Furthermore the project establishes fishing sites and Beach Management Units (BMUs); regulates deforestation, conducts/supports fishery research (to increase the fishing stock and maintain aqua culture). So far the LVEMP has managed to establish over 500 BMUs across Lake Victoria, and the government is keen to maintain and strengthen them. In fact, the EAC has embraced the idea of developing the BMUs. In addition, the project undertook soil and water conservation and micro-projects that address priority needs of the communities surrounding the lake zone. Finally the project undertakes water quality management, and supports fishery departments of the Riparian Universities as well as Capacity Building initiatives.

Some of the project's achievements include the following: About 90% of the area covered by the weed has been controlled (Most of the remaining part is that which belongs to the Burundi and Rwandan part of the Lake. There is a lack of government commitment from that end), fish quality and safety assurance substantially improved, the law enforcement mechanism to curb illegal fishing has been strengthened, new species of fish feared extinct have been discovered and strategies to conserve them have been developed, Many more initiatives aimed at conserving biodiversity and genetic resources in the lake for the benefit of the riparian and the global community.

The project was scheduled to fall under the total management of EAC. The role of EAC will be to coordinate activities of LVEMP and solicit for funds and provide institutional support. It should be noted that LVEMP is a government project, which is owned by the three governments. Before establishment of the EAC the project was managed under a tripartite agreement with no legal framework, hence the regional integration has helped to consolidate the regional effort. This poses a big challenge in the sustainability of the project, as EAC does not yet have resources for funding the project's second phase. The Phase 2 of the project, scheduled for 10-15 years is still in the design stage and is likely to concentrate on environmental aspects of the Lake, applied fishery research, water movement due to climatic changes, and regulation of water quality. Therefore Phase 2 is likely to be less ambitious and smaller in focus compared to Phase 1, implying that some of the established programs (such as micro-project, capacity building, soil conservation and forestry) may cease or receive little attention. However, in the future, cooperation with other neighbouring countries of Rwanda and Burundi is essential to enhance effectiveness of the LVEMP project.

6.2 Socio-economic Programs/Projects in SADC

Due to a lack of detailed and good case studies of projects and cooperation programmes in SADC, we provide a short annotated list of projects for which information was made available.

Maintenance of Peace and Conflict resolution

Maintaining peace and security in the region is one of the basic SADC objectives. Various initiatives have been made; including an end of armed conflicts in Angola and DRC. In addition SADC has a memorandum of understanding with UNHCR for solving refugee problems within the member states.

Disaster Management and Humanitarian Crisis

SADC and the UN have launched an appeal amounting to US$611 million to avert food crises in Zambia, Zimbabwe, Malawi, Lesotho, Swaziland and Mozambique. The member states are also working to carefully manage the Genetically Modified (GMO) food grains supplied to them by donors (in response to their appeal) in order to safeguard cultural and health considerations associated with consumption of GMO foods. These concerns are critical for poverty alleviation in the region. A strategy to systematically address the problems of floods and drought in the region was developed and approved by a Council of ministers in 2001. Six SADC member countries, namely Angola, Namibia, DRC, Mozambique, Zambia and Zimbabwe, have landmine problems, which have exacerbated poverty situations. The cost of mine removal is very high and these countries face constraints in financing such operations. SADC has responded to this problem by creating a regional Mine Action Programme for devising strategies for mutual assistance. The Regional Mine Action Database linking the affected states has been created to assist in resource mobilisation from potential donors.

