



## Boosting regional investment in Tanzania

Seeking to transform the way companies invest in Tanzania to accelerate job creation, industrialisation and inclusive growth, I4ID developed Iringa regional authorities' capabilities to help investors, by facilitating access to land and infrastructure, mediating negotiations with communities and other stakeholders, and liaising with other government agencies, to overcome business environment constraints. The President's Office Regional Administration and Local Government (PO RALG) and the Tanzania Investment Centre (TIC) are interested to promote and replicate this model in other parts of the country.

This case study presents the experiences of the Institutions for Inclusive Development (I4ID) Programme's partnership in boosting regional investments in Tanzania. It documents the lessons learnt by Palladium, SNV in Tanzania, BBC Media Action, and ODI UK throughout four years of programme implementation (2017-2020). Supported with UKAid and IrishAid funding to address several service delivery and economic issues, the partnership contributed in:

- strengthening inclusivity and accountability practices in Tanzania's institutions for long-term social progress and economic growth; and
- enabling the delivery of equitable services to benefit women, young people, people living in poverty, and vulnerable groups across Tanzania.

### The challenge

After meeting with several companies and business analysts, we identified a major gap in the country's current push for industrialisation, despite the desire and efforts to promote investment opportunities. Companies on the ground, with ready-to-go business plans and access to finance, were struggling to overcome simple yet time-consuming and often costly, bureaucratic constraints, such as:

- difficulties in securing access to land and infrastructure;
- liaising and maintaining the support of multiple stakeholders, from community leaders to local, district and regional government officials; and
- navigating the requirements of multiple regulatory and revenue agencies.



Green Valley Holdings at Iringa (I4ID/Neema J. Ngelime).

*There is no shortage of companies that can invest and create jobs in Tanzania, but too many are held back by constraints in the local investment climate.*

Our analysis, after meeting a wide range of stakeholders, was that the skills and functional capabilities to provide investment facilitation services to investors is severely lacking.

Officials in different agencies such as Tanzania Investment Centre, or at different levels of government, such as the District Trade Officer, have different mandates and incentives, e.g. to regulate tax exemptions and land certificates, or raise revenue through business licenses. These often confuse, obstruct and delay investors, rather than provide an effective service targeted with investors' needs in mind.

I4ID sought to transform the way companies invest in Tanzania to accelerate job creation, industrialisation and inclusive growth, by supporting regional authorities to play a bigger role in helping companies overcome the constraints that frustrate and delay their plans to expand or set up new operations.

## I4IDs engagement

I4ID agreed with PO RALG to pilot a new service with Iringa Region to test and demonstrate its effectiveness for the Government of Tanzania and development partners.

I4ID proposed to the Ministry of PO-RALG to pilot an approach with Regional Authorities for providing investment facilitation services. The PO RALG agreed and brokered an introduction

to Iringa regional authorities. FCDO Tanzania's Growth Team asked us to focus on regions in the Southern Highlands, that could offer synergies with their other investments, such as through the Southern Agricultural Growth Corridor of Tanzania (SAGCOT).

**I4ID's hypothesis, based on Yuen Yuen Ang's 'How China escaped the poverty trap', was that regional leaders could drive change locally where it is needed, and nationally where it could be scaled.**

I4ID and PO RALG aimed to demonstrate that existing regional authorities' capabilities could provide an effective vehicle for reforming the investment climate.

By coordinating local officials to facilitate tangible impacts on the ground, and by leveraging demonstration effects to shape national institutions and reforms, through the influential voice that Regional Commissioners can provide.

In particular, I4ID was keen to demonstrate that tangible impact could be achieved by changing institutions and behaviours, without significant sums of grants and subsidies that other similar donor-funded projects rely on, and which ultimately prove unsustainable.

Indeed, the Government of Tanzania is equally keen to avoid building a culture of dependence

on donor-driven grants in the private sector to stimulate investment, as witnessed by the cancellation of the SAGCOT Catalytic Fund.

## Systems change approach and results

**Developing and applying new practices: I4ID focused on tangible change by enabling Iringa regional authorities to unlock real constraints affecting companies on the ground, rather than hypothetical constraints identified from literature or research**

With I4ID's coaching and support, a functioning Regional Investment Facilitation Office (RIFO) was established in Iringa, leading changes in policy and procedures across district and ward level officials and national agencies, to improve the investment climate and help companies invest in creating new jobs in the region.

