

PROMOTING INVESTMENTS IN TANZANIA: ASSESSMENT OF THE LAW AND PRACTICE OF EXPORT PROCESSING ZONES AND SPECIAL ECONOMIC ZONES

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ABSTRACT

This study is a result of the various reports of the Controller and Auditor General (CAG) of Tanzania addressing poor performance of the Export Processing Zones Authority and hence poor returns of the Export Processing Zones (EPZs) and Special Economic Zones (SEZs) in Tanzania.

By use of library research technique, the author reviewed different literatures to assess the practice under which EPZs and SEZs are established and run in Tanzania. Again, the author analyzed the laws with the view of assessing whether they promote and protect investment in the EPZs and SEZs and thus whether they meet the basic international standards.

It is concluded that the laws governing EPZs and SEZs in Tanzania are investor friendly; this is because they provide for basic requirements that promote and protect investments under international law. These requirements are incentives and foreign dispute resolution within the scope of Bilateral Investment Treaties, Multilateral Treaties, ICSID Convention and the rules of procedure for arbitration of international Chamber of Commerce. Again, when it comes to practice in the implementation of the EPZs and SEZs in Tanzania, literature and current affairs news shows that Tanzania is very much affected by different problems. These problems are like insufficient capital for providing infrastructures in and out of these EPZs and SEZs, bureaucracy and corruption among government officials implementing these projects. Other problems includes lack of focus by the Tanzania government in implementing these projects; also politics and inconsistency in government implementation of the country's important

projects; and short focused policies, guidelines and regulations of the EPZA in running the EPZs and SEZs.

The study recommends the following:- The government should encourage private sector to run these schemes than itself and it should implement strategic investment in other sectors that support implementation of EPZs and SEZs. Not only that but also the government established EPZs and SEZs should be done in phases; there must also be strict Laws on officers of the EPZs and SEZs who misuse their powers; again, the government should require investors to improve employment packages and trainings and lastly the government should review fiscal incentives to make them benefit both parties.

Keywords: Export Processing Zones, Special Economic Zones, Incentives, Promotion and Protection, Investment, Controller and Auditor General (CAG), Tanzania

INTRODUCTION AND GENERAL OVERVIEW

Tanzania is an East African Country blessed with different natural resources like minerals like Tanzanite, uranium, gold diamonds and many others, lakes, ocean, mountains, fertile lands, forests and many other resources. All these resources make Tanzania a potential investment destination especially for foreign investors.

The country having desire to become one of the leading industrial countries in the world, its government took initiatives to implement the Export Processing Zones (EPZs) and Special Economic Zones (SEZs).ⁱ This is because EPZs and SEZs are great tools for attraction of investments especially foreign investment and thus promoting industrialization.

EPZs encourage exports of goods and hence attract foreign currency increase in the country among other benefits. At the same time, SEZs promote exports of goods, generate employment chances for residents, lead to build up infrastructures, and creates necessary environment in a single area for investors to invest.ⁱⁱ

The first SEZ in Tanzania was created in the mid 1990s following an African Development Bank study, which recommended Dar es Salaam, Kigoma, Tanga as suitable towns to build SEZs.ⁱⁱⁱ However, these SEZs failed in the year 1995.^{iv} In 2000, another study was conducted and the government appointed the National Development Corporation (NDC) to look into

establishment of EPZ in the country. This led to Tanzania adopting EPZs as a means of economic reforms.^v The expected reforms led to the enacting of the Export Processing Zones Act of 2002.^{vi} It did not end there, in the year 2006; the government enacted the Special Economic Zones Act of 2006 to start the implementation of Special Economic Zones (SEZ) in the country.^{vii} The main difference between the two programs is that the EPZ scheme encourages production and exporting of different goods manufactured in the selected zones.^{viii} On other hand, SEZ scheme promotes multi sector investment for both home and overseas markets.^{ix} Under the said laws, EPZ and SEZ are placed under the management of Economic and Processing Zones Authority (EPZA) or (the Authority). Further to that, the country chose 21 regions all over the country to establish these projects.^x

