Performance of A One-Stop Facilitation Centre, A Case of Tanzania Investment Center

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ABSTRACT
This case study was done at the Tanzania Investment Centre (TIC). The general objective of the case study was to analyze the performance of one stop facilitation centre. The Specific objectives were to show the formation of the one-stop facilitation centre and the impact of the one-stop facilitation centre on service delivery to investors. Both theoretical and empirical literature was reviewed. Data Collection methods and instruments used were interview, survey and review of secondary data like journals, etc. Data was analyzed based on the objectives of the case and the findings were analyzed qualitatively by distilling the information, organizing and using them to explain the business case problem by backing the arguments made with relevant theories and empirical studies. Conclusion was the performance of the One Stop Facilitation Centre played an important role in the service delivery to investors. Recommendations were harmonization of the Laws and regulations of institutions included in the One Stop Facilitation Centre to smoothen service delivery to investors and automation of the One Stop Facilitation Centre in order to enable access to multiple services through a single electronic window.

Keywords; TIC, Investment, Business, One-stop facilitation centre, Foreign Direct Investment (FDI), etc.

1.0 Introduction

The Prime Minister of the United Republic of Tanzania, via the Prime Minister's Office (PMO), initiated an assessment of the 1996 National Investment Policy launched through the Forum in Swahili. The review, named ‘Mapitio ya Sera ya Taifa ya Uwekezaji ya Mwaka 1996’ aimed to identify obstacles to the efficient execution of investment policies (PMO, 2019). The goal was to identify factors that impede the effective implementation of investment policies.

Prime Minister, Mr. Kassim Majaliwa has launched a policy review to ensure the government cuts bureaucracy and other challenges that hinder investment implementation and contribute to slowing growth of foreign direct investment (FDI) among others. Important stakeholders who participated in the review forum was the Tanzania Investment Centre (TIC) which contributed to various insights and led to the government taking steps into pushing the implementation and improvements of the one-stop facilitation centre which was being implemented under TIC.

Organizations can be said to be a cornerstone of the macro-economy; thus, business organizations need to be able to have strategic management which will lead the development of business organizations.

Therefore, strategic business management and development are very important and it mainly depends on the management of organizations.

The Government of the United Republic of Tanzania (URT) established a crucial and strategic public institution, the Tanzania Investment Center (TIC). The primary responsibility of the TIC was to coordinate, encourage, and facilitate investment in Tanzania and provide guidance to the government on investment policies and other relevant matters.

Since its inception in 1997, the Tanzania Investment Centre has implemented a one-stop facilitation center. As the primary agency of the government tasked with coordinating, promoting, and facilitating investments and advising the United Republic of Tanzania Government on all investment-related matters, the center hosts 12 government institutions. Its objective is to streamline the registration and licensing procedures for businesses and projects, particularly for foreigners with a capital of US $500,000 and local Tanzanians with a capital of US $50,000, as stipulated in the Tanzania Investment Act of 2002 (URT, 2022). The aim of fast-tracking the process and removing bureaucracy is to attract more foreign direct investment (FDI).

And as FDI, refers to an investment made by a company or individual from one country in another country. This investment can take many forms, such as setting up a subsidiary or acquiring a controlling stake in an existing business. FDI has become an important driver of economic growth in many countries around the world. In this article, we will discuss the benefits and challenges of FDI, as well as the factors that influence FDI flows.

FDI brings several benefits to host countries. First and foremost, it provides a source of capital that can be used to finance economic development. FDI can help to create new jobs, increase productivity, and boost exports. It can also transfer knowledge and technology, and lead to the development of new industries.

FDI can also bring benefits to the investing country. By investing in other countries, companies can diversify their operations and reduce their risk exposure. They can also gain access to new markets and resources, and benefit from lower labor costs and other efficiencies.

While FDI can bring significant benefits, it also poses several challenges. One of the main challenges is that it can lead to a loss of control over key industries and resources. This can create dependency and vulnerability, particularly in developing countries. In addition, FDI can lead to the exploitation of workers and the environment if not properly regulated. It can also exacerbate income inequality, as profits may be repatriated to the investing country rather than being reinvested in the host country.

Another challenge is that FDI can lead to a brain drain, as skilled workers may be lured away from their home countries to work for foreign companies. This can weaken the host country's own industries and development efforts.

Factors Influencing FDI Flows

Several factors influence the flow of FDI, including economic, political, and cultural factors. One of the most important economic factors is the size and growth potential of the host country's market. Investors are attracted to countries with large and growing markets, as they offer the potential for high returns.