Crop, Livestock and Natural Resource Development

The most pressing problems facing the agrarian sector in the region include loss of genetic biodiversity, insufficient inputs, poor technology, inadequate control and containment of plant diseases and pests. The SADC, though the Food, Agriculture and Resource Development Unit (FANR), is developing regional programmes to promote crop production, plant protection, processing, storage and monitoring plant diseases including migratory pests such as Larger Grain Borer. The SADC Seed Security Network has also developed a five-year action plan to ensure availability of quality seeds to smallholders in the region. Livestock products also play an important role in poverty reduction and food security in the region. Having recognised this, Farm Animal Genetic Resource Network Programme (FANGR) aims to support the member states at regional and national level to develop sustainable use and management of indigenous and local breeds in order to improve income generation and household food security. To ensure animal health in the region, SADC Animal Health Surveillance Network (SADC- AHSN) has been formed with staff specialists in veterinary epidemiology, animal disease outbreak investigations, and food inspection and research. These programmes will focus on policies related to food safety for domestic consumption and export, control of Transboundary Animal Diseases (TADs), and adoption of legislation that stipulate the role of the public sector in food safety.

The Protocol on Forestry was signed in October 2002. The protocol emphasises the development of an appropriate forestry industry and trade within the SADC region. The project's objective is to improve rural livelihoods through the sustainable utilisation of selected indigenous tree fruits in the semi-arid areas of the SADC region. Also, the SADC heads of state signed a Protocol on Wildlife Conservation and Law Enforcement in 1999, which seeks to establish common approaches to the conservation and sustainable use of wildlife resources. However, the Protocol is yet to be rectified by all member states.

SADC has also instituted a strategy for environmental protection and sustainable development, aiming to accelerate economic growth of the poor majority and ensure equitable and sustainable use of natural resources. Furthermore, the SADC Protocol on Environment that will commit the member states to cooperation on all issues relating to environmental protection and sustainable use of natural resources is being developed. In 1995, SADC developed a Protocol on a Shared Watercourse System whose goal is to develop, and manage shared watercourses in the region. SADC Fishery Protocol came into force in September 2003 to stimulate action by SADC member states to use monitoring, control, and surveillance tools to address Illegal Unreported and Unregulated (IUU) fishing, to address the negative effects of IUU fishing in their national Exclusive Economic Zones (EEZ).

Social and Human Development Programmes

A number of initiatives are also being pursued in the area of Social and Human Development. In order to combat high illiteracy rates in the SADC, the Protocol on Education and Training has been signed. In addition, SADC is considering the establishment of a Regional Centre that specialises in lifelong learning to address the illiteracy problem among older people. A regional proposal is being prepared to solicit funds from the Global Fund to Fight AIDS, TB and Malaria to fight pandemics of these three diseases. Other initiatives fight against these diseases including the launching of the SADC Malaria Strategy by three SADC health ministers in South Africa, and SADC's revision and strengthening of its Multi-sectoral HIV/AIDS Strategic Framework and Programme of Action 2003-2007. The latter programme aims at intensifying measures to tackle the destructive impact of the HIV/AIDS pandemic in a comprehensive manner in order to promote sustainable human development of its member states. The SADC region is facing a problem of illicit drug trafficking and abuses which are usually associated with spread of infectious diseases, corruption, and money laundering. In reaction to this, a Protocol on Combating Illicit Drugs has been signed. SADC drug committees have been formed where member states exchange drug related information. SADC provide funding and technical advice for these strategies.

7.0 CONCLUSION

While regional integration arrangements have existed in many parts of the world for a long time, their efficacy in changing the nature of the integration of the developing countries in the global economy and subsequently, their impact in reducing poverty has become an important subject of analysis and policy in the last decade. In most parts of Africa, a new wave of regionalisation is taking place. Whereas some regional arrangements are expanding, and others are being strengthened, new ones are also being formed. In this report, we present a case study of Tanzania as part of the larger study that aimed to identify the linkages between regionalisation and poverty either directly or indirectly through trade, investment or development cooperation channels.

While the overall conclusion is that regional integration is useful for enhancing trade performance, it should be noted that the process of regional integration in the case of Tanzania is in most cases at its initial stages (there is little evidence to attribute most of the post-regionalisation trade and investment performance to the respective regional provisions). EAC was re-established recently (Customs Union signed in March 2004), the SADC trade protocol ratified in 2000 with Tanzania withdrawing from a much older COMESA in the same year. Hence, only broad conclusions are made on the impact of regional integration on poverty in Tanzania.