However, Tanzania has been experiencing negative returns from the EPZs and SEZs. This is proved by different reports of the Controller and Auditor General (CAG) of Tanzania. In his reports, the CAG has been reporting deficits in these projects since the year 2019 to present thus 2023. In the CAG Report of 2019 – 2020, it was noted that the EPZs and SEZs have not yielded the expected returns in the country's economy. This is because the EPZs and SEZs governing body the Export Processing Zones Authority (EPZA) has been recording deficits for five consecutive years, which is from 2015/16 to 2019/20. Thus in the year 2019/20, the deficit increased drastically by Tanzania Shillings 1,737.51 million (equivalent to 369%) compared to the previous year, 2018/19.^{xi} This trend of deficit implies that EPZA depends on liabilities to run its operations. In a recent 2023 report, the CAG has identified deficit of Tanzania Shillings 721.51 millions in the year 2020/2021, and a deficit of TZS 1260.54 millions in the year 2021/2022.^{xii} Basing on the fact that one of the sources of funds of the Authority (EPZA) are returns from the investment in EPZs^{xiii} and SEZs^{xiv} infrastructure and industrial shed, this proves that these projects are not yielding the expected returns to the country's economy.

By use of library research technique, this study investigates on what could be the problem that leads to negative impact of EPZ and SEZ in the Tanzanian economy. In doing so, the study looks into the provisions of laws to see whether they are investors' friendly. In addition, the study looks into the practice thus, how the EPZA run EPZs and SEZs in the country, again the study discusses other external matters that affect the prosperity of these schemes, and lastly, the study gives conclusive remarks and recommendations.

ASSESSMENT OF THE LAW GOVERNING EPZS AND SEZS IN TANZANIA ON PROMOTION OF INVESTMENTS

This part analyzes the effectiveness of Tanzanian laws towards attracting investment in the EPZs and the SEZs, the analysis in this part look as to whether the law hinder, promote and protect investment in the schemes. There are two laws that govern EPZs and SEZs, and these laws are *the Export Processing Zones Act of 2002(R.E 2012)* referred to as (*EPZ ACT, 2002*) and *the Special Economic Zones Act of 2006 (R.E 2012)* referred to as (*SEZ ACT 2006*). These laws are analyzed as follows.

Introduction

The EPZ Act, 2002 establishes EPZs under section 3, with the main objects and purposes of encouraging and promoting export industrial products and therefore making Tanzania a leading industrial national in the world, thus, increase foreign currency, processing of raw materials, create and promote employment opportunities hence skilled labor. Moreover, the projects are encouraged to bring and spread transfer of technology and to foster linkages of the local economy with the international market.^{xv}

Operations in the EPZs are managed by the Export Processing Zones Authority (EPZA) or (the Authority),^{xvi} this is a governing body of the EPZs in Tanzania and its duties among others are to instigate, build up and run the functions of the state owned EPZ.^{xvii} Other duties of the Authority, are find and own land, of which they can lease or grant derivative right to investors who need to invest, also the Authority can build industrial and commercial buildings and lease such buildings to investors, and provide the necessary utilities in those buildings like security, property maintenance, sewage, drainage and others. The Authority is also responsible for promoting Tanzanian EPZs, by advertising them both inside and outside the country and encourage investors to come and invest, further to that they are required to offer business information to investors.^{xviii}

In performing the above duties, the Authority may opt to subcontract the said duties to any person or company. The Authority also has powers to permit or work with other companies on developing EPZ infrastructure and running them.^{xix} Thus meaning even private stakeholders can invest in these schemes upon getting the Authority's permission.

The licensing board for the EPZ in Tanzania is the Authority,^{xx} its functions as the licensing body are issuing, suspending, canceling and varying^{xxi} business license.

Appeals against the decision of the Authority on rejection of an application for a license, cancel or suspend will be taken to the Minister who may confirm the decision of the Authority, vary or set aside. Should one be dissatisfied with the decision of the Minister then he or she has a room to take the matter to the High Court within thirty days after the Minister decision.