I4ID provided basic operating expenses for the newly established RIFO managers to visit companies, investment sites and attend meetings, but beyond that avoided any expenditures that could prove difficult to sustain in the long term. I4ID coaching and technical support enabled the Iringa RIFO to establish a branded and recognisable office with job roles, responsibilities, and reporting structures, and a website.

The Regional Investment Facilitation officers developed a pipeline of investment opportunities, through a scoping study meeting with existing companies and investors established in Iringa, and by meeting with banks and other service providers, who could identify potential new investors.

The pipeline helped establish the overall value of investment, in terms of dollars and jobs, that could be realised in the foreseeable future if those specific constraints could be addressed. The ceiling value of the pipeline of investments that could be realised for Iringa Region over the coming years, was estimated at around \$200M.

Presenting this evidence to the regional authorities certainly helped focus minds and generate support for I4ID's hypothesis that too much attention and effort in Tanzania was being devoted to outward investment 'promotion' while neglecting the opportunities that could be

facilitated with existing investors, such as those already with a stake in Iringa Region.

From this pipeline, the RIFO team developed weekly workplans and goals related to each investor. With coaching and mentoring from a local business development consultant engaged by I4ID, the RIFO team led a shift in approach that has reached across Iringa's regional and district officials and local officials working in other government agencies.

The shift included becoming more customer friendly to improve the business environment, rather than primarily policing and taxing local companies, and improving internal communication and information sharing between regional staff, district staff, other government agencies and investors themselves, to ease investment constraints.

Overseen by the Regional Administrative Secretary (RAS), the Iringa RIFO team demonstrated that they can liaise with other regulatory bodies to help private investors overcome regulatory and business environment constraints, such as licensing, certificates and permits.

Furthermore, political stakeholders and local leaders at district and village levels have been successfully brought on board to commit support and resources in the form of venues for meetings and covering travel costs for district, ward and village level officers to perform follow-up visits and tasks.

These changes in ways of working have increased the transparency around procedures and challenges faced by investors, boosting investor confidence, and created a much more inclusive decision-making process by ensuring citizen groups and community voices were heard when it came to addressing issues.

I4ID's influence has also led to the RIFO team ensuring greater focus on questioning the social and environmental impact of new investments and that all relevant stakeholders are present or at least their interests and concerns are addressed when meeting or engaging with investors.

RIFO sought ways to ensure that new investments maximise employment benefits for local



Regional Commissioner's Office, Iringa: building a culture and relationship of trust and open communication between political leaders and investors has been the most valuable institutional change (I4ID/Neema J. Ngelime).

communities (e.g. encouraging investors to source local labour and materials), and created an environment for a more open dialogue between investors and local communities – with district or ward-level officers often serving as mediators and convenors.

### **New services, new ways of working, procedural changes, all leading to actual jobs, and now being adopted and scaled**

We anticipate well over 250 jobs (40% for women), will be created as a result of the interventions in the first year alone, in particular with a timber products plant and a new sugar plantation and processing plant.

For example, the RIFO team facilitated land acquisition and power connection for the establishment of a metal workshop cluster in Mafinga which enabled HongWei International, a Chinese company manufacturing plywood in Iringa, to expand operations by investing in a new metal fabrication workshop.

The RIFO team also successfully liaised with regulatory bodies to help Ndoto Farm limited to secure Tanzania Dairy Board (TDB) certification which enabled the company to graduate from a pure supplier to a milk processor.

*'The RIFO office has been a good connecting point and mediator between our company and the local communities by initiating dialogues to address various challenges.'* - Anna Mroso, Marketing Manager, GVA Tanzania

The institutional and behaviour change we have witnessed amongst officials and business leaders across the region and in the districts have been truly inspiring, as a whole raft of agencies and LGAs learn how to pro-actively engage with businesses and respond to their needs with more transparent and consultative processes, stronger networks and relationships, and using and sharing data and information.

The level of interest, uptake, and adoption in this approach at a wider, national level has been very rewarding for the team. Through targeted advocacy with the Tanzania Investment Centre (TIC), PO RALG and business associations such as the Tanzania Private Sector Foundation (TPSF), I4ID and the RIFO team cultivated a strong and broad understanding of the RIFO approach.

In particular, understanding on the qualitative difference between investment 'promotion', and practical hands-on investment 'facilitation' by working directly with investors to deliver tangible results and jobs on the ground. Indeed, TIC has now established an Investment

Facilitation Committee in the Mbeya zone (covering Iringa), bringing together 15 different local and national agencies to meet regularly and agree priorities for how the biggest investment opportunities can be facilitated.