The findings show that Regional Integration has increased intra-regional trade for Tanzania but not inward FDI. Regional Integration can reduce poverty particularly through increased exports of agriculture products. While regional blocs (SADC and EAC) have not been a significant source of FDI to Tanzania, generally, the efficacy of FDI in poverty reduction has been limited, among other factors, by its concentration on sectors that have few linkages to the rest of the economy (particularly FDI in the mining sector). Regional integration can also address poverty reduction through Regional cooperation on development projects/programmes, which we find to have a significant impact on poverty but limited in scope.

The limited impact of Regional Integration on poverty can be explained, among others, by the infancy of the integration process, and the fact that the Poverty challenge in Tanzania transcends the role of regional integration *per se*. For instance, since poverty in Tanzania is basically a rural phenomenon, the unfavourable economic conditions of the rural sector (lack of functioning markets, low level of skills and reliance on subsistence agriculture with constrained tradable crops) limit the benefits of regional integration to the poor. Nevertheless, the realisation of the potential for Regional integration to reduce poverty depends much on how the above conditions are addressed, more than the efforts to hasten regional integration progress.

Tanzania has a notable comparative advantage over the neighbours in the exports of food and agriculture products but a competitive advantage is required in order to maintain the current positive trends. The economy-wide competitiveness can be achieved as a combination of various initiatives, including measures to improve taxation, infrastructure, reduce high-energy tariffs and bureaucracy, and speeding up of the establishment of and compliance to quality standards. The private sector should be made conversant about the modalities and opportunities of regionalisation, as part of government's measures (if any) to support export entrepreneurship.

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APPENDICES

Appendix 1: Some Investment-related Policy Reforms implemented by Tanzania since mid 1990s

NATURE OF ACTIVITIES IMPLEMENTED	FINANCIAL YEAR
The National Investment Protection and Promotion Act 1990 was reviewed to grant tax exemption upon commencement of production.	1994-1995
Minimum qualifying investment ceiling for any venture set at 10 million US dollars.	1995-1996
Investment Promotion Policy and Act 1992 were reviewed to eliminate bottlenecks hampering steady flow of investments.	1996-1997
Government promote local/foreign investors through provision of conducive investment environment.	1996-1997
Agreement reached by EAC to promote East Africa as a single Investment Centre destination.	1996-1997
Harmonize investment incentives in East Africa.	1997-1998
Investors in petroleum and gas exploration not to be charged customs duty and sales tax on machinery and equipment used for oil exploration.	1997-1998
Investors in agriculture, infrastructure construction, telecommunication and human resource development be charged a small rate of 5% customs duty and 5% sales tax.	1997-1998
Investors in all other sector other than above shall be charged 10% sales tax/Customs duty.	1997-1998
Investment Act 1997 transfers tax exemption administration to TRA to enhance efficiency.	1998-1999
Investment Promotion Centre changed to Tanzania Investment Centre.	1998-1999
Tanzania grants 100% deduction on investment costs to be on a par with Kenya/Uganda.	1998-1999
Harmonize income tax regime for investors with TIC certificates and investors without any by allowing full capital expensing when computing tax relief.	1999-2000
Establishment and review of SADC protocol on trade to spearhead harmonization and cooperation of member states in investment and trade sectors.	2000-2001
Harmonize withholding tax rate on dividends at 10% for TIC and non-TIC certificate holders.	2000-2001
Harmonize withholding tax rates on interest at 15% for TIC and non-TIC certificate holders.	2000-2001
Limitation of the 15% Capital Allowances to mining companies on unredeemed expenditure to the existing investors only.	2001/2002
Limit the deferment of royalty to existing investors only.	2001/2002
Harmonize Immigration Act and Business Licensing Act to facilitate investors and speed up activities.	2001/2002

Source: ESRF (2001)