Another law discussed is the *SEZ Act, 2006*, this law provides for the establishment of SEZ in different geographical locations in the country.^{xxii} In addition, these locations are special places where investor can work on with unique trade atmosphere that enhances their productivity and earnings from the venture they have.^{xxiii} The main purposes of SEZs are to domestic in and foreign production and trade.^{xxiv}

There are different types of SEZs in Tanzania, these are, EPZs, ports, tourist parks; science and technology parks among others.^{xxv} The development of SEZs Infrastructure and the title over land is under the Authority on behalf of the Government.^{xxvi}

The Functions of the Authority in establishing and administrating of SEZs are to establish and run SEZs.^{xxvii} In addition to those functions its duties are obtain and own land, whereby they shall have powers to lease or give derivative right over such land to investors to establish their plants.^{xxviii} In addition, they shall have powers to build infrastructures that will support operations of the SEZs, such infrastructures are like, utilities and system of sewerage, drainage, security and others. Lastly, the Authority shall organize programs both in country and outside to advertise the country investment opportunities and offer commercial information to investors.

In performing the previously mentioned duties, the Authority may work hand in hand with other actors or grant a contract other actors to perform such duties. Further to that, an investor will access the rights to the SEZ through a contractual relationship with the Authority. This agreement shall define terms and conditions of such relationship.^{xxix}

One thing to note is that the EPZA, “Authority” is in charge for the establishment, operating and managing both the EPZs and the SEZs in Tanzania.^{xxx}

Promotion of Investments in the EPZs and SEZs in Tanzania

Promotion of investments entails creation of good conditions for operating business in a certain country. In terms of the law, these conditions are mainly focused on the incentives offered by the country toward the investor. Tanzania is one of the leading business destinations that offer generous investment incentives in the world. The following are those investment incentives offered to investors in both EPZs and SEZs.^{xxx1}

- **Promotion of Investment under the Export Processing Zones Act of 2002**

With pure desire of encouraging many investments in the EPZs in Tanzania, the country has granted investors with lucrative incentives, which offer a great deal of business sustainability. These incentives are both fiscal and non-fiscal as follows.

Under fiscal incentives investors are entitled to export credit guarantee scheme, whereby their exports can be protected under insurance, in case of failure realization of the proceeds due to different force majeure events. In addition, investors can purchase raw materials at a very low price because the government offers reduced customs duty, and other taxes. Further to that, investors are Corporate Tax free, withholding taxes on dividends and interests free for the period of first ten years of operation of their business in the EPZ.^{xxxii} Again, investors are free of all taxes and levies by Local Government Authorities for a period of ten years for goods other than those manufactured and sold/ off loaded in the customs territory,^{xxxiii} and exempt from value added tax on utility and wharfage charges. Apart from the above incentives, an investor in Tanzania is guaranteed free transfer of convertible currency of money obtained from:-

- a) profits or dividends obtained from investment;
- b) loan repayment especially foreign loan;
- c) Commission, charges arising from technology using contract;
- d) Payment of earnings obtained from sale or liquidation after deducting taxes and others charges there to.
- e) Payment of wages and other entitlements to foreign personnel employed in Tanzania in connection with the business enterprise.

Non-fiscal incentives include - no requirements of pre-shipment or destination inspection and on site customs inspection of good in EPZ. Again investor are offered business visa on entry

to key technical, management and training staff for a maximum of two months. In addition, the investor may import one administrative car, an ambulance and firefighting vehicles and maximum of two staff buses for employees at a reduced customs duty and reduced taxes. Other incentives included treatment of goods destined in the EPZ as transit goods, grant of immigrant quota of five persons when establishing business and access to impeccable services in the EPZ.^{xxxiv}

- **Promotion of Investment under the Special Economic Zones Act of 2006**

Again, Tanzania's desire in becoming a number one destination of investments especially foreign investment is seen in the generous offering of both fiscal and non-fiscal incentives under this law. Incentives here are categorized into three groups thus A, B, and C. These incentives are as follows:-

The first group of incentives is offered to investors who deal with development of infrastructure in the SEZs. These developers are offered the following incentives.^{xxxv}