Political factors also play a role in FDI flows. Investors are attracted to countries with stable political systems and predictable regulatory environments. They are also more likely to invest in countries with low levels of corruption and a strong rule of law.

Cultural factors can also influence FDI flows. Investors may be attracted to countries with a familiar culture and language, as this can reduce the costs and risks of doing business. In addition, cultural differences can affect the way business is conducted in different countries, and investors must be aware of these differences to succeed

2.0 Background: Overview of Tanzania Investment Centre (TIC)

Established under the 1997 Tanzania Investment Act, the Tanzania Investment Center (TIC) was created with the goal of attracting more foreign direct investment (FDI). The organization has evolved over the years and is currently headed by Executive Director Mr. Gilead Teri, along with other management personnel as outlined in Table 1.0 ***(Refer to Exhibit 1.0)***.

The Investment Act of 1997 provided a regulatory framework for investment promotion and incentive management, aiming to increase efficiency. Pursuant to Article 4 of the Act, the TIC was established, and Section 2 referred to it as an agency under the general supervision of the competent minister.

The TIC's One-Stop Facilitation Center is a comprehensive structure that incorporates relevant government agencies, providing fast, efficient, and transparent services to investors. Its streamlined administrative procedures and guidelines for obtaining permits and licenses aim to eliminate bottlenecks that investors face when setting up and operating a company in Tanzania.

The TIC's One-Stop Facilitation Center provides a range of services to investors, including company and business registration, business license applications, entry visas, work and residence permits, work permit exemptions, connections to utilities such as electricity, telecommunications, and water, income tax and VAT registration, industrial and commercial access to real estate, environmental impact assessments, compliance, and information on the Tanzanian business environment, regulatory laws, and investment opportunities. In addition, it assists with opening bank accounts and provides professional business advisory services.

In order to qualify for services at the TIC one-stop facilitation centre, an investor must be a lawful business or enterprise established, acquired, or expanded by a domestic or foreign investor in accordance with the laws of the United Republic of Tanzania. To qualify for TIC services, a project must exhibit specific criteria that showcase its potential for economic success. This includes the investor committing valuable resources for a reasonable period with the expectation of making a profit. Additionally, the project must create high-quality employment opportunities, offer potential for technology and skill transfer, utilize local raw materials in production, have the potential for import substitution and exportation, establish both backward and forward linkages, prioritize innovation and creativity, and align with priority sectors in economic diversification efforts.

Investments will be prioritized in the following sectors: agriculture and agro-processing, mining and mineral processing, manufacturing, financial and business services, business process outsourcing, innovation and information and communication technology (ICT), transportation, freight and logistics, hospitality and tourism, education and skills development, and eligible projects sponsored by government business centers. Projects of national strategic importance are also certified by TIC.

TIC was established as the main government agency to coordinate, stimulate, encourage and promote investment in Tanzania. The One-stop facilitation center was included in the act and envisioned to coordinate the activities of 12 government institutions and harmonize the laws and regulations guiding the day-to-day activities of the institutions. The institutions stationed offices at the TIC headquarters building in Dar es Salaam, where registrations and licenses processing are easily harmonized. TIC works with various ministries and other government agencies to incorporate foreigners' businesses and companies in Tanzania. The center also acts as an awareness tool for investors and the public on incentives and investment-related matters. TIC offers investors assistance in interpreting Section 6(h) of the Act and other legal purposes related to investment. The Institutions were: ***(i)****Ministry of International Trade and Industry,* ***(ii)*** *Business Registration and License Authorities (BRELA),* ***(iii)*** *Immigration Department* ***(iv)*** *Labor Department,* ***(v)****Tanzania Revenue Authority (TRA),* ***(vi)*** *National Identification Development Authority (NIDA),* ***(vii)*** *Occupational Health and Safety Agency (OSHA),* ***(viii)*** *National Environmental Management Council (NEMC),* ***(ix)*** *Tanzania Bureau of Standards (TBS),* ***(x)*** *Tanzania Medicines and Medical Devices Authority (TMDA),* ***(xi)*** *Tanzania Electricity Supply Company (TANESCO) and* ***(xii)*** *Ministry of Lands, Housing and Human Settlements Development* ***(Refer to Exhibit 2.0).***

At TIC, during incorporation of the foreigners' businesses and companies in Tanzania, as an investment broker for Investors, TIC works with various ministries and other government agencies. Additionally, the TIC acts as an awareness tool for both investors and the field. Or from abroad and the general public on the issue of incentives. style of creation Recognition depends on the media, production of pamphlets and books, and organize and host various seminars, conferences and workshops.