Appendix 2: Some Important Trade Policy Measures implemented in Tanzania since mid 1990s

NATURE OF ACITIVITIES IMPLEMENTED	FINANCIAL YEAR
Government committed to trade liberalisation by providing a conducive environment for security bank credit.	1994-1995
Government through BOT starts buying gold and counter smuggling of minerals.	1994-1995
Export of traditional crops by private sector allowed.	1994-1995
To encourage export trade government advises the introduction of hire purchase schemes.	1995-1996
Government authorizes reciprocal arrangements for Kenyan and Ugandan businesses to set local agencies in Tanzania.	1995-1996
Consensus for enhancing cooperation amongst East African countries reached by agreeing on intra-regional trade and removal of barriers to easy cross-border trade.	1996-1997
Presidents from Kenya, Uganda and Tanzania signed Treaty for revival of the East African Cooperation.	1996-1997
Government pledges to enhance trade liberalisation by further lowering of tariff rates while protecting the country from becoming dumping ground of substandard and harmful commodities.	1996-1997
Local beer industry accorded protection to stimulate production volumes and employment. COMESA beer tariffs rose.	1997-1998
Polished and cut mineral stones will not be charged royalty.	1997-1998
Duty drawback scheme set up “special account” for deposit of Exporters funds. Exporters to be refunded from this account.	1998-1999
Export of scrap metal re-introduced.	1998-1999
A number of measures introduced for protection of industries.	1998-1999
Pre-shipment Inspection extended to cover Zanzibar imports.	1998-1999
Promote external sector and Export strategy devised targeting agriculture, tourism, minerals and fisheries.	1996-1997
Government abolished export-tax on traditional agricultural goods, e.g. cotton, coffee, tea, sisal, cashew nuts, pyrethrum and tobacco.	1999-2000
Tanzania effective September 2000 resigned from COMESA membership.	2000-2001
Export tax on scrap metals abolished with effect from 1 July 2000.	2000-2001
To encourage cross-border trade within East African member states, import duties between the member countries will be reduced substantially.	2001/2002
Government has abolished all taxes for drugs used by those affected by HIV/AIDS, Malaria and TB.	2001/2002
Abolish stamp duty on sale proceeds from agricultural produce.	2001/2002
District Councils to register and licence small-scale traders.	2001/2002
Maximum stamp duty on lease agreement to be at lower rate of 0.96% on Tshs. 10 millions.	2001/2002
Importation of powdered milk banned.	2001/2002

Source: ESRF (2001)

Appendix 3: Flow of FDI by Country of Origin: 1998 - 2001(US$ M except **)