Fiscal incentives includes, Nonpayment of taxes and duties on equipments, heavy duty vehicles, building and construction materials and any other goods of capital nature to be used for purposes of development of the SEZ infrastructure, again nonpayment of corporate tax and withholding tax on rent, dividends and interest and payment of property tax for a period of first ten years. Other fiscal incentives are reduced customs duty, and other taxes on importing administrative car, ambulances, firefighting equipment and fire fighting vehicles and two staff buses, again VAT on utility is forgiven. In addition, nonpayment of stamp duty on any instrument executed in or outside the SEZ relating to transfer,^{xxxvi} lease or hypothecation of any movable or immovable property in or situated within the SEZ or any document, certificate, instrument, report or record relating to any activity, action, operation, project, undertaking or venture in the SEZ;^{xxxvii}

Non-fiscal incentives includes, grant of immigrant quota of up to five persons when starting business, no requirement of pre-shipment or destination inspection requirements; on site customs inspection of goods within SEZs; and treatment of goods destined into SEZ as transit cargo.^{xxxviii}

The second group of investor's incentives is those investors who produce and sell into the customs territory.

Here fiscal incentives involved are reduction of customs duty, and all other taxes on raw materials and goods of capital nature related to the production in the SEZ; nonpayment of

withholding tax on interest of foreign loan. Others includes, reduced customs duty, and all taxes payable when importing of one administrative vehicle, one ambulances, firefighting equipment and fire fighting vehicles and two buses for employees; finally the investor is offered unconditional transferability through any authorized dealer bank in freely convertible currency of:- profits or dividends obtained from investment; loan repayment especially foreign loan. In addition, the investor can transfer royalties, fees and charges arising from technology using contract; payment of earnings obtained from sale or liquidation after deducting taxes and others charges there to and payment of wages and other entitlements to foreign personnel employed in Tanzania in connection with the business enterprise.

Non-fiscal incentives includes, no pre-shipment or destination inspection requirements; on site customs inspection of goods within SEZs; offering of business visa upon entry to key technical, management and training staff for a maximum of two months; access to best services in the SEZs. Lastly, the investor will be offered automatic immigrant quota of five persons when starting his operations in the country.

The last category is of those investors producing for export markets in non-manufacturing or processing sectors are entitled to the following incentives –

Under fiscal incentives, the investor will access export credit guarantee scheme, subject to them complying with conditions and procedures applicable, reduced customs duty and all taxes on raw materials and goods of capital nature related to the production in the SEZ. Again, they will be granted corporate tax and withholding tax on rent, dividends and interests holiday for the period of first ten years; nonpayment of all taxes and levies by the local government authorities for products produced in the SEZs for a period of ten years. Not only that but also reduced customs duty; reduced value added tax and any other tax payable for importing of one administrative vehicle, ambulances, firefighting equipment and vehicles and two staff buses; exclusion from value added tax on utility and warfare charges. Lastly, the investors in this category are entitled to free transfer of convertible currency resulting from profits or dividends; foreign loan servicing payment; royalties, fees and charges from technology transfer agreement; wages payment to foreign personnel. The investor shall also be free to transfer any currency in remittance of proceeds in the event of sale or liquidation or any other interest.^{xxxix}

On non-fiscal incentives the investor is exempted from pre-shipment or destination inspection requirements; on site customs inspection of goods in the SEZ; further to that, the investor is granted business visa at the point of entry to key technical, management and training staff for

a maximum of two months.^{x1} Other incentives are treatment of goods destined into SEZ as transit cargo; entitlement to an initial automatic immigrant quota of up to five persons during the start up period.

Protection of investments in the EPZs and SEZs in Tanzania

Protection of investment entails a number of important principles and concepts to consider, these principles and concepts are such as fair and equitable treatment (FET), full protection and security (FPS), national treatment (NS), most favored-nations treatment (MFN) and international dispute settlement. These principles and concepts are mainly covered by Bilateral Investment Treaties, the ICSID Convention and other international instruments. This law has covered these principles and concepts of protection of investments, as follows.

- **Protection of Investment under the Export Processing Zones Act of 2002**

Assurance against expropriation without just and prompt compensation,^{xli} the government will not acquire interest in or right over any property within the EPZ without abiding to the Constitution of Tanzania and land acquisition Act.