Despite the fact that TIC deals with investment issues, it deals also with investment law. The center itself offers investors, even when applying the ***"ejusdem Generis".***

TIC grants Certificates of Incentives to holders of a certificate of incentives that are entitled to various investment incentives as stipulated in the Investment Act, 1997 Tanzania TIC Functions. The center is responsible for creating and maintaining a positive climate for private sector investment, providing advice to the government on investment-related matters, stimulating local and foreign investments, facilitating foreign and local investors, stimulating and supporting the growth of Entrepreneurship and SMEs in Tanzania, providing and disseminating up-to-date information on investment opportunities and incentives available to investors, monitoring the Tanzania business environment, and growth of Foreign Direct Investment (FDI) in the country. TIC activities include a proactive response to investor needs, facilitating SMEs' growth and their linkages with joint venture partners, organizing investment forums, assessing Tanzania's investment competitiveness, promoting Tanzania as a viable investment destination, policy advocacy, and changing the government culture through sensitization seminars, among others.

3.0 Literature Review

3.1 Definition of Key Terms

Various meanings are associated with the term ***"foreign,"*** such as being derived from or connected to another country, not native, external to one's own nation, related to foreign affairs, or carried out overseas.

The word ***"direct"*** holds different meanings depending on its use as an adjective, adverb, or verb. As an adjective, it denotes something that moves or extends from one place to another without changing direction or stopping. As an adverb, it means having nothing or no one in between. And as a verb, it signifies controlling or managing the operations of people or things.

3.2 Investment policy

An investment policy is a set of guidelines that outline overall investment objectives and strategies to achieve those objectives. As the primary driver of economic growth, investment plays a crucial role in generating employment opportunities and income, as well as developing infrastructure and social services.

3.3 Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a form of cross-border investment by foreign investors in another country. FDI has three components: net worth, capital, reinvested earnings, and intercompany loans. It involves a resident entity in one economy investing in an enterprise located in another economy with the objective of obtaining a long-lasting interest in the enterprise. This lasting interest indicates the existence of a long-term relationship between the direct investor and the enterprise, with the direct investor exerting a significant level of influence over the management of the enterprise.

Ownership of at least 10% of the voting power, representing the influence by the investor, is the basic criterion used.

Foreign Direct Investment (FDI) refers to the investment made by a company or individual in one country into a business enterprise located in another country. This type of investment typically involves a long-term commitment and the transfer of resources, such as capital, technology, and expertise, to a foreign country.

FDI can take many forms, including the acquisition of an existing company or the establishment of a new subsidiary or joint venture. FDI is often used as a means for companies to expand their global reach, access new markets, and take advantage of lower labor and production costs in foreign countries.

One of the primary benefits of FDI is the potential for increased economic growth and development in the recipient country. FDI can provide much-needed capital for businesses, which can lead to increased employment opportunities, higher wages, and improved infrastructure. Additionally, FDI can bring new technologies and management practices to a country, which can lead to increased productivity and competitiveness.

FDI can also have a positive impact on the balance of payments in a country. By investing in a foreign country, a company can generate new export opportunities and increase the flow of foreign exchange into the country. This can help to offset any trade deficits and improve the overall balance of payments.

However, FDI can also have negative effects on the recipient country. One potential concern is the possibility of a "brain drain," where skilled workers are recruited by foreign companies, leaving the domestic workforce with a shortage of skilled labor. Additionally, there is a risk that FDI can lead to the exploitation of workers, environmental degradation, and other negative impacts.

Governments can play an important role in regulating FDI to ensure that it benefits their country. Many countries offer incentives, such as tax breaks and subsidies, to attract FDI. Governments may also impose restrictions on FDI in certain industries or require that foreign companies meet certain standards before investing in the country.

Overall, FDI can be an important driver of economic growth and development, but it is important for governments to carefully regulate and monitor foreign investment to ensure that it benefits their country and does not lead to negative impacts.

3.4 Review of Related Theories

3.4.1 Political System Theory

The political system theory aims to facilitate nationally implemented institutions and activities and turn public opinion into policy outcomes. Scholars believe that practicing political system theory in democracies can raise awareness of the role that politics and government should play in policy implementation and how grassroots should be involved in it.