ORIGIN	1998*	1999	2000	2001	Total	% of Total**
EAC						
Kenya	53.7	21.1	6.5	12.5	93.8	3.2
Uganda	0.4	1.8	0.4	0	2.6	0.1
Sub-Total	*54.1*	*22.9*	*6.9*	*12.5*	*96.4*	*3.3*
SADC						
South Africa	32.4	44.3	133.5	174.5	384.7	13.2
Mauritius	70.4	16.5	4.6	3.7	95.3	3.3
Swaziland	0.2	8	1.2	2.8	12.2	0.4
Malawi	10.5	1.1	0	0	11.6	0.4
Zambia	8.6	0.6	0	0	9.2	0.3
Sub-Total	*122.1*	*70.5*	*139.3*	*181*	*513*	*17.6*
America and Australia						
Canada	96.7	78.9	0	20.6	196.2	6.8
USA	122.2	24	27.6	27.6	201.4	6.9
Australia	106.3	48.5	4	3.9	162.7	5.6
Sub-Total	*325.2*	*151.4*	*31.6*	*52.1*	*560.3*	*19.3*
Europe						
United Kingdom	313.8	30.7	24.4	82.2	451.2	15.5
France	30.2	13.1	2.3	2.2	47.8	1.6
Switzerland	28.3	9	30.8	23.8	91.9	3.2
Germany	35.1	8.5	12.2	1.2	56.9	2.0
Denmark	24	6.3	0.4	0.1	30.8	1.1
Norway	31.5	5.5	1.6	4.6	43.2	1.5
Netherlands	106.4	5.5	1.7	58.5	172.2	5.9
Italy	68.1	3.5	1.5	1.2	74.3	2.6
Sweden	24.5	3.5	4.1	5.4	37.5	1.3
Luxembourg	16.5	0.6	0	2.4	19.4	0.7
Japan	6.5	0.4	16.8	0	23.7	0.8
Isle of Man	13	0.1	0	1.6	14.7	0.5
Sub-Total	*697.9*	*86.7*	*95.8*	*183.2*	*1063.6*	*36.7*
Rest of Africa and World						
Ghana	265.1	162.7	0	1.5	429.3	14.8
Lebanon	1	6.4	0	0.9	8.3	0.3
Saudi Arabia	4.1	6.1	0	0	10.2	0.4
Bermuda	61.2	5.3	0	0	66.5	2.3
Foreign-Not Specified	3.7	4.1	0.2	1.3	9.3	0.3
Malaysia	40.5	3.7	0.1	1	45.4	1.6
Panama	1	2.4	0	5	8.4	0.3
China	9.9	0.8	1.9	1.5	14.2	0.5
United Arab Emirates	2.2	0.6	2.2	0.3	5.4	0.2
India	4.7	0.5	1.5	1.8	8.5	0.3
Sub-Total	*393.4*	*192.6*	*5.9*	*13.3*	*605.5*	*21.0*
Grand Total	**1592.7**	**524.1**	**279.5**	**442.1**	**2838.8**	**97.9**

* 1998 represent FDI stock, and the subsequent years are flows. ** Total does not add up because of rounding-off errors and omission of countries with insignificant value of FDI.

Source: Tanzania Investment Report & TIC (2002)

Appendix 4.1: Exports to COMESA, SADC and EAC countries: 1995 - 2002 (US$ m)

Country	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Angola	0.04	0.00	0.16	0.03	0.23	0.35	0.51	1.38
Botswana	0.02	0.03	0.07	0.27	0.21	0.09	0.23	0.04
Burundi	0.03	0.58	0.85	0.34	3.88	6.24	6.75	6.92
Comoros	0.00	0.01	0.00	0.05	0.01	0.05	0.02	0.35
DRC	3.32	4.12	8.75	4.69	8.10	4.87	8.66	15.64
Eritrea	0.00	0.00	0.40	0.00	0.00	0.03	0.34	0.23
Ethiopia	0.24	0.00	3.77	0.51	0.38	0.39	0.73	0.37
Kenya	23.47	8.99	25.49	27.96	21.59	31.53	38.41	34.90
Lesotho	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Madagascar	0.01	0.01	0.04	0.00	0.04	0.10	0.67	0.68
Malawi	0.01	1.51	5.53	3.54	7.65	7.52	5.87	17.54
Mauritius	0.40	0.11	1.37	0.00	0.16	0.20	0.33	0.29
Mozambique	0.12	0.01	0.29	0.13	0.74	1.51	1.50	1.61
Namibia	0.01	0.00	0.01	0.06	0.35	0.15	0.04	0.03
Rwanda	3.93	1.48	6.25	4.23	3.15	2.10	2.85	3.82
Seychelles	0.00	0.00	0.00	0.58	0.03	0.05	0.03	0.28
South Africa	0.51	2.10	8.38	6.23	6.75	11.52	8.95	16.32
Sudan	0.78	0.20	1.60	0.34	0.17	0.29	0.24	0.27
Swaziland	0.00	0.06	0.24	0.03	0.20	0.21	0.00	0.37
Uganda	5.94	4.04	7.38	6.59	5.00	8.39	5.64	5.42
Zambia	4.12	1.50	2.17	3.62	3.45	5.59	6.09	17.23
Zimbabwe	0.47	0.93	16.71	13.06	2.80	2.68	0.44	1.39
Total	43.44	25.70	89.47	72.26	64.88	83.84	88.29	125.08
Over all exports*	**679.20**	**785.20**	**752.50**	**588.50**	**543.20**	**663.20**	**776.40**	**902.50**

Source: Own computation based on Customs data from Tanzania Revenue Authority (various years).