On issues of dispute settlement between the government and the investor in the EPZ, there are various mechanisms provided by the law.^{xlii} These mechanisms will depend on the agreement of the parties before they enter into legal relations, and they are as follows.

- a) Rules of procedures for Arbitration of International Centre for Investment Settlement of Investment Disputes;
- b) As per the provisions of Bilateral Investment Treaties between Tanzania and the country of origin of the investor;
- c) Rules of procedure for arbitration of international Chamber of Commerce;
- d) Other International Machinery for the settlement of International Dispute Mechanism agreed by parties^{xliii}

- **Protection of Investment under the Special Economic Zones Act of 2006**

According to the law, if there is a dispute between a foreign investor and the Authority or a developer regarding a licensed investment in a SEZ, such dispute shall be resolved through amicable settlement negotiations.^{xliv} If the dispute is not resolved by negotiation, it will be resolved in accordance with the laws of the Tanzania; under any bilateral or multilateral

agreement agreed between the Tanzania and the investor's country of origin. In addition, the dispute may be resolved in accordance with the Arbitration Rules of the ICSID.^{xlv}

Conclusive Remarks

Generally, the two laws have provided for the basic ingredients that make the law investor friendly. This is because the law assures the protection of the investor's assets and legitimate expectations. Not only that, the law also grants an investor with vast business opportunities in Tanzania and hence promotes and protects foreign investment. However looking closely to the generality of the incentives offered by the law it is undisputed fact that Tanzania has only focused on encouraging investors to the country without considering the benefits of the country at large, especially in terms of taxes and revenues. This will be discussed in the conclusion part of this study.

PRACTICES IN THE IMPLEMENTATION OF THE EXPORT PROCESSING ZONES AND SPECIAL ECONOMIC ZONES IN TANZANIA

Information from this part was obtained from the comments and ideas of different literatures about the topic. The data analysis technique used in this part was the thematic data analysis technique. In the cause of analyzing literature, the following was discovered.

Bureaucracy and corruption among government officials trusted with implementing these projects was one of the problem said to hinder positive results about these projects. A good example the incident whereby the Tanzanian Prime Minister visited the Dar es Salaam EPZ and SEZ on 19th June 2021, in his visit he discovered a number of irregularities in the legal department of the SEZ.^{xlvi} It was discovered that the legal department was delaying investors' applications for more areas (land) to increase their investment. For example, it was discovered that an investor submitted a letter to be granted an area to expand his operations on 18th September 2018, but the application was delayed in the legal department for years and it was submitted to the Director General of the EPZA on 17th May 2021 for approval. Another investor submitted his application for an area to expand his operations on 27 July 2020 and the letter was not passed by the legal department to the Director General until 17th May 2021 for

consideration, another application was made on 19th March 2020 but it was delayed until 18th May 2021 by the legal department.^{xlvi}

Lack of focus by the Tanzania government in implementing these projects, this is because Tanzania established the projects un-strategically. Thus the country identified and started implementing the projects all over the country at per without assessing the country financial ability and development of basic infrastructure like power supply, water supply, roads and railways infrastructures and others. Again, this affected even the ability of the government to supervise and manage these projects. It is the findings of CAG's Report of 2019/2020 that in 23 projects in the country, only Six (6) zones were in operation, 14 were in various development stages whereas three (3) were non-operational. It was the conclusion of the CAG that without operating the economic zones, things would worsen.^{xlvi}

Lack of good infrastructures in the in and outside EPZs and SEZs is also a problem. EPZs and SEZs need the necessary infrastructures for them to run smoothly, these infrastructures includes roads, railway, power, water and many others. However, it has been discovered that the country as of now has no sufficient power, good roads and other necessary infrastructures to operate these areas; this hinders day-to-day activities in the projects. Again, infrastructures inside the also is not sufficient and not well maintained, this is evidenced by the Prime Minister visit in Dar es Salaam SEZ where he discovered that several infrastructure were destroyed especially electrical equipments like main switches, which were stolen and that the automatic generator was not working, hence chaos.^{xlvi}

Short focused policies, guidelines and regulations of the EPZA in running the EPZs and SEZS, is another problem. For example in the 2023 report by the CAG in the status of implementation of prior year's recommendations part, shows an interaction between the CAG and the EPZA as follows.