3.4.2 Modernization Theory

According to the modernization theory, foreign direct investment is usually seen as the main source of investment. Capital inflows, management skills, and technology are imported from foreign direct investment. It is difficult for a country to generate that much capital from domestic savings, and technology importation may not be possible. Such technology transfer is difficult, risky, and expensive. Therefore, foreign direct investment plays an important role in national economies.

3.5 The Role of FDI

Numerous rules, regulations, and institutions have been enacted or created since the mid-1980s to regulate the proper functioning of the country's private sector-led market economy. These efforts have led to an increase in foreign private investment (FPI), especially in Tanzania. Foreign direct investment can have both quantitative and qualitative impacts on employment, directly creating new jobs by establishing a foreign or existing subsidiary, and indirectly generating employment through forward and backward links with distributors and suppliers. The role of foreign direct investment is widely recognized as an enabling factor for growth in developing countries. In Tanzania, the government has tried to attract foreign direct investment by providing generous incentives to achieve its goal. Despite its high empirical and political contribution to foreign direct investment in employment in Tanzania, it has been little studied.

4.0 Case Problem: Performance of One-stop facilitation centre of TIC

During the inauguration of the investment review forum by the Prime Minister of Tanzania in 2019, concerns were raised about the slow harmonization of institutions within the one-stop facilitation centre.

Tanzania Investment Centre's (TIC) one-stop facilitation centre has undergone significant changes since its establishment and has revolutionized the country's facilitation and promotion of investments, especially foreign and domestic direct investments.

TIC received many visits from investors seeking assistance with various issues, including business registration and government licenses. As a result, TIC management proposed a solution to the government, with the aim of helping investors receive timely and efficient assistance when establishing investments in Tanzania. The solution required all relevant services and agencies to be stationed at the one-stop facilitation centre, thereby reducing bureaucracy and providing investors with necessary help.

Prior to 2000, investors faced challenges such as obtaining permits, approvals, licenses, and certifications, which required them to visit various ministries, departments, and units. Additionally, the company registration process was manual and not integrated. Inadequate infrastructure compounded the problem.

In 2016, the government launched a program aimed at harmonizing cooperation between regulatory authorities to improve communication between different bodies and ease the burden on investors. The lack of communication and cumbersome bureaucracy was causing significant issues.

Apart from bureaucratic challenges, investors also faced problems with the laws and regulations governing related institutions. For instance, when applying for resident permits, investors needed a license and TIN number, and when applying for a TIN number, they had to provide details of their resident permits. Each institution had its own fee structure, which resulted in investors paying excessive taxes and fees. These various procedures and regulations were not helpful, but instead, wasted precious time, causing frustration and, in some cases, delayed procedures by several weeks.

One of the major challenges was the closing time of various departments, which caused delays in manual processes. Investors could receive documents from one department, only to find that the next department was closed, leading to further delays.

The closing time of various departments was another challenge to the manual processes as narrated by one of the Managers at TIC,

"The investor will get one permit and documents from one department and by the time he goes to the other department, the working time will be over and the investor will be asked to come the next day and if the related personnel is away in other duties, the procedures may take weeks even longer".

Overall, the review and necessary improvement of the one-stop facilitation centre was necessary to provide investors with efficient, streamlined services.

4.1 Case Dilemma

The challenge at hand was how to enhance the effectiveness of the TIC one-stop facilitation centre, as demonstrated by the data and statistics ***(Refer to Exhibit 3.0),*** which indicated an increasing trend in FDI and DDI but also a rising number of complaints from foreign investors regarding delays in certain processes within the One Stop Facilitation Centre, such as TRA, NEMC, and the Ministry of Land. These complaints were essentially undermining the purpose of establishing the one-stop facilitation centre in the first place.

Furthermore, the Ministry of Industries, Trade and Investment had been commissioned by the government to develop a blueprint highlighting the challenges faced by investors when establishing businesses in Tanzania. However, the implementation of this blueprint had been slow due to conflicting laws that hindered the investment facilitation processes.

Additionally, the TIC Zonal Offices faced challenges as they did not have their own OSFC. Consequently, they had to send investor documents from regional zones to the Dar es Salaam One Stop Facilitation Centre to obtain the necessary approvals, certificates, and permits, leading to delays and inefficiencies in the process.

5.0 Methodology for Business Case

This business case study has adopted a descriptive case study design to narrate a real-life scenario faced by an organization and how they tackled it. The design presents a simple yet comprehensive report of the problem along with expert commentary to aid the reader in understanding the causes of the issue, the factors that led to the solution, the implementation outcomes, lessons learned, and their relevance to relevant theories, concepts, policies, and tools.