Appendix 4.2: Imports from COMESA, SADC and EAC countries: 1998 - 2002 (US$ m)

Country	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Angola	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Botswana	0.33	0.10	0.05	0.22	0.18	0.70	0.16	0.26
Burundi	0.26	1.91	0.55	0.05	0.02	0.01	0.01	0.01
Comoros	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
DRC	0.00	0.00	0.00	0.47	0.14	0.11	0.21	0.37
Eritrea	0.00	0.00	0.00	0.01	0.02	0.19	0.14	0.06
Ethiopia	0.13	1.21	0.26	0.81	0.87	3.12	0.54	0.68
Kenya	69.91	92.82	89.42	108.20	102.93	89.49	92.63	90.08
Lesotho	0.01	0.21	0.23	0.38	0.03	0.00	0.00	0.00
Madagascar	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Malawi	2.50	2.85	2.06	2.30	3.73	1.80	2.04	1.44
Mauritius	0.64	3.00	0.48	0.74	3.31	2.43	3.14	1.73
Mozambique	6.48	10.10	3.77	5.41	0.03	0.13	0.43	0.03
Namibia	0.00	0.03	0.13	0.18	0.26	0.20	0.19	0.62
Rwanda	0.07	0.52	0.39	0.29	0.01	0.14	0.08	0.04
Seychelles	23.08	20.65	17.28	0.02	0.10	0.01	0.01	0.00
South Africa	96.80	71.56	85.19	127.35	189.68	159.42	180.16	177.17
Sudan	0.01	0.00	0.03	0.17	0.02	0.34	0.05	0.11
Swaziland	0.40	1.64	8.95	11.44	12.89	12.74	12.68	15.48
Uganda	0.33	3.65	2.02	2.17	8.12	5.52	11.34	2.38
Zambia	7.68	8.94	4.07	16.97	7.57	2.39	1.60	4.30
Zimbabwe	17.82	2.08	4.12	14.43	6.33	4.22	3.00	1.99
Total	226.46	221.31	219.01	291.63	336.25	282.96	308.42	296.75
Overall imports	**1340.95**	**1210.95**	**1320.30**	**1588.70**	**1572.80**	**1533.90**	**1714.40**	**1658.40**

Source: Own computation based on Customs data from Tanzania Revenue Authority (various years).

Appendix 4.3: Trends in Intra and Extra Regional Exports (1995 – 2002)

Year	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
(A) Value of Total Exports (US$ m)								
Intra-regional exports	43	26	90	72	65	84	88	125
Extra-regional exports	636	760	663	516	478	579	688	777
Total exports	*679*	*785*	*753*	*589*	*543*	*663*	*776*	*903*
(B) Share of the Value of Total Exports (%)								
Intra-regional exports	6	3	12	12	12	13	11	14
Extra-regional exports	94	97	88	88	88	87	89	86
Total exports	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
(C) Value of Agricultural exports (US$ m)								
Total Intra-Regional agric. exports	22	12	22	32	22	32	41	64
Extra-Regional Agric. exports	303	99	296	359	318	309	270	280
Total Agriculture export	*325*	*111*	*318*	*391*	*340*	*341*	*311*	*344*
(D) Share of agriculture products in Total exports (%)								
Intra-regional exports	51	46	24	44	34	38	47	51
Extra-regional exports	48	13	45	70	67	53	39	36
Total exports	*48*	*14*	*42*	*66*	*63*	*51*	*40*	*38*

Source: Own computation based on Customs data from Tanzania Revenue Authority (various years).