CAG Audit Recommendation: Exported goods under EPZ are below 80% of the production.¹ I recommended that EPZA in collaboration with respective Authorities ensure that awarded license holders export at least 80% of produced goods.

EPZA Response: The Authority Analyses investors through their presented business plans, which may face further Dynamics during implementation. For instance, before re-integration of East Africa Community (EAC), Exporting means selling outside

Tanzania; however, as of now all of East Africa Market is local market. This has tremendously affected the 80% requirement for Export. The Authority shall review its criteria to factor in the EAC market.^{li}

This interaction indicates that the EPZA is still operating under outdated rules, because relying on the East African market to reach their goals, while knowing that the East African Community improved its laws is short sighted. Again, the Authority is short sighted by not finding investors who could export products beyond the East African Community.

Politics and inconsistency in government implementation of the country's important projects is another problem facing these schemes in Tanzania, with different phases of government tending to abandon projects of the previous government, the reasons being varied but mostly political. A good example is the Bagamoyo Port and SEZ project, which was to be built under a Public Private Partnership between Tanzania, China Merchants Holdings International and the State General Reserve Fund of Oman.^{lii} The project was also funded by the Chinese government through the Forum on China-Africa Cooperation (FOCAC). The project intended to transform Tanzania into a trade and logistics hub in the region, with an area of 9,800 hectares, which includes the construction of an Information and Communication Technology (ICT) park, industrial research, bank branches, and logistics services, medical and educational facilities.^{liii} The project also included a 3,000-hectare port and other facilities, which would employ many people and bring many other benefits to the country. However, poor coordination between the succession of governments and politics has not brought the project into force since 2013, when the framework agreement was signed.^{liv} This project was initiated by the fourth government under President Kikwete, during this time the project was praised for the achievements it would bring to the country.^{lv} However, the fifth government under the late President Magufuli, the project was abandoned by the government, the president himself citing reasons that the contract to implement the project had unfair conditions such as limiting the development of all other ports in the Tanzanian coastal region. He further claimed that the project restricted the Tanzania Revenue Authority from collecting anything in the port. He further mentioned that compensation money of 114 billion Tanzanian shillings has already been offered to a group of people who are not even landowners in the area hence the project was surrounded with massive corruption.^{lvi}

Not very good implementation of labor packages to some employees or temporary workers of the EPZs and SEZs in Tanzania. This was seen in the workers of one of the Tooku Garments Company Limited (TTGCL)^{lviii} in 2015, here the employees complained about low wages.^{lviii} It is evident that the country gets very little from the Taxes and revenues in the SEZs and EPZs at large; therefore, the country needs to realize income by other means like taxes collected from the employment of its people employed in these schemes. In addition, these people will use their salaries in different activities that will develop the country.

CONCLUSIONS AND RECOMMENDATIONS

This study addresses the problem of poor returns of the EPZs and SEZs in Tanzania, these poor returns can be traced from the performance of the controlling body, the Export Processing Zones Authority that manages both the EPZs and the SEZs in Tanzania.^{lix} However, other factors were determined to affect the establishment, operations and contributions of the EPZs and SEZs in Tanzania, as seen above. By use of library research technique to review various literatures and the analysis of the law, the study concludes as follows:-

On the analysis of the laws governing EPZs and SEZs in Tanzania, it was discovered that Tanzania has investors' welcoming laws on the implementation of the EPZs and SEZs. This is because the law has covered investors' core expectations of attaining legitimate expectations and security for their investments. These expectations can be seen where the law has granted some important incentives and allowing foreign dispute resolution within the scope of Bilateral Investment Treaties, Multilateral Treaties, ICSID Convention and the rules of procedure for arbitration of international Chamber of Commerce.