5.1 Data Collection Methods

To describe the case accurately, both primary and secondary data sources were utilized. Under secondary data sources, the documentary review method was used, whereby relevant official documents and other recognized academic secondary sources of information were reviewed to obtain the necessary information.

In primary data sources, information was collected through discussions with some of the management personnel of TIC. The collected data were qualitatively analyzed by distilling, organizing, and utilizing the information to explain the business case problem, while also supporting the arguments with relevant theories and empirical studies.

6.0 Status Report: Management Meetings to come up with possible solutions

Thus, in 2019, the Prime Minister as the Prime Minister was commissioning for the investment policy review forum, the one-stop facilitation centre had achieved much as there were agents from almost four (4) institutions among the twelve institutions included in the one-stop facilitation centre. The agents were the ones from; BRELA, immigration, Labour Department and Land department.

Thus, in 2020, most of the one-stop facilitation centre procedures were being improved upon and especially the centre integrating other seven institutions by pushing for the officers from the institutions to be stationed at TIC.

6.1 Proposed Business Solutions

Tanzania Investment Centre (TIC) one-stop facilitation centre had to come up with the following ideas and suggestions as identified below.

The first proposed solution was for all of the 12 institutions included in the One Stop Facilitation Centre to have dedicated officers with full mandate to accomplish facilitation services under One Stop Centre in order to assist and create smooth landing for investors in the country.

Second, to push for establishment of the One Stop Facilitation Centres at the zonal offices in order to fast track requests from investors and improve service delivery in the zones.

Third, was to fast track the establishment of Tanzania Electronic Investment Window (TeIW) an integrated system that can help simplify investment facilitation procedures by providing multiple services under one digital window.

Fourth, was to establish a single payment system which will provide integrated single bill with its control number and which will combine the fees and taxes of different institutions.

7.0 Conclusion

Based on the findings of the teaching case, it can be concluded that investment is a significant factor in the economic development of a country. A favorable investment climate offers firms opportunities and incentives to invest productively, create employment, and contribute to the country's development, thereby promoting economic growth and reducing poverty.

The study also suggests that although Foreign Direct Investment (FDI) is considered the primary engine for boosting the country's economy, the issue lies in the implementation of investment policies to achieve FDI growth. Several constraints hinder the implementation of investment policies, including inadequate investment project areas, insufficient ICT facilities/equipment, corruption, bureaucratic red tape, delays, a shortage of skilled personnel, and limited financial resources.

Therefore, based on the teaching case, the government and other stakeholders need to put in more effort to address these challenges. Additionally, the study was conducted in a timely manner, and the Investment Act of 2022 highlights land as a challenging area for foreign investors' interaction with TIC. The establishment of a "land bank" by TIC was anticipated to make land readily available for investment purposes; however, such a system is yet to be implemented. Consequently, foreign investors must endure a lengthy process of identifying and converting land to obtain derivative rights from TIC.

Several unanswered questions remain, such as when Tanzania Electronic Investment Window will be launched and if the acts and regulations of various institutions will be harmonized entirely to facilitate the smooth functioning of the one-stop facilitation center. Moreover, key decision-makers from institutions involved in the one-stop facilitation center must delegate their duties to essential officers stationed at Tanzania Investment Center's one-stop facilitation center.

Also, according to the investment act of 2022, land remains a challenging area for foreign investors and their interaction with TIC. It had been assumed that TIC would oversee a 'land bank' where land designated for investment purposes would be readily available. Such a system is yet to be put in place. Foreign investors must therefore continue to go through an occasionally lengthy process of (a) identification and (b) conversion of land from one category to another (village to general land for example) in order to obtain derivative rights from TIC.

Thus, the following questions below remain un answered;

- When is Tanzania Electronic Investment Window launched?
- The various acts and regulations of different institutions will they be harmonized completely to facilitate smooth functioning and operation of one-stop facilitation centre?
- Key Decision makers from all of the institutions involved in the one-stop facilitation centre, will they delegate their duties to important officers to be stationed all the time at Tanzania Investment Centre one-stop facilitation centre?

7.1 Recommendations

There is an opportunity for another case to be done in other similar institutions as TIC such as EPZA, ZIPA, etc. in order to enable different researchers to have and compare their converged findings and insights in their study.

Also, there is opportunity to conduct a case study on Tanzania Investment Centre especially from the angle of new Investment policies after the new investment act of 2022.

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