*'The existence and promotion of the RIFO has allowed us to easier receive and consolidate investor-related issues and work on them in a more timely manner.'* - Richard Swai, Manager, TANESCO Iringa

In addition, by focusing on changing behaviours, relationships, and ways of working, I4ID supported changes that could be sustained, without dependence on technical and financial resources. For example, RIFO updates and issues have been incorporated into the agenda for the weekly Regional Management meetings, the bi-annual Regional Business Council meetings and the quarterly Full Council Meetings of the districts in Iringa Region.

I4ID has also promoted sustainability by assisting the Iringa regional authorities to make the business case to PO RALG for creating a budget line for a permanent RIFO function, with defined staff roles and responsibilities and the resources needed to keep the RIFO office functional.

## Lessons

**Investors are often eager to deliver benefits to local communities**, but there remains a mistrust between them and local communities, in particular community members fear that investors will not give them fair salaries, benefits and permanent, long-term employment. Some of the value of RIFO is in helping address these challenges, by helping investors understand the social and historical context and dynamics of the communities they are investing in, to gain a social license to operate. It has also been important for local communities to be informed of the different complexities of an investor's business at its various stages of growth, so they feel like they are on the investment journey with the investor and can talk openly to communities about their challenges and plans.

**Building government officials capacity to develop trust relationships with investors:** investors do not need elaborate presentations, or lots of data and information, or just a rule

book to follow, they want to see and know that officials are people who they can trust and rely on. By working on practical issues that deliver tangible results, this also builds the confidence and credibility of officials.

**Knowing when and how to align the personal interests of political stakeholders:** Political stakeholders not only want to be seen as having played a key role in ensuring investors' issues are addressed. They also want the publicity that will give them the political mileage in higher levels of government (i.e. Ministries or people within and around the ruling party leadership). Success stories are what they can use to secure their jobs and move up the political hierarchy.

## About I4ID

Institutions for Inclusive Development (I4ID) is a programme implemented by Palladium, SNV, BBC Media Action and ODI UK, funded by UKAid and IrishAid. Between 2017 and 2020, I4ID partners piloted new and innovative approaches to introduce inclusive growth approaches and better public services to benefit the largest number of people possible in Tanzanian society.

This case study was put together by staff from the I4ID team, including Julie Adkins (SNV), who edited this brief for SNV.

To learn more about I4ID's regional investment facilitation story in Iringa, view video at <https://vimeo.com/457728322>.

## About SNV in Agriculture

SNV contributes to sustainable change in Agriculture through market-based approaches. We contribute to systems change by kick-starting and strengthening agricultural markets in selected commodities. We deploy our tested tools and approaches – such as using a food systems lens to identify key bottlenecks, developing inclusive business models, working with public-private partnerships and launching innovative finance – to address the root causes of why markets fail to meet the needs of people living in poverty.

This approach helps farmers to grow more food sustainably, while creating jobs at different stages of value chains and putting women and youth at the centre of development. SNV also strengthens the climate resilience of farms and markets. We help farmers and agri-businesses to expand their businesses by working with financial institutions to make financing available on reasonable terms and by working with farmers and agri-businesses to develop sound business cases.

Our agriculture projects will contribute to achieving the SDGs through inclusive value chains, sustainable nutrition for all, and climate and business. We use our balancing benefits approach to close the gender gap. This approach addresses the root causes of unequal development, such as inequitable norms, and unequal access to resources and market opportunities.



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SNV, 'Boosting regional investment in Tanzania', *I4ID systems change case study*, The Hague, SNV, 2021.

## SNV

SNV is a not-for-profit international development organisation that makes a lasting difference in the lives of people living in poverty by helping them raise incomes and access basic services. We focus on the Agriculture, Energy, and Water, Sanitation, and Hygiene (WASH) sectors and have a long-term, local presence in over 25 countries in Asia, Africa and Latin America. Our team of more than 1,300 staff is the backbone of SNV.

## Systems change case studies

SNV projects directly benefit millions of people. At the same time, our projects also drive systems change – strengthening institutions and kick-starting markets to help many more people work their way out of poverty, well beyond the scope of projects.

In this series, SNV documents and explores lessons on the way it achieves systems change, with special attention to four key parameters of success:

- leveraging finance,
- kick-starting/shifting markets,
- adoption of improved approaches by government and others,
- shifting values, norms and mindsets.

The growing number of case studies will cover a variety of geographic contexts, (sub-) sectors and development challenges.

## Cover photo

At the EatFree packaging house in Iringa (I4ID/Neema J. Ngelime)

## For more information

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