However, a challenge that arises in this part is that the country has offered a lot incentives both fiscal and non-fiscal and this calls to question the benefits that the country can get from these EPZs and SEZs taxes and revenues. In their article, Romward and Materu^{lx} have raised this issue of many, and general incentives offered to the investors and it is their worry that such incentives may affect government revenues especially on the issues of taxes.^{lxi} It is their suggestions that, for both the investors and host state to benefit from investment it is very important that these fiscal incentives to be specific and on the more important specific activities that can help EPZ schemes realize the intended objectives.^{lxii} Thus, not all investors should be

given the same general package of incentives. They call for investigations on the broad fiscal incentive schemes to ensure that they are not detrimental to the national economy. Again, they suggest that, the country should not only focus on offering incentives as a means of attracting foreign investors but should also invest on promoting conducive political climate, predictable investment policies and physical infrastructure. This is because the three factors could be even more relevant to investors than even fiscal incentives.^{lxiii} I do agree with the views of the authors above that the government need review the fiscal incentives and make them attractive without affecting the generation of income to the country.

On issues pertaining to practice in the implementation of the EPZs and SEZs in Tanzania, literature and current affairs news shows that Tanzania is very much affected by the problem of insufficient capital for providing infrastructures in and out of these EPZs and SEZs, bureaucracy and corruption among government officials implementing these projects. Other problems includes lack of focus by the Tanzania government in implementing these projects; also politics and inconsistency in government implementation of the country's important projects; and short focused policies, guidelines and regulations of the EPZA in running the EPZs and SEZS. However, it was discovered that the country is now in the process of implementing different big development projects that may bring positive outcomes in the Tanzanian EPZs and SEZs. These projects are like Mwl. Nyerere Hydro Electric Power in Rufiji River in Morogoro this project will produce over 2115 megawatts and that this production is more than the current electricity in the country of 1513 megawatts. There are high hopes that some of this electricity will be allocated to these areas. Again, there is another electric railway project (Standard Gauge Railway), which cuts across almost all regions in Tanzania; there are various roads and water projects across the country. Despite this developments but a major problem identified from literature is creativeness of the people implementing the EPZs and the SEZs. The EPZA needs to be up to date with current trend of investment in the world especially development of science and technology.

With the above conclusions in mind, the study recommends the following:-

- 1. Encourage the private sector to run these schemes than the government itself**

Since the law allows the Export Processing Zones to enter into contracts with the private sector in establishment and running of these schemes^{lxiv} it is advised that focus should be turned into engaging the private sector. The engagement of the private sector will save a lot of government

money that would be used to establish and run the EPZs and SEZs. This money can be used to improve the outside infrastructures like roads, power and others to increase the level of productivity in the schemes and more benefits to the country. Further to that, it will reduce the problem of bureaucracy of the government employees.

The only thing to consider here is to enter into good contractual terms with the investors to make sure that both the investor and the country get balanced benefits and avoid politics in the implementations of important business ventures as it was in the initiation of the Bagamoyo SEZ.

2. Strategic Investment in other sectors that support implementation of EPZs and SEZs

Tanzania has to identify its strength and unique products that it can supply to the world, having identified this it should encourage investment in such products in the EPZs and SEZs to both domestic and foreign investors. However since EPZs and SEZs attract little contributions of taxes and other revenues, the government should enter into good investment contracts with investors on purchasing raw materials within the country especially in the agricultural sector which is the backbone of the country. As of now the section 4 of the Export Processing Zone Act, 2002 indicates that the main object of the EPZs among others is to promote processing of local raw materials in the country, but it has neither strategize such object nor make it mandatory to investors.

The government should empower its farmers in producing heavily raw materials for EPZs and SEZs. This will yield many benefits for the country and its citizens, since it will remove the country from depending only in taxes and revenues on the EPZs and SEZs alone, but great contribution will be realized from agriculture, transport and other related sectors.

3. Government established EPZs and SEZs should be done in phases

Implementation of the projects in phases is also very important; the study observed that the government opened the projects at a go, all over the country, and without focus. This proved to be a burden in running the projects due to limited capital and infrastructures developments. The government needs to make a critical research on important areas to establish these schemes and build one after another to the fullest, so that that project may start operating at a go and hence earn some incomes. Here the government may learn from China when it started its SEZs

whereby it started with only four SEZs in the year 1980.^{lxv} These SEZs were located in southeastern coastal China and consisted of cities of Shenzhen, Zhuhai, and Shantou in Guangdong province and Xiamen (Amoy) in Fujian province. These SEZs became very successful and led to development of the towns for example Shenzhen's population grew from some 30,000 in 1979 to more than 1,000,000 by the beginning of the 21st century, also, consumer goods industries grew rapidly.^{lxvi} This led to increase in SEZs in China because in 1984 other SEZs were opened in 14 larger and older cities along the coast to foreign trade and investment. Again, in 1988 another SEZ was opened in Hainan Island, and in 1990 the Pudong area in Shanghai also became a SEZ. During the time of development the Chinese government had been studying the trend of the investors in these areas and more important the policies, and taxes regimes, as they kept changing depending on the conditions of a particular area or SEZ.^{lxvii}

Again, when starting these projects the government need to make sure it prepares its citizens to supply skilled labor and at the same time raw materials. For example now the government has initiated talks about implementation of the Bagamoyo SEZ, during the time when the project is being built the government may start preparing its people in those sectors that will be invested on the SEZ. These areas are like production of raw materials, labor, different services like restaurants and many others, thus everything should not come as a surprise.

4. Strict Laws on officers of the EPZs and SEZs

This problem has been a problem in various sectors in the country, but in the EPZs and SEZs it even worse as seen above. The introduction of special and strict laws concerning corruption, misuse of public offices should be implemented in the EPZs and SEZs, this will enhance accountability of government officials and employees working in the area. Further to that, the government needs to make strict follow up of performances and accomplishment of the employees in these schemes basing on the goals that the government will put before them.

5. Improve Employment Packages and trainings

Strategic training of different experts in the core fields the government intends to rise should be done and encouraged. Here the government can select key personnel in different fields train them inside and outside the country with the purpose of producing for the country in the future. These people should be under special contracts of working for a certain time within the country

and implement their knowledge under the supervision and management of the government. These areas may be technological areas, economy, law, agriculture and others. It is undisputed fact that there are in place various projects and scholarships given by the government or in collaborations with other development partners. Nevertheless, the problem has always been, when these people complete their studies they don't come back home to share their knowledge and skills or when they come back no one makes follow ups and give them resources to put their knowledge to work. Hence, the country loses its investment in these people.

Another issue is improvement of employment packages of workers especially those unskilled ones. Since the government has offered many incentives to the investors in these schemes that mean their earnings are also very high, therefore it is very important that they should offer nice packages to their employees. The government should be keen on making follow up when it comes to employments rights of the people employed in these schemes, to avoid mistreatment as it was seen in the case above.

6. Review Fiscal Incentives

Revisit the fiscal incentive system to ensure that they are not disadvantageous to the country economy. Also, the government may grant incentives according to classification thus the government may grant them depending on the goals it intends to achieve like under the conditions that the investors buys all raw materials within the country or upon offering certain packages to Tanzanian employees like trainings inside and outside the country, incentives to priority sectors. The government may also make use of Organization for Economic Cooperation and Development (OECD) principles in managing tax incentives.^{lxviii}

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^{viii}Supra Note 7

^{ix}Supra Note 2

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^{xiii}Section 18 (b) of the Export Processing Zones Act of 2002

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^{xv}Supra Note 13 section 4

^{xvi}Ibid section 12

^{xvii}Ibid section 13 (1)

^{xviii}Ibid section 13 (2)

^{xix}Supra Note 13 section 13 (3)

^{xx}Ibid section 6

^{xxi}Ibid section 8 (2)

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^{xxv}Ibid section 7

^{xxvi}Ibid section 13

^{xxvii}Ibid section 14.-(1)

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^{xxx}Section 12 of the EPZ Act, 2002 and Section 3 of the SEZ Act, 2006

^{xxxi}Supra Note 13 section 21

^{xxxii}Ibid section 21

^{xxxiii}Supra Note 13 section 21 (2)

^{xxxiv}Supra Note 13 section 21

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^{lvii}This company is situated in Ubungo External Dar es Salaam and works in the EPZ